Scotiabank Brasil S.A. Banco Múltiplo

Financial statements for semesters ended
June 30, 2018 and 2017

(A free translation of the original report in Portuguese as published in Brazil containing financial information prepared in accordance with accounting practices adopted in Brazil, applicable to financial institutions authorized to operate by the Central Bank of Brazil)

KPDS 241440

Contents

Management Report

In compliance to legal and statutory provisions, the Executive Board of Scotiabank Brasil submits to your appreciation the financial statements for the semesters ended June 30, 2018 and 2017, accompanied of their respective notes and of the independent auditors' opinion, prepared according to the accounting practices adopted in Brazil, and the Corporate Law, associated to the standards of the National Monetary Council (CMN), Central Bank of Brazil (Bacen) and Securities Commission (CVM). Management guarantees the Bank's financial capacity and intention of holding to maturity the securities classified into this category, according to the provisions of BACEN Circular 3068.

Acknowledgments

Scotiabank Brasil thanks all of its customers for their trust and support, and its employees and collaborators for their dedication, ethics, professionalism and commitment.

Executive Board

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Independent auditors' report on the financial statements

To
Shareholders and Directors of
Scotiabank Brasil S.A. Banco Múltiplo
São Paulo - SP

Opinion
We have audited the financial statements of Scotiabank Brasil S.A. Banco Múltiplo (the "Bank"), which comprise the balance sheet as of June 30, 2018, and the statements of profit or loss, changes in equity and cash flows for the semester then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Scotiabank Brasil S.A. Banco Múltiplo as of June 30, 2018, and of its financial performance and its cash flows for the semester then ended in accordance with accounting practices adopted in Brazil applicable to entities authorized to operate by the Central Bank of Brazil - Bacen.

Basis for Opinion
We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank, in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information accompanying the financial statements and the auditor's report
Management is responsible for the other information comprising the management report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Banks's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

São Paulo, August 29, 2018

KPMG Auditores Independentes
CRC SP014428/O-6
Original report in portuguese signed by
Giuseppe Masi
Accountant CRC 1SP176273/O-7

Scotiabank Brasil S.A. Banco Múltiplo

Balance sheets as of june 30, 2018 and 2017

(In thousands of Reais)

	2018	2017
Assets		
Current assets	**3,230,304**	**2,717,156**
Cash and cash equivalents	38,395	14,669
Interbank investments	1,402,614	670,614
Money market instruments	1,307,606	560,056
Interbank deposits	95,008	110,558
Securities and derivative financial instruments	612,254	1,443,243
Own portfolio	151,214	535,351
Subject to repurchase agreements	40,569	-
Derivative financial instruments	36,749	241,954
Subject to guarantees	383,722	665,938
Interbank accounts	4	13
Restricted deposits:		
Deposits with Central Bank of Brazil	4	13
Loans	682,096	212,511
Loans		
Private sector	682,779	214,821
Allowance for loan losses	(683)	(2,310)
Other receivables	493,945	375,282
Foreign exchange portfolio	516,079	298,739
Income receivable	4	6
Securities clearing accounts	40,939	1,196
Sundry	21,065	176,882
Allowance for loan losses	(84,142)	(101,541)
Other assets	996	824
Prepaid expenses	996	824
Long-term receivables	**1,158,865**	**744,494**
Securities and derivative financial instruments	368,823	97,816
Own portfolio	-	17,406
Derivative financial instruments	19,709	80,410
Subject to guarantees	349,114	-
Loans	703,548	593,699
Loans		
Private sector	705,564	594,199
Allowance for loan losses	(2,016)	(500)
Other receivables	86,485	52,936
Sundry	86,485	52,936
Other assets	9	43
Prepaid expenses	9	43
Permanent assets	**3,732**	**3,691**
Investments	6	6
Other investments	6	6
Premises and equipment	3,469	3,260
Other property and equipment	13,625	12,881
Accumulated depreciation	(10,156)	(9,621)
Intangible assets	257	425
Intangible Assets	998	1,121
Accumulated amortization	(741)	(696)
Total assets	**4,392,901**	**3,465,341**

The notes are an integral part of these financial statements.

Scotiabank Brasil S.A. Banco Múltiplo

Balance sheets as of june 30, 2018 and 2017

(In thousands of Reais)

	2018	2017
Liabilities		
Current liabilities	**2,096,033**	**1,153,640**
Deposits	402,839	560,217
Demand deposits	146	206
Interbank deposits	25,179	70,089
Time deposits	377,514	489,922
Money market funding	40,503	-
Own portfolio	40,503	-
Acceptances and endorsements	859	20,935
Funds from real estate, mortgage, credit and similar notes	859	20,935
Interbranch accounts	-	1,004
Third-party funds in transit	-	1,004
Borrowings	1,238,453	466,433
Foreign borrowings	1,238,453	466,433
Derivative financial instruments	202,267	36,684
Derivative financial instruments	202,267	36,684
Other liabilities	211,112	68,367
Foreign exchange portfolio	142,556	9,679
Tax and social security	48,381	44,454
Securities clearing accounts	2,967	1,049
Sundry	17,208	13,185
Long-term liabilities	**1,270,472**	**1,810,533**
Deposits	131,626	1,174,997
Time deposits	131,626	1,174,997
Acceptances and endorsements	-	738
Funds from real estate, mortgage, credit and similar notes	-	738
Borrowings	651,638	569,750
Foreign borrowings	651,638	569,750
Derivative financial instruments	421,295	14,291
Derivative financial instruments	421,295	14,291
Other liabilities	65,913	50,757
Tax and social security	34,969	22,045
Sundry	30,944	28,712
Equity	**1,026,396**	**501,168**
Capital:		
Shareholders domiciled abroad	796,036	321,121
Profit reserves	204,499	200,698
Equity valuation adjustments	(5,890)	128
Retained earnings (losses)	31,751	(20,779)
Total liabilities	**4,392,901**	**3,465,341**

The notes are an integral part of these financial statements.

