

**Scotiabank Brasil S.A. Banco Múltiplo**

**Financial statements  
of December 31, 2015**

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

## **Contents**

Independent auditors' report on the financial statements	3
Balance sheets	5
Statements of income	7
Statements of changes in shareholders' equity	8
Statements of cash flows (indirect method)	9
Notes to the financial statements	10



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## Independent auditors' report on the financial statements

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

We have examined the accompanying financial statements of Scotiabank Brasil S.A. Banco Múltiplo ("Bank") which comprise the balance sheet as of December 31, 2015 and the respective statements of income, changes in shareholders' equity and cash flows for the semester then ended, as well as the summary of the significant accounting practices and other explanatory notes.

### Management's responsibility for the financial statements

The Bank's management is responsible for the preparation and adequate presentation for these financial statements in accordance with the accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil, such as for designing, implementing and maintaining the internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our auditing. We conducted our audit in accordance with the Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance if financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures presented in the financial statements. The procedures selected depend on auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls to Bank's preparation and fair presentation of the statements 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of the Scotiabank Brasil S.A. Banco Múltiplo as of December 31, 2015, the performance of its operations and its cash flows, for the year and semester then ended, in accordance with the accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil.

São Paulo, February 18, 2016

KPMG Auditores Independentes  
CRC 2SP014428/O-6  
*Original report in Portuguese signed by*  
Marco Antonio Pontieri  
Accountant CRC 1SP153569/O

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**BALANCE SHEETS AT DECEMBER 31, 2015 AND 2014**

(In thousands of Reais)

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
<b>Current assets</b>	<b>2,541,504</b>	<b>1,427,248</b>
Cash and cash equivalents	8,215	2,661
Interbank investments	671,634	472,357
Money market investments	494,711	322,146
Interbank deposits	176,923	150,211
Securities and derivative financial instruments	959,886	511,207
Own portfolio	247,719	253,948
Subject to repurchase agreement	1,003	-
Derivative financial instruments	10,604	20,913
Subject to guarantees	700,560	236,346
Interbank accounts	6	67
Restricted deposits		
Deposits with Central Bank of Brazil	6	67
Loans	128,734	62,975
Loans		
Private sector	129,379	20,931
Subject to cession	-	42,184
Allowance for doubtful accounts	(645)	(140)
Other receivables	772,261	377,467
Foreign exchange portfolio	661,657	364,009
Income receivable	2	-
Trading and intermediation of securities	83,164	10,852
Others	29,952	3,997
Allowance for doubtful accounts	(2,514)	(1,391)
Other assets	768	514
Prepaid expenses	768	514
<b>Long-term assets</b>	<b>482,344</b>	<b>149,124</b>
Securities and derivative financial instruments	190,983	110,022
Own portfolio	142,998	107,296
Derivative financial instruments	47,985	2,726
Loans	240,629	4,020
Loans		
Private sector	241,537	4,040
Allowance for doubtful accounts	(908)	(20)
Other receivables	50,521	34,798
Others	50,521	34,798
Other assets	211	284
Prepaid expenses	211	284
<b>Permanent assets</b>	<b>4,419</b>	<b>3,275</b>
Investments	6	6
Other investments	6	6
Fixed assets	3,611	2,518
Other fixed assets	13,115	10,831
Accumulated depreciation	(9,504)	(8,313)
Intangible assets	802	751
Intangible assets	2,232	1,800
Accumulated amortizations	(1,430)	(1,049)
<b>Total assets</b>	<b>3,028,267</b>	<b>1,579,647</b>

See the accompanying notes to the financial statements

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**BALANCE SHEETS AT DECEMBER 31, 2015 AND 2014**

(In thousands of reais)

	2015	2014
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>1,649,195</b>	<b>861,632</b>
Deposits	335,004	113,028
Demand deposits	195	191
Interbank investments	38,120	36,521
Time Deposits	296,689	76,316
Money market funding	1,000	-
Own portfolio	1,000	-
Interbranch accounts	-	6
Third-party funds in transit	-	6
Borrowings	1,012,740	571,346
Foreign borrowings	1,012,740	571,346
Derivative financial instruments	201,856	44,881
Derivative financial instruments	201,856	44,881
Other liabilities	98,595	132,371
Foreign exchange portfolio	29,332	49,478
Social and statutory	1,113	364
Tax and social security	59,258	4,891
Trading and intermediation of securities	1,206	32,564
Other	7,686	45,074
<b>Long-term liabilities</b>	<b>883,363</b>	<b>307,263</b>
Deposits	128,571	167,831
Time Deposits	128,571	167,831
Funds from acceptance and issue of securities	71,720	-
Funds from financial bills, bills of credit and similar notes	71,720	-
Borrowings	398,870	39,066
Foreign borrowings	398,870	39,066
Derivative financial instruments	253,624	84,861
Derivative financial instruments	253,624	84,861
Other liabilities	30,578	15,505
Tax and social security	25,376	10,213
Others	5,202	5,292
<b>Income for future years</b>	<b>9</b>	<b>26</b>
Income for future years	9	26
<b>Shareholders' equity</b>	<b>495,700</b>	<b>410,726</b>
Capital:		
Domiciled abroad	321,122	321,122
Profit reserves	174,578	89,604
<b>Total liabilities</b>	<b>3,028,267</b>	<b>1,579,647</b>

See the accompanying notes to the financial statements

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**STATEMENTS OF INCOME**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014 AND**  
**SEMESTER ENDED DECEMBER 31, 2015**

