Scotiabank (Ireland) Designated Activity Company

Pillar 3 Disclosures

As at 31st October 2017

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1 Introduction

1.1 Background

Scotiabank (Ireland) Designated Activity Company ("SIDAC" or the "Company"), is subject to Irish and European Union legislation which seeks to stabilise and strengthen the EU financial system by ensuring that institutions, including the Company, hold adequate capital to meet the potential impact of the risks to which they are exposed. As part of this capital adequacy regime, institutions are required to publically disclose specified information ("Pillar 3 disclosures") to enable market participants to understand how an institution implements the applicable legislation.

This report represents the Company's Pillar 3 disclosures as at 31 October 2017 as required under the Capital Requirements Directive (Directive 2013/36/EU) ("CRD IV"), the Capital Requirements Regulation (Regulation (EU) No. 575/2013) ("CRR"), associated implementing legislation and guidelines issued by the European Banking Authority ("EBA"). The Company is required to disclose this information on an annual basis.

1.2 Key Changes in the 2017 Pillar 3 Disclosures

Previous Pillar 3 reporting requirements have been complied with through a combination of disclosures in the published financial statements, including the unaudited portion, and supplementary disclosures. In December 2016[1] the EBA issued revised guidelines on Pillar 3 disclosures, which the Central Bank of Ireland ("CBI") has determined the Company should apply in full. As a result the 2017 report comprises all required disclosures in a stand-alone document with new qualitative and quantitative data that provides a readily accessible source of prudential measures for users. For all quantitative disclosures being presented for the first time in this report, there is no requirement under the EBA guidelines to provide prior year comparatives. See Appendix 2 for a mapping of report contents to relevant CRR references.

1.3 Scope of Disclosure

These Pillar 3 disclosures are prepared on an unconsolidated / individual basis. They are disclosed on an annual basis in line with the financial statements and are published on the Company's website at the following location: https://www.scotiabank.com/global/en/country/ireland.html. Disclosures required under Pillar 3 are only incorporated if they are deemed relevant and material for the Company and if their omission or misstatement would change or influence the assessment or decision of a user relying on the information. Information regarded as proprietary or confidential has been excluded from this document, as allowed under the CRR.

The information provided in this document is not required to be subject to an external audit. These disclosures do not constitute any form of a Financial Statement and should not be relied upon in making any financial or investment decision. The disclosures have been checked for consistency with existing risk reports and appropriateness against the disclosure requirements, and have been reviewed by authorised senior management representatives. The disclosures have been deemed adequate, both in terms of frequency and level of details, to convey SIDAC's risk profile comprehensively to market participants.

The below table provides a mapping of Financial Statement categories under the regulatory scope of consolidation to regulatory risk categories, as at 31 October 2017. As the Company does not publish consolidated financial statements, a reconciliation of the Company's balance sheet on an accounting basis to the Company's balance sheet under the regulatory scope of consolidation is not required.

[1] The guidelines were subsequently updated to Version 2 in June 2017.

Table 1 – EU LI1 – Mapping of Financial Statements categories with regulatory risk categories

	b	c	d	e	f	g
		Carrying values of items				
US$'000	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework [(1)]	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances at central banks	212,562	212,562	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Loans and advances to banks	11,981	11,981	-	-	-	-
Loans and advances to customers	2,827,255	2,529,195	-	298,060	-	-
Available-for-sale financial assets	2,832,897	2,789,045	-	43,852	-	-
Held-to-maturity financial assets	996,001	996,001	-	-	-	-
Derivative financial instruments	61,829	-	61,829	-	-	-
Deferred taxation assets	-	-	-	-	-	-
Tangible fixed assets	278	278	-	-	-	-
Intangible assets	1,034	-	-	-	-	1,034
Other assets	24,627	24,627	-	-	-	-
Prepayments and accrued income	21,119	19,068	-	2,051	-	-
Total assets	**6,989,583**	**6,582,756**	**61,829**	**343,964**	**-**	**1,034**
Liabilities						
Deposits by banks	68,057	-	-	-	-	68,057
Customer accounts	11,162	-	-	-	-	11,162
Derivative financial instruments	44,960	-	44,960	-	-	-
Debt securities in issue	3,785,309	-	-	-	-	3,785,309
Subordinated liabilities	-	-	-	-	-	-
Loan notes	50,000	-	-	-	-	50,000
Deferred taxation liabilities	729	-	-	-	-	729
Current taxation liabilities	45,674	-	-	-	-	45,674
Accruals, deferred income & other liabilities	27,862	-	-	-	-	27,862
Net retirement benefit liabilities	10,444	-	-	-	-	10,444
Total liabilities	**4,044,197**	**-**	**44,960**	**-**	**-**	**3,999,237**

[(1)] As the Company does not have an active trading book all remaining market risk relates to FX in the banking book. At 31 October 2017 the FX risk exposure was US$ 22,030,000 with an associated capital charge relating to FX risk was US$ 1,762,000.

Table 2 outlines, for items subject to the credit risk and counterparty credit risk (CCR) frameworks, a reconciliation of the carrying value of assets to Exposure at Default (EAD).

Table 2 – EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in Financial Statements

		a	b	c	d	e
			Items subject to			
	US$'000	Total	Credit risk framework	CCR framework	Securitisation framework	Market risk framework [(1)]
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)**	6,988,549	6,582,756	61,829	343,964	-
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	44,960	-	44,960	-	-
3	Total net amount under the regulatory scope of consolidation	6,988,549	6,582,756	61,829	343,964	-
4	Off-balance-sheet amounts	936,280	936,280	-	-	
5	Differences due to Derivatives	(13,449)	-	(13,449)	-	
6	Differences due to Provisions	6,896	6,896	-	-	
7	Other	(1,524)	(254)	(1,270)	-	
8	**Exposure amounts considered for regulatory purposes**	7,916,752	7,525,678	47,110	-	

[(1)] See note on table 1.

The main differences between carrying amounts reported in the Financial Statements and those for Regulatory purpose are:

- Off balance sheet items included as an exposure amount for Regulatory purposes
- The following effects recognised in the calculation of Derivative exposure amounts considered for regulatory purposes (i.e. EAD) according to CRR:
  - inclusion of derivatives with negative fair value which have been recorded in balance sheet liabilities;
  - recognition of ISDA netting agreements
- Provisions: Carrying amounts in the Financial Statements are reported net of provisions while exposure amounts for Regulatory purposes are gross of provisions.

1.4 Principal Activities

The Company, which holds a banking licence, is incorporated in Ireland and is a wholly owned subsidiary of The Bank of Nova Scotia International Limited ("BNSI"), Nassau, Bahamas which is in turn wholly owned by The Bank of Nova Scotia, Toronto, Canada ("Scotiabank" or "BNS").

The primary activities of the Company are securities investment, treasury management and international corporate lending. The Company's equity derivatives trading/hedging activity is currently dormant. The Company's financial objective is to generate a stable source of income using investment, money market, lending and trading portfolios. Each portfolio is carefully managed and diversified with regard to maturity, credit exposure and currency to achieve this objective, making use of interest rate, currency and equity derivatives to reduce the overall risk profile and to take positions in the market.

1.5 Business Strategy

The Company's strategy is aligned with that of Scotiabank and the following local strategic agenda supports this:

Customer Focus

The Company's direct customers are both internal to the Scotiabank Group also external borrowers and counterparties. The Company's primary customer is Scotiabank and its business lines in terms of existing business, funding and also future business opportunities. The Company focuses on its customers and by doing so ensures that their voice is directly embedded in everything we do.

Financial Strength and Capital Deployment

Scotiabank is focused on its business mix alignment to ensure that its financial resources are well-deployed and well-aligned with its Strategic Agenda. The Company's priority is to ensure that it invests in assets that are providing adequate returns on capital and which are properly assessed in terms of risk, profitability, return and are in line with its Risk Appetite.

Digital

The Company invests in technology to improve automation and intends to align with the Group's technology investment plans and also their IT systems where feasible.

Low Cost by Design

Being Low Cost by Design and closely managing the Company's cost structure helps to provide a better return to the shareholder. An important element of the strategic agenda is to become more efficient while continuing to improve the level of service to the Company's customers. A "continuous improvement mind-set" requires an ability to consistently embrace change to provide a strategic advantage in today's competitive environment. Notwithstanding this, investment or expense will be incurred when required to ensure structures and governance are in place to meet internal and regulatory requirements.

Leadership

The Company continues to focus on building and strengthening its Leadership Capabilities and in line with the parent it is committed to increasing Diversity as a diverse workforce leads to improved performance and a more inclusive

work environment. The Company places an emphasis on developing strong leadership with identification and development of talent being an area of focus. Notwithstanding the challenges faced by the Company as a foreign subsidiary, it remains committed to increasing its leadership capability pipeline by identifying and developing high potential employees.

Building the Brand

Building and protecting Scotiabank's Brand and its good name continues to underpin everything the Company does.

1.6 Key Performance Indicators

Both the level of business, performance and the year-end financial position were satisfactory and the Directors expect that the present level of activity will continue in the future. The Company recorded a profit for the year ended 31 October 2017 of US$ 107.7mm which was an increase of 90% from the previous year. Other Key Performance Indicators are:

Table 3 – Key Performance Indicators

Key performance indicators	***Target***	***2017***	***2016***
Return on Regulatory Capital Employed	*5% - 10%*	*13.4%*	*9.0%*
Total Capital Ratio	*> 49%*	*55.6%*	*59.2%*
Leverage Ratio	*> 37%*	*37%*	*38%*
Return on Equity (ROE)	*-*	*3.7%*	*1.5%*
Net Interest Margin	*-*	*2.0%*	*2.2%*

2 Capital Adequacy

2.1 Capital Management

The Company has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Company's management of capital during the year. The Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. This is achieved through the Internal Capital Adequacy Assessment Process ("ICAAP").

The overarching principle of the ICAAP is the explicit linkage between capital and risk; the adequacy of the Company's capital is assessed on the basis of the risks to which it is exposed. This requires a clear assessment of the material risk profile of the Company and a consideration of the extent to which identified risks, both individually and in aggregate, require capital to support them. Banking operations are categorised as either trading book or banking book which informs the capital to be held against the products. In addition, the level of capital held by the Company is influenced by minimum regulatory requirements.

The Company uses two measures for determining capital requirements in the decision making process:

- Minimum regulatory capital requirements (Pillar 1), and
- Internal capital requirement (Pillar 2) under the Supervisory Review and Evaluation Process (SREP)

2.2 Minimum Regulatory Capital Requirement (Pillar 1)

As regards regulatory capital requirements and capital adequacy, the Company is subject to the requirements of the CBI, EBA and the provisions under CRD IV/CRR. The adequacy of the Company's capital is assessed by comparing available regulatory capital resources with capital requirements expressed as a percentage of risk weighted assets. The regulatory minimum ratios (Pillar 1) are as follows, CET 1 and Tier 1 Capital of 4.5% and 6% respectively and a Total Capital ratio of 8%. In addition, the Company is required to maintain a Capital Conservation Buffer comprising CET 1 eligible instruments of 1.25% (increasing to 1.875% and 2.5% in 2018 and 2019 respectively) of risk weighted

assets and also an institution-specific Countercyclical Buffer of CET 1 calculated as risk weighted assets multiplied by a weighted average of countercyclical buffer rates determined by the geographic distribution of the Company's exposures (October 2017: 0.0636% equivalent to US$ 3.3mm). Refer to Appendix 1 for the detailed calculation of the countercyclical capital buffer.

Credit risk

The Company uses the Standardised Approach for calculating capital requirements for credit risk. This approach involves the application of risk weights to the Company's assets based on the deemed creditworthiness of its debtors and the rules as laid out in the CRR. More detail is provided in the Credit Risk section.

The Company utilises the Mark-to-Market method for the computation of CCR, covering over-the-counter (OTC) Derivatives and Securities Financing Transactions (SFT) (Repurchase Transactions and Securities Borrowing and Lending transactions). In addition, banks are required to hold capital against the risk that the credit quality of the counterparty could deteriorate. A Credit Valuation Adjustment (CVA) capital charge is required to cover this risk.

Market risk

The Company applies the Standardised Approach for the calculation of market risk regulatory capital.

Operational risk

The capital requirement for operational risk is calculated according to the Basic Indicator Approach. This requires the Company to hold a capital amount equal to 15% of the average of the sum of net interest income and net non-interest income for the three preceding 12 month financial periods for which audited financial information is available.

2.3 Internal Capital Requirement (Pillar 2)

The Company defines its internal capital as the capital required to protect it against severe unexpected losses that might put the solvency of the Company at risk. CRD IV requires banks to undertake the ICAAP which is then subject to periodic supervisory review under the SREP process to determine whether or not additional Pillar 2 capital is required for any material risk. In addition to the Pillar 1 capital the Company holds Pillar 2 capital, as considered necessary, for those additional risks not captured in the Pillar 1 computation. The additional risks identified through the ICAAP process are credit concentration risk, interest rate risk in the banking book, macro-economic risk and pension risk. As at 31 October 2017 the Company was required to maintain a Pillar 2 requirement of 3.125%.

From 1 January 2018, the Company is required to maintain a Total Capital ratio of 13%. This comprises the above Pillar 1 requirement of 8%, a capital conservation buffer for 2018 of 1.875% and the Pillar 2 requirement of 3.125%.

Table 4 – Regulatory Capital Ratios

US$'000 OWN FUNDS	Transitional 31 October 2017	Fully Loaded 31 October 2017	Transitional 31 October 2016	Fully Loaded 31 October 2016
Common Equity Tier 1 Capital (CET1)				
Paid up ordinary shares	40,000	40,000	40,000	40,000
Capital contribution reserve	811,092	811,092	809,999	809,999
Retained earnings	2,035,621	2,035,621	1,925,465	1,925,465
Accumulated other comprehensive income	18,673	18,673	14,667	14,667
CET1 Capital before Regulatory Adjustments	**2,905,386**	**2,905,386**	**2,790,131**	**2,790,131**
Regulatory Adjustments to CET1 Capital				
Deductions from Own Funds				
Additional value adjustments	(2,266)	(2,833)	(967)	(1,612)
Intangible assets	(1,034)	(1,034)	(1,862)	(1,862)
Qualifying AT1* deductions that exceed the AT1 capital of the institution	(207)	-	(745)	-
Prudential Filters				
Unrealised gains and losses measured at fair value	(3,735)	-	(5,867)	-
Intangible assets	207	-	745	-
Defined benefit pension obligations	1,444	-	3,610	-
Total Regulatory Adjustments to CET1 Capital	**(5,591)**	**(3,867)**	**(5,086)**	**(3,474)**
CET1 Capital/Tier 1 Capital	**2,899,795**	**2,901,519**	**2,785,045**	**2,786,657**

US$'000 OWN FUNDS	Transitional 31 October 2017	Fully Loaded 31 October 2017	Transitional 31 October 2016	Fully Loaded 31 October 2016
Tier 2 Capital				
Paid up perpetual non-cumulative preference shares	40,000	40,000	40,000	40,000
Own Funds	**2,939,795**	**2,941,519**	**2,825,045**	**2,826,657**
Capital Requirements - Pillar I				
Credit risk	399,259	399,259	358,004	358,004
Market risk	1,762	1,762	1,882	1,882
Of which:				
FX	1,762	1,762	1,882	1,882
Operational risk	15,709	15,709	14,107	14,107
Credit Valuation Adjustment risk	843	843	2,575	2,575
Capital Requirements - Pillar I	**417,573**	**417,573**	**376,568**	**376,568**
Risk Weighted Assets (or Equivalent)				
Credit risk	4,990,731	4,990,731	4,475,055	4,475,055
Market risk	22,030	22,030	23,522	23,522
Of which:				
FX	*22,030*	*22,030*	*23,522*	*23,522*
Operational risk	196,365	196,365	176,338	176,338
Credit Valuation Adjustment risk	10,540	10,540	32,191	32,191
Risk Weighted Assets (or Equivalent)	**5,219,666**	**5,219,666**	**4,707,106**	**4,707,106**
Capital Ratios				
CET1 capital ratio	**55.6%**	**55.6%**	**59.2%**	**59.2%**
T1 capital ratio	**55.6%**	**55.6%**	**59.2%**	**59.2%**
Total capital ratio	**56.3%**	**56.4%**	**60.0%**	**60.1%**

For further information on Transitional Own Funds, see the disclosure in Appendix 4. A reconciliation of equity in Financial Statements to Regulatory own funds and the main features of the Company's capital instruments is contained in Appendix 5.

Risk Weighted Asset Calculation

Exposures and Risk Weighted Assets (RWAs) for the Company, with the minimum capital requirements as at 31 October 2017 are outlined in the following table.