Scotiabank Brasil S.A. Banco Múltiplo

Statements of profit or loss

Semesters ended june 30, 2018 and 2017

(In thousands of Reais, except net income (loss) per lot of a thousand shares - R$)

	2018	2017
Financial operations income	**381,121**	**150,856**
Loans	148,039	51,418
Securities income	76,699	98,972
Derivative financial instruments	112,551	(4,810)
Foreign exchange operations	43,832	5,276
Financial operations expenses	**(303,268)**	**(182,946)**
Funding operations	(37,068)	(85,854)
Borrowings	(253,648)	(19,225)
Allowance for loan losses	(12,552)	(77,867)
Gross income on financial operations	**77,853**	**(32,090)**
Other operating income (expenses)	**(20,476)**	**(7,176)**
Service income	20,319	20,838
Personnel expenses	(24,553)	(20,580)
Other administrative expenses	(10,061)	(9,557)
Tax expenses	(8,725)	(2,198)
Other operating income	3,242	6,097
Other operating expenses	(698)	(1,776)
Operating income	**57,377**	**(39,266)**
Non-operating income	**(12)**	**(60)**
Profit before taxes on income and profit sharing	**57,365**	**(39,326)**
Income and social contribution taxes	**(23,943)**	**18,547**
Provision for income tax	(17,704)	(10,410)
Provision for social contribution tax	(10,020)	(8,310)
Deferred tax assets	3,781	37,267
Net income (loss) for the semester	**33,422**	**(20,779)**
Net income (loss) per lot of a thousand shares - R$	**7.96**	**(9.35)**

The notes are an integral part of these financial statements.

Scotiabank Brasil S.A. Banco Múltiplo

Statements of changes in equity

Semesters ended june 30, 2018 and 2017

(In thousands of Reais)

		Profit reserves				
	Capital	Legal	Statutory	Equity valuation	Retained earnings	Total
Balances as of January 1, 2017	**321,121**	**18,948**	**181,750**	**111**	**-**	**521,930**
Equity valuation adjustments	-	-	-	17	-	17
Loss for the semester	-	-	-	-	(20,779)	(20,779)
Balances at June 30, 2017	**321,121**	**18,948**	**181,750**	**128**	**(20,779)**	**501,168**
Balances as of January 1, 2018	**321,121**	**19,054**	**183,774**	**408**	**-**	**524,357**
Capital increase	474,915	-	-	-	-	474,915
Equity valuation adjustments	-	-	-	(6,298)	-	(6,298)
Net income for the semester	-	-	-	-	33,422	33,422
Allocations:						
Legal reserve	-	1,671	-	-	(1,671)	-
Balances at June 30, 2018	**796,036**	**20,725**	**183,774**	**(5,890)**	**31,751**	**1,026,396**

The notes are an integral part of these financial statements.

Scotiabank Brasil S.A. Banco Múltiplo

Statements of cash flows (indirect method)

Semesters ended june 30, 2018 and 2017

(In thousands of Reais)

	2018	2017
Operating activities		
Adjusted net income	**40,497**	**58,337**
Net income (loss) for the semester	**33,422**	**(20,779)**
Adjustments in net income (loss)	**7,075**	**79,116**
Expense on (reversal of) allowance for loan losses	(780)	1,634
Expense on allowance for other loan losses	13,332	76,233
Equity in income of subsidiaries and associated companies	-	-
Expense with provision for devaluation of other investments	-	-
Expense for the provision for the Wage Change Compensation Fund - FCVS	-	-
Expense with provision for impairment of non-operating assets	-	-
Depreciation and amortization	512	546
(Gain) in the disposal of investments	-	-
Loss on the write-off of premises and equipment	3	-
Loss in the write-off of deferred/intangible assets	-	-
Expense on provision for contingent liabilities and legal obligations	307	686
Adjustment to market value of available-for-sale financial assets	(6,299)	17
Changes in assets and liabilities	**(842,349)**	**(217,435)**
(Increase) in interbank investments	(202,141)	-
Decrease in securities and derivative financial instruments	335,211	191,237
Decrease in legal reserves at the Central Bank of Brazil	-	-
Decrease in interbank accounts	113	2,279
Increase in interbranch accounts	-	567
(Increase) in loans	(587,176)	(482,057)
Decrease in other receivables	116,044	495,542
(Increase) in other assets	(497)	(256)
Write-off of allowance for loan losses	-	-
Changes in the allowance for other loan losses	-	-
Increase (decrease) in deposits	(787,213)	326,324
Increase in money market repurchase commitments	40,503	-
Increase (decrease) in acceptances and endorsements	63	(60,628)
Increase (decrease) in borrowings	601,634	(277,899)
(Decrease) in other liabilities	(358,890)	(412,353)
(Decrease) in deferred income	-	(191)
Net cash used in operating activities	**(801,852)**	**(159,098)**
Investing activities		
Disposal of non-operating assets	-	-
Disposal of investments	-	-
Disposal of premises and equipment	-	-
Acquisition of non-operating assets	-	-
Acquisition of investments	-	-
Acquisition of premises and equipment	(767)	(722)
Net cash from investing activities	**(767)**	**(722)**
Financing activities		
Capital increase in cash	474,915	-
Interest on own capital paid/provisioned	-	-
Net cash from financing activities	**474,915**	**-**
Net (decrease) in cash and cash equivalents	**(327,704)**	**(159,820)**
Cash and cash equivalents at beginning of the semester	859,139	845,103
Cash and cash equivalents at the end of the semester	531,435	685,283
Net (decrease) in cash and cash equivalents	**(327,704)**	**(159,820)**

The notes are an integral part of these financial statements.

Notes to the financial statements

(In thousands of reais)

1 Operations

Scotiabank Brasil S.A. Banco Múltiplo ("Bank") is organized and authorized to operate as a multiple bank by means of its investment and commercial portfolios, including foreign exchange.

The Bank's shareholders are The Bank of Nova Scotia ("BNS") and BNS Investments Inc. (BNS' whole investee), both with head offices in Canada.

2 Preparation and presentation of the financial statements

The financial statements have been prepared in accordance with accounting policies set forth by corporate legislation, the standards and instructions set forth by the National Monetary Council (CMN) and by the Central Bank of Brazil (BACEN), in accordance with the Standard Chart of Accounts for Financial Institutions (COSIF), and by the Committee for Accounting Pronouncements (CPC), when applicable.

The issuance of these financial statements was authorized by the Executive Board on August 22, 2018.

The financial statements include estimates and assumptions, such as measurement of allowance for loan losses, estimates of the fair value of certain financial instruments, provisions for contingencies, other provisions and the determination of the useful life of certain assets. Actual results may differ from those estimates and assumptions.

Amounts realizable and payable in up to one year and after one year are segregated, respectively, into current and long-term, according to the applicable regulation. Statements of cash flows have been prepared at the indirect method.

3 Description of significant accounting policies

a. Statement of profit or loss

Income and expenses are recognized on the accrual basis.