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

	2nd semester	Years	
	2015	2015	2014
<b>Financial intermediation income</b>	<b>402,250</b>	<b>590,243</b>	<b>123,926</b>
Loans	16,664	27,984	8,000
Securities	113,353	183,752	75,869
Derivative financial instruments	110,728	174,319	5,669
Foreign exchange operations	161,505	204,188	34,388
<b>Financial intermediation expenses</b>	<b>(294,703)</b>	<b>(428,696)</b>	<b>(66,807)</b>
Funding operations	(30,961)	(48,773)	(23,452)
Borrowings	(262,458)	(375,220)	(41,893)
Sale or Transfer of Financial Assets	(481)	(2,187)	(810)
Allowance for doubtful accounts	(803)	(2,516)	(652)
<b>Gross income on financial intermediation</b>	<b>107,547</b>	<b>161,547</b>	<b>57,119</b>
<b>Other operating income (expenses)</b>	<b>(41,406)</b>	<b>(65,115)</b>	<b>(40,087)</b>
Rendering of services	17,778	30,289	22,896
Personnel expenses	(25,717)	(47,486)	(41,892)
Other administrative expenses	(10,953)	(21,118)	(19,143)
Tax expenses	(24,399)	(30,452)	(4,928)
Other operating income	1,994	3,856	3,258
Other operating expenses	(109)	(204)	(278)
<b>Operating income</b>	<b>66,141</b>	<b>96,432</b>	<b>17,032</b>
<b>Non-operating losses</b>	<b>(3)</b>	<b>(4)</b>	<b>(191)</b>
<b>Net income before taxes and profit sharing</b>	<b>66,138</b>	<b>96,428</b>	<b>16,841</b>
<b>Income and social contribution taxes</b>	<b>338</b>	<b>(9,833)</b>	<b>(5,620)</b>
Provision for income tax	(16,536)	(22,889)	(3,638)
Provision for social contribution	(13,146)	(16,964)	(1,982)
Deferred taxes and contributions	30,020	30,020	-
<b>Profit sharing</b>	<b>(1,621)</b>	<b>(1,621)</b>	<b>(802)</b>
<b>Net income for the semester / years</b>	<b>64,855</b>	<b>84,974</b>	<b>10,419</b>
<b>Net income per thousand shares - R\$</b>	<b>29.19</b>	<b>38.25</b>	<b>4.69</b>

See the accompanying notes to the financial statements

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014 AND**  
**SEMESTER ENDED DECEMBER 31, 2015**

(In thousands of Reais)

	<u>Profit reserves</u>			<u>Income (loss)</u> <u>earnings</u>	<u>Total</u>
	<u>Capital</u>	<u>Legal</u>	<u>Statutory</u>		
<b>Balances at January 1, 2014</b>	<b>266,222</b>	<b>12,872</b>	<b>66,313</b>	-	<b>345,407</b>
Capital increase in 02/19/2014	54,900	-	-	-	54,900
Net income for the year	-	-	-	10,419	10,419
Allocations:					
Legal reserve	-	521	-	(521)	-
Statutory reserves	-	-	9,898	(9,898)	-
<b>Balances at December 31, 2014</b>	<b>321,122</b>	<b>13,393</b>	<b>76,211</b>	-	<b>410,726</b>
<b>Balances at January 1, 2015</b>	<b>321,122</b>	<b>13,393</b>	<b>76,211</b>	-	<b>410,726</b>
Net income for the year	-	-	-	84,974	84,974
Allocations:					
Legal reserve	-	4,249	-	(4,249)	-
Statutory reserve	-	-	80,725	(80,725)	-
<b>Balances at December 31, 2015</b>	<b>321,122</b>	<b>17,642</b>	<b>156,936</b>	-	<b>495,700</b>
<b>Balances at July 1, 2015</b>	<b>321,122</b>	<b>14,399</b>	<b>76,211</b>	<b>19,113</b>	<b>430,845</b>
Net income for the semester	-	-	-	64,855	64,855
Allocations:					
Legal reserve	-	3,243	-	(3,243)	-
Statutory reserve	-	-	80,725	(80,725)	-
<b>Balances at December 31, 2015</b>	<b>321,122</b>	<b>17,642</b>	<b>156,936</b>	-	<b>495,700</b>

See the accompanying notes to the financial statements

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**STATEMENTS OF CASH FLOWS (INDIRECT METHOD)**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014 AND**  
**SEMESTER ENDED DECEMBER 31, 2015**  
**(In thousands of Reais)**

	2nd semester	Years	
	2015	2015	2014
<b>Operating activities</b>			
<b>Net income for the semester/years</b>	<b>64,855</b>	<b>84,974</b>	<b>10,419</b>
<b>Adjustments to net income (loss)</b>			
Recording (reversal) of allowance for doubtful credit operations	654	1,393	(227)
Recording (reversal) of allowance for others doubtful operations	149	1,123	879
Depreciation and amortization	856	1,681	1,704
Loss on write-off of fixed assets in use	3	3	190
Expenses with tax and labor provisions	16,003	15,780	381
<b>Variation in assets and liabilities</b>			
(Increase) in interbank investments	(78,175)	(78,091)	(45,874)
Decrease (Increase) in securities and derivative financial instruments	46,428	(203,902)	(235,771)
Reversal (increase) in mandatory deposits at the Central Bank of Brazil	63	61	(35)
Decrease (increase) in interbranch investments	-	(6)	6
Decrease (increase) in loans operations	(153,570)	(303,761)	45,112
(Increase) in other credits	(243,403)	(411,640)	(187,732)
(Increase) in other assets	(113)	(181)	(372)
Increase in deposits	70,395	182,716	206,815
Increase in money market funding	1,000	1,000	-
Increase in funds from acceptance and issue of securities	20,196	71,720	-
Increase in borrowing obligations	462,490	801,198	331,238
Increase (decrease) in other obligations	(796)	(34,483)	124,827
(Decrease) in income for future years	(8)	(17)	(41)
<b>Net cash generated/(used in) from operating activities</b>	<b>207,027</b>	<b>129,568</b>	<b>251,519</b>
<b>Investment activities</b>			
Acquisition of fixed assets	(2,396)	(2,396)	(631)
Investments in intangible assets	(406)	(432)	(151)
<b>Net cash (used in) from investment activities</b>	<b>(2,802)</b>	<b>(2,828)</b>	<b>(782)</b>
<b>Financial activities</b>			
Capital increase	-	-	54,900
<b>Net cash generated from financial activities</b>	<b>-</b>	<b>-</b>	<b>54,900</b>
<b>Net increase in cash and cash equivalents</b>	<b>204,225</b>	<b>126,740</b>	<b>305,637</b>
Cash and cash equivalents at the beginning of the semester / years	348,729	426,214	120,577
Cash and cash equivalents at the end of the semester / years	552,954	552,954	426,214
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>204,225</b>	<b>126,740</b>	<b>305,637</b>