Table 5 – EU OV1 – Overview of RWAs

US$'000	Breakdown by risk type	RWAs 31 Oct 2017	Minimum capital requirements 31 Oct 2017
1	Credit risk (excluding CCR)	4,334,401	346,752
2	*Of which the standardised approach*	4,334,401	346,752
6	CCR	34,095	2,728
7	*Of which mark to market*	23,555	1,884
12	*Of which CVA*	10,539	843
13	Settlement risk	-	-
14	Securitisation exposures in the banking book (after the cap)	632,775	50,622
18	*Of which standardised approach*	632,775	50,622
19	Market risk	22,030	1,762
20	*Of which the standardised approach*	22,030	1,762
22	Large exposures	-	-
23	Operational risk	196,365	15,709
24	*Of which basic indicator approach*	196,365	15,709
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-
28	Floor adjustment	-	-
29	**Total**	**5,219,666**	**417,573**

2.4 Leverage Ratio

The leverage ratio is a supplementary non-risk based measure to constrain the build-up of leverage (i.e. create a backstop on the degree to which a banking firm can leverage its capital base). It is calculated as a percentage of Tier 1 capital versus the total on and off balance sheet exposure (not risk weighted).

The following tables analyse the leverage ratio exposures of the Company for the year end October 2017 and comparable.

Table 6 – LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

US$'000		31/10/2017	31/10/2016
1	Total assets as per published Financial Statements	6,989,584	6,559,294
4	Adjustments for derivative financial instruments	(16,023)	20,353
5	Adjustment for securities financing transactions (SFTs)	-	840
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	936,280	820,303
7	Other adjustments	(3,819)	2,609
8	**Leverage ratio total exposure measure**	**7,906,023**	**7,398,182**

Table 7 – LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
US$'000		31/10/2017	31/10/2016
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	6,926,500	6,304,939
2	(Asset amounts deducted in determining Tier 1 capital)	(3,867)	(2,830)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**6,922,633**	**6,302,109**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	19,967	115,065
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	27,143	34,838
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
11	**Total derivatives exposures**	**47,110**	**149,903**
SFT exposures			
14	Counterparty credit risk exposure for SFT assets	-	125,867
16	**Total securities financing transaction exposures**	**-**	**125,867**
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	1,963,433	1,666,887
18	(Adjustments for conversion to credit equivalent amounts)	(1,027,153)	(846,584)
19	**Other off-balance sheet exposures**	**936,280**	**820,303**
Capital and total exposure measure			
20	**Tier 1 capital**	**2,901,519**	**2,786,657**
21	**Leverage ratio total exposure measure**	**7,906,023**	**7,398,182**
Leverage ratio			
22	**Leverage ratio**	**36.7%**	**37.7%**
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure	**Fully phased in**	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	-	-

Table 8 – LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

US$'000		CRR leverage ratio exposures 31/10/2017	31/10/2016
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	6,926,500	6,304,939
EU-2	Trading book exposures	-	868,629
EU-3	Banking book exposures, of which:	6,926,500	5,436,310
EU-4	Covered Bonds	91,336	137,946
EU-5	Exposures treated as sovereigns	2,239,483	755,322
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	165,327	236,468
EU-7	Institutions	277,635	362,157
EU-10	Corporate	3,709,020	3,515,046
EU-11	Exposures in default	26,653	30,454
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	417,045	398,917

The leverage ratio moved to 36.7% at 31 October 2017 from 37.7% at 31 October 2016. The decrease was driven by an increase in exposures to sovereigns, offset by a reduction in trading book exposures. This was also offset to a degree by an increase in tier 1 capital (see table 7).

The Company manages the risk of excessive leverage through the use of two risk appetite metrics which are presented to the Risk Committee on a quarterly basis and outlined in Table 9 below.

3 Risk Management

Introduction

The Company's financial risk management objective is the prudent management of risk within the parameters of the risk appetite articulated by the Board of Directors ("the Board"), ensuring an appropriate balance between risk and reward in order to maximise shareholder returns. The Company has put in place a disciplined and constructive control environment in which all employees understand their roles and obligations. As part of this framework, the Company has defined a suite of risk metrics, the main ones being:

Table 9 – Risk Appetite Metrics

Category	Measure	Metric
Enterprise Risk Capacity	Total Regulatory Capital	"Floor" Total Capital Ratio of 14% [1]
Enterprise Risk Appetite		Total Capital Ratio not less than 10 percentage points lower than the planned Total Capital Ratio for the current fiscal year.
Other Regulatory Ratio requirements	Leverage	Target Leverage Ratio may not be less than 5 percentage points lower than the planned Leverage Ratio for the current fiscal year.
		"Floor" Leverage Ratio of 6%
Earnings	Sustainable Earnings	(Net Interest + Fees) / Total Operating Income: Minimum Target Ratio 35%
	Return on Capital	Scotiabank Consolidated: Return on Attributed Capital: Guidance range 14%-18%
		Local Purposes: Return on Regulatory Capital Employed: Guidance range 5%-10%
Credit Risk	Corporate Loan Book	Maximum committed facilities not to exceed US$ 6.5 bn
		Minimum Rating: All new loan opportunities to be rated at least IG 77 (on date of first commitment)
		Max loan loss experienced in any one fiscal year <1% of authorised committed loan facilities.
	Investment Bond Book	Maximum exposure: US$ 5.0 bn
		Minimum Credit Quality: Investment Grade
		Max Term: Sovereign & SSAs 10.5yrs; Non-sovereign 7 years
Market Risk	Market Risk – Trading Book	Total Value at Risk (VaR) for the trading portfolio: Treasury trading positions C$ 350k
		Stop loss for Trading Book: US$ 500k
Liquidity	Liquidity Coverage ratio (LCR)	120% (calculation based on the liquid asset rules contained in the Delegated Act)
	Weighted Average Remaining Term (WART)	Target WART: 70 days

Category	Measure	Metric
Interest Rate Risk in the Banking Book	Economic Value (EV) and Annual Income (AI) stress limits	EV stress limit +/-1% shift in yield curve: US$ 100mm.
		AI stress limit +/-1% shift in yield curve: US$ 35mm.
Concentration Risk	Concentrations in Credit Risk, Geographic Risk, Funding Risk, and Market Risk	No material concentrations except where expressly ratified by the Board.
Operational Risk	Operational loss and # of risk events	Max operational loss: US$ 100k. Operational Risk Events - zero high severity events per quarter. [(2)]
Reputational Risk	Impacts to Scotiabank brand / franchise value	No negative impacts to Scotiabank brand / franchise value arising from Company activity or deficiency including any failing arising from AML or Anti-terrorist Financing obligations.
Regulatory Compliance	# of fines/sanctions	Zero tolerance for Regulatory fines/sanctions.

[(1)] Total Capital ratio includes supervisory measures, Pillar 2 add-ons, the Capital Conservation Buffer and the Countercyclical Buffer.

[(2)] High Severity Events are defined in the Company's Operational Risk Reporting Procedure. For those high severity events which are quantifiable in nature the following guidance applies to amount thresholds: (i) Financial loss >US$ 50k; (ii) Accounting Errors impacting P&L by more than US$ 500k and Balance Sheet by more than US$ 50mm.

The application of the control environment is through training, management standards and procedures. In the view of the Board the Risk Management Framework (as described below), which is modelled significantly on that of its ultimate parent Scotiabank, is appropriate to the size and scale of operations of the Company and is effective in controlling these operations within the expressed risk appetite.

The Company has identified the following risks as material:

- Credit risk
- Market risk
- Operational risk
- Liquidity risk
- Concentration risk

In addition to the above, the Company has assessed Reputational risk (the potential that negative publicity regarding the Company's conduct, business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures) and has determined that it is not a material risk in respect of the Company as a standalone entity. Rather than being considered separately, it may be considered in the assessment of each of its inherent risk categories (for example, through the management of operational risks or through the measurement of business strategic risk).

Information regarding the principal risks and uncertainties facing the Company and capital management policies are set out below. The Board actively oversees the management of these risks through the monitoring of performance against the risk metrics which it has established and also via means of stress testing.

The Company's policy is to hedge certain banking or trading book risks including:

- interest rate risk: using interest rate swaps and interest rate futures;
- currency exposures: using foreign exchange contracts; and
- equity risk: using total return swaps or off-setting physical long/short positions.

As noted above, the Company's equity derivatives trading/hedging activity is currently dormant. More detailed information on risk mitigation is presented in the paragraphs below for each type of risks.

3.1 Statement of Internal Controls

The Board acknowledges its responsibility to maintain a sound system of internal control, to safeguard the shareholder's investment and the Company's assets and to set appropriate policies, controls and limits for the Company's operations. It further recognises its obligation to seek regular assurance that will enable it to satisfy itself that the system is functioning properly. The Board is assisted in its responsibilities by its Risk and Audit Committees. The Risk Committee reviews and challenges the risk management policies, controls and limits, recommending them for Board approval, and oversees the management of material risks through receipt of reports from management

across the Company's universe of material risks. The Audit Committee monitors the effectiveness of controls through reviewing and assessing reports presented by the heads of control functions as well as Internal Audit and Scotiabank Group Internal Audit (GIA).

The Board recognises that sound risk management is essential to the Company's prudent operation. The Board charges management with developing the required control system and implementing its policies, controls and limits. This includes the process of identifying, evaluating and managing the risks faced by the Company. It receives comfort that these duties have been exercised during the year under review through the regular reporting structure and periodic discussions between Board, Audit Committee and Risk Committee members and Senior Management.

Assessment of internal controls by the Board and its Committees consists of quarterly reviews of submissions by Senior Management incorporating information on key risks, financial performance, limit usage and details of any unforeseen events. The Board is satisfied that the procedures and processes outlined above have been in operation throughout the year and may request the implementation of revisions or improvements as they deem appropriate.

The internal control system is designed to mitigate risk and cannot be seen as a method by which all risk can be eliminated. Therefore it provides reasonable rather than absolute assurance against material loss or misstatement. The Company is subject to the CBI "Corporate Governance Requirements for Credit Institutions 2015" (the "Governance Requirements"). The Company does not have to comply with the additional obligations in Appendices 1 and 2 of the Governance Requirements for High Impact designated credit institutions.

3.2 Risk Governance

The main elements of the Company's risk governance model include:

- The Board of Directors
- Board Committees
- Senior Management

- **The Board of Directors**

The Board of Directors, either directly or through its Committees ensures that decision-making is aligned with the Company's strategies and risk appetite.

The Board believes that its membership should be composed of highly qualified directors from diverse backgrounds, who have familiarity with the financial industry in the European Union and in Ireland in particular, and that they should reflect the required expertise and skill sets appropriate for Directors supervising the management of the business and affairs of the Company, and that they should demonstrate sound and independent business judgement, based on the criteria detailed in Section 3.2.1 below.

The Board reviews and approves policies designed to help mitigate the risks faced by the business and sets limits to control the level of exposure to these risks. Policies are reviewed regularly to reflect changes in market conditions, regulatory requirements or product mix.

The Board of Directors has the ultimate responsibility for ensuring that Senior Management establishes and maintains:

- An adequate and effective system of internal control;
- A measurement system for assessing the various risks of the Company's activities;
- A system for relating risks to the capital level; and
- Appropriate methods for monitoring compliance with laws, regulations and supervisory and internal policies.

- **Board Committees**

The Risk Committee assists the Board in risk and capital issues, especially in:

- Understanding the risks run by the Company which are typically inherent in banking activities;
- Overseeing that these risks are appropriately and effectively managed;
- Recommending and monitoring risk appetite metrics; and
- Assesses the adequacy of the Company's capital in relation to the risks inherent in the operations as a whole.

The Audit Committee assists the Board in:

- Fulfilling its supervision and monitoring duties in the area of internal controls, including internal control over financial reporting.
- Reviewing the Financial Statements of the Company.
- Monitoring compliance with the Company's risk management controls and procedures.

The Board and its Committees meet at least quarterly and review detailed information provided on all areas of the Company's operation, including, but not limited to, all of the risk areas set out above. The Chairpersons of the Audit and Risk Committees report to the Board on the topics discussed by the Committees and submit recommendations to the Board for final decision-making.

- **Senior Management**

The Board has delegated the day-to-day management of the Company to the Chief Executive Officer (CEO). The CEO is assisted by Senior Management who are responsible for managing the Company by setting strategic goals and high-level policy in the area of risk management (including monitoring risk reports) and allocating capital. In carrying out their roles the CEO and Senior Management are assisted by the Management Committees and the Risk Management functions as outlined below.

The Risk Management function is headed by the Senior Risk Officer (SRO) who reports to the CEO, Group Risk Management (GRM) and to the Risk Committee. The Risk Management and Compliance functions report to the SRO.

The role of the Risk Management function is to:

- Ensure the Company has consistently high standards of risk management;
- Raise Senior Management's awareness and understanding of risks being taken;
- Encourage optimisation of risk/return;
- Support the work of the Risk Management Committee;
- Co-ordinate the implementation of risk management initiatives;
- Ensure compatibility with Scotiabank policies;
- Support the business on risk-related issues;
- Co-ordinate risk communication with the CBI;
- Measure and monitor material risks;
- Prepare various analysis and reports to the Risk Management Committee and Risk Committee of the Board;
- Attend and report to the Audit and Risk Committees; and
- Develop risk mitigation actions.

The Risk Management function ensures that decisions on risk related matters are implemented and, where necessary, communicated effectively within the Company.

Regular audits of the business lines and support functions of the Company are undertaken by SIDAC Internal Audit supported by the GIA function.

3.2.1 Nomination and Directorship

Management Body

The Board has a broad range of expertise across a number of relevant areas including accounting, risk management, taxation and legal matters. During 2017, the Board comprised of seven directors made up of one Executive Director, one group non–executive director and five independent non-executive directors as shown below. The Corporate Governance structure is documented in a policy paper which is approved by the Board.

Table 10 – Members of the Board of Directors

Name	Roles/Job Titles	Board Member	Member of Sub-Committee of the Board
Andrew Branion	Scotiabank (BNS) Executive Vice-President and Group Treasurer	Group Non-Executive Director (Chair of SIDAC Board)	Risk Committee
Susan Foster	SIDAC CEO	Executive Director	Risk Committee

Name	Roles/Job Titles	Board Member	Member of Sub-Committee of the Board
George Stinnes*	Company Director	Independent Non-Executive Director	Risk Committee
Michael Bourke	Bank Director and Chairman of Supervisory Board of Parex Bank Group, Latvia	Independent Non-Executive Director	Audit Committee and Risk Committee
Bob Brooks	Risk Management professional in various banks	Independent Non-Executive Director	Chair of Risk Committee
Mary Walsh	Chartered Accountant and former International tax partner	Independent Non-Executive Director	Chair of Audit Committee
Máire O'Connor	Solicitor and former partner at McCann Fitzgerald Solicitors	Independent Non-Executive Director	Audit Committee

**Resigned 24 March 2017.*

Recruitment Policy for Board of Directors

Diversity

The Company's Board is composed of highly qualified directors from diverse backgrounds, who have familiarity with the financial industry in the European Union and Ireland in particular.

To support this composition as part of the Board's commitment to sound and effective corporate governance practices, the Board will, when identifying candidates, and bearing in mind the desire for a diverse Board and diversity criteria, including gender, age, ethnicity and geographic background, recommend for appointment to the Board only those candidates who:

- have the relevant skills, experience, expertise, knowledge, appropriate qualification for role (e.g. accounting, auditing for Audit Committee of the Board and risk management for Risk Committee of the Board) and
- Have the necessary personal qualities, professionalism and integrity expected of a Board member.

Selection Criteria and Policy

The Board as a whole must have the relevant financial and risk expertise. When appropriate the Board may engage qualified independent external advisors to conduct a search for candidates who meet the Board's expertise, skills and diversity criteria to help achieve its diversity aspirations.

The Board is responsible for either the appointment of Independent Non-Executive Directors or where appropriate identifying and proposing the appointment of Independent Non-Executive Directors to shareholders. Before appointment to the Board, the proposed director must show that the individual satisfies the selection criteria applicable to the role for which the individual is being proposed for appointment, evidencing items such as their skills, experience, expertise, competencies, professionalism, fitness, probity and integrity to carry out his or her duties, including a knowledge and appreciation of public issues and familiarity with local, national and international affairs.