For better presentation purposes, the Bank reclassifies exchange variation from the "Other operating income / expenses" accounts directly to the corresponding accounts "Financial operations income / expenses" in the statement of profit or loss.

b. Current and long-term assets

These are stated at realization value, less, when applicable, the corresponding unearned income, including the yields and monetary and foreign exchange variations earned and adjusted by provisions, when applicable, up to the reporting date.

c. Cash and cash equivalents

They are represented in local currency, foreign currency and interbank investments, whose maturity of the operations on the date of the effective investment is equal to or shorter than 90 days and present insignificant risk of fair value change.

d. Securities

They are recorded at the cost of acquisition and presented in the Balance Sheet in accordance with the BACEN Circular n. 3068, and classified according to the Management's intention in the following categories: “Trading securities”, related to securities acquired with the purpose of trading them in an active and frequent manner, which are classified as short term and valued at market value against profit or loss for the period, “Available-for-sale securities”, and do not fall within the trading nor the held-to-maturity categories, are adjusted at market value against the highlighted equity accounts, less the tax effects and “Held-to-maturity securities”, for which there is financial ability for their maintenance in portfolio up to maturity. They are recoded at acquisition cost plus yields earned in contra-entry to profit or loss for the period.

In order to have the market value of the securities portfolio, federal government bonds have their prices adjusted in order to reflect the observable price in the market, as published by the National Association of Financial and Capital Markets (ANBIMA). For private securities, such as debentures, the determination of market value for this category is based on an independent pricing model, which consists of calculating the future value of cash flows plus monetary correction, which are discounted to their present value by the fixed interest rate plus the credit spread. The Bank records the estimated provision for losses associated with the debentures' credit risk, observing the criteria determined by CMN Resolution 2682 (note 3 “g”). In the case of investment in investment fund, the corrected cost reflects the market value of the corresponding quotas.

e. Derivative financial instruments

The Bank carries out operations involving derivative financial instruments whose purpose is to meet its own and its clients’ needs. These operations are intended to manage market risk exposure to potential losses caused by fluctuations in the price of financial assets and variations in interest rates, currencies and indexes. The Bank’s Management sets guidelines concerning the operation policy, control, establishment of strategies, as well as the limit of these positions.

In accordance with the BACEN Circular n. 3082, derivative financial instruments are classified on the date of their acquisition according to the Management's intention of using them for *hedging* purposes, or not.

Operations which use derivative financial instruments performed at the request of clients, at the Bank's expense, which do not meet the hedging criteria (principally derivatives used for managing the overall exposure to risk), are accounted for at market value, including realized and unrealized gains and losses, directly recognized in the statement of profit or loss.

An area independent of the operating and business areas is responsible for the evaluation and measurement of assets and liabilities existing in the Bank. The market value calculation of portfolio regarding derivative financial instrument such as swaps, forward, futures and other derivatives are based on prices, taxes or information collected from independent sources such as B3 S.A., securities brokers, BACEN, and ANBIMA, among others. The market and credit risk associated with these products, as well as the operational risks, are similar to those related to other types of financial instruments. For derivative financial instruments, assessment procedures regarding the need for prudential adjustments to their values, established by the CMN Resolution n. 4277, are established and maintained, irrespective of the pricing methodology adopted, and prudence, relevance and reliability criteria observed. For over-the-counter (OTC) derivatives, the adjustments reflect the risk attributable to the credit quality of the issuer or counterparty, measured by means of internally approved methodology.

f. Loans

These are recorded based on the yields obtained, and recognized on a per day pro rata basis, according to the changes in the index and interest rates agreed upon.

Revenues and charges of any nature related to loans which have been in arrears for a period of 60 days or more are recorded as unrecognized income and recognized in profit or loss when they are actually received.

g. Allowance for loan losses

Based on the analysis of outstanding operations conducted by the Management in order to conclude on the appropriate amount to absorb probable losses from their realization, considering the economic scenario and both the specific and global risks of the portfolio, as well as the provisions set forth in the CMN Resolution n. 2682, which requires periodic analysis of the portfolio and its classification into nine levels, where "AA" corresponds to minimum risk and "H" to loss. Transactions in arrears classified as level “H” remain under this classification for six months, after which they are written off against the recorded allowance and controlled in memorandum accounts.

h. Permanent assets

Stated at the following aspects:

- **Other investments:** they are stated at cost of acquisition, less provision for losses, when applicable;

- **Premises and equipment:** corresponds to the rights that refer to corporeal personal property intended for the maintenance of activities with this purpose. Depreciation of property, plant and equipment is calculated and recorded under straight-line method, considering the useful lives of the assets;

- **Intangible assets:** Correspond to the rights that refer to incorporeal personal property intended for the maintenance of the Company or exercised with this purpose. Intangible assets with defined useful life are amortized using the straight-line method over an estimated period of economic benefit.

i. Impairment loss

Pursuant to the CMN Resolution n. 3566 which approved the adoption of Technical Pronouncement CPC 01 (impairment), the recoverable value of assets is tested, at least once a year, if there are indicators of loss. When the book value of the asset exceeds its recoverable value, the loss will be recognized directly in the statement of profit or loss.

No impairment loss had been identified as of June 30, 2018 and 2017.

j. Current and long-term liabilities

Current and long-term liabilities are stated at known or measurable amounts, including charges and monetary fluctuations (on a "pro rata" basis) and foreign exchange variations incurred.

k. Deferred income and social contribution taxes

The provision for income tax is recorded at the rate of 15% on taxable profit, plus a 10% surtax. Social contribution tax is calculated at the rate of 20% on taxable income. As established by Law n. 13169/15, the social contribution of financial institutions increased from 15% to 20% for the period comprised between September 1, 2015 and December 31, 2018, and will return to the 15% rate as from January 1, 2019.

As of June 30, 2018, the Bank has deferred tax credits of unrecorded income and social contribution tax resulting from temporary differences. Tax credits were recorded taking into account the social contribution rate in effect at the time of their realization, established by Law n. 13169/15.

Based on the CMN Resolution n. 3059 and subsequent amendments, the historical taxable income and short-term and medium-term forecasts prepared by the Bank enable a reasonable estimate of the realization term of these assets (note 19 “c”).

l. PIS and COFINS

PIS and COFINS contributions are provisioned for at the rate of 0.65% and 4%, respectively, in accordance with the legislation in force.

m. Contingent assets and liabilities and legal obligations (tax and social security)

The Bank follows the guidelines set forth in the CMN Resolution n. 3823, which approved the adoption of Technical Pronouncement CPC 25 - Procedures applicable to the recognition, measurement and disclosure of provisions, contingent liabilities and contingent assets.

Contingent assets are not recognized in the financial statements, except when there are evidences that ensure their realization, given that a final judgment has been rendered on the case.

Lawsuits are classified as probable, possible or remote according to the risk of loss, where a provision is made for those classified as probable loss, according to the estimated amount of the loss, based on the opinion of our legal advisers, the nature of the lawsuits and previous rulings delivered by courts for similar cases. Lawsuits classified as possible loss are only disclosed and those classified as remote loss do not require provision or disclosure.