See the accompanying notes to the financial statements

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AT DECEMBER 31, 2015 AND 2014**  
**(In thousands of Reais)**

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**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. (full invested of BNS), both with head offices in Canada.

**2. Preparation and presentation of financial statements**

The financial statements have been prepared and are presented in accordance with the accounting practices established by Corporate Legislation and the norms and instructions issued by the National Monetary Council (CMN) and the Central Bank of Brazil (BACEN), as set out in the Chart of Accounts for Financial Institutions (COSIF), and in the Accounting Pronouncements Committee (CPC), when applicable.

The authorization to issue these Financial Statements was granted by the Executive Board on February 11, 2016.

The Financial Statements include estimates and assumptions, such as 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. The effective results might be different 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.

The cash flow statements have been prepared based on the indirect method and the amounts of cash and cash equivalents correspond to the balances of cash and interbank investments with original term equal to or lower than 90 days.

**3. Description of significant accounting policies**

**a) Statement of Income**

Income and expenses are recognized on the accrual basis.

For a better presentation, the Bank reclassifies the foreign exchange variation from “Other operating income/expenses” account directly to “Financial intermediation income/expenses” in the Statement of Income.

**b) Current and non-current assets**

These are stated at realizable value, reduced, when applicable, by the corresponding unearned income, including the monetary and foreign exchange variations gained and adjusted by provisions, when applicable, until the Balance Sheet date.

**c) Securities**

The Bank classifies its securities as "securities held for trading" and "securities held-to-maturity", which are valued as stipulated in BACEN Circular nº 3.068/01, in conformity to the following guidelines:

**i) Trading securities** – Include securities acquired to be actively and frequently traded. These securities are recorded at market value with any valuation or devaluation being posted against the appropriate income or expense account in the Income Statement for the period. Regardless of maturity, trading securities are classified as current assets.

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AT DECEMBER 31, 2015 AND 2014**  
**(In thousands of Reais)**

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**ii) Held to maturity securities** - This category includes securities for which the Bank's Management has the intent and financial ability to hold them to maturity. These securities must be evaluated at their respective acquisition costs, plus intrinsic yield, which should affect the result for the period. Financial ability is characterized by the availability of third-party funds, denominated in the same currency and with a term equal to or higher than the securities recorded under this caption.

**d) Derivative financial instruments**

In accordance with BACEN Circular nº 3.082/02 and subsequent regulations, derivative financial instruments are classified on the date of their acquisition depending on whether or not the Management intends to use them for hedge purposes.

Operations that make use of derivative financial instruments at client's request, on the Bank's own initiative, or that do not fulfill hedge criteria (mainly derivatives used to manage global risk exposure), are recorded at market value, with realized and unrealized gains and losses being posted directly to the Statement of Income.

Derivatives financial instruments used to hedge risk exposure or to modify the characteristics of financial assets and liabilities which are highly correlated with respect to changes in the market value in relation to the market value of the item being hedged, not only at the start but also during the life of the contract and considered effective at reducing the risk associated with the exposure to be hedged, are classified as hedge of market risk, where the financial assets and liabilities and others financial instruments related are recorded at market value with realized and unrealized gains and losses, recognized in the Statement of Income.

**e) 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 loan transactions 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.

According to Resolution nº 3.533/08 passed by the National Monetary Council and updated by subsequent rulings, the assignment of receivables whereby a substantial portion of the risks and rewards remains with the assignor, are to be kept in the loan portfolio as from January 1, 2012.

**f) Allowance for doubtful accounts**

Based on the analysis of outstanding operations conducted by the Management in order to define 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 nº 2.682/99, which requires periodic analysis of the portfolio and its classification into nine levels, where "AA" corresponds to minimum risk and "H" to loss. Non-performing loans classified as level "H" remain in this classification for six months, whereupon they are written off against the existing provision and controlled in memorandum accounts.

**g) Permanent assets**

Stated at cost, combined with the following aspects:

- Other investments: valued at acquisition cost, minus any provision for losses, if applicable;
- Depreciation: calculated on a straight-line basis, at the annual rates which consider the economic useful life of the assets, as follows: 10% for furniture, equipment, security system and facilities; and 20% for data processing systems; and
- Amortization of intangible assets: calculated on a straight-line basis, for a period of up to 10 years.

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AT DECEMBER 31, 2015 AND 2014**  
**(In thousands of Reais)**

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**h) Impairment**

Pursuant to CMN Resolution nº 3.566/08 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 Income.