Table 11 – Directors knowledge, skills and expertise

Name	Knowledge, skills and expertise
Andrew Branion	Mr. Branion's current position is the Executive Vice President and Group Treasurer of BNS. He is also a member of both the BNS Market Risk Management and Policy Committee, and of the BNS Asset and Liability Committee ("ALCO"). Previously, Mr. Branion was Chief Market Risk Officer and prior to that Head of Risk Policy and Capital Markets, Global Risk Management ("GRM"), BNS. Mr. Branion has also held various senior roles in Global Banking & Markets ("GBM"). Prior to joining BNS Mr. Branion worked for the Bank of Canada.
Susan Foster	Ms Foster is SIDAC's CEO. She has extensive experience in market, liquidity and credit risk management. Previously, Ms Foster was Vice President International Banking, Treasury Business Development and Support. Prior to this Ms Foster held various Market Risk related Vice President positions in GRM, BNS.
George Stinnes*	Mr. Stinnes is Chairman of the British Airways Retirement Plan. In the past he served as Director at British Airways and also acted as Special Advisor to the Chief Executive. Previously he was the Group Treasurer for British Airways, and was the Chairman of the Treasury Risk Committee. Prior to this he was Vice President and Director at Wood Gundy Limited responsible for primary market syndication and trading.
Michael Bourke	Mr. Bourke worked for many years in various capacities in the Central Bank of Ireland and has also worked with the International Monetary Fund. He has also held Executive and Non-Executive Directorship roles for Latvian banks where he was involved in building management and risk management regimes.

Name	Knowledge, skills and expertise
Bob Brooks	Mr. Brooks has occupied Senior Risk Management roles at a number of major UK banks including NatWest and HBOS and more recently was engaged as a consultant to Daiwa Capital Markets. He is currently supporting the UK Asset and Liability Management Association in developing a new professional banking exam syllabus.
Mary Walsh	Ms Walsh, a chartered accountant, is a former international tax partner with over 25 years' experience at PwC. Her Non-Executive Directorships include the National Treasury Management Agency, where she chairs the Risk Committee. She was a member of the Commission on Taxation and has also held a Directorship with the Central Bank of Ireland during which time she Chaired its Audit Committee.
Máire O' Connor	Ms O' Connor, a solicitor, is a retired partner from McCann Fitzgerald where she was Head of the Investment Management Group. Previously she was a Partner and Head of the Investment Management Group at Ernst & Young and was also a Director of NCB Corporate Finance Limited. She currently holds a number of Directorships of Irish Regulated Investment Funds. She is also a former director of the Irish Stock Exchange.

**Resigned 24 March 2017.*

Directorship

Appointments must not proceed where possible conflicts of interest may emerge which are significant to the overall work of the Board. The following Directorships are held by members of the Board, none of which was at an institution.

*Table 12 – Additional directorships***

Name	No. of additional directorships
Andrew Branion	1
Susan Foster	0
George Stinnes*	3
Michael Bourke	1
Bob Brooks	0
Mary Walsh	4
Máire O' Connor	9

**Resigned 24 March 2017.*

***These totals also include pro bono directorships of Public Interest Bodies or Charities*

3.3 Risk Management Framework

The Board and its Audit and Risk Committees sit at the head of the Company risk management structure. The Senior Management team acting through the Management Committees, which comprise of the Risk Management Committee, Compliance & Regulatory Committee and Human Resources Committee (together the 'Management Committees'), are responsible for risk management under the direct oversight of the Board. These Committees are supported by the Risk Management, Compliance and Internal Audit functions as well as an Advice and Counsel process involving Scotiabank technical groups, which includes Scotiabank Global Risk Management (GRM). This structure has been designed so that ultimate responsibility for implementing and maintaining the structure and for reviewing its effectiveness lies with the Board of Directors.

The Company has implemented a Risk Management Framework which is captured in a Board approved document of that name. This Framework is the key source of information for the Board, Senior Management, and all other employees of the Company that describes how the Company identifies, measures, manages and controls the key risks to which it is exposed, as well as the risk governance, risk management principles, risk culture, risk management tools and the other key elements of its risk management framework; and represents the over-arching framework for all elements of risk management activities.

The Company operates a "Three Lines-of-Defence" model under this Framework. Business lines or risk owners represent the first line-of-defence by being accountable for risk. They own the risks arising from their activities and are responsible for managing these risks while achieving their financial objectives. The Risk Management (including its Credit Risk function) and Compliance functions are the second line-of-defence and complement risk management in the business lines. The independent and objective Internal Audit function is the third line-of-defence.

4 Credit Risk

Credit risk is the risk of financial loss resulting from the failure of a customer, for any reason, to fully honour its financial or contractual obligations. For risk management purposes the Company considers and consolidates all elements of credit risk exposure.

4.1 Credit Risk Management and Risk Measures

The Company's management of credit risk includes the credit risk policies, guidelines, procedures and processes that articulate the Company's credit risk governance, management and control structures. This framework ensures that credit risk exposures are adequately assessed, properly approved and actively managed in a consistent manner across all business lines. Management of the credit risk portfolios also encompasses a Scotiabank risk culture approach, in-house credit experience, infrastructure and a due diligence process that is closely embedded within the Scotiabank risk management structure. The Company's Credit Risk Policy sets out the processes and procedures to measure credit risk. The Company has adopted Scotiabank's Credit Policy Manual, having assessed its suitability for the Company, which defines its approach to the measurement of credit risk. The Company has established an Impairment Assessment & Provisioning Policy that sets out the approach to identifying, assessing and quantifying impairments and resultant credit losses. SIDAC has access to and benefits from Scotiabank origination (through its affiliates Scotiabank Europe plc and Scotia Capital USA), execution and Scotiabank GRM risk management resources and these relationships are managed through Service Level Agreements (SLAs).

The Risk Management Committee, which includes Senior Management officers with appropriate credit experience and representatives from Finance, Compliance and Risk Management, oversees the credit risk of the Company, assesses potential new credit exposures and deterioration in credit profile ensuring that credit risk and portfolio composition are kept within guidelines and limits approved annually by the Board.

The Company's Credit Risk Function (CRF) is charged with responsibility for assessing and controlling credit risk. It is required to fully understand the credit risks inherent in any product in which the Company transacts. It must also maintain an ongoing knowledge of all counterparties to ensure that up-to-date information on those entities is continuously available. The Company's CRF is also responsible for measuring and monitoring geographical diversification in the portfolio through Country Risk limits. Country Risk is the risk of default by an obligor because the timely repayment of a debt is impeded by a sovereign's intervention and/or by general socio-political/economic conditions in the country of the borrower. The Company's risk appetite places a focus on dealing with high quality counterparties with an investment grade profile with a limited appetite to extend credit to non-investment grade obligors meeting pre-determined parameters. Periodic audits of credit processes are undertaken by Internal Audit.

The Company's primary sources of credit risk arise predominately from the lending and investment businesses:

- Corporate lending,
- Sovereign, SSAs bonds/bills
- Non-sovereign bonds (predominantly senior unsecured investment grade corporate bonds),
- Financial Institutions bonds (predominantly covered bonds),

The Company's Corporate Lending business operates within the global BNS business line as part of a global strategy to cross sell multi-products to customers in a disciplined manner. The Company's focus remains in offering a single product (vanilla loan) to large experienced borrowers with an investment grade profile, with a modest portfolio of selectively added sub-investment grade exposures within prescribed parameters.

The Company's Treasury Investment business operates within the overall Scotiabank Group Treasury business line. Bond investment opportunities are identified by the team in line with the Company's risk parameters and risk tolerances. Contact and information sharing with the wider BNS Group Treasury business line is regular and frequent. Investments are made under Board approved issuer, single name, country and industry limits, advice and counsel from Scotiabank GRM and are subject to approval by the CEO. The Board has set minimum asset quality metrics for bond investments which are reported on quarterly and assessed for continuing appropriateness.

Credit Risk limits are set at both an individual and portfolio level. Authorised credit limits are assigned to each entity that encompasses a set of defined credit risk parameters governing the extension of credit. Such credit limits are

reviewed annually by the CRF and the Risk Management Committee (RMC) or more frequently as circumstances warrant. CRF and line management through the RMC have developed and recommend portfolio concentration limits (industry, country, single name/connected parties' aggregation) to the Board for approval.

Settlement Risk is the risk that the Company will deliver the sold asset or cash to a counterparty and will not receive the cash or purchased asset as expected. As such, settlement risk comprises credit risk and liquidity risk. The Company controls and mitigates settlement risk by means of daily settlement limits, netting agreements and the quality of the counterparties with whom it will transact.

The Company uses Scotiabank's credit risk rating systems to support the determination of key credit risk parameter estimates which measure credit and transaction risk. These risk parameters – probability of default, loss given default and exposure at default are transparent and are used to provide consistency of credit adjudication for each of the risk rating categories. These credit risk rating systems include an internal grading (I.G.) system for evaluating credit risk. The general relationship between the Company's I.G. codes and external agency ratings is shown below:

Table 13 – Internal Grading Cross Reference

	I.G.	Moody's	S&P
Government/ Supranational	99	Aaa	AAA
Excellent	98	Aaa to Aa1	AAA to AA+
Very Good	95	Aa2 to A1	AA to A+
Good	90	A2 to A3	A to A-
Acceptable	87 – 80	Baa1 to Ba1	BBB+ to BB+
Higher Risk	77 – 70	Ba2 to B3	BB to B-
Watch list	30 – 65	-	-
Default	21 - 27	-	-

4.2 Exposure to Credit Risk

Table 14 outlines the Company's actual and average exposure to credit risk.

Table 14 – EU CRB-B – Total and average net amount of exposures

		a	b
	US$'000	**Net value of exposures at the end of the period**	**Average net exposures over the period**
16	Central governments or central banks	1,551,965	997,475
18	Public sector entities	487,542	550,758
19	Multilateral development banks	336,536	335,052
20	International organisations	53,877	53,104
21	Institutions	277,627	269,145
22	Corporates	5,631,621	5,459,705
28	Exposures in default	26,653	28,945
29	Items associated with particularly high risk	29,147	28,598
30	Covered bonds	91,336	116,236
31	Claims on institutions and corporates with a short-term credit assessment	16,943	16,825
33	Equity exposures	31,109	29,985
34	Other exposures	10,540	3,740
35	**Total standardised approach**	8,544,896	7,889,568
36	**Total**	**8,544,896**	**7,889,568**

Table 15 provides information on the geographical breakdown of the net value of exposures based on the residence of the immediate counterparty

Table 15 – EU CRB-C – Geographical breakdown of exposures

			Of which;							*Of which;*			*Of which;*			
	US$'000	**Europe**	*United Kingdom*	*France*	*Netherlands*	*Germany*	*Ireland*	*Other European countries*	**North America**	*United States of America*	*Other North American countries*	**Asia-Pacific**	*Japan*	*Other Asia Pacific countries*	**Other geographical areas**	**Total**
7	Central governments or central banks	1,075,766	246,117	582,406	-	-	212,558	34,685	-	-	-	476,199	476,199	-	-	1,551,965
9	Public sector entities	487,542	-	-	106,315	322,215	-	59,012	-	-	-	-	-	-	-	487,542
10	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	336,536	336,536
11	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	53,877	53,877
12	Institutions	37,195	-	-	-	118	444	36,632	144,589	12,980	131,609	95,844	148	95,696	-	277,627
13	Corporates	4,156,429	2,197,952	242,809	318,661	83,566	159,314	1,154,128	1,139,389	1,098,105	41,284	-	-	-	335,802	5,631,621
16	Exposures in default	-	-	-	-	-	-	-	-	-	-	-	-	-	26,653	26,653
17	Items associated with particularly high risk	-	-	-	-	-	-	-	29,147	29,147	-	-	-	-	-	29,147
18	Covered bonds	91,336	11,965	59,242	-	-	-	20,129	-	-	-	-	-	-	-	91,336
19	Claims on institutions and corporates with a short-term credit assessment	16,943	-	16,943	-	-	-	-	-	-	-	-	-	-	-	16,943
21	Equity exposures	31,109	-	31,109	-	-	-	-	-	-	-	-	-	-	-	31,109
22	Other exposures	10,527	-	-	-	-	10,527	-	13	-	13	-	-	-	-	10,540
23	**Total standardised approach**	5,906,848	2,456,034	932,509	424,975	405,899	382,844	1,304,587	1,313,138	1,140,232	172,905	572,043	476,347	95,696	752,868	8,544,896
24	**Total**	**5,906,848**	**2,456,034**	**932,509**	**424,975**	**405,899**	**382,844**	**1,304,587**	**1,313,138**	**1,140,232**	**172,905**	**572,043**	**476,347**	**95,696**	**752,868**	**8,544,896**

Please refer to Appendix 3 for details of the materiality threshold applied and a listing of immaterial countries included in the 'other' categories.

Table 16 provides a breakdown of the net values of exposures by industry classification based on the nature of the immediate counterparty.

Table 16 – EU CRB-D – Concentration of exposures by industry or counterparty type

US$'000		a	b	c	d	e	f	g
		Central banks	**General governments**	**Credit institutions**	**Other financial corporations**	**Non-financial corporations**	**Other**	**Total**
7	Central governments or central banks	212,558	1,314,298	-	-	-	-	1,551,965
9	Public sector entities	-	487,542	-	-	-	-	487,542
10	Multilateral development banks	-	-	336,536	-	-	-	336,536
11	International organisations	-	53,877	-	-	-	-	53,877
12	Institutions	-	-	277,625	3	-	-	277,627
13	Corporates	-	-	-	1,776,225	3,855,396	-	5,631,621
16	Exposures in default	-	-	-		26,653	-	26,653
17	Items associated with particularly high risk	-	-	-	29,147	-	-	29,147
18	Covered bonds	-	-	91,336	-	-	-	91,336
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	16,943	-	16,943
21	Equity exposures	-	-	31,109	-	-	-	31,109
22	Other exposures	-	-	-	-	-	10,540	10,540
23	**Total standardised approach**	212,558	1,855,716	736,605	1,830,485	3,898,992	10,540	8,544,896
24	**Total**	**212,558**	**1,855,716**	**736,605**	**1,830,485**	**3,898,992**	**10,540**	**8,544,896**

Table 17 provides a breakdown of the net values of exposures by residual maturity

Table 17 – EU CRB-E – Maturity of Exposures

US$'000		a	b	c	d	f
		On demand	**<= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**Total**
7	Central governments or central banks	-	1,492,170	59,795	-	1,551,965
9	Public sector entities	-	63,054	424,487	-	487,542
10	Multilateral development banks	-	-	336,536	-	336,536
11	International organisations	-	53,877	-	-	53,877
12	Institutions	2,154	39,500	235,973	-	277,627
13	Corporates	-	1,184,510	4,233,783	213,327	5,631,621
16	Exposures in default	-	-	26,653	-	26,653
17	Items associated with particularly high risk	-	29,147	-	-	29,147
18	Covered bonds	-	29,399	61,937	-	91,336
19	Claims on institutions and corporates with a short-term credit assessment	-	16,943	-	-	16,943
21	Equity exposures	-	31,109	-	-	31,109
22	Other exposures	-	10,540	-	-	10,540
23	**Total standardised approach**	2,154	2,950,251	5,379,165	213,327	8,544,896
24	**Total**	**2,154**	**2,950,251**	**5,379,165**	**213,327**	**8,544,896**

Credit quality of exposures

The Company applies the Scotiabank approach to the classification of performing versus non-performing loans, utilising the Scotiabank internal credit risk ratings whereby borrowers and facilities that are risk graded as IG27, at or below, are classified as 'in default'. Loans classified below IG27 are classified as non-performing loans. This classification is one of the tools used to recognise exposures that may require impairment provisioning, subject to the monitoring of other Early Warning Indicators (EWIs) and potential triggers/loss events.

The Company uses the definition of default as set down under Article 178 of the CRR for the purposes of regulatory capital computation relating to all credit exposures and applies this definition for use within any relevant sections of the annual Financial Statements. In keeping with these requirements, default is considered by the Company to have occurred with regard to a particular obligor when one or more of the following have taken place:

- the Company considers that the obligor is unlikely to pay its credit obligations, without recourse by the Company to actions such as realising security;
- the obligor is past due more than 90 days on any material credit obligation to the Company.
- the obligor is deemed to be in default by Scotiabank Global Risk Management and this assessment is shared by the Company's Risk Management Committee.

Past due and impaired loans

Based on the above definition, a loan is considered past due and impaired when a counterparty has not made a payment for more than 90 days after the contractual due date or there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss' event) and the loss event (or events) has an impact on the estimated future cash flows. Objective evidence of impairment is recognised when, in management's opinion, there is no longer reasonable assurance that interest and principal payments will be collected based on original contractual terms.

Impairment review and provisions

Impairment assessments will necessarily include the use of estimates and expert judgment as management attempt to project the effect of future events on its exposures. Following best practice, the Company regularly reviews and revises key judgements, assumptions and estimates relating to impairment provisioning. The most significant judgements or estimates relate to management's expectations regarding changes in collateral values, timing of cash flows, value attributed to guarantees and cash flows from trading or other sources. The Company documents all key assumptions including explanations outlining why assumptions have been changed.

A specific provision is made in cases where management considers it prudent to do so based on its assessment of the likelihood that the contractual cash flows will occur. Following a full assessment, impairment occurs if the estimated recoverable amount of an exposure is lower than its relevant carrying amount.