Legal obligations are lawsuits related to tax obligations, whose matter of dispute is their legality or constitutionality. Regardless of the evaluation of the likelihood of favorable outcome, the amounts are fully recognized in the financial statements.

n. Share-based payment

Qualified employees of the Bank participate in stock-based compensation plans, which are evaluated based on the price of the common share of The Bank of Nova Scotia (BNS). The Bank records its expense in the Statement of Profit or Loss for the semesters against a provision in Liabilities, as established by the CMN Resolution n. 3989, which approved the adoption of the Technical Pronouncement CPC 10 - Share-Based Payment (Note 21).

o. Post-employment benefits

Post-employment or long-term benefit plans are formal or informal agreements in which the Bank commits itself to provide post-employment benefits to one or more than one employees, in accordance with the CMN Resolution n. 4424, which approved Technical Pronouncement CPC 33 (R1) - Employee Benefits.

The defined contribution plans are post-employment benefits, in which the sponsoring Bank pays fixed contributions to a separate entity (fund), and there is no legal or constructive obligation to pay additional contributions if the fund does not have sufficient assets to honor all benefits in relation to its services in the current period and in previous periods. Contributions made to this effect are recognized as personnel expenses in the statement of profit or loss.

Defined benefit plans are post-employment benefits other than defined contribution plans. For this type of plan, the Bank's obligation is to provide the agreed upon benefits with its employees, assuming the potential actuarial risk that the benefits may cost more than expected (note 22).

4 Components of cash and cash equivalents

	2018	**2017**
Cash and cash equivalents	38,395	14,669
Money market instruments	398,032	560,056
Interbank deposits	95,008	110,558
Total	**531,435**	**685,283**

5 Interbank investments

	2018			**2017**
	Up to 1 month	**From 1 to 12 months**	**Total**	**Total**
Money market instruments				
Own portfolio	**1,007,062**	**300,544**	**1,307,606**	**560,056**
LFT	-	-	-	99,998
NTN	-	-	-	201,559
LTN	1,007,062	300,544	1,307,606	258,499
Interbank deposits	**95,008**	**-**	**95,008**	**110,558**
Interbank deposits	95,008	-	95,008	110,558
Total	**1,102,070**	**300,544**	**1,402,614**	**670,614**

6 Securities

The restated cost (plus yield earned) and the market value of securities as of June 30, 2018 and 2017 were as follows:

a. Trading securities

	2018						2017	
	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Market / book value	Restated cost	Market / book value	Restated cost
Own portfolio								
LTN	1,000	117,376	9,285	1,428	129,089	129,105	322,843	322,228
NTN	-	7,897	3,337	2,882	14,116	14,113	49,974	49,104
Subtotal	**1,000**	**125,273**	**12,622**	**4,310**	**143,205**	**143,218**	**372,817**	**371,332**
Subject to repurchase and resale agreements								
LTN	-	40,569	-	-	40,569	40,561	-	-
Subtotal	**-**	**40,569**	**-**	**-**	**40,569**	**40,561**	**-**	**-**
Subject to guarantees provided								
LTN	-	286,792	25,364	22,362	334,518	334,545	618,968	614,976
Subtotal	**-**	**286,792**	**25,364**	**22,362**	**334,518**	**334,545**	**618,968**	**614,976**
Total	**1,000**	**452,634**	**37,986**	**26,672**	**518,292**	**518,324**	**991,785**	**986,308**

b. Available-for-sale securities

	2018						2017	
	Without maturity	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Market / book value	Restated cost	Market / book value	Restated cost
Own portfolio								
LTN	-	-	-	-	-	-	48,981	48,984
Subtotal	**-**	**-**	**-**	**-**	**-**	**-**	**48,981**	**48,984**
Subject to guarantees provided								
LTN	-	49,204	42,274	280,471	371,949	381,767	46,970	46,734
Investment Fund Quotas	26,369	-	-	-	26,369	26,369	-	-
Subtotal	**26,369**	**49,204**	**42,274**	**280,471**	**398,318**	**408,136**	**46,970**	**46,734**
Total	**26,369**	**49,204**	**42,274**	**280,471**	**398,318**	**408,136**	**95,951**	**95,718**

c. Held-to-maturity securities

	2018		2017	
	Up to 3 months	**From 3 to 12 months**	**Restated cost/ book value**	**Restated cost/ book value**
Own portfolio				
Debentures	4,120	3,889	8,009	130,959
Total	**4,120**	**3,889**	**8,009**	**130,959**

As of June 30, 2018, restated cost/book value is deducted from a provision for losses associated to credit risk in the amount of R$8,009 and the market value of held-to-maturity securities represented R$ 16,039 (2017 - R$ 132,657) (note 3 "d").

Federal government bonds are kept under the custody of SELIC, debentures and the investment fund quotas, under the custody of B3 S.A.- Brasil, Bolsa, Balcão.

7 Derivative financial instruments

The tables below show the reference values corrected to the market price, the respective adjustments receivable and payable and net exposures in the balance sheets to derivative financial instruments as of June 30, 2018 and 2017:

	2018		2017	
	Market value		Market value	
	Notional value	**Amount receivable (payable)**	**Notional value**	**Amount receivable (payable)**
Futures contracts				
Long position	**8,863,012**	**38,653**	**3,760,436**	**738**
DI	816,937	446	301,540	206
DDI	7,060,133	37,868	3,458,896	532
Dollar	985,942	339	-	-
Short position	**2,565,845**	**(2,925)**	**1,442,681**	**(582)**
DI	1,106,078	(51)	820,525	(178)
DDI	874,088	(18)	95,934	(16)
Dollar	585,679	(2,856)	526,222	(388)
Foreign exchange swap contracts with periodic adjustment				
Liability Position	**576,145**	**2,264**	**-**	**-**
Dollar	576,145	2,264	-	-

As of June 30, 2018, in addition to the daily adjustments of futures contracts, the amount R$20 (2017 - R$9) is recorded under the caption "Other liabilities - securities clearing accounts" in current liabilities, which is related to commission and brokerage fees to settle with B3 S.A.- Brasil, Bolsa, Balcão.