No impairment losses had been identified as of December 31, 2015.

**i) Current and non-current liabilities**

Stated at their known or measurable amounts, including the charges, the monetary (on a “pro rata” basis) and the foreign exchange variations incurred.

**j) Deferred income and social contribution taxes**

The provision for income tax is made at the rate of 15% on taxable income, plus a surtax of 10%. Social contribution is calculated at the rate of 20% on taxable income as of September 2015, pursuant to RFB Normative Instruction nº 1.591, from November 05, 2015.

The Bank has recorded deferred tax asset of income tax and social contribution deriving from tax loss carry forward, social contribution negative base and temporary differences. Based on CMN Resolution nº 3.059/02 and subsequent amendments, the historical taxable income as well as the short and medium term projections prepared by the Bank presently enable a reasonable estimate of the realization term of these recorded assets (note 20 “c”).

**k) PIS and COFINS**

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

**l) Contingent assets and liabilities and legal obligations (Tax and social security)**

The Bank follows the guidelines set forth in CMN Resolution nº 3.823/09, 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 the decision will be favorable, and shall not be subject to appeal.

The 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. The 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, where the subject being contested is their legality or constitutionality which, regardless of the probability of success of the lawsuits in progress, have their amounts recognized in full in the Financial Statements.

**m) 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 Income for the semesters against a provision in Liabilities, as established by CMN Resolution nº 3.989/11 which approved the adoption of the Technical Pronouncement CPC 10 - Stock-Based Compensation (Note 22).

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AT DECEMBER 31, 2015 AND 2014**  
**(In thousands of Reais)**

**4. Components of cash and cash equivalents**

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	8,215	2,661
Money market investments	494,711	322,146
Interbank deposits	50,028	101,407
<b>Total</b>	<b><u>552,954</u></b>	<b><u>426,214</u></b>

**5. Interbank Investments**

	<u>2015</u>		<u>2014</u>	
	<u>1 - 3 months</u>	<u>3 - 12 months</u>	<u>Total</u>	<u>Total</u>
<b>Money market investments</b>				
<b>Own portfolio</b>	<b><u>494,711</u></b>	<b><u>-</u></b>	<b><u>494,711</u></b>	<b><u>322,146</u></b>
LFT	88,012	-	88,012	40,013
NTN	406,699	-	406,699	162,099
LTN	-	-	-	120,034
<b>Interbank deposits</b>	<b><u>50,028</u></b>	<b><u>126,895</u></b>	<b><u>176,923</u></b>	<b><u>150,211</u></b>
Interbank deposits	50,028	126,895	176,923	150,211
<b>Total</b>	<b><u>544,739</u></b>	<b><u>126,895</u></b>	<b><u>671,634</u></b>	<b><u>472,357</u></b>

**6. Securities**

The updated cost (plus yield) and the market value of securities as of December 31, 2015 and 2014 were as follows:

**a) Trading securities**

	<u>2015</u>					<u>2014</u>			
	<u>Up to 3 months</u>	<u>3 to 12 months</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>5 to 10 years</u>	<u>Market value / book value</u>	<u>Accrual value</u>	<u>Market value / book value</u>	<u>Accrual value</u>
<b>Own portfolio</b>									
LTN	40,619	149,986	5,565	821	-	196,991	197,001	161,485	162,047
NTN	-	-	9,630	908	1,309	11,847	12,099	14,451	14,675
<b>Subtotal</b>	<b><u>40,619</u></b>	<b><u>149,986</u></b>	<b><u>15,195</u></b>	<b><u>1,729</u></b>	<b><u>1,309</u></b>	<b><u>208,838</u></b>	<b><u>209,100</u></b>	<b><u>175,936</u></b>	<b><u>176,722</u></b>
<b>Subject to repurchase agreements</b>									
LTN	-	1,003	-	-	-	1,003	1,002	-	-
<b>Subtotal</b>	<b><u>-</u></b>	<b><u>1,003</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,003</u></b>	<b><u>1,002</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Subject to guarantees</b>									
LTN	-	659,357	41,203	-	-	700,560	700,535	236,346	239,520
<b>Subtotal</b>	<b><u>-</u></b>	<b><u>659,357</u></b>	<b><u>41,203</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>700,560</u></b>	<b><u>700,535</u></b>	<b><u>236,346</u></b>	<b><u>239,520</u></b>
<b>Total</b>	<b><u>40,619</u></b>	<b><u>810,346</u></b>	<b><u>56,398</u></b>	<b><u>1,729</u></b>	<b><u>1,309</u></b>	<b><u>910,401</u></b>	<b><u>910,637</u></b>	<b><u>412,282</u></b>	<b><u>416,242</u></b>

The market values of government bonds are calculated according to asset prices disclosed by the Brazilian Association of Financial and Capital Market Entities (ANBIMA). Government bonds are held in custody at the Special System for Settlement and Custody (SELIC).

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AT DECEMBER 31, 2015 AND 2014**  
**(In thousands of Reais)**

**b) Held to maturity securities (i)**

	2015					2014		
	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 10 years	Accrual value / book value	Market value	Accrual value / book value
<b>Own portfolio</b>								
Debtentures	6,596	32,285	138,623	4,375	-	181,879	183,227	135,217
Promissory notes	-	-	-	-	-	-	-	50,091
<b>Total</b>	<b>6,596</b>	<b>32,285</b>	<b>138,623</b>	<b>4,375</b>	<b>-</b>	<b>181,879</b>	<b>183,227</b>	<b>185,308</b>

(i) See note 3 “c”

The market value of the debtentures and promissory notes is based on the pricing to independently model, which consists of calculating the future value of cash flows plus monetary restatement, which are discounted to their present value by the fixed interest rate plus the spread credit. Private bonds are held in custody at CETIP S.A. – Clearing House for the Custody and Financial Settlement of Securities.