Where there is no objective evidence of impairment, a collective provision for impairment losses is used. This is based on historical data, ratings, loss given default, usage given default and expected default frequency. The Collective Allowance model defines a Loss Identification Period (LIP) or emergence period as the time it takes from the date a loss event occurs to the recognition date of the loss, which currently is a 12 month period. The appropriateness of this LIP is reviewed periodically based on prevailing conditions and may be amended from time to time.

CRD IV introduced the definition of ‘specific’ and ‘general’ credit risk adjustments and, in line with the relevant technical standard, the Company has included both ‘specific provisions’ and ‘collective provisions’ as specific credit risk adjustments.

Table 18 summarises the credit quality of on-balance sheet and off-balance sheet exposures by exposure class. The gross carrying value of exposures presented in this table is before the application of: a) credit risk mitigation; b) credit conversion factors; and c) impairment provisions. CCR is excluded.

Table 18 – EU CR1-A – Credit quality of exposures by exposure class and instrument

US$'000		a	b	c	d	e	f	g
		Gross carrying values of		**Specific credit risk adjustment** [1]	**General credit risk adjustment**	**Accumulated write-offs**	**Credit risk adjustment charges of the period**	**Net values (a+b-c-d)**
	Exposure class	**Defaulted exposures**	**Non-defaulted exposures**					
16	Central governments or central banks	-	1,526,856	-	-	-	-	1,526,856
18	Public sector entities	-	487,542	-	-	-	-	487,542
19	Multilateral development banks	-	336,536	-	-	-	-	336,536
20	International organisations	-	53,877	-	-	-	-	53,877
21	Institutions	-	277,627	-	-	-	-	277,627
22	Corporates	-	5,663,626	-	-	486	-	5,663,626
23	*Of which: SMEs*	-	-	-	-	-	-	-
28	Exposures in default	45,877	-	19,224	-	-	-	26,653
29	Items associated with particularly high risk	-	29,147	-	-	-	-	29,147
30	Covered bonds	-	91,336	-	-	-	-	91,336
31	Claims on institutions and corporates with a short-term credit assessment	-	16,943	-	-	-	-	16,943
33	Equity exposures	-	31,109	-	-	-	-	31,109
34	Other exposures	-	10,540	-	-	-	-	10,540
35	**Total standardised approach**	45,877	8,525,139	19,224	-	486	-	8,551,793
36	**Total**	**45,877**	**8,525,139**	**19,224**	**-**	**486**	**-**	**8,551,793**
37	Of which: Loans	45,877	2,784,337	19,224	-	-	-	2,810,990
38	Of which: Debt securities	-	3,755,111	-	-	-	-	3,755,111
39	Of which: Off- balance-sheet exposures	-	1,963,433	-	-	-	-	1,963,433

[1] The Company's collective allowance for impairment of US$ 6,896,000 (October 2017) has been assessed as qualifying as a specific credit risk adjustment as defined in Article 1 of Commission Delegated Regulation (EU) No 183/2014. However, the Company does not reduce its exposures by these amounts when calculating its capital ratios as they are not material. Therefore for tables 18, 19, 20 and 23 this amount has not been included as an adjustment in line with the Company's regulatory reporting.

Table 19 below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by counterparty type.

Table 19 – EU CR1-B – Credit quality of exposures by industry or counterparty types

US$'000		a	b	c	d	e	f	g
		Gross carrying values of						
	Counterparty type	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
1	Central banks	-	212,558	-	-	-	-	212,558
2	General governments	-	1,855,716	-	-	-	-	1,855,716
3	Credit institutions	-	736,605	-	-	-	-	736,605
4	Other financial corporations	-	1,830,724	-	-	-	-	1,830,724
5	Non-financial corporations	45,877	3,878,996	19,224	-	-	-	3,905,649
6	Other	-	10,540	-	-	486	-	10,540
7	**Total**	**45,877**	**8,525,139**	**19,224**	**-**	**486**	**-**	**8,551,793**

Table 20 below presents an overview of the credit quality of on-balance sheet and off-balance sheet exposures by geographical split.

Table 20 – EU CR1-C – Credit quality of exposures by geography

US$'000		a	b	c	d	e	f	g
		Gross carrying values of						
	Geographical area	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
1	**Europe**	**-**	**5,908,616**	-	-	**486**	-	**5,908,616**
	of which;							
2	– United Kingdom	-	2,456,522	-	-	-	-	2,456,522
3	– France	-	932,556	-	-	-	-	932,556
4	– Netherlands	-	425,188	-	-	-	-	425,188
5	– Germany	-	405,905	-	-	-	-	405,905
6	– Ireland	-	382,968	-	-	-	-	382,968
7	– Other European countries	-	1,305,475	-	-	486	-	1,305,475
8	**North America**	-	**1,313,475**	-	-	-	-	**1,313,475**
	of which;							
9	– United States of America	-	1,140,569	-	-	-	-	1,140,569
10	– Other North American Countries	-	172,906	-	-	-	-	172,906
11	**Asia-Pacific**		**572,043**	-	-	-	-	**572,043**
	of which;							
12	– Japan	-	476,347	-	-	-	-	476,347
13	– Other Asia-Pacific Countries	-	95,696	-	-	-	-	95,696
14	**Other geographical areas**	**45,877**	**731,006**	**19,224**	**-**	**-**	**-**	**757,659**
15	**Total**	**45,877**	**8,525,139**	**19,224**	**-**	**486**	**-**	**8,551,793**

Please refer to Appendix 3 for details of the materiality threshold applied and a listing of immaterial countries included in the 'other' categories.

Table 21 below presents the ageing analysis of accounting on-balance sheet past-due exposures regardless of their impairment status. The balance relates to non-financial corporations in other geographical areas (as per the breakdown in table 20).

Table 21 – EU CR1-D – Ageing of past-due exposures

US$'000		Gross carrying values					
		≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1	Loans	-	-	25,402	-	-	-
2	Debt securities	-	-	-	-	-	-
3	**Total exposures**	-	-	**25,402**	-	-	-

Forbearance

Forbearance occurs when a borrower is granted a temporary or permanent concession or an agreed change to the terms of a loan ('forbearance measure') for reasons relating to the actual or apparent financial stress or distress of that borrower. A concession may involve restructuring the contractual terms of a debt or payment in some form other than cash, such as an equity interest in the borrower.

Prior to any decision to grant forbearance the Company performs an assessment of a customer's financial circumstances and ability to repay. This assessment includes an individual assessment for impairment of the loan. If such an assessment does not identify that objective evidence of impairment exists the asset is collectively assessed for impairment, with an adjustment to risk ratings when deemed appropriate.

Table 22 presents an overview of non-performing and forborne exposures.

Table 22 – EU CR1-E – Non-performing and forborne exposures

US$'000			Debt securities	Loans and advances	Off balance sheet exposures
Gross carrying values of performing and non-performing exposures			3,755,111	2,830,214	1,963,433
	Of which performing but past due > 30 days and <= 90 days		-	-	-
	Of which performing forborne		-	150,088	-
	Of which non-performing		-	45,877	-
		Of which defaulted	-	45,877	-
		Of which impaired	-	45,877	-
		Of which forborne	-	-	-
Accumulated impairment and provisions and negative fair value adjustments due to credit risk [1]	On performing exposures		47	6,380	469
		Of which forborne	-	4,336	-
	On non-performing exposures		-	19,224	-
		Of which forborne	-	19,224	-
Collaterals and financial guarantees received	On non-performing exposures		-	24,500	-
	Of which forborne exposures		-	75,443	-

[1] This table is compiled based on definitions as per Annex V of the Commission Implementing Regulation (EU) No 680/2014 and so the reported impairments differ to the credit risk adjustments in the above tables. Please refer to note 1 on table 18.

Table 23 presents the reconciliation of specific and general credit risk adjustments held against loans and debt securities that are defaulted or impaired. It is based on Financial Statements information.

Table 23 – EU CR2-A – Changes in the stock of general and specific credit risk adjustments

US$'000		a	b
		Accumulated specific credit risk adjustment [(1)]	**Accumulated general credit risk adjustment**
1	**Opening balance**	19,224	-
2	Increases due to amounts set aside for estimated loan losses during the period	612	-
3	Decreases due to amounts reversed for estimated loan losses during the period	-	-
4	Decreases due to amounts taken against accumulated credit risk adjustments	-	-
5	Transfers between credit risk adjustments	-	-
6	Impact of exchange rate differences	-	-
7	Business combinations, including acquisitions and disposals of subsidiaries	-	-
8	Other adjustments	(612)	-
9	**Closing balance**	19,224	-
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	82	-
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	-	-

[(1)] This table is based on the definitions in Article 1 of Commission Delegated Regulation (EU) No 183/2014, so as per tables 18, 19 and 22 above, the Company does not report the collective allowance for impairment here.

Table 24 presents the changes in the stock of defaulted loans and debt securities.

Table 24 – EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities

US$'000		a
		Gross carrying value defaulted exposures
1	**Opening balance**	49,678
2	Loans and debt securities that have defaulted or impaired since the last reporting period	-
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes	(3,801)
6	**Closing balance**	45,877

4.3 Approaches to Credit Risk

While the capital requirements for credit risk depend to a significant degree on the creditworthiness of the obligor, CRD IV permits the use of different approaches to the calculation of RWAs; the Standardised Approach and the Internal Ratings-Based (IRB) approaches.

The Company uses the Standardised Approach for calculating capital requirements for credit risk. This approach involves the application of risk weights to the Company's assets based on the deemed creditworthiness of its debtors and the rules as laid out in the CRR. The Company utilises credit ratings attributed by its chosen External Credit Assessment Institutions (ECAIs), Standard and Poor's or Moody's, whichever is the lower, to all its exposure classes. The Company uses the EBA's standard association of ECAI ratings and credit quality steps to map ratings to the relevant credit quality step.

As per the CRR, the following priorities are used in applying the credit assessments:

For exposures to public sector entities (Article 116), institutions (Articles 119 & 121), or in the form of covered bonds (Articles 129 & 121), the ECAIs are applied in the following priority:

- Rating of Issue (exposure)
- Rating of Issuer (counterparty)
- Rating of Central government of jurisdiction of incorporation

For exposures to central governments or central banks (Article 114), multilateral development banks (Article 117), international organisations (Article 118), corporates (Article 122), the ECAIs are applied in the following priority:

- Rating of Issue (exposure)
- Rating of Issuer (counterparty)

Exposures to rated securitisations are based purely on the rating of the programme.

Table 25 – EU CR4 – Standardised approach – Credit risk exposure and CRM effects

US$'000		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM			
	Exposure classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
1	Central governments or central banks	1,526,856	-	1,551,965	-	95,240	6%
3	Public sector entities	487,542	-	487,542	-	33,065	7%
4	Multilateral development banks	336,536	-	336,536	-	-	-
5	International organisations	53,877	-	53,877	-	-	-
6	Institutions	277,627	-	277,627	-	55,659	20%
7	Corporates	3,715,835	1,947,792	3,690,711	928,460	4,024,071	87%
10	Exposures in default	26,653	-	26,653	-	26,653	100%
11	Exposures associated with particularly high risk	13,506	15,641	13,506	7,821	31,990	150%
12	Covered bonds	91,336	-	91,336	-	9,134	10%
13	Institutions and corporates with a short-term credit assessment	16,943	-	16,943	-	16,943	100%
15	Equity	31,109	-	31,109	-	31,109	100%
16	Other items	11,574	-	11,574	-	23,465	203%
17	**Total**	**6,589,393**	**1,963,433**	**6,589,381**	**936,280**	**4,347,329**	**58%**

Table 26 – Exposure by credit quality step (CQS)

31 Oct 2017

US$'000	Exposure value (Pre CRM)	Exposure value (Post CRM)	RWAs
CQS			
1	2,491,321	2,491,321	131,452
2	1,404,064	1,404,064	563,365
3	740,315	740,315	740,219
4	118,233	118,233	118,011
Unrated	2,771,745	2,771,745	2,794,282
Total	**7,525,678**	**7,525,678**	**4,347,329**

Tables 25 and 26 both include items deducted from own funds and so differ from table OV1 and table 27 below.

31 Oct 2016[1]

US$'000	Exposure value (Pre CRM)	Exposure value (Post CRM)	RWAs
CQS			
1	1,780,755	1,780,755	199,647
2	1,096,930	1,172,636	606,226
3	661,918	661,918	661,754
4	114,086	114,086	114,024
Unrated	2,357,208	2,281,502	2,293,614
Total	**6,010,897**	**6,010,897**	**3,875,264**

(1) Comparatives for 2016 are presented here as the format of the table has not changed. However, the basis of compilation has changed. In order to stay aligned to other templates (such as EU CR5), the comparatives have been restated and now exclude CCR and securitisation exposures. All exposure values are presented post CCF.

Table 27 – RWAs and capital requirements by exposure class

US$'000

	Exposure classes	**RWAs**	**Capital Requirement**
1	Central governments or central banks	95,240	7,619
3	Public sector entities	33,065	2,645
4	Multilateral development banks	-	-
5	International organisations	-	-
6	Institution	55,659	4,453
7	Corporates	4,024,071	321,926
10	Exposures in default	26,653	2,132
11	Exposures associated with particularly high risk	31,990	2,559
12	Covered bonds	9,134	731
13	Institutions and corporates with a short-term credit assessment	16,943	1,355
15	Equity	31,109	2,489
16	Other items	10,536	843
17	**Total**	**4,334,401**	**346,752**

This table excludes items deducted from own funds and so differs from tables 25 and 26.

Table 28 below details exposures under the standardised approach by risk weight and exposure class. All amounts presented are post Credit Risk Mitigation (CRM), post Credit Conversion Factors (CCF) and net of impairment provisions. CCR is excluded.

Table 28 – EU CR5 – Standardised approach

US$'000		Risk weight (%)															Total	Of which unrated
	Exposure classes	**0**	**2**	**4**	**10**	**20**	**35**	**50**	**70**	**75**	**100**	**150**	**250**	**370**	**1250**	**Others**	**Deducted**		
1	Central governments or central banks	1,075,766	-	-		476,199	-		-	-		-	-	-	-	-	-	**1,551,965**	-
3	Public sector entities	322,215	-	-		165,327	-		-	-		-	-	-	-	-	-	**487,542**	-
4	Multilateral development banks	336,536	-	-		-	-		-	-		-	-	-	-	-	-	**336,536**	-
5	International organisations	53,877	-	-		-	-		-	-		-	-	-	-	-	-	**53,877**	-
6	Institutions	-	-	-		277,184	-	444	-	-		-	-	-	-	-	-	**277,628**	-
7	Corporates	-	-	-		183,463	-	896,659	-	-	3,539,066	-	-	-	-	-	-	**4,619,188**	2,712,191
10	Exposures in default	-	-	-		-	-	-	-	-	26,653	-	-	-	-	-	-	**26,653**	26,653
11	Exposures associated with particularly high risk	-	-	-		-	-	-	-	-	-	21,327	-	-	-	-	-	**21,327**	21,327
12	Covered bonds	-	-	-	91,336	-	-	-	-	-	-	-	-	-	-	-	-	**91,336**	-
13	Institutions and corporates with a short-term credit assessment	-	-	-		-	-	-	-	-	16,943	-	-	-	-	-	-	**16,943**	-
15	Equity	-	-	-		-	-	-	-	-	31,109	-	-	-	-	-	-	**31,109**	31,109
16	Other items	4	-	-		-	-	-	-	-	10,536	-	-	-	-	-	1,034	**11,574**	11,574
17	**Total**	**1,778,398**	-	-	**91,336**	**1,102,173**	-	**897,103**	-	-	**3,624,308**	**21,327**	-	-	-	-	**1,034**	**7,525,678**	2,802,854

4.4 Credit Risk Mitigation

The Company uses two methods of credit risk mitigation: direct and indirect.

Direct mitigating methods

The main direct credit risk mitigation is the taking of security or collateral. The Company holds collateral in respect of certain exposures. Generally collateral is not held over loans and advances to banks, except when securities are held as part of repurchase and securities lending/borrowing and/or OTC derivative activity. Similarly, collateral is not usually held against investment securities, and no such collateral was held during the year. The types of collateral that the Company is willing to accept under OTC derivative transactions and repurchase and securities lending/borrowing agreements is guided by advice and counsel from Scotiabank GRM and is set out in Limit Documents. The acceptable types of collateral are reviewed on an annual basis as part of the annual limit review process.

A variety of types of collateral are accepted against corporate loan advances, including securities, cash, guarantees and insurance, grouped broadly as follows:

- Financial collateral (lien over deposits, shares, etc.)
- Physical collateral (shipping vessels, etc.)
- Other collateral (guarantees, insurance, etc.)

Note that the Company is not currently using credit derivatives to mitigate risk.

Parental guarantees are utilised in corporate lending arrangements and guarantees are also in place from corporates or sovereigns in respect of certain securities holdings. Guarantees improve the credit quality of the exposures. The Company has not disclosed the fair value of collateral held against collectively impaired financial assets as it is operationally impracticable to do so.