	2018			2017		
	Market value		Restated cost	Market value		Restated cost
	Notional value	Net value	Net value	Notional value	Net value	Net value
Swap contracts						
Asset position	**6,485,573**	-	-	**3,485,923**	-	-
CDI	6,468,937	6,453,165	6,358,760	3,485,923	3,485,923	3,475,465
U$ dollar	16,636	-	-	-	-	-
Liability position	**(7,067,199)**	-	-	**(3,211,533)**	-	-
CDI	(15,772)	-	-	-	-	-
U$ dollar	(7,051,427)	(7,034,791)	(7,120,109)	(3,211,533)	(3,211,533)	(3,183,874)
Term of currencies						
Asset position	**585,062**	-	-	**710,966**	-	-
U$ dollar	326,582	43,502	48,115	580,995	451,666	454,184
Prefixed rate	258,480	-	-	129,971	-	-
Liability position	**(570,540)**	-	-	**(713,967)**	-	-
U$ dollar	(283,080)	-	-	(129,329)	-	-
Prefixed rate	(287,460)	(28,980)	(30,543)	(584,638)	(454,667)	(456,321)
Total net value	-	**(567,104)**	-	-	**271,389**	-

The table below shows the reference values corrected to market price recorded in memorandum accounts and the respective maturity terms as of June 30, 2018 and 2017:

	2018					2017
	Up to 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total	Total
Futures contracts	**2,172,036**	**2,723,283**	**870,957**	**5,662,581**	**11,428,857**	**5,203,117**
DI	416,898	1,084,105	78,614	343,398	1,923,015	1,122,065
DDI	874,088	948,607	792,343	5,319,183	7,934,221	3,554,830
U$ dollar	881,050	690,571	-	-	1,571,621	526,222
Foreign exchange swap contracts						
with periodic adjustment	**115,646**	**403,461**	**57,038**	-	**576,145**	-
U$ dollar	115,646	403,461	57,038	-	576,145	-
Swap contracts	**550**	**(69,145)**	**(103,273)**	**(409,758)**	**(581,626)**	**274,390**
CDI	29,853	938,609	554,229	4,930,474	6,453,165	3,485,923
U$ dollar	(29,303)	(1,007,754)	(657,502)	(5,340,232)	(7,034,791)	(3,211,533)
Term of currencies	**(767)**	**(2,389)**	**9,506**	**8,172**	**14,522**	**(3,001)**
U$ dollar	(23,787)	(67,030)	69,606	64,713	43,502	451,666
Prefixed rates	23,020	64,641	(60,100)	(56,541)	(28,980)	(454,667)

The results involving derivative financial instruments for the semesters ended June 30, 2018 and 2017 are as follows:

	2018	**2017**
Swap	(474,492)	90,162
Term	10,973	(7,731)
Future	576,070	(87,241)
Total	**112,551**	**(4,810)**

The derivative financial instruments are recorded at B3 S.A. - Brasil, Bolsa, Balcão.

8 Risk Management

Management of Operating Risk

The Bank has an across-the-board operational risk management structure which is responsible for identifying, assessing, monitoring, controlling, mitigating and reporting risks facing the organization. In this context, all employees have direct access to all tools, methodologies and reports produced by the Risk Management department, facilitating the dissemination of the risk-control culture inside the Bank.

The Bank’s Operational Risk structure also includes the engagement of the Executive Board, which is immediately involved in every significant event and actively participates in the monitoring of actions aimed to mitigate and resolve these events. In addition to the daily monitoring, the *Risk Management* department also reports on a monthly basis the main operational risk events to the department heads and to the Executive Boards of the Bank and of The Bank of Nova Scotia (BNS).

Management of market and liquidity risks

Consistent with the requirements of the Head Office and following the leading worldwide adopted practices in risk management, the Bank has a comprehensive structure of risk control and management, integrated with and independent of the business areas and which seeks the optimization of the risk/return relation, focusing on efficient monitoring and strict control of the risk exposure factors. An integrated set of processes using platforms of local and global systems is responsible for the determination, analysis and report of market and liquidity risks. The limits of risk are determined and approved by both local Executive Board and those in the Head Office, and are monitored on a preventive basis.

In this context, the market and liquidity risk management is performed on a daily basis by using own models and instruments such as VaR - Value-at-Risk, short-term liquidity measures, projections of cash flow, stress testing, backtesting, analysis of sensitivity of interest, foreign exchange and volatility.

By complying with BNS's requirements, the Bank was able to meet the BACEN requirements regarding implementation of continued and integrated risk management (CMN Resolution n. 4557), more specifically on market and liquidity risks. In addition, the Bank calculates the capital requirements due to market risk exposure in accordance with the criteria established by the CMN Resolution n. 4193.

Credit risk management

Consistent with the rules established by BACEN (CMN Resolutions n. 2682, n. 2844, 4557, among others), and the organization's risk philosophy, the Bank has a credit risk management structure which includes the analysis and establishment of individual credit limit for its clients, as well as the analysis and monitoring of the Bank's aggregate credit risk, which takes into account all product lines offered and all economic segments in which loan takers operate.
The credit risk culture is broadly disseminated in the Bank, and the description of the products offered to loan takers includes the identification of the credit, market and operating risks, as well as the information systems that control them. Individual credit limits for loan takers are approved by using the Bank's own techniques/ methodologies, and are reviewed at least once a year together with their corresponding *ratings* which, under the CMN Resolution n. 2682, are reviewed every six months for operations of the same client or economic group whose amount exceeds 5% of the Bank's equity.

The Executive Board and the risk areas actively work, in a systematic manner, on the management of credit risks, which includes the approval of individual credit limits and approval of institutional policies. Additionally, they work on the monitoring of aggregated credit portfolio and evaluation of stress test results, which are simulations used for evaluating the potential impacts from adverse events on the institution's credit portfolio.

Capital management

The Bank is dedicated to maintaining a robust capital basis in order to support risks associated to its businesses. The Bank's Capital Management continued structure, which encompasses internal policies, measures and procedures related to Capital Management and Internal Process for Capital Adequacy Evaluation, is in line with BNS's global policy, and also complies with the BACEN's requirements provided for in the CMN Resolution n. 4557.

The principles that govern the Bank's capital management structure aim at meeting the requirements in connection with: determinations of the regulatory agency; existence of appropriate governance and supervision; capital management policies, strategies and measurement that focus on the relationships between risk propensity, risk profile and capital capacity; a solid risk management process; a capital adequacy evaluation process that is in accordance with governance and capital policies; existence of adequate systems, processes and controls to assist in capital planning, forecast, measurement, monitoring and reporting.

The Executive Board is directly involved in the Capital Continued Management and is also responsible for the annual review and approval of Bank's internal policies. In addition, the Executive Board acts on monitoring level and adequacy of the Bank's capital through periodic reports produced and sent by the areas that are directly involved in the capital management process.

The descriptions of the risk and capital management structure are shown in a report for public access, available at the following address: http://www.br.scotiabank.com (non-audited).