**7. Derivative financial instruments**

The Bank participates in operations involving derivative financial instruments recorded in balance sheet and memorandum accounts, and 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.

The futures, swap and NDF operations are recorded in balance sheet and memorandum accounts at the contractual or reference value and are registered with the BM&FBovespa S.A. - Stock Exchange, Futures and Commodities or the CETIP.

The tables below show the reference values updated to the market price, the respective adjustments receivable and payable and net exposures in the Balance Sheets for derivative financial instruments on December 31, 2015 and 2014:

	2015		2014	
	Referential values	Adjustment receivable (payable)	Referential values	Adjustment receivable (payable)
<b>Futures contracts</b>				
<b>Long position</b>	<b>4,828,533</b>	<b>82,750</b>	<b>2,414,437</b>	<b>(32,040)</b>
DI	208,926	(111)	505,432	187
DDI	4,529,554	81,807	1,658,920	(27,449)
Dollar	90,053	1,054	250,085	(4,778)
<b>Short position</b>	<b>1,345,799</b>	<b>(768)</b>	<b>1,213,974</b>	<b>10,356</b>
DI	1,182,774	294	629,334	(309)
DDI	-	-	12,809	268
Dollar	163,025	(1,062)	571,831	10,397

On December 31, 2015, besides the daily adjustments of futures contracts, the amount R\$ 24 (2014 - R\$ 28), is also recorded under the caption “Other liabilities - trading and intermediation of securities” in current liabilities, which is related to brokerage fees payable to BM&FBovespa.

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AT DECEMBER 31, 2015 AND 2014**  
**(In thousands of Reais)**

	2015			2014		
	Market values		Cost values	Market values		Cost values
	Referential values	Asset / (liability) net exposure	Asset / (liability) net exposure	Referential values	Asset / (liability) net exposure	Asset / (liability) net exposure
<b>Swap agreements</b>						
<b>Asset position</b>	<b>2,907,921</b>			<b>848,627</b>		
CDI	2,907,921	2,907,921	2,933,579	848,627	848,627	835,022
<b>Liability position</b>	<b>(3,309,222)</b>			<b>(952,832)</b>		
Dollar	(3,309,222)	(3,309,222)	(3,305,435)	(952,832)	(952,832)	(957,302)
<b>Term of currencies</b>						
<b>Asset position</b>	<b>922,135</b>			<b>298,226</b>		
Dollar	368,885	-	-	140,104	-	-
Prefixed rates	553,250	191,895	188,479	158,122	26,817	27,214
<b>Liability position</b>	<b>(917,725)</b>			<b>(300,124)</b>		
Dollar	(556,370)	(187,485)	(183,431)	(168,819)	(28,715)	(28,472)
Prefixed rates	(361,355)	-	-	(131,305)	-	-
<b>Total net exposure</b>		<b>(396,891)</b>			<b>(106,103)</b>	

The table below shows the reference values updated to the market price recorded in memorandum accounts and the respective terms to maturity as of December 31, 2015 and 2014:

	2015				2014	
	Up to 1 month	1 to 6 months	6 to 12 months	Above 12 months	Total	Total
<b>Futures contracts</b>	<b>981,736</b>	<b>1,295,134</b>	<b>522,741</b>	<b>3,374,721</b>	<b>6,174,332</b>	<b>3,628,411</b>
DI	440,538	506,241	46,666	398,255	1,391,700	1,134,766
DDI	378,173	698,840	476,075	2,976,466	4,529,554	1,671,729
Dollar	163,025	90,053	-	-	253,078	821,916
<b>Swap contracts</b>	<b>-</b>	<b>(71,985)</b>	<b>(123,678)</b>	<b>(205,638)</b>	<b>(401,301)</b>	<b>(104,205)</b>
CDI	-	215,267	296,265	2,396,389	2,907,921	848,627
Dollar	-	(287,252)	(419,943)	(2,602,027)	(3,309,222)	(952,832)
<b>Term of currency</b>	<b>2,310</b>	<b>1,807</b>	<b>293</b>	<b>-</b>	<b>4,410</b>	<b>(1,898)</b>
Dollar	28,463	(291,429)	75,481	-	(187,485)	(28,715)
Prefixed rates	(26,153)	293,236	(75,188)	-	191,895	26,817

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.

The results with derivative financial instruments for the year ended December 31, 2015 and 2014 are as follows:

	2015	2014
Swap	(358,192)	(18,405)
Term	(30,485)	(11,512)
Future	562,956	35,474
Options	40	112
<b>Total</b>	<b>174,319</b>	<b>5,669</b>

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AT DECEMBER 31, 2015 AND 2014**  
**(In thousands of Reais)**

An area independent from the operating and business areas is responsible for the evaluation and measurement of assets and liabilities existing in the Bank, which is in compliance with BACEN Circulars nº 3.068/01 and 3.082/02. These calculations are based on prices, rates or information collected from independent sources, such as BM&FBovespa, Stockbrokers, BACEN, ANBIMA, among others.