The fair value of financial assets accepted as collateral, under reverse repurchase agreements, that were permitted to be sold or re-pledged at 31 October 2017 was nil (2016: nil).

Table 29 – EU CR3 – CRM techniques – Overview

US$'000		a	b	c	d	e
		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	2,758,732	-	-	-	-
2	Total debt securities	3,730,002	25,109	-	25,109	-
3	**Total exposures**	6,488,734	25,109	-	25,109	-
4	*Of which defaulted*	*26,653*	-	-	-	-

Table 30 – CRM Techniques split by exposure class

US$'000	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	**2,758,732**	-	-	-	-
Central governments or central banks	*212,558*	-	-	-	-
Institutions	*2,154*	-	-	-	-
Corporates	*2,517,367*	-	-	-	-
Exposures in default	*26,653*	-	-	-	-
Total debt securities	**3,730,002**	**25,109**	**-**	**25,109**	**-**
Central governments or central banks	*1,314,298*	25,109	-	25,109	-
Public sector entities	*487,542*	-	-	-	-
Multilateral development banks	*336,536*	-	-	-	-
International organisations	*53,877*	-	-	-	-
Institutions	*262,494*	-	-	-	-
Corporates	*1,166,977*	-	-	-	-
Covered bonds	*91,336*	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	*16,943*	-	-	-	-
Total exposures	**6,488,734**	**25,109**	**-**	**25,109**	**-**

Table 29 and 30 provide details on secured and unsecured exposures. Secured exposures are limited to those exposures against which eligible collateral which meets CRR definitions is held and has been used in the calculation of the Company's capital requirements. This table is not reflective of the total volume of exposures against which collateral and guarantees are actually held, nor does it reflect the full range of credit risk mitigation taken. A significant portion of the exposures included in the table (exposures unsecured carrying amount) benefit from security taken to mitigate credit risk, but this security is not eligible for use in the regulatory capital calculations. The total credit exposures where the Company benefits from guarantees from investment graded (or equivalent rating) entities as at 31 October 2017 is US$ 1,160,678,000 (31 October 2016: US$ 1,249,548,000).

Indirect mitigating methods

Indirect credit risk mitigants are generally embedded in the structure of the individual transaction to minimise the impact of an external event on the obligor e.g. loan covenants.

In addition credit risk is also mitigated by policy and procedural controls, and regular monitoring and reporting of risks to facilitate effective management oversight.

No material concentration arises as a result of the credit risk mitigation measures which would prevent their effectiveness.

4.5 Counterparty Credit Risk

As per CRR Article 272, CCR is defined as the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

The Company's primary sources of CCR are: Derivatives, repo, stock borrowing/lending (risk mitigated and limited to overnight risk by Credit Support Annexes (CSAs) and other margining arrangements).

SIDAC mitigates counterparty risk in a number of ways. A prerequisite for transacting OTC derivatives with counterparties is to ensure a CSA agreement is in place. The Company is compliant for variation margin rules for Non-Centrally Cleared Derivatives as of March 1 2017. This in effect reduced variation margin thresholds to zero. SIDAC has moved to transacting interest rate swaps via Central Counterparty clearing (CCP) (facilitated by Scotiabank) which mitigates counterparty credit risk. These techniques are documented in standard trading agreements.

Counterparty limits are set for each individual counterparty, guided by advice and counsel from Scotiabank GRM. Sub limits can be put in place for each product type. The risk is monitored independently by CRF on a daily basis.

Netting and collaterals held

Legal agreements providing for enforceable master netting arrangements are put in place with counterparties, guided by Scotiabank legal counsel. These include International Swaps and Derivatives Association (ISDA) agreements and collateral arrangements (Global Master Repurchase Agreement (GMRA)) and CSA). Note that these arrangements do not meet the criteria for offsetting in the balance sheet. This is because they create for the parties to the agreement a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Company or the counterparties or following other predetermined events. In addition, the Company and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The Company is unrated by ECAIs and so is not exposed to the effects of a downgrade of its own credit rating. There is also no risk of increased collateral requirements as a result of a downgrade of the Company's parent as the Company's credit support agreements do not allow for triggers for the posting of additional collateral due to increased counterparty risk. The Company's collateral requirement is expected to diminish in future periods as OTC derivatives are gradually replaced by those settled with CCP clearing members, as noted above.

Collateral arising in respect of any Credit Risk exposures is required to be managed through daily monitoring, by comparison of mark-to-market values of applicable positions against collateral calls. With regard to repurchase agreements, when the values exceed collateral thresholds, collateral calls are made. The acceptable types of collateral are reviewed on an annual basis as part of the annual limit review process.

When calculating the CVA capital charge, the Company uses the standardised approach, as permitted by the Regulation.

Table 31 shows the impact of netting and collateral held on exposures.

Table 31 – EU CCR5-A – Impact of netting and collateral held on exposure values

	US$'000	a	b	c	d	e
		Gross positive fair value or net carrying amount	**Netting benefits**	**Netted current credit exposure**	**Collateral held**	**Net credit exposure**
1	Derivatives	60,559	40,592	19,967	-	19,967
2	SFTs	-	-	-	-	-
3	Cross-product netting	-	-	-	-	-
4	**Total**	**60,559**	**40,592**	**19,967**	**-**	**19,967**

Table 32 shows a breakdown of all types of collateral posted or received to support or reduce CCR exposures related to derivative transactions and to SFTs.

Table 32 – EU CCR5-B – Composition of collateral for exposures to CCR

US$'000	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
Cash	-	-	-	12,980	-	-
Total	**-**	**-**	**-**	**12,980**	**-**	**-**

Table 33 and 34 set out the methods used to calculate CCR regulatory requirements and the resultant RWAs.

Table 33 – EU CCR1 – Analysis of CCR exposure by approach

	US$'000	a	b	c	d	e	f	g
		Notional	**Replacement cost/current market value**	**Potential future credit exposure**	**EEPE**	**Multiplier**	**EAD post CRM**	**RWAs**
1	Mark to market	-	19,967	27,143	-	-	47,110	23,555
9	Financial collateral comprehensive method (for SFTs)	-	-	-	-	-	-	-
11	**Total**	**-**	**19,967**	**27,143**	**-**	**-**	**47,110**	**23,555**

Table 34 – EU CCR2 – CVA capital charge

	US$'000	a	b
		Exposure value	**RWAs**
1	Total portfolios subject to the advanced method	-	-
2	(i) VaR component (including the 3× multiplier)	-	-
3	(ii) SVaR component (including the 3× multiplier)	-	-
4	All portfolios subject to the standardised method	47,110	10,539
EU4	Based on the original exposure method	-	-
5	**Total subject to the CVA capital charge**	**47,110**	**10,539**

Table 35 provides a breakdown of CCR by exposure class and risk weight.

Table 35 – EU CCR3 – CCR exposures by regulatory portfolio and risk weight – Standardised Approach

US$'000		Risk weight (%)												
	Exposure classes	**0**	**2**	**4**	**10**	**20**	**50**	**70**	**75**	**100**	**150**	**Others**	**Total**	**Of which unrated**
6	Institutions	-	-	-	-	-	47,110	-	-	-	-	-	47,110	-
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total**	**-**	**-**	**-**	**-**	**-**	**47,110**	**-**	**-**	**-**	**-**	**-**	**47,110**	**-**

4.6 Credit Risk Stress Testing

SIDAC performs quarterly credit stress tests. The first estimates the change in regulatory capital requirements that would arise during a mild recession. This is derived by performing a one-notch downgrade of each asset and calculating the resulting capital requirement based on the new risk-weighting of the assets. The second estimates the Expected Loss (EL) of each counterparty across all of SIDAC's portfolios. The stress test is based on a statistical confidence which uses the mean historical default and recovery rates with a stress applied. A worsening of the current credit conditions is reflected by applying a stress factor equivalent to 2.33 standard deviations to the default and recovery rates for the stressed case. This is equivalent to a 99% confidence level. The base case simply applies the mean historical default and recovery rates across all SIDAC's counterparty exposures. These are presented to RMC and the Risk Committee of the Board.

In addition the Company has adopted the model from Scotiabank for the computation of expected losses under stressed conditions for inclusion in its annual Enterprise wide stress test. The model first establishes a base case ratings migration matrix looking forward quarterly over a five year horizon. It then uses stressed parameters assigned by BNS to its stress scenarios to model revised migration matrices from which expected losses can be computed. This is applied to the Company's corporate loan and bond positions.

5 Market Risk

This is the current or prospective risk to earnings and capital arising from adverse movements in asset prices, foreign exchange rates and interest rates. This can arise from market-making, dealing and position-taking in equity and debt securities, currencies or derivatives.

5.1 Market Risk Management and Risk Measures

Overall authority for managing market risk in accordance with the Board's risk appetite is vested in the Company's Risk Management Committee.

The principal market risk in the non-trading book is interest rate risk. A primary aspect of the Company's business activities is the taking of interest rate risk through outright fixed positions taken by its Securities Investment and Treasury operations. All aspects of this risk are closely monitored and controlled. The Board articulates its appetite for this risk by approving policies, setting limits and approving the annual Strategy and Business Plan.

Part of the Company's return on financial instruments is obtained from controlled mismatching of the dates on which interest receivable on assets and payable on liabilities is next reset.

In addition to higher level policy, interest rate risk is also controlled by Board approved specific gap (asset/liability mismatch ladder) limits. These are set by maturity/rate sensitivity bucket, currency and in aggregate. Gap reports are circulated daily to business line staff for review. Any reported breach is investigated and, if valid, reported to the CEO no later than the day following occurrence and to the Audit Committee at their next quarterly meeting. The Company also monitors "DV01" which measures the change in value caused by a 1 basis point change in yield. DV01 analysis has been proven to be a better indicator for monitoring interest rate risk and its use is consistent with the approach of the Scotiabank group.

The Board charges Senior Management with the implementation of its Interest Rate Risk policy and management of its business activities in the Securities Investment and Treasury areas. The Risk Management Committee meets at least twice monthly to discuss and implement strategy based on its views of the current market.

The Risk Management function executes daily stress tests on the non-trading book interest rate portfolios. An immediate 1% move in rates is applied to the portfolios and the impacts on Economic Value (EV) and Annual Income (AI) are assessed. Results of EV and AI tests are monitored against Board approved limits.

The primary tool for measuring Market Risk in the Trading Book is the Value at Risk (VaR) measure. A similar VaR computation occurs monthly for the Investment Book (banking book positions). VaR is computed on SIDAC's behalf by GRM under an SLA. The Scotiabank VaR model is a historical simulation model based on 300 business days of market data, a 1 day holding period and a 99% confidence level.

The VaR result is calculated daily for Trading Book and monthly for Investment Book and reviewed by Risk Management and Business Line staff. These results are reviewed by the Risk Management Committee and are reported to the Risk Committee of the Board on a quarterly basis. The Board has set a limit for the Trading Book VaR measure and utilisation has historically been well within this limit. In addition, Market Risk on treasury trading positions is controlled through a monthly Stop Loss limit which is monitored daily by staff independent of business line staff. As mentioned above, the Company does not currently have an active trading book.

The Investment Book VaR forms the basis of the Company's Pillar 2 add-on for Interest Rate Risk in the Banking Book. The one day result is annualised and that amount is designated as the internal capital measure for this risk.

The Company utilises the FX forward market to provide non US$ currency funding to the Company's various portfolios and may also take small FX positions as outright trades. These are subject to VaR and Stop Loss limits as described above. In addition to VaR the Company also utilises product and maturity limits to restrict market risk.

Table 36 details the RWAs and capital requirements for market risk under the Standardised Approach.

Table 36 – EU MR1 – Market Risk under the Standardised Approach

		a	b
US$'000		**RWAs**	**Capital requirements**
	Outright products		
1	Interest rate risk (general and specific)	-	-
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	22,030	1,762
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation (specific risk)	-	-
9	**Total**	**22,030**	**1,762**

5.2 Market Risk Mitigation

The Company mitigates Market Risk through the use of derivatives (refer to the Risk Management Introduction section above), has approved products for this purpose and has experience in employing this strategy across a range of portfolios. Interest rate swaps are used to hedge market risk in the investment bond book and are booked with multiple approved counterparties thus avoiding concentration. Currently the Company only has cash collateral for margining purposes and thus no collateral concentrations arise. No material concentration arises as a result of the market risk mitigation measures which would prevent their effectiveness.

5.3 Market Risk Stress Testing

As mentioned above, the Company has adopted the Scotiabank model for market risk testing. The principal interest rate risk stress tests are the EV test, designed to protect shareholder equity and the Annual Income (AI) test, designed to protect short-term revenue. They measure the maximum effect of a +/- 100 basis point parallel shift in yield curves on the net present value of the Company's assets and liabilities for EV and on annual income for AI. Additional daily stress tests are also conducted including a 200bp parallel shift, and a variety of other parallel and non-parallel shifts. A further scenario test reflecting the impact of unexpected interest rate changes on income is generated quarterly.

At 31 October 2017, an immediate and sustained 100 basis point shift in interest rates across all currencies and maturities would lower the fair value of assets and liabilities by approximately US$ 19.2mm (2016: US$ 30.1 mm) in aggregate. This is comprised of the following impact by currency:

Table 37 – Impact of 100 bps shift in interest rate

US$ equivalent millions				
USD	**EUR**	**GBP**	**Others**	**Total**
17.4	0.0	1.8	0.0	19.2

5.4 Currency Risk

The Company mitigates its currency risk exposures through matched funding of its non US dollar assets or using other financial instruments, including derivatives.

6 Operational Risk

Operational risk is the risk of loss, whether direct or indirect, to which the Company is exposed due to internal and external events such as, human error, inadequacy or failure of processes, procedures, systems or controls. Operational risk, in some form, exists in each of the Company's business and support activities and can result in financial loss, regulatory sanctions and damage to the Company's reputation.

The Company's principal Operational Risk concerns are:

- Inaccurate completion of regulatory returns,
- IT & Cyber Risk including: Systems outage, ineffective business resumption, systems or data breach etc.
- Human error,
- Loss of key staff,
- Rogue Trader Risk,
- Outsourcing Risk,
- Legal Risk,
- Settlement Risk, and
- Regulatory Risk

6.1 Operational Risk Management and Risk Measures

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and control procedures that do not restrict initiative and creativity. Within these parameters the Company operates by following the Operational and Compliance policies and controls approved by the Board. Application of these policies and procedures is monitored by the Risk Management, Compliance and Internal Audit functions.

The Company recognises the range of operational risks that are inherent in any organisation. The Company has developed a monthly report by category of operational risk, with appropriate Key Risk Indicators (KRIs) identified to address each one. KRIs are reviewed by the Risk Management Committee and presented quarterly to the Audit Committee of the Board. The indicators are based on the Company's classifications of operational risk as mapped to the Basel classifications such as Fraud, Systems & Technology, Legal, Regulatory Compliance, People and others. The monthly report details incidences of these and any other identified operational risk event.

Procedures exist for the identification, assessment and reporting of operational risk events, with reports being evaluated and categorised for severity by the Risk Management function and reviewed, where appropriate, by the Risk Management Committee. Should weakness arise Senior Management would take remedial action. Regulatory reporting for Operational risk is also a requirement as a condition of the Company's banking licence.

6.2 Exposure to Operational Risk

The CRR sets out three approaches for calculating capital requirements for operational risk: Basic Indicator Approach, Standardised Approach, and the Advanced Measurement Approaches. The Company has elected to use the Basic Indicator Approach. This requires the Company to hold a capital amount equal to 15% of the average of the sum of net interest income and net non-interest income for the three preceding 12 month financial periods for which audited financial information is available.

6.3 Operational Risk Mitigation

The Company has put in place policies and procedures to mitigate each of the key elements of the Operational Risk as exposed above. One of the more likely potential failures to cause financial impact for the Company is one or more failed trades or payments. Due to the netting procedure with the parent, the Company's risk has been substantially reduced. Actual losses for penalty payments during the last three fiscal years amounted to US$9k. Since the Company has a Business Continuity Planning (BCP) site and has recourse to Scotiabank facilities, it is deemed highly unlikely that a failure to process payments could extend beyond one business day. The Company also considers payment fraud in its Enterprise Wide Stress Test (EWST) and includes a potential loss of US$ 50mm in the 2017 EWST result, upon which the Pillar 2 charge for Macro-Economic Risk is based. Management also recognise the risks associated with IT and Cyber Crime and have extensive mitigants in place, while noting that the Company is a less likely target for cyber-crime, since it has no retail dimension.

6.4 Operational Risk Stress Testing

Operational risk stress testing is performed based on scenario analysis. Different scenarios are defined by Risk Management in conjunction with the business lines and support functions in the overall assessment of the Operational Risk. Each scenario is considered with and without management action, to assess the possible operational loss and evaluate the stressed capital ratios compared to the regulatory requirements.