9 Loans

a. Loan portfolio composition by type of operation, activity and maturity

	2018					
	Falling due					
Private sector	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**From 3 to 5 years**	**Total**	**2017**
Bank Credit Bill (CCB)	**40,442**	**45,422**	**117,296**	**10,453**	**213,613**	**237,315**
Industry	34,529	8,877	14,750	10,453	68,609	57,031
Commerce	5,877	15,322	12,546	-	33,745	53,013
Other services	36	21,223	90,000	-	111,259	127,271
Export credit note (NCE)	**6,278**	**579,671**	**577,815**	**-**	**1,163,764**	**565,647**
Industry	6,278	579,671	577,815	-	1,163,764	498,226
Agricultural	-	-	-	-	-	5,514
Other services	-	-	-	-	-	61,907
Import financing	**10,966**	**-**	**-**	**-**	**10,966**	**6,058**
Commerce	10,966	-	-	-	10,966	6,058
Advances on export contracts - Exports - Bills to be delivered (ACC)	**186,793**	**21,303**	**-**	**-**	**208,096**	**232,339**
Industry	186,793	21,303	-	-	208,096	140,161
Commerce	-	-	-	-	-	92,178
Income receivable from ACC	**3,882**	**33**	**-**	**-**	**3,915**	**2,333**
Industry	3,882	33	-	-	3,915	896
Commerce	-	-	-	-	-	1,437
Advances on export contracts - Bills delivered (ACE)	**58,072**	**60,299**	**-**	**-**	**118,371**	**44,216**
Industry	58,072	60,299	-	-	118,371	44,216
Income receivable from ACE	**195**	**206**	**-**	**-**	**401**	**177**
Industry	195	206	-	-	401	177
Foreign exchange gains and losses on ACC and ACE (i)	**37,384**	**3,827**	**-**	**-**	**41,211**	**10,035**
Industry	37,384	3,827	-	-	41,211	10,035
Operations with extension - off - credit characteristics	**1,860**	**-**	**-**	**-**	**1,860**	**115,974**
Industry	-	-	-	-	-	100,445
Commerce	1,860	-	-	-	1,860	15,529
Total	**345,872**	**710,761**	**695,111**	**10,453**	**1,762,197**	**1,214,094**

(i) In accordance with the BACEN instructions, the Bank to calculates the allowance for loan losses, based on the balance of the Advance on Export Contract (ACC) and Advance on Exchange Contract (ACE) foreign currency translated into reais on a monthly basis at the PTAX rate provided by BACEN for balance sheet purposes.

As of June 30, 2018 and 2017, no assignment-of-credit operations including substantial transfer or retention of risks and rewards, in accordance with the CMN Resolution n. 3533, were identified.

b. Credit risk concentration

	2018		**2017**
Major debtor	1,163,764	**(i)**	498,226
Percentage of total loan portfolio	66.0%		41.0%
20 largest debtors	1,762,197		1,214,094
Percentage of total loan portfolio	100.0%		100.0%

(i) Refer to note 24 “a”.

c. Allowance for loan losses

Risk level	**% of provision**	**Total portfolio**		**Allowance for loan losses**			
				2018			**2017**
		2018	**2017**	**Minimum**	**Surplus (i)**	**Existing**	**Exiting**
AA	0.0%	1,517,130	612,907	-	-	-	-
A	0.5%	93,898	485,987	(470)	-	(470)	(2,430)
C	3.0%	31,366	-	(941)	(1,568)	(2,509)	-
D	10.0%	-	14,755	-	-	-	(1,476)
G	70.0%	119,803	-	(83,862)	-	(83,862)	-
H	100.0%	-	100,445	-	-	-	(100,445)
Total		**1,762,197**	**1,214,094**	**(85,273)**	**(1,568)**	**(86,841)**	**(104,351)**

(i) Allowance exceeding the minimum percentages established by the CMN Resolution n. 2682.

d. Changes in the allowance for loan losses

	2018	**2017**
Balances at the beginning of semesters	**(74,289)**	**(26,484)**
Recording of provision	(13,374)	(77,867)
Reversal of provision	822	-
Balances at the end of semesters	**(86,841)**	**(104,351)**

e. Credit renegotiated, recovered or written off to loss

The total amount of credits renegotiated for semester ended June 30, 2018 represents R$163,444 (2017 - R$42,574).

During semesters ended June 30, 2018 and 2017 there were no recoveries or loans written off to loss.

10 Foreign exchange portfolio - Current Assets

	2018	2017
Purchased foreign exchange to be settled	459,422	291,897
Rights on foreign exchange sales	52,341	4,332
Income receivable from granted advances	4,316	2,510
Total	**516,079**	**298,739**

	2018	2017
Sold foreign exchange to be settled	52,289	4,409
Foreign exchange purchase payables	416,734	281,825
Advances on foreign exchange contracts	(326,467)	(276,555)
Total	**142,556**	**9,679**

11 Other receivables - Sundry

	2018	2017
Tax Credits - IRPJ and CSLL (Note 19 “b”)	60,454	74,788
Judicial deposits (Note 17 “d”)	36,677	34,986
Prepayments of IRPJ and CSLL	7,429	2,373
Operations with extension - of - credit	1,860	115,974
Other	1,130	1,697
Total	**107,550**	**229,818**
Current assets	21,065	176,882
Long-term receivables	86,485	52,936

12 Deposits

	2018					2017
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Total	Total
Demand deposits	146	-	-	-	146	206
Interbank deposits	-	25,179	-	-	25,179	70,089
Time deposits	-	156,326	221,188	131,626	509,140	1,664,919
Total	**146**	**181,505**	**221,188**	**131,626**	**534,465**	**1,735,214**

As of June 30, 2018, funding average rate of deposits is 99.4% of DI.

13 Funds from real estate, mortgage, credit and similar notes

As of June 30, 2018, the Bank has obligations for the issue of financial bills in the amount of R$859 (2017 - R$21,673) falling due up to February 2019, and the funding rate of 16.2% p.a.

14 Borrowings

Foreign currency trade finance borrowings in the amount of R$1,890,091 (2017 - R$1,036,183) are basically represented by investments aimed at export financing falling due up to June 2020. Transactions are corrected at the exchange variation plus interest ranging from 2.11% to 3.51% per annum.

15 Other liabilities - Tax and social security

	2018	2017
Provision for deferred income and social contribution taxes (Note 19 “b”)	36,277	62,941
Taxes and contributions on income payable	43,302	2,274
Taxes and contributions payable	3,771	1,284
Total	**83,350**	**66,499**
Current liabilities	48,381	44,454
Long-term liabilities	34,969	22,045

16 Other liabilities - Sundry

	2018	2017
Provision for tax and labor contingencies (Note 17 "d")	25,979	22,581
Salaries, bonuses and social charges	20,822	17,710
Accounts payable - administrative expenses	937	917
Other	414	689
Total	**48,152**	**41,897**
Current liabilities	17,208	13,185
Long-term liabilities	30,944	28,712

17 Legal, tax and social security contingencies and liabilities

a. Contingent assets

The Bank does not have any contingent assets recognized in its balance sheet, nor does it have, at this moment, any legal proceedings that generate expectation of future gains.

b. Contingent liabilities

The Bank is a party to lawsuits and administrative proceedings arising from the normal course of its activities, involving matters of labor, tax and social security nature. The assessment for recording provisions is performed according to criteria described in note 3 “m”.