The table below shows the amounts of contracts designated as hedge financial instruments and financial instruments regarding the item subject to hedge as years ended December 31, 2015 and 2014:

	<b>2015</b>		
	<b>Hedge Instruments</b>	<b>Subject to Hedge</b>	
	<b>Market Value</b>	<b>Market Value</b>	<b>Adjustment at Market Value</b>
<b>Hedge Strategy for Market Risk</b>			
<i>Foreign borrowings hedge</i>	551,879	559,729	563,899
<b>Total</b>	<b>551,879</b>	<b>559,729</b>	<b>563,899</b>
	<b>2014</b>		
	<b>Hedge Instruments</b>	<b>Subject to Hedge</b>	
	<b>Market Value</b>	<b>Market Value</b>	<b>Adjustment at Market Value</b>
<b>Hedge Strategy for Market Risk</b>			
<i>Foreign borrowings hedge</i>	84,060	85,792	87,874
<b>Total</b>	<b>84,060</b>	<b>85,792</b>	<b>87,874</b>

The effectiveness determined for the hedge portfolio is in compliance with the BACEN Circular nº 3.082/02.

The Bank uses market risk hedge to protect itself from exchange exposure risk for payments of principal and fixed rate exchange interest, related to the funding contracted abroad.

The transaction is structured as a combination of DDI futures contracts used as derivative hedging instruments and obligations arising from foreign loans raised in US dollar, falling due in December 2018 and designated as an item hedged against market risk.

For the foreign funding market value, item subject to hedge, what is taken into consideration the characteristics of the operation in relation to interest rate and corresponding term for determination of the future amount of cash flows, which will be deducted at present value at market rates, calculated based on the prices traded on BM&FBovespa.

## **8. Risk management**

### **Operational risk**

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

The Bank's Operational Risk structure also includes the participation of the Executive Board, which is immediately involved in every significant event and actively participates in the monitoring of actions aimed to mitigate these risks. In addition to the daily monitoring, Risk Management also reports on a monthly basis the

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AT DECEMBER 31, 2015 AND 2014**  
**(In thousands of Reais)**

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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 always following the best worldwide adopted practices in risk management, the Bank has a comprehensive structure of risk control and management, integrated and independent from 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, credit, liquidity and operating risks. The limits of risk are determined and approved by both local directors 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, projections of cash flow, stress test, backtesting, analysis of sensitivity of interest, foreign exchange and volatility.

By complying with BNS's requirements, the Bank was able to meet Central Bank demands regarding implementation of a market and liquidity risk structure (CMN Resolutions nº 3.464/07 and 4.090/12). In addition, the Bank calculates the capital requirements due to market risk exposure in accordance with the criteria established by CMN Resolution nº 4.193/13.

**Credit risk management**

Consistent with the rules established by the BACEN (CMN Resolutions nº 2.682/99, 2.844/01, 3.721/09, and 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 the entire range of loan takers, as well as the analysis and monitoring of the Bank's aggregate credit risk, which takes into account all product lines offered by the Bank and all economic segments where 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 ratings which, under CMN Resolution nº 2.682/99, are reviewed every six months for credit risks that exceed 5% of the Bank's reference shareholders' equity.

The Board of Executive Officers and the risk areas systematically work in the management of credit risks, which include the approval of individual credit limits and related institutional policies. In addition, they work in the monitoring of the aggregate credit portfolio and stress testing for evaluating the credit portfolio's resistance to adverse economic scenarios.

**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 structure, which encompasses internal policies, actions 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 Brazilian Central Bank's (BACEN) requirements provided for in CMN Resolution nº 3.988/11.

The principles that govern the Bank's capital management structure, as described in the document, intend to meet the requirements in connection with: regulatory rules; existence of appropriate governance and supervision; capital management policies, strategies and measurement that focuses on the relationships between risk propensity, risk

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AT DECEMBER 31, 2015 AND 2014**  
**(In thousands of Reais)**

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 Management Structure and is also responsible for the annual review and approval of 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.

Descriptions of operational risk, market risk, liquidity risk, credit risk and capital management structures are published in a directory of public access, available at the address: <http://www.br.scotiabank.com> (unaudited).

**9. Loan operations**

**a) Credit portfolio composition by type of operation, activity and term**

	2015				Total 2014
	Up to 3 months	3 – 12 months	1 – 3 years	3 - 5 years	
				<b>Falling due</b>	
				Total	
<b>Private sector</b>					
<b>Bank Credit Certificate (CCB)</b>	<b>7,739</b>	<b>70,997</b>	<b>146,602</b>	<b>15,689</b>	<b>241,027</b>
Industry	-	50,409	-	-	50,409
Commerce	7,493	20,133	38,602	15,689	81,917
Other services	246	455	108,000	-	108,701
<b>Discounted trade bills</b>	<b>43,663</b>	<b>441</b>	<b>-</b>	<b>-</b>	<b>44,104</b>
Commerce	43,663	441	-	-	44,104
<b>Export credit notes (NCE)</b>	<b>2,421</b>	<b>28</b>	<b>79,246</b>	<b>-</b>	<b>81,695</b>
Agricultural	-	28	19,246	-	19,274
Other services	2,421	-	60,000	-	62,421
<b>Export financing (CCE)</b>	<b>-</b>	<b>4,090</b>	<b>-</b>	<b>-</b>	<b>4,090</b>
Commerce	-	4,090	-	-	4,090
<b>Import financing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58</b>
Commerce	-	-	-	-	58
<b>Loan transactions linked to assignments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,184</b>
Other services	-	-	-	-	42,184
<b>Advances on foreign exchange contracts (ACC)</b>	<b>231,817</b>	<b>319,909</b>	<b>-</b>	<b>-</b>	<b>551,726</b>
Industry	121,575	173,621	-	-	295,196
Commerce	110,242	146,288	-	-	256,530
<b>ACC Income receivable</b>	<b>3,142</b>	<b>1,784</b>	<b>-</b>	<b>-</b>	<b>4,926</b>
Industry	991	1,127	-	-	2,118
Commerce	2,151	657	-	-	2,808
<b>Total</b>	<b>288,782</b>	<b>397,249</b>	<b>255,848</b>	<b>15,689</b>	<b>927,568</b>