7 Liquidity Risk

This is the current or prospective risk to earnings and capital arising from an institution's inability to meet its liabilities when they fall due.

7.1 Liquidity Risk Management and Risk Measures

The Company's Internal Liquidity Adequacy Assessment Process (ILAAP), Liquidity Risk and Collateral Risk Management Policy sets out in detail the risk measurement and management approaches employed to address this risk. By approving the ILAAP, the Board has satisfied itself as far as possible, that the Company will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors its Liquidity Coverage Ratio (LCR), a short-term liquidity measure defined under CRD IV, on a daily basis. Banks are required to have sufficient high-quality liquid assets to withstand a 30 calendar day liquidity stress scenario. A regulatory minimum ratio as set out in the CRD IV and CRR and associated implementing legislation and EBA guidelines applied from October 2015 and will rise to 100% by January 2018. As at 31 October 2017, the Company's LCR exceeded the regulatory minimum and was 484% (31 October 2016: 438%). The Company also monitors the LCR in significant currency on a daily basis as well (where currency liabilities > 5% of total liabilities).

The Net Stable Funding Ratio (NSFR) supports the maintenance of a stable funding profile and requires the Company to have sufficient quantities of funding from stable sources. The effective date for a regulatory minimum of 100% has not yet been set but the Company is working to achieve this level. The NSFR ratio is reported quarterly to management and the Board Risk Committee. This ratio is based on the Company's interpretation of the Basel Committee on Banking Supervision's document (Basel III: the Net Stable Funding Ratio October 2014).

Liquidity Risk is measured and controlled through the establishment of quantifiable metrics outlined in the Company's Risk Appetite Framework. This is supplemented by the performance of daily stress tests applied to the behavioural characteristics of the Company's portfolio.

The Company also complies with regulatory liquidity management requirements set by the CBI, including the maintenance of a liquidity buffer for different stress scenarios required by the EBA. These ratios are reviewed daily by Senior Management and Treasury Management.

The Company has Board approved limits on the maximum liability cash flow gap (i.e. mismatch between inflows and outflows) it can operate and a minimum level of Core Liquid Assets. Both are managed and limits are set by currency.

These are monitored through a cumulative 10 day and 30 day cash flow gap position report. The Company also manages the term of its funding through the operation of a Weighted Average Remaining Term (WART) measure. Funding held is measured against the minimum Board approved and regulatory metrics on a daily basis.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company runs a daily Income Stress test that assesses the impact of a 1% increase/decrease in interest rates on asset and liability positions re-setting within the next year.

Liquidity Risk Governance

The Company's Treasury function, under the direction of the Risk Management Committee is responsible for managing the Company's liquidity. The RMC, with its mandate to address ALCO issues, is the committee responsible for the strategic direction for Liquidity and Funding Risk management. It approves limits and the methodologies used for measuring and managing Liquidity Risk. It also seeks advice and counsel from Scotiabank GRM as appropriate. The Company's Liquidity Policy and all liquidity limits are reviewed by the RMC and receive advice and counsel from GRM. The Liquidity Policy subsequently receives approval from the Board and limits are presented to the Board for annual review.

7.2 Exposure to Liquidity Risk

The table below has been produced in line with the 2017 EBA Guidelines on LCR disclosure (EBA/GL/2017/01). The disclosed figures within the liquidity buffer, total net cash outflows, and LCR are simple averages of the preceding twelve LCR monthly reporting observations for each quarter.

Table 38 – EU LIQ1 – LCR Disclosure

USD$'000	**Total weighted value (average)**			
Quarter ending on	**31 October 2017**	**31 July 2017**	**30 April 2017**	**31 January 2017**
No. of data points used in the calculation of averages	12	12	12	12
Liquidity Buffer	2,127,806	1,962,542	1,885,742	1,688,424
Total Net Cash Outflows	496,057	477,116	508,577	539,546
Liquidity Coverage Ratio (%)	**550%**	**534%**	**457%**	**358%**

7.3 Liquidity Risk Mitigation

Through an analysis of its business lines, operating procedures, EBA guidelines and any relevant regulatory requirements, the Company has identified several risk drivers to which the institution is exposed in relation to liquidity risk and funding risk. The Company has adopted policies and measures to mitigate the same.

One significant driver of liquidity risk is cross-currency risk, which is largely mitigated by the Company by holding a large portfolio of liquid assets and other unencumbered assets in various currencies. To mitigate intraday liquidity risk, the Company has overdrafts in place as appropriate, currently covering North America due to the time difference. Close monitoring of payments and receipts intraday occurs with escalation of potential non receipts on a timely basis.

In addition to this, to help mitigate liquidity risk, the Company's pool of bonds enables it to raise funds through wholesale banking repo markets, the ECB and other national central banks. As last point, in order to mitigate its funding risk, the Company has a US$1bn committed funding facility from Scotiabank and the primary sources of the Company's funding are deposits from Scotiabank and Scotiabank affiliates.

7.4 Liquidity Risk Stress Testing

The Company's Stress Testing Policy sets out the types of stress test undertaken, their frequency, methodological details, the range of assumptions and relevant data infrastructure. Additional documents describe the design of the Company's stress test programmes and details the key stress tests that the Company performs on a regular basis.

With regard to the solvency of the Company, a Reverse Stress Test is conducted on a qualitative basis through discussion at the RMC. Consideration is given to outcomes resulting in both the insolvency and the un-viability of the Company. Specifically with regard to Liquidity Risk, the Company conducts a daily liquidity stress test based on the guidance set out in the EBA Guidelines on liquidity buffers and survival period.

As required by the EBA guidelines, three scenarios are considered:

- Idiosyncratic: it is assumed that there is no situation, with the possible exception of a large scale fraud or major regulatory issue, which would specifically cause an idiosyncratic liquidity crisis within the Company. Hence, as it is an unrated subsidiary of Scotiabank, it is assumed that the entity specific scenario explored should be that of a shock or a crisis at Scotiabank, for example a multi-notch downgrade to its credit rating. This would impact Scotiabank's ability to raise liquidity, which has knock-on impact on the funding received from Scotiabank.
- Market-wide: this scenario assumes widespread disruption to the market with restrictions on the availability of wholesale and interbank funding, significant deterioration in market values and action by central banks to lower interest rates. In addition, it is assumed that liquidity shortages would cause wholesale banks to significantly increase rates in the interbank market.
- Combined: this assumes a worst case combination of the idiosyncratic and market-wide scenarios.

The calibration of the assumptions underlying these scenarios is reviewed by the Treasury business line and Risk Management function semi-annually. This review is then presented to the RMC for analysis and approval before being presented to the Risk Committee for further consideration and challenge.

8 Concentration Risk

Concentration Risk is the risk associated with any single exposure (or group of exposures that may perform similarly because of a common characteristic or common sensitivity to economic, financial, or business developments) that has the potential to cause considerable risk to earnings and capital. Concentration Risk may arise as a result of correlated positions that present exposure to multiple risk factors. Credit concentration risk includes concentrations to the same counterparties or groups of connected counterparties, and counterparties in the same industry sector, geographical region or concentrations from the same activity or commodity.

8.1 Concentration Risk Management and Risk Measures

The Board has approved a Concentration Risk Policy which sets out types of concentration risk and the levels at which concentrations are regarded as material or significant. Oversight of the Company's management of Concentration Risk also includes RMC and Board review and approval of policies and limits relating to Credit, Market, Liquidity, and Operational Risk as well as quarterly reporting to the Risk Committee of the Board on risk concentrations relating to these key risk disciplines and stress testing on sectors where a material concentration is deemed to arise. Specific Board approved limits are set to control the maximum exposure to any counterparty or group of related counterparties. Coupled with this, the Regulatory Large Exposure rules must be observed. Industry and country concentration is monitored on a regular basis for internal and regulatory purposes. Overall industry and country exposures are reviewed by the Risk Management Committee on a regular basis. As at 31 October 2017, the Company has one identified material concentration according to the Company's Concentration Risk policy relating to Government securities. A large component of this exposure consists of short dated Treasury Bills across a number of G7 countries which are held for liquidity management purposes.

The Company monitors and controls its credit concentration risk under three categories:

- exposure to an entity or group of connected entities,
- by industry, and
- by geography.

A measure of Credit Concentration Risk for use as the Company's Pillar 2 add-on is computed on a quarterly basis by using the Moody's MKMV Risk Frontier Economic Credit Capital (ECC) model. Using the ECC model, the deviation of the Company's credit portfolio from a well-diversified credit portfolio is assessed by approximating the Company's portion of the consolidated Scotiabank global non-retail portfolio when modelled as part of the overall Scotiabank ECC model. The difference between the two ECC calculations can be viewed as the diversification benefit that the non-SIDAC exposures in the overall Scotiabank portfolio would provide to reduce the amount of ECC otherwise attributable to the SIDAC exposures.

8.2 Concentration Risk Mitigation

As per its Risk Appetite Framework, the Company seeks to avoid excessive risk concentrations through a diversified mix of businesses, products, geographies, currencies and customers. Appropriate management of Concentration Risk is also ensured by the Company's limits, policies and procedures. Other credit risk mitigation techniques include reviewing risks associated with large indirect credit exposures.

9 Securitisations

The Company acts purely as investor in securitisations and does not act as originator or sponsor for any securitisation activity. The same overall financial objective applies to any securitisation investments, which is to generate a satisfactory return for the risk being taken.

The Company uses the Standardised Approach to calculate the capital requirements on its securitisation positions, in accordance with Articles 242 – 266 and Article 337 of the CRR. The Company uses the same nominated ECAIs as above for this approach: S&P and Moody's.

At 31 October 2017, the Company held two securitisation positions. One of the positions comprises Class A notes of an asset backed securitisation vehicle and the other is a capital note subordinated to other obligations in a larger Asset Backed Commercial Paper conduit. No new transactions were entered into during the year, although the position in the Class A notes was increased.

Table 39 – Total outstanding securitised exposures

31 Oct 2017

US$'000	Exposure value		CQS	RWAs		Total RWA	Capital Requirement
	On Balance Sheet	Off Balance Sheet		20%	1250%		
Loans and receivables	298,112	-	1	59,622	-	59,622	4,770
Available-for-sale financial Assets	45,852	-	Unrated	-	573,152	573,152	45,852
Total	**343,964**	**-**		**59,622**	**573,152**	**632,775**	**50,622**

31 Oct 2016

US$'000	Exposure value		CQS	RWAs		Total RWA	Capital Requirement
	On Balance Sheet	Off Balance Sheet		20%	1250%		
Loans and receivables	212,760	-	1	42,552	-	42,552	3,404
Available-for-sale financial Assets	37,961	-	Unrated	-	474,511	474,511	37,961
Total	**250,721**	**-**		**42,552**	**474,511**	**517,063**	**41,365**

The increase in securitised assets during the period is due to the following: The loans and receivables securitisation position was increased, as noted above, and the appreciation of the US dollar versus GBP. The Available for sale financial assets position increased as a result of re-estimations of cash flow and hence an increased in the carrying amount.

Accounting treatment

At inception, securities exposures have been categorised as either loans and receivables or Available for sale financial assets (AFS).

Loans and receivables are initially measured at fair value and subsequently measured at their amortised cost using the effective interest method.

AFS assets are initially recognised and subsequently measured at fair value in the balance sheet. Gains and losses arising from changes in the fair value are recognised as a separate component of the shareholders' equity until the financial assets are derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is transferred to the profit and loss account.

The AFS securitisation position held at the reporting date is classified as Level 3 as it does not trade in an active market. It is fair valued based on an internal developed model that requires the use of significant unobservable inputs, involving greater management judgment for valuation purposes. The unobservable inputs used in the valuation primarily include assumptions on the level of cash flows and discount rates. These assumptions are reviewed on an ongoing basis by Management.

Any changes in the asset fair value due to change in estimates is recognised in profit or loss as income or expense.

Monitoring of risks

In relation to the AFS securitisation position the Company conducts an annual valuation review which incorporates changes in the expected average life, cash flows received and projected, and discount rate to use. The RMC approve this document. Periodically throughout the year Risk Management and the business line have discussions with the Securitisation manager regarding changes in the portfolio – i.e. pools, new business, margins and expected cash flows. Risk management also conduct an annual limit review via the appropriate credit committee.

In relation to the Class A notes, these are the Senior ranking notes with only net swap payments ranking ahead of principal and interest on the notes. The Company performs monitoring and analysis of the transactions based on the investor report provided by the borrower on a monthly basis. This includes an analysis of delinquency ratios, retention and return rates and the level of overcollateralization. A formal review and update is also provided to the credit team at least annually which includes relevant stress testing.

Credit risk

The securitisations are subject to a credit risk capital charge under the standardised approach of US$ 50.6mm as at 31 October 2017 (2016: US$ 41.4mm). Using Moody's ratings, the loans and receivables position attracts a risk-weighting of 20%. The Company does not avail of available techniques of hedging or unfunded protection to mitigate the exposures to securitisations.

Other risks

There are a number of possible inherent risks in purchasing certain securitised notes including: the performance of the underlying assets; the explicit support of the Issuer and its financial stability; volatility in the market value of securitised notes; and liquidity risk that the SPV issuing the purchased securitisation notes has insufficient income from the underlying assets to meet its obligations. The Company is not subject to these other risks in a material way which would require additional regulatory capital beyond what has been provided under the standardised approach.

10 Asset Encumbrance

An asset would be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.

The asset encumbrance disclosure templates, shown below, have been compiled in accordance with the Commission Delegated Regulation (EU) 2017/2295 on disclosure of encumbered and unencumbered assets under Article 443 of the CRR. The regulation requires that the data is presented as a median calculation. The below amounts are median values based on quarter end point in time amounts over the year to 31 October 2017.

Table 40 – Encumbered and unencumbered assets

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
US$'000		**010**	**040**	**060**	**090**
010	**Assets of the reporting institution**	**29,157**		**6,539,603**	
030	Equity instruments	-		14,990	
040	Debt securities	14,947	14,947	3,767,182	3,767,182
050	of which: covered bonds	-	-	118,620	118,620
060	of which: asset-backed securities	-	-	37,842	37,842
070	of which: issued by general governments	-	-	1,426,673	1,426,673
080	of which: issued by financial corporations	-	-	1,657,436	1,657,436
090	of which: issued by non-financial corporations	4,929	4,929	857,099	857,099
120	Other assets	14,210		2,757,127	

Table 41 – Collateral received (encumbered and unencumbered)

US$'000		Fair value of encumbered collateral received or own debt securities issued	Fair value of unencumbered collateral received or own debt securities issued available for encumbrance
		010	040
130	**Collateral received by the reporting institution**	-	-
140	Loans on demand	-	-
150	Equity instruments	-	-
160	Debt securities	-	-
220	Loans and advances other than loans on demand	-	-
230	Other collateral received	-	-
240	**Own debt securities issued other than own covered bonds or asset-backed securities**	-	-
241	**Own covered bonds and asset-backed securities issued and not yet pledged**		-
250	**Total assets, collateral received and own debt securities issued**	**29,157**	

Table 42 – Sources of encumbrance

US$'000		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	**30,044**	**29,157**
011	of which: Derivatives	15,106	14,210
012	of which: Repurchase agreements	14,937	14,947

As an integral aspect of its business, the Company engages in activities that result in certain assets being encumbered. The majority of encumbrance arises from its repo and reverse repo transactions. Other sources of encumbrance are collateral pledged under CSA agreements with OTC derivative counterparties.

The Company primarily adopts standard collateral agreements and collateralises based on industry standard contractual agreements (mostly CSA, ISDA, and GMRA).

11 Remuneration

These disclosures reflect the requirements set out in the CRR, noting that the new "EBA Guidelines on Sound Remuneration Policies" will apply to the Company from 1st November 2017.

11.1 Remuneration Governance

The Board is responsible for ensuring that the Company has in place remuneration policies and practices which are consistent with sound and effective risk management and do not promote excessive risk taking. The Company has adopted the Scotiabank compensation program as governed by the Scotiabank Compensation Policy, Scotiabank Clawback Policy, along with a SIDAC Policy Addendum reflecting local requirements and in particular those arising from the CRR. The Board oversees remuneration within the Company consistent with the requirements of these policies and Scotiabank practice and procedures. The Board met six times in 2017.

Scotiabank Compensation Committee

Scotiabank has an established Human Resources Committee (HRC), based in Toronto, which is responsible for setting global, group-wide policies on compensation, overseeing the compensation governance framework and ensuring that compensation arrangements are consistent with effective risk management. The HRC also reviews the total compensation principles and compensation programs of Scotiabank and the general criteria and design of the bank's major incentive plans, and the basis and allocation for distribution of awards relating to various other incentive plans. The HRC held seven meetings in 2017. Information concerning Scotiabank's approach to executive compensation can be found in the Scotiabank Management Proxy Circular at http://www.scotiabank.com/ca/en/0,,917,00.html. This includes information on Scotiabank's pay for performance philosophy, the annual compensation review process, executive compensation programs including deferrals and

vesting criteria, performance measurements and risk alignment. Details concerning the HRC's composition, responsibilities and independent advisors can also be found within the circular.