The Bank maintains provisions for those contingent liabilities classified as probable loss, in amounts regarded as sufficient to cover possible losses. The provisioned amounts are recorded under the caption “Other liabilities - Sundry” (note 16), in long-term liabilities.

Ongoing labor lawsuits classified as possible loss amount to R$30,966 (2017 - R$ 28,916). Most labor lawsuits refer to actions filed by former employees and outsourced personnel to obtain indemnities, mostly regarding overtime payment and other labor rights.

There are proceedings in progress of a tax nature classified as possible losses in the amount of R$10,155 (2017 - R$12,192), arising from taxes that the Bank has been discussing in court, the main of which related to a request for compensation of withholding income tax levied on financial investments, in the amount of R$5,141 (2017 - R$5,015), and to a nullification request of a notice of tax assessment in the amount of R$5,014 (2017 - R$4,675), related to service taxes (ISS) claimed by the Municipality of São Paulo, levied on services rendered by the Bank. Those proceedings rely on sufficient deposits in court to cover the tax risk.

c. Legal obligations

Provision for contingency regarding the main proceeding in the amount of R$18,045 (2017 R$17,431), including its deposit in court in amount equivalent to the provision, refers to a legal defense with respect to the liability of the Contribution for Social Integration Program - PIS, under the Constitutional Amendment n. 17/97 and Supplementary Law n. 7/70 with regard to their legality or constitutionality.

d. Changes in balances

						Judicial deposits (i)	
	Balance at 12/31/2017	**Formation**	**Reversal**	**Restatement**	**Balance at 06/30/2018**	**2018**	**2017**
Labor contingencies	836	-	(196)	-	640	397	249
Tax contingencies	-	-	-	-	-	10,380	9,910
Legal obligations	24,836	118	-	385	25,339	25,900	24,827
Total	**25,672**	**118**	**(196)**	**385**	**25,979**	**36,677**	**34,986**

(i) Refer to note 11.

18 Equity

The fully subscribed and paid-in capital is represented by 4,200,439,657 (2017 - 2,221,627,157) nominative common shares with no par value.

On February 1, 2018, as per the Minute of the Extraordinary General Meeting, the Bank received funds from shareholders for capital increase in the amount of R$474,915, represented by 1,978,812,500 nominative common shares with no par value. On February 19, 2018, the Bank received the approval by the Central Bank of Brazil for this change.
Management will decide, by the General Meeting held every semester, the minimum amount for dividend payments related to the adjusted net income in accordance with article 202 of the Corporate Law.

Profit reserves

The legal reserve is recorded at the rate of 5% of the net income for the semester, up to the limit defined by the legislation in force. The statutory reserve balance refers to an undistributed portion of prior-year income, which, as determined by the General Meeting, was transferred to subsequent years.

19 Income and social contribution taxes

a. Calculation of the income and social contribution taxes levied on the operations

	2018		2017	
	Income tax	Social contribution	Income tax	Social contribution
Profit (loss) before taxes and profit sharing	57,365	57,365	(39,326)	(39,326)
Temporary add - backs and (deductions)	49,177	49,177	48,529	48,529
Mark-to-market - Securities and derivatives	29,905	29,905	(35,681)	(35,681)
Allowance for loan losses	12,552	12,552	77,867	77,867
Provision for credit risks - Debentures	(1,440)	(1,440)	893	893
Other	8,160	8,160	5,450	5,450
Permanent add - backs and (deductions)	76	78	(1,846)	(1,845)
Taxable basis	**106,618**	**106,620**	**7,357**	**7,358**
Offsetting of tax loss and social contribution negative basis	(6,082)	(15,188)	(2,207)	(2,207)
Taxable basis after offset	**100,536**	**91,432**	**5,150**	**5,151**
Rates	25%	20%	25%	20%
Total IRPJ and CS LL - current values before tax incentives	**(25,122)**	**(18,287)**	**(1,275)**	**(1,030)**
Tax incentives	106	-	30	-
Total income and social contribution taxes - current values	**(25,016)**	**(18,287)**	**(1,245)**	**(1,030)**
Tax credit	3,441	340	20,746	16,521
Deferred tax liabilities	7,312	8,267	(9,165)	(7,280)
Total	**(14,263)**	**(9,680)**	**10,336**	**8,211**

b. Changes in deferred income and social contribution taxes according to the nature and origin

Tax credits	Balance at 12/31/2017	Recording	Realization / Reversal	Balance at 06/30/2018
Effects on profit or loss	**52,746**	**12,018**	**(8,237)**	**56,527**
Tax loss and social contribution negative basis	4,580	-	(4,580)	-
Provision for tax and labor risks	10,266	201	(78)	10,389
Non-deductible provisions	3,815	3,935	(115)	7,635
Allowance for loan losses	29,813	5,449	(381)	34,881
Provision for credit risks - Debentures	4,212	2,420	(3,023)	3,609
Provision for prudential adjustments	60	-	(60)	-
Mark-to-market of Securities classified as trading securities	-	13	-	13
Effects on equity	-	**3,927**	-	**3,927**
Mark-to-market of securities classified as available for sale	-	3,927	-	3,927
Total	**52,746**	**15,945**	**(8,237)**	**60,454**

Deferred tax liabilities	Balance at 12/31/2017	Recording	Realization / Reversal	Balance at 06/30/2018
Effects on profit or loss	**(51,856)**	**(20,119)**	**35,698**	**(36,277)**
Mark-to-market adjustment of derivatives	(44,334)	(19,870)	35,168	(29,036)
Mark-to-market of Securities classified as trading securities	(530)	-	530	-
Monetary correction of judicial deposits	(6,992)	(249)	-	(7,241)
Effects on equity	**(334)**	**-**	**334**	**-**
Mark-to-market of securities classified as available for sale	(334)		334	
Total	**(52,190)**	**(20,119)**	**36,032**	**(36,277)**

c. Expected realization of deferred tax assets for tax losses, social contribution losses and temporary differences.

Expected realization	Temporary differences	Tax loss and social contribute negative basis	Total
1st year	10,645	-	10,645
2nd year	1,492	-	1,492
3rd year	7,507	-	7,507
4th year	10,640	-	10,640
5th year	19,772	-	19,772
6th to 10th year	10,398	-	10,398
Total	**60,454**	**-**	**60,454**
Present value (i)	**43,121**	**-**	**43,121**

(i) For adjustment to present value, the CDI projected annual interest rate was used.