**b) Credit risk concentration**

	2015	2014
Major debtor	100,918	75,160
Percentage of entire credit portfolio	10.9%	21.2%
20 major debtors	927,568	354,267
Percentage of entire credit portfolio	100.0%	100.0%

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AT DECEMBER 31, 2015 AND 2014**  
**(In thousands of Reais)**

c) Allowance for doubtful accounts

Level of Risk	Provision	Total portfolio		Allowance for doubtful accounts	
		2015	2014	2015	2014
AA	0.00%	114,244	44,049	-	-
A	0.50%	813,324	310,218	(4,067)	(1,551)
<b>Total</b>		<b>927,568</b>	<b>354,267</b>	<b>(4,067)</b>	<b>(1,551)</b>

d) Sale or Transfer of Financial Assets

On December 31, 2015, the Bank does not have sale or transfer of financial assets operations with substantial retention of risk and benefit in conformity with CMN Resolution nº 3.533/08.

e) Changes in the allowance for doubtful accounts

	2015	2014
<b>Balance at the beginning of the year</b>	<b>(1,551)</b>	<b>(899)</b>
Recording of provision	(2,516)	(915)
Reversal of provision	-	263
<b>Balance at the end of the year</b>	<b>(4,067)</b>	<b>(1,551)</b>

In the years ended December 31, 2015 and 2014, there were no credit recoveries and renegotiations.

10. Foreign exchange portfolio - Current assets

	2015	2014
Purchased foreign exchange to be settled	629,177	312,853
Rights on foreign exchange sales	29,350	48,690
Income receivable from granted advances	4,926	3,305
Advances in national currency received	(1,796)	(839)
<b>Total</b>	<b>661,657</b>	<b>364,009</b>

	2015	2014
Sold foreign exchange to be settled	29,332	48,664
Obligations on foreign exchange purchase	551,726	284,621
Advances on foreign exchange contracts	(551,726)	(283,807)
<b>Total</b>	<b>29,332</b>	<b>49,478</b>

11. Other receivables - Sundry

	2015	2014
Judicial deposits (i)	31,263	34,798
Deferred tax assets (note 20 "b")	30,020	-
Prepayments of IRPJ and CSLL	15,393	3,714
Taxes and contributions recoverable	3,393	-
Salary advances	401	258
Others	3	25
<b>Total</b>	<b>80,473</b>	<b>38,795</b>
Current assets	29,952	3,997
Long-term assets	50,521	34,798

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AT DECEMBER 31, 2015 AND 2014**  
**(In thousands of Reais)**

- (i) As of December 31, 2015, that asset includes a court deposit in the amount of R\$ 15,815 relating to a tax contingency (note 18 “c”). By court order, this amount was transferred from another judicial deposit in the amount of R\$ 20,690, which was related to a tax deficiency assessed because of the non-deductibility of expenses on assumed debt. This tax deficiency was written off in 2013, after the Bank joined the tax amnesty program established by Law nº 11.941/09. The excess amount was converted in benefit of the Bank in September, 2015.

**12. Deposits**

	2015					2014	
	No maturity	Up to 3 months	3 - 12 months	1 - 3 years	3 - 5 years	Total	Total
Demand deposits	195	-	-	-	-	195	191
Interbank deposits	-	38,120	-	-	-	38,120	36,521
Time deposits	-	140,322	156,367	116,331	12,240	425,260	244,147
<b>Total</b>	<b>195</b>	<b>178,442</b>	<b>156,367</b>	<b>116,331</b>	<b>12,240</b>	<b>463,575</b>	<b>280,859</b>

**13. Money market funding**

On December 31, 2015, the amount of money market funding is represented by repurchase agreement in 1 day and backed by federal government securities in the amount of R\$ 1,000 (2014 – zero).

**14. Funds from financial bills, bills of credit and similar notes**

On December 31, 2015, the Bank has obligations for funding from financial bills, bills of credit and similar notes in the amount of R\$ 71.720 (2014 – zero) falling due until December, 2017.

**15. Loan obligations**

Loan obligations basically consist of foreign-currency funds raised with BNS to finance foreign trade, with R\$ 832,345 (2014 - R\$ 524,620) maturing by April 2016, and of funds raised abroad pursuant to CMN Resolution nº 3.844/10 which total R\$ 579,265 (2014 - R\$ 85,792) and mature by December 2018. Substantially, the amount of funds raised is designated as marked value of the hedge item (note 7). Transactions bear annual interest ranging from 0.2900% to 2.3843% and are adjusted for the exchange rate.

**16. Other liabilities - Tax and social security**

	2015	2014
Provision for IRPJ and CSLL on income payable	26,564	400
Provision for deferred IRPJ and CSLL (note 20 “b”)	23,037	9,748
Provision for tax contingences (note 18 “d”)	19,356	3,178
Taxes and contributions on salaries	15,677	1,778
<b>Total</b>	<b>84,634</b>	<b>15,104</b>
Current liabilities	59,258	4,891
Long-term liabilities	25,376	10,213

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AT DECEMBER 31, 2015 AND 2014**  
**(In thousands of Reais)**

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**17. Other liabilities - Sundry**

	<u>2015</u>	<u>2014</u>
Salaries, bonuses and social security charges	11,458	8,124
Accounts payable - administrative expenses	948	967
Provision for labor contingences (note 18 "d")	351	2,028
Provision for the Credit Guarantee Fund	95	55
Others	36	7
Obligations arising from assignment-related transactions	-	38,826
Accounts payable to related companies	-	359
<b>Total</b>	<b><u>12,888</u></b>	<b><u>50,366</u></b>
Current liabilities	7,686	45,074
Non-current	5,202	5,292

**18. Legal, Tax and Social Security Contingencies and Liabilities**

**a) Contingent assets**

The Bank does not have any contingent assets recorded in its Balance Sheet, nor does it have, at this moment, any judicial proceedings that generate expectation of future gains.