11.2 Identified Staff and Remuneration Components

Identified Staff Criteria

The Company follows Commission Delegated Regulation (EU) No 604/2014 when identifying categories of staff whose professional activities have a material impact on its risk profile under Article 92(2) of CRD IV. In 2017 the Company has categorised nine members of staff as Identified Staff or Material Risk Takers with the majority being members of senior management inclusive of heads of control functions.

Remuneration Components

Fixed Pay

Salary compensates employees for fulfilling their day-to-day roles and responsibilities, including leadership and management duties. It is reviewed annually and adjusted where appropriate based on each employee's role and experience, sustained performance, internal job value and local external market practice.

Pension and other benefits are offered to employees as part of an overall reward package and to ensure the Company is competitive against the external market.

Variable Pay

Performance-based or "Variable Pay" is awarded in a manner which promotes sound risk management and does not induce excessive risk-taking while maintaining an appropriate balance of fixed and variable pay.

11.3 Variable Pay

Link between Pay and Performance

In determining the Variable Pay, the employee's ability to affect results over the longer term, the mix for similar positions in the Company's comparator group, and market practice are considered. More information on Scotiabank's approach to pay and performance can be found in its Management Proxy Circular.

The Company's Variable Pay includes a mix of up-front and deferred incentives. In compliance with the requirements as set out within Article 94(1) CRD IV the Company has capped Variable Pay at a maximum ratio of 200% of fixed compensation for its Identified Staff.

Variable Pay Incentive Plans

Rationale and Eligibility Criteria

All employees are eligible to participate in an annual incentive plan. Annual incentives are designed to reward employees for their contribution to the achievement of the Company's annual financial and non-financial goals.

Scotiabank currently has the following incentive plans for employees in Ireland including Identified Staff, designed to reward employees for their contribution to the achievement of annual goals:

- Annual Incentive Plan ("AIP"), for all non-GBM front-office employees, back- and middle-office employees, including employees in control function roles and supporting personnel who are not client-facing;
- Global Banking and Markets Incentive Plan ("GBMIP"), for GBM front-office employees globally, in designated units and roles that support revenue generation. There were no awards granted under this programme in 2017 but there are deferred awards from previous years;
- Deferred Compensation, this is for key AIP participants and are mid-term incentive awards for creating sustained shareholder value over three years and achieving specific corporate objectives.

Performance Measurement/Assessment

The AIP rewards employees based on Scotiabank's performance on financial and customer metrics for the fiscal year as well as individual performance, which has a significant impact on final awards. The AIP includes risk-adjusted measures that reflect the full range of potential risks. The aggregate AIP pool is determined based on Scotiabank's

achievement on a scorecard of all-Bank measures: return on equity (“ROE”), earnings per share (“EPS”), operational leverage and a customer metric, adjusted for performance relative to peers, as well as a discretionary risk adjustment that is approved by the Parent Board after considering performance against Scotiabank’s Risk Appetite Framework.

The GBMIP is designed to reward eligible employees of GBM on the achievement of the objectives of both GBM and Scotiabank. The aggregate GBMIP pool is determined based on GBM’s net income before bonus and taxes (“NIBBT”) and net income after tax (“NIAT”) versus plan, adjusted for performance relative to peers and overall Scotiabank performance, as well as a discretionary risk adjustment that is approved by the HRC after considering performance against Scotiabank’s Risk Appetite Framework. Individual awards consider individual and business line performance, as well as market position, and the pool of funds available.

Risk Adjustment

Prior to the awards being approved, Scotiabank’s Chief Risk Officer assesses whether there are any other potential risks that should be reflected in the incentive pool funding, and recommends adjustments – if necessary – to the HRC. For further details on this please refer to the Management Proxy Circular.

The Company has a local adjustment framework process for all employees in Ireland, the purpose of which is to maintain the alignment between risk, reward and performance and to ensure that variable remuneration is paid /vests only if it is sustainable, taking into account the financial situation of SIDAC, and justified on the basis of the performance of the Company, the business area and the individual(s) concerned. Under this framework, the Company may take action to adjust variable remuneration either individually or collectively.

Components of Variable Pay – Upfront

For participants in the AIP programmes who either (i) have not been categorised as Identified Staff or (ii) have been categorised as Identified Staff but derogated[2], 100% of their payment is received upfront in cash.

Identified Staff participating in the AIP programme receive 50% of their upfront payment in equity linked instruments, namely Restricted Share Units (“RSUs”) which vest immediately with a six month retention period, pursuant to The Bank of Nova Scotia Restricted Share Unit Plan for Participants in the European Economic Area (the “EEA RSU Plan”). The remaining 50% of their upfront payment is received in cash.

Components of Variable Pay – Deferred

A portion of the incentive awards made to Identified Staff that have not been derogated are deferred over a three year period. The portion of total incentive deferred varies between 40% and 60%. Deferred incentive awards comprise at least 50% in RSUs and the balance in Deferred Cash Awards.

For AIP participants, the EEA RSU Plan is intended for key individuals who have the ability to assist in creating future shareholder value. Back and middle-office employees, including employees in control function roles and supporting personnel who are not client-facing at the internal director level and above may be eligible to receive grants of deferred compensation.

For GBMIP participants, the EEA RSU Plan is an integral part of GBM’s overall compensation programme designed to align the interests of GBM employees with those of Scotiabank’s shareholders. All GBM front-office employees in client-facing roles and roles that support revenue generation in Ireland are eligible to participate.

Performance Measurement/Assessment

For AIP participants, the EEA RSU Plan is designed to reward nominated employees below the executive level and certain executives outside of Canada for delivering sustained shareholder value. RSUs gain value with the appreciation of Scotiabank’s common share price and the reinvestment of ‘dividend equivalents’ aligned with actual dividends paid on the common shares.

For GBMIP participants, the EEA RSU Plan allows GBM employees to receive a portion of their total incentive as RSUs tied to Scotiabank’s common share price.

[2] Identified Staff may be derogated if their Variable Pay is below a certain level

Deferred Cash Awards are subject to a performance multiplier. The amount payable upon vesting is equal to the award amount vesting multiplied by a performance multiplier, ranging from 0.75x to 1.25x, and determined using the all-Bank score from Scotiabank's AIP.

Deferral, Vesting and Retention Periods

Both RSUs and Deferred Cash Awards vest pro-rata over a three-year deferral period depending on the Identified Staff's role. The vested RSUs are subject to a further six-month holding or retention period before being paid out in cash.

Other employees depending on seniority may receive deferred compensation on a discretionary basis based on individual performance, and awards typically range between 0% - 30% of total incentives received. Awards are made entirely in RSUs that vest 100% at the end of three years.

Identified Staff who are GBMIP participants have the same vesting, deferral and retention criteria as those Identified Staff that are participants of the AIP related deferral program (see above).

11.4 Quantitative Disclosures on Remuneration

The following tables show compensation awards and related data for 2017 Identified Staff and is presented in a manner appropriate to the size, nature and internal organization of the Company. The following tables include variable pay awards made after the end of the fiscal year to reflect decisions made during the 2017 compensation planning cycle.

Table 43 – Fixed and Variable Compensation

US$'000	Remuneration for the fiscal year	Front Office [1]	Control and Support Functions	Senior Management	Non-Senior Management
Number of Identified staff	9	3	6	6	3
Fixed	2,094	554	1,540	1,607	487
Variable	1,254	412	842	1,137	117
Total remuneration	**3,348**	**966**	**2,382**	**2,744**	**604**
Ratio between variable and fixed component of remuneration	**59.8%**	**74.4%**	**54.7%**	**70.8%**	**24.0%**

[1] Front Office includes Group Treasury and Corporate Banking staff

Table 44 summarises variable pay earned during fiscal year 2017, split between cash and share linked instruments.

Table 44 – Variable Pay

US$'000	Awarded for the fiscal year	Front Office [1]	Control and Support Functions	Senior Management	Non-Senior Management
Number of Identified staff	9	3	6	6	3
Cash	717	242	475	600	117
Share linked instruments	537	171	366	537	-
Total variable pay	**1,254**	**413**	**841**	**1,137**	**117**

[1] see note 1, table 43

Table 45 summarises deferred compensation awarded or redeemed during fiscal 2017, or outstanding at the end of fiscal 2017. Outstanding deferred compensation is valued as of October 31, 2017, and share-based remuneration is valued using the closing share price of Scotiabank's common shares on October 31, 2017 of C$83.28.

Table 45 – Deferred Compensation

US$'000	Total	Front Office [1]	Control and Support Functions	Senior Management	Non-Senior Management
Outstanding and vested	195	126	69	195	-
Outstanding and unvested	1,487	467	1,020	1,472	15
Awarded during financial year	451	135	316	451	-
Paid out	587	208	379	587	-
Reduced through performance adjustments	**1**	**-**	**1**	**1**	**-**

[1] see note 1, table 43

The above table includes former employees who remain entitled to deferred compensation and they are included in accordance with level of seniority and role at their departure dates.

During the course of 2017, no sign-on or severance payments were made to Identified Staff during the year, and no staff member was paid more than the equivalent of EUR 1 million.

Appendix 1 – Countercyclical Capital Buffer

The Company is required to maintain an institution specific countercyclical buffer ("CCyB"). The table below shows the geographical distribution of the Company's credit exposure relevant for the calculation of its CCyB:

Table 46 – Countercyclical capital buffer – geographical distribution of credit exposures

US$'000	**Own Funds requirements**					
Country	of which: General Credit exposures	of which: Securitisation	Total Own Funds requirements	**Own Funds requirements weights**	**CCyB rate**	**Weighted CCyB rate**
United Arab Emirates	2,448		2,448	0.006		
Belgium	5,062		5,062	0.013		
Bermuda	6,779		6,779	0.018		
Bahamas	789		789	0.002		
Canada	1,691		1,691	0.004		
Switzerland	3,990		3,990	0.010		
Germany	3,343		3,343	0.009		
Spain	4,161		4,161	0.011		
Finland	8,709		8,709	0.023		
France	21,126		21,126	0.055		
United Kingdom	120,148		120,148	0.314		
Ireland	10,421		10,421	0.027		
Isle of man	4,551		4,551	0.012		
Jersey	10,869		10,869	0.028		
Cayman Islands	4,205		4,205	0.011		
Liberia	69		69	0.000		
Luxembourg	17,274	4,770	22,044	0.058		
Marshall Islands	2,469		2,469	0.006		
Netherlands	19,434		19,434	0.051		
Norway	13,748		13,748	0.036	1.50%	0.000539
Poland	3,961		3,961	0.010		
Sweden	1,862		1,862	0.005	2.00%	0.000097
United States	59,434	45,852	105,287	0.275		
Virgin Islands	5,493		5,493	0.014		
Total	**332,036**	**50,622**	**382,658**	**1.000**		**0.000636**

The additional countercyclical capital buffer requirement is shown below for the Company.

Table 47 – Countercyclical capital buffer

US$'000	
Total Risk Exposure amount	5,219,817
Institution specific countercyclical capital buffer	0.0636%
Institution specific countercyclical capital buffer requirement	**3,321**

Appendix 2 – CRR Roadmap

CRR Ref	High Level Summary	Company Reference
431	**Scope of disclosure requirements**	
431 (1)	Requirement to publish Pillar 3 disclosures.	Scotiabank (Ireland) Designated Activity Company Pillar 3 Disclosures as at October 2017
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information.	Not applicable
431 (3)	Institution must have a policy covering frequency of disclosures. Their verification, comprehensiveness and overall appropriateness.	Section 1
431 (4)	Explanation of ratings decision upon request.	Not applicable
432	**Non-material, proprietary or confidential Information**	
432 (1)	Institutions may omit information that is not material if certain conditions are respected.	SIDAC complies with all relevant disclosure requirements with regards to non-material, proprietary or confidential information.
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected.	
432 (3)	Where 432 (1) and (2) apply this must be stated in the disclosures, and more general information must be disclosed.	
432 (4)	Use of 432 (1) or (2) is without prejudice to scope of liability for failure to disclose material information.	
433	**Frequency of disclosure**	
433 (1)	Disclosures must be published once a year at a minimum, and more frequently if necessary.	Section 1
433 (2)	Disclosures should be published in line with the publication of the Financial Statements	Section 1
434	**Means of disclosures**	
434 (1)	To include of disclosures in one appropriate medium, or provide clear cross-references.	Section 1
434 (2)	Disclosures made under other requirements (e.g. accounting) can be used to satisfy Pillar 3 if appropriate.	Not applicable
435	**Risk management objectives and policies**	
435 (1) (a)	Disclose information on strategies and processes; organisational structure, reporting systems and risk mitigation/hedging.	Sections 3 -10 as applicable for each of the risks
435 (1) (b)		
435 (1) (c)		
435 (1) (d)		
435 (1) (e)	Inclusion of a declaration approved by the Board on adequacy of risk management arrangements.	Section 3
435 (1) (f)	Inclusion of a concise risk statement approved by the Board.	Section 3
435 (2)	Information on governance arrangements, including information on Board composition and recruitment, and risk committees.	Section 3.2
435 (2) (a)	Number of directorships held by directors.	Section 3.2
435 (2) (b)	Recruitment policy of Board members, their experience and expertise.	Section 3.2
435 (2) (c)	Policy on diversity of Board membership and results against targets.	Section 3.2
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year.	Section 3.2
435 (2) (e)	Description of information flow on risk to Board.	Section 3.3
436	**Scope of application**	
436 (a)	Name of institution.	Section 1
436 (b)	Difference in basis of consolidation for accounting and prudential purposes, naming entities that are:	Section 1
436 (b) (i)	Fully consolidated;	Not applicable
436 (b) (ii)	Proportionally consolidated;	Not applicable
436 (b) (iii)	Deducted from own funds;	Not applicable
436 (b) (iv)	Neither consolidated nor deducted.	Not applicable

CRR Ref	High Level Summary	Company Reference
436 (c)	Impediments to transfer of funds between parent and subsidiaries.	Not applicable
436 (d)	Capital shortfalls in any subsidiaries outside of scope of consolidation.	Not applicable
436 (e)	Making use of articles on derogations from a) prudential requirements or b) liquidity requirements for individual subsidiaries/entities.	Not applicable
437	**Own funds**	
437 (1)	Requirements regarding capital resources table.	Section 2 Appendix 1 Appendix 4 Appendix 5
437 (1) (a)		
437 (1) (b)		
437 (1) (c)		
437 (1) (d) (i)		
437 (1) (d) (ii)		
437 (1) (d) (iii)		
437 (1) (e)		
437 (1) (f)		
437 (2)	EBA to publish implementation standards for points above.	Not applicable
438	**Capital requirements**	
438 (a)	Summary of institution's approach to assessing adequacy of capital levels.	Section 2
438 (b)	Result of ICAAP on demand from authorities.	Not applicable
438 (c)	Capital requirement amounts for credit risk for each Standardised Approach exposure class.	Section 4.1
438 (d) (i)	Capital requirements amounts for credit risk for each Internal Ratings Based Approach exposure class.	Not applicable
438 (d) (ii)		
438 (d) (iii)		
438 (d) (iv)		
438 (e)	Capital requirements amount for market risk or settlement risk, or large exposures where they exceed limits.	Section 5.1
438 (f)	Capital requirement amounts for operational risk, separately for the basic indicator approach, the standardised approach, and the advanced measurement approaches as applicable.	Section 6.1
438 endnote	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach.	Not applicable
439	**Exposure to counterparty credit risk (CCR)**	
439 (a)	Description of process to assign internal capital and credit limits to CCR exposures.	Section 4.5
439 (b)	Discussion of process to secure collateral and establishing reserves.	Section 4.5
439 (c)	Discussion of management of wrong-way exposures.	Not applicable
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	Section 4.5
439 (e)	Derivation of net derivative credit exposure.	Section 4.5
439 (f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods.	Section 4.5
439 (g)	Notional value of credit derivative hedges and current credit exposure by type of exposure.	Not applicable
439 (h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type.	Not applicable
439 (i)	Estimate of alpha, if applicable.	Not applicable
440	**Capital buffers**	
440 (1) (a)	Geographical distribution of relevant credit exposures.	Section 4.2 Appendix 3