As of the balance sheet date, there is no active deferred tax.

20 Related parties

Transactions between related parties are disclosed in conformity with the National Monetary Council (CMN) Resolution n. 3750, and provided the Committee for Accounting Pronouncements Technical Pronouncement CPC 05 - Disclosure of Related Parties, approved by the Committee for Accounting Pronouncements (CPC), is complied with. These operations are carried out at usual market values, terms and average rates in effect at the respective dates.

a. Related party transactions

The transactions with related parties are basically characterized by:

	Assets / (liabilities)		Income / (expenses)	
	2018	2017	01/01-06/30/2018	01/01-06/30/2017
Cash and cash equivalents	**1,821**	**9,284**	**(6,398)**	**7,740**
BNS	1,821	9,284	(6,398)	7,740
Foreign exchange portfolio - Asset position	**8,232**	**8,700**	**199**	**567**
BNS	8,232	8,700	199	567
Cash receivable (payable) from related companies / service revenue (expenses)	**(164)**	**(104)**	**19,750**	**21,907**
BNS	(297)	(235)	18,469	18,958
Scotiabank & Trust (Cayman)	-	-	1,270	1,235
Scotiabank Inverlat (Mexico)	133	131	11	1,714
Time deposits	**(759)**	**(713)**	**(23)**	**(38)**
Scotia Participações e Serviços	(759)	(713)	(23)	(38)
Borrowings	**(1,879,124)**	**(1,030,125)**	**(252,768)**	**(18,637)**
BNS	(1,879,124)	(1,030,125)	(252,768)	(18,637)
Foreign exchange portfolio - Liability position	**(8,231)**	**(8,740)**	**(350)**	**(210)**
BNS	(8,231)	(8,740)	(350)	(210)

b. Management compensation

For the purpose of disclosing management compensation, only Statutory Officers were considered. Expenses on management compensation for the semester ended June 30, 2018 total R$4,982 (2017 - R$3,844), of which R$3,821 (2017 - R$3,125) represents salaries and payroll charges, profit sharing, and bonuses and charges on bonuses, denominated short-term benefits, and R$1,161 (2017 - R$719) that represents share-based compensation and charges. There are no post-employment benefits, other long-term benefits or employment contract termination benefits.

21 Share-based payment

Share-based payment plans are evaluated based on The Bank of Nova Scotia (BNS) common share price traded on the Toronto Stock Exchange (TSX) in Canada. BNS share price fluctuations change the unit value, situation which affects the Bank’s share-based payment expenses. One portion that calculates the fair price of shares also varies according to the Bank’s performance. These plans are settled in cash and their expenses are recorded in the statement of profit or loss against a provision in liabilities. Eligible employees are paid based on this variable compensation according to one of the following plans: RSU, PSU or DPP.

a. Restricted Share Unit Plan (RSU)

According to RSU plan, eligible employees will receive a bonus in restricted share units after three years. Final amount to be paid varies according to the BNS share price. As of June 30, 2018, the amount of liabilities provided for this plan is R$986 (2017 - R$975) and the total number of shares is 6,339 units measured at weighted fair value of R$ 0.214 per share. Total expenses recorded in this plan for the period are R$162 (2017 - R$149).

b. Performance Share Unit Plan (PSU)

According to PSU plan, eligible employees will receive a bonus at the end of three years. In addition to BNS' share price fluctuation, this portion of the bonus is subject to performance criteria (return on equity and total return to the shareholder) measured over a three-year period, on which a multiplying factor is applied. As of June 30, 2018, the amount of liabilities provided for this plan is R$3,618 (2017 - R$3,661) and the total number of shares is 27,255 units measured at weighted fair value of R$ 0.214 per share. Total expenses recorded in this plan for the period are R$729 (2017 - R$263).

c. Deferred Performance Plan (DPP)

Within the scope of the DPP plan, the bonus portion received by employees eligible for this plan is allocated as units. The values of these units are defined based on the BNS shares' market price variation. They will be paid to employees in each of the three following years. As of June 30, 2018, the amount of liabilities provided for this plan is R$2,631 (2017 - R$2,572) and the total number of shares is 13,397 units measured at weighted average fair value of R$0.196 per share, determined based on the original share prices when granted. There was no expense recorded in the first semester for this plan (2017 - R$ 487).

22 Post-employment benefits

For the defined contribution post-employment plan, the Bank offers to its employees the benefit of supplementary private pension through monthly payments. After the employee's termination these payments are ceased. Total personnel expenses on this plan for the semester ended June 30, 2018 are R$ 428 (2017 - R$429).

Other defined post-employment contribution plans such as health care and profit sharing are considered short-term benefits.

The Bank does not have post-employment benefit plans to its employees.

23 Basel Index and Operational Limits

The Bank adopts the determination of Basel limits based on the BACEN guidelines. As of June 2018 and 2017, the Bank's Basel capital index were 28.52% and 23.20%, respectively, the notional capital (Tier 1 capital + Tier 2 capital) was R$1,026,139 (2017 - R$491,690) and the minimum notional capital requirement for risk weighted assets (RWA) was R$310,328 (2017 - R$196,055). The regulatory agency also requires other operating limits such as the immobilization index. The Bank falls within all limits at the end of the aforementioned semesters.

24 Other information

a. Restricted receivables - BACEN Circular n. 3233

As of June 30, 2018, the Bank had restricted receivables within the scope of the CMN Resolution n. 2.921, with one only debtor, stated in the following table:

	Assets / (liabilities)		**Income / (expenses)**	
	2018	**2017**	**01/01-06/30/2018**	**01/01-06/30/2017**
Loans				
Export Credit Notes (Note 9 “a”)	1,163,764	498,226	134,822	30,556
Borrowings				
Foreign borrowings (Note 14)	(1,164,701)	(500,101)	(135,849)	(32,431)
Net gain (loss)	**-**	**-**	**(1,027)**	**(1,875)**

The remuneration of restricted asset transactions is sufficient to cover the funding operation costs. The net gain from such transactions reflects the accounting criterion for exchange-rate change adjustment of asset and liability transactions engaged with exchange-rate change adjustment clause, as established by BACEN.

There are no defaulted restricted receivables or restricted receivables under judicial questioning.

These operations should not be considered in the determination of the exposure limits by client, which are established in the CMN Resolution n. 2844.

b. Other operating income

As of June 30, 2018, other operating income substantially refer to income from other receivable with credit extension characteristics, income from correction of taxes and deposits in court, recovery of related party expenses and reversal of operating provisions.