CRR Ref	High Level Summary	Company Reference
440 (1) (b)	Amount of the institution specific countercyclical capital buffer.	Appendix 1
440 (2)	EBA will issue technical implementation standards related to 440 (1).	Not applicable
441	**Indicators of global systemic importance**	
441 (1)	Disclosure of the indicators of global systemic Importance.	Not applicable
441 (2)	EBA will issue technical implementation standards related to 441 (1).	Not applicable
442	**Credit risk adjustments**	
442 (a)	Disclosure of bank's definitions of past due and impaired.	Section 4.2
442 (b)	Approaches for calculating credit risk adjustments.	Section 4.2
442 (c)	Disclosure of pre-CRM EAD by exposure class.	Section 4.2
442 (d)	Disclosures of pre-CRM EAD by geography and exposure class.	Section 4.2
442 (e)	Disclosures of pre-CRM EAD by industry and exposure class.	Section 4.2
442 (f)	Disclosures of pre-CRM EAD by residual maturity and exposure class.	Section 4.2
442 (g) 442 (g) (i) 442 (g) (ii) 442 (g) (iii)	Breakdown of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type.	Section 4.2
442 (h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography.	Section 4.2
442 (i) 442 (i) (i) 442 (i) (ii) 442 (i) (iii) 442 (i) (iv) 442 (i) (v)	Reconciliation of changes in specific and general credit risk adjustments.	Section 4.2
442 endnote	Specific credit risk adjustments recorded to income statement are disclosed separately.	Not applicable
443	**Unencumbered assets**	
443	EBA shall issue guidelines specifying the disclosure of unencumbered assets	Section 10
444	**Use of ECAIs**	
444 (a)	Names of the ECAIs used in the calculation of Standardised Approach RWAs, and reasons for any changes.	Section 4.3
444 (b)	Exposure classes associated with each ECAI.	Section 4.3
444 (c)	Explanation of the process for translating external ratings into credit quality steps.	Section 4.3
444 (d)	Mapping of external rating to credit quality steps.	Section 4.3
444 (e)	Exposure value pre- and post-credit risk mitigation, by credit quality step.	Section 4.3
445	**Exposure to market risk**	
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	Section 5.1
446	**Operational risk**	
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered.	Section 6.2
447	**Exposure in equities not included in the trading book**	
447 (a)	Differentiation of exposures based on objectives.	Not applicable
447 (b)	Recorded and fair value and actual prices of exchange traded equity where it differs from fair value.	Not applicable
447 (c)	Types, nature and amounts of the relevant classes of equity exposures.	Not applicable
447 (d)	Realised cumulative gains and losses on sales over the period.	Not applicable
447 (e)	Total unrealised gains/losses, latent revaluation gains/losses, and amounts	Not applicable

CRR Ref	High Level Summary	Company Reference
	included within Tier 1 capital.	
448	**Exposure to interest rate risk on positions not included in the trading book**	
448 (a)	Nature of risk and key assumptions in measurement models.	Section 5.1
448 (b)	Variation in earnings or economic value, or other measures used by the bank from upward and downward shocks to interest rates, by currency.	Section 5.1
449	**Exposure to securitisation positions**	
449 (a)	Objectives in relation to securitisation activity.	Section 9
449 (b)	Nature of other risks in securitised assets, including liquidity.	Section 9
449 (c)	Risks in re-securitisation activity stemming from seniority of underlying securitisations and ultimate underlying assets.	Section 9
449 (d)	The roles played by institutions in the securitisation process.	Section 9
449 (e)	Indication of the extent of involvement in these roles.	Section 9
449 (f)	Processes in place to monitor changes in credit and market risks of securitisation exposures, and how the processes differ for re-securitisation exposures.	Section 9
449 (g)	Description of the institution's policies with respect to hedging and unfunded protection, and identification of material hedge counterparties.	Not applicable
449 (h)	Approaches to calculation of RWA for securitisations mapped to types of exposures.	Section 9
449 (i)	Types of SSPEs used to securitise third-party exposures, and list of SSPEs.	Not applicable
449 (j)	Summary of accounting policies for securitisations:	Section 9
449 (j) (i)	Treatment of sales or financings;	Section 9
449 (j) (ii)	Recognition of gains on sales;	Section 9
449 (j) (iii)	Approach to valuing securitisation positions;	Not applicable
449 (j) (iv)	Treatment of synthetic securitisations;	Not applicable
449 (j) (v)	Valuation of assets awaiting securitisations;	Not applicable
449 (j) (vi)	Recognition of arrangements that could require the bank to provide support to securitised assets.	Not applicable
449 (k)	Names of ECAIs used for securitisations.	Section 9
449 (l)	Full description of Internal Assessment Approach.	Not applicable
449 (m)	Explanation of changes in quantitative disclosures.	Section 9
449 (n)	Banking and trading book securitisation exposures:	
449 (n) (i)	Amount of outstanding exposures securitised;	Not applicable
449 (n) (ii)	On balance sheet securitisation retained or purchased, and off-balance sheet exposures;	Section 9
449 (n) (iii)	Amount of assets awaiting securitisation;	Not applicable
449 (n) (iv)	Early amortisation treatment; aggregate drawn exposures, capital requirements;	Not applicable
449 (n) (v)	Deducted or 1250%-weighted securitisation positions;	Not applicable
449 (n) (vi)	Amount of exposures securitised and recognised gains or losses on sales.	Not applicable
449 (o)	Banking and trading book securitisations by risk band:	
449 (o) (i)	Retained and purchased exposure and associated capital requirements, broken down by risk-weight bands;	Section 9
449 (o) (ii)	Retained and purchased re-securitisation exposures before and after hedging and insurance; exposure to financial guarantors broken down by guarantor credit worthiness.	Not applicable
449 (p)	Impaired assets and recognised losses related to banking book securitisations, by exposure type.	Not applicable
449 (q)	Exposure and capital requirements for trading book securitisations, separately into traditional.	Not applicable
449 (r)	Whether the institution has provided financial support to securitisation vehicles.	Not applicable
450	**Remuneration Policy**	
450	Disclosures on Remuneration	Section 11

CRR Ref	High Level Summary	Company Reference
451	**Leverage**	
451 (1) (a)	Leverage ratio, and breakdown of total exposure measure, including reconciliation to Financial Statements, and derecognised fiduciary items.	Section 2.4
451 (1) (b)		
451 (1) (c)		
451 (1) (d)	Description of the risk management approach to mitigate excessive leverage, and factors that impacted the leverage ratio during the year.	Section 2.4
451 (1) (e)		
451 (2)	EBA to publish implementation standards for points above.	Not applicable
452	**Use of the IRB Approach to credit risk**	
452 (a)	Permission for use of the IRB approach from authority.	Not applicable
452 (b)	Explanation of:	
452 (b) (i)	Internal rating scales, mapped to external ratings;	
452 (b) (ii)	Use of internal ratings for purposes other than capital requirement calculations;	
452 (b) (iii)	Management and recognition of credit risk mitigation;	
452 (b) (iv)	Controls around ratings systems.	
452 (c)	Description of ratings processes for each IRB asset class, provided separately.	
452 (c) (i)		
452 (c) (ii)		
452 (c) (iii)		
452 (c) (iv)		
452 (c) (v)		
452 (d)	Exposure values by IRB exposure class, separately for Advanced and Foundation IRB.	
452 (e)	For wholesale exposure classes, disclosed separately by obligor grade:	
452 (e) (i)	Total exposure, separating loans and undrawn exposures where applicable;	
452 (e) (ii)	Exposure-weighted average risk weight;	
452 (e) (iii)	Undrawn commitments and average exposure values by asset class.	
452 (f)	For retail exposure classes, same disclosures as under 452 (e), by risk grade or EL grade.	
452 (g)	Actual specific risk adjustments for the period and explanation of changes.	
452 (h)	Commentary on drivers of losses in preceding period.	
452 (i)	Disclosure of predicted against actual losses for sufficient period, and historical analysis to help assess the performance of the rating system over a sufficient period.	
452 (j)	For all IRB exposure classes:	
452 (j) (i)	Where applicable, PD and LGD by each country where the bank operates.	
452 (j) (ii)		
453	**Use of credit risk mitigation techniques**	
453 (a)	Use of on- and off-balance sheet netting.	Not applicable
453 (b)	How collateral valuation is managed.	Section 4.4
453 (c)	Description of types of collateral used	Section 4.4
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness.	Section 4.4
453 (e)	Disclosure of market or credit risk concentrations within risk mitigation exposures.	Section 4.4 Section 5.2
453 (f)	For exposures under either the Standardised or Foundation IRB approach, disclose the exposure value covered by eligible collateral.	Section 4.4
453 (g)	Exposures covered by guarantees or credit derivatives.	Section 4.4
454	**Use of the Advanced Measurement Approaches to operational risk**	
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk.	Not applicable

CRR Ref	High Level Summary	Company Reference
455	**Use of Internal Market Risk Models**	
455 (a) (i)	Disclosure of the characteristics of the market risk models.	Not applicable
455 (a) (ii)	Disclosure of the methodology and description of comprehensive risk measure and incremental risk charge.	
455 (a) (iii)	Descriptions of stress tests applied to the portfolios.	
455 (a) (iv)	Methodology for back-testing and validating the models.	
455 (b)	Scope of permission for use of the models.	
455 (c)	Policies and processes to determine which exposures are to be included in the trading book, and to comply with prudential valuation requirements.	
455 (d)	High/Low/Mean values over the year of VaR, sVaR, comprehensive risk measure and incremental risk charge.	
455 (d) (i)		
455 (d) (ii)		
455 (d) (iii)		
455 (e)	The elements of the own fund calculation.	
455 (f)	Weighted average liquidity horizons of portfolios covered by models.	
455 (g)	Comparison of end-of-day VaR measures compared with one-day changes in portfolio's value.	

Appendix 3 – Geographical Distributions

For all tables that require a breakdown by geographical distribution, a threshold of 5% of the net value of exposures (either on a total basis or by geographical area, whichever is lower) has been used as the materiality threshold for disclosure of individual jurisdictions.

As such the immaterial jurisdictions are as follows:

1. Other European countries: Belgium, Switzerland, Denmark, Spain, Finland, Hungary, Isle of Man, Jersey, Luxembourg, Norway, Poland, Sweden.
2. Other North America countries: Canada.
3. Other Asia-Pacific countries: Australia, Singapore.
4. Other geographical areas: United Arab Emirates, Bermuda, Bahamas, Cayman Islands, Liberia, Marshal Islands, Virgin Islands.

Also included in 'other geographical areas' are the following supranational organisations, as per EBA guidance:

Council of Europe Development Bank, International Bank for Reconstruction and Development, European Investment Bank, European Union, Nordic Investment Bank.

Appendix 4 – Additional disclosure Own Funds

Table 48 – Transitional own funds disclosure template

		(A) AMOUNT AT 31 DECEMBER 2017	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
	Common Equity Tier 1 capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	40,000	40,000
	of which: Ordinary shares	40,000	40,000
2	Retained earnings	2,035,621	2,035,621
3	Accumulated other comprehensive income (and any other reserves)	829,765	829,765
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**2,905,386**	**2,905,386**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	(2,266)	(2,833)
8	Intangible assets (net of related tax liability) (negative amount)	(827)	(1,034)
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	(3,735)	-
	of which: unrealised losses on debt instruments	17	
	of which: unrealised gains on debt instruments	(3,752)	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	1,444	-
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	(207)	-
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(5,591)**	**(3,867)**
29	**Common Equity Tier 1 (CET1) capital**	**2,899,795**	**2,901,519**
44	**Additional Tier 1 (AT1) capital**	**-**	**-**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**2,899,795**	**2,901,519**
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	40,000	40,000
58	**Tier 2 (T2) capital**	**40,000**	**40,000**
59	**Total capital (TC = T1 + T2)**	**2,939,795**	**2,941,519**
60	**Total risk-weighted assets**	**5,219,666**	**5,219,666**
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount	55.6%	55.6%
62	Tier 1 (as a percentage of total risk exposure amount)	55.6%	55.6%
63	Total capital (as a percentage of total risk exposure amount)	56.3%	56.4%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	1.31%	2.56%
65	of which: capital conservation buffer requirement	1.25%	2.50%
66	of which: countercyclical buffer requirement	0.06%	0.06%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)[1]	51.1%	51.1%
	Amounts below the thresholds for deduction (before risk-weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions	31,109	31,109
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions	-	-
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	65,246	65,246

Appendix 5 – Reconciliation of equity in the Financial Statements to Regulatory own funds and main features of the Company's capital instruments

The tables below show the reconciliation between the equity reported in the Financial Statements to Regulatory own funds and the main features of the Company's capital instruments issued.

Table 49 – Reconciliation of equity in Financial Statements to Regulatory own funds

	Transitional	Fully Loaded
US$'000	**31 October 2017**	**31 October 2017**
Capital base		
Shareholder's funds[1]	2,945,386	
Less Tier 2 instruments[2]	(40,000)	
Total equity less instruments not qualifying as CET1	2,905,386	
Regulatory adjustments being phased in/out under CRD IV		
Value adjustments due to the requirements for prudent valuation[3]	(2,226)	(2,833)
Available for sale reserve[3]	(3,735)	-
Pension supplementary contributions	1,444	-
Other adjustments	207	-
Other regulatory adjustments		
Intangible assets	(1,034)	(1,034)
Qualifying AT1 deductions that exceeds the AT1 capital of the institution	(207)	-
Common equity tier 1	2,899,795	2,901,519
Additional tier 1	-	-
Total tier 1 capital	**2,899,795**	**2,901,519**
Tier 2		
Tier 2 instruments	40,000	40,000
Total tier 2 capital	**40,000**	**40,000**
Total capital	**2,939,795**	**2,941,519**

(1) As per page 12 of the Company's Financial Statements.

(2) See table 50 (preference shares)

(3) CRD IV transitional rules in 2017 require phasing in 80% of unrealised losses and 80% of unrealised gains. In 2018 unrealised losses and gains will be fully phased in at 100%. The reserve is recognised in capital under fully loaded CRD IV rules. These adjustments are also recognised in the additional value adjustments due to the requirements for prudent valuation.

Table 50 – Capital instruments main features template – Ordinary equity

Capital instruments main features templates				
1	Issuer	Scotiabank (Ireland) DAC	Scotiabank (Ireland) DAC	Scotiabank (Ireland) DAC
2	Unique identifier (1)	N/A	N/A	N/A
3	Governing laws of the instrument (2)	Irish law	Irish law	Irish law
	Regulatory treatment			
4	Transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
6	Eligible at: solo; consolidated; solo & consolidated	Solo	Solo	Solo
7	Instrument type	Ordinary shares	Ordinary shares	Ordinary shares
8	Amount recognised in regulatory capital (US$'000)	5,000	15,000	20,000
9	Nominal amount of instrument (US$'000)	5,000	15,000	20,000
9a	Issue price	US$ 1.00	US$ 1.00	US$ 1.00
9b	Redemption price	N/A	N/A	N/A
10	Accounting classification	Shareholders' equity	Shareholders' equity	Shareholders' equity
11	Original date of issuance	31 Aug 1989	06 Jul 1990	07 Jul 1992
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity

Capital instruments main features templates				
14	Issuer call subject to prior Supervisory approval	N/A	N/A	N/A
15	Optional call date	N/A	N/A	N/A
	Contingent call dates and redemption amount	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A
	Coupon/dividends			
17	Fixed or floating dividend/coupon	N/A	N/A	N/A
18	Coupon rate and any related index	N/A	N/A	N/A
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory - in terms of timing	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory - in terms of amount	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N/A	N/A	N/A
22	Noncumulative or cumulative	N/A	N/A	N/A
23	Convertible or non-convertible	N/A	N/A	N/A
24	If convertible, conversion trigger(s)	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A
31	If write-down, write down triggers	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism (4)	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation	N/A	N/A	N/A
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

Table 51 – Capital instruments main features – Preference shares

Capital instruments main features templates			
1	Issuer	Scotiabank (Ireland) DAC	Scotiabank (Ireland) DAC
2	Unique identifier (1)	N/A	N/A
3	Governing laws of the instrument (2)	Irish law	Irish law
	Regulatory treatment		
4	Transitional CRR rules	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2
6	Eligible at: solo; consolidated; solo & consolidated	Solo	Solo
7	Instrument type	Preference Shares	Preference Shares
8	Amount recognised in regulatory capital (US$'000)	20,000	20,000
9	Nominal amount of instrument (US$'000)	20,000	20,000
9a	Issue price	US$ 1.00	US$ 1.00
9b	Redemption price	US$ 1.00	US$ 1.00
10	Accounting classification	Shareholders' equity	Shareholders' equity

Capital instruments main features templates			
11	Original date of issuance	06 Jul 1990	07 Jul 1992
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior Supervisory approval	Yes	Yes
15	Optional call date	07 Jul 2019	07 Jul 2019
16	Subsequent call dates, if applicable	All subsequent days	All subsequent days
	Coupon/dividends		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	6-month LIBOR	6-month LIBOR
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory - in terms of timing	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory - in terms of amount	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N/A	N/A
22	Noncumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	N/A	N/A
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	N/A	N/A
31	If write-down, write down triggers	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism (4)	N/A	N/A
35	Position in subordination hierarchy in liquidation	N/A	N/A
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A