**b) Contingent liabilities**

The Bank is a party in lawsuits and administrative proceedings arising from the normal course of its activities, involving labor, tax and social security matters. The evaluation for making provisions is conducted in accordance with the criteria described in Note 3 "I".

The Bank maintains provisions for those contingent liabilities classified as probable loss, in amounts regarded as sufficient to cover possible losses. The amounts reserved are recorded under the headings of "Other liabilities – taxes and social security" (note 16) and "Other liabilities – sundry" (note 17), in long-term liabilities.

Ongoing labor lawsuits classified as possible loss amount to R\$ 39,241 (2014 - R\$ 46,921). Most labor lawsuits refer to actions filed by former employees and outsource personnel to obtain indemnities, mostly regarding overtime payment and other labor rights.

There are ongoing proceedings of tax-related nature classified as possible loss, in the amount of R\$ 10,905 (2014 - R\$ 9,986), arising from taxes that the Bank has been challenging in court, the main of which being related to an application for offsetting the withholding income tax on financial investments made by Cotinco Assessoria Empresarial Ltda., a non-financial firm merged by the Bank in 2003, in the amount of R\$ 4,690 (2014 - R\$ 4,481).

**c) Legal obligations**

The main proceeding in the amount of R\$ R\$ 15,815 (2014 - R\$ zero) refers to a judicial defense regarding to the enforceability of the contribution to the Social Integration Program - PIS, under the Constitutional Amendment n° 17/97 and Complementary Law n° 7/70 with regards to their legality or constitutionality.

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AT DECEMBER 31, 2015 AND 2014**  
**(In thousands of Reais)**

**d) Changes in balances**

	Balance at					Balance at 12/31/2015	Judicial deposits (i)	
	12/31/2014	Formation	Reversal	Usage	Updating		2015	2014
Labor	2,028	-	(412)	(1,281)	16	351	75	53
Tax contingencies	-	-	-	-	-	-	26,883	30,880
Legal obligations	3,178	8,758	-	-	7,420	19,356	4,305	3,865
<b>Total</b>	<b>5,206</b>	<b>8,758</b>	<b>(412)</b>	<b>(1,281)</b>	<b>7,436</b>	<b>19,707</b>	<b>31,263</b>	<b>34,798</b>

(i) See note 11.

**19. Shareholders' equity**

The fully paid-up capital is represented by 2,221,627,157 (2014 – 2,221,627,157) nominative common shares with no par value.

Management will decide, in the annual General Meeting the minimum amount for dividend payments related to the adjusted net income in accordance with article 202 of corporate law.

**Profit reserves**

The legal reserve is formed by the allocation of 5% of the net income for the semester, up to the limit defined by the current legislation. 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.

**20. Deferred income and social contribution taxes**

**a) Calculation of the income tax and social contribution levied on the operations**

	2015		2014	
	Income tax	Social contribution	Income tax	Social contribution
Net Income before taxes and after profit sharing	94,807	94,807	16,039	16,039
Temporary additions (exclusions)	(9,336)	(9,336)	(16,111)	(16,111)
Adjustment to market value - Securities and derivatives	(29,071)	(29,071)	(17,952)	(17,952)
Others	19,735	19,735	1,841	1,841
Permanent additions (exclusions)	7,452	7,428	2,386	309
<b>Taxable base</b>	<b>92,923</b>	<b>92,899</b>	<b>2,314</b>	<b>237</b>
Compensation of tax losses and negative base of social contribution	(27,877)	(27,869)	(694)	(71)
<b>Taxable base after taxation</b>	<b>65,046</b>	<b>65,030</b>	<b>1,620</b>	<b>166</b>
Rates	25%	20%	25%	15%
<b>Total current IRPJ and CSLL before tax incentive</b>	<b>(16,238)</b>	<b>(10,966)</b>	<b>(382)</b>	<b>(25)</b>
Tax incentive	640	-	6	-
<b>Total current IRPJ and CSLL</b>	<b>(15,598)</b>	<b>(10,966)</b>	<b>(376)</b>	<b>(25)</b>
Deferred tax assets	16,436	13,584	-	-
Deferred tax liabilities	(7,291)	(5,998)	(3,262)	(1,957)
<b>Total</b>	<b>(6,453)</b>	<b>(3,380)</b>	<b>(3,638)</b>	<b>(1,982)</b>

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AT DECEMBER 31, 2015 AND 2014**  
**(In thousands of Reais)**

**b) Changes in deferred income and social contribution taxes by nature and origin**

	<u>Balance at 12/31/2014</u>	<u>Formation</u>	<u>Realized Reversal</u>	<u>Balance at 12/31/2015</u>
<b>Deferred tax assets</b>				
Tax losses and negative base of social contribution	-	16,184	-	16,184
Allowance for doubtful loans	-	1,825	-	1,825
Mark-to-market of securities	-	106	-	106
Allowance for risk of tax and labor	-	7,882	-	7,882
Nondeductible allowance	-	4,023	-	4,023
<b>Total</b>	<u>-</u>	<u>30,020</u>	<u>-</u>	<u>30,020</u>

	<u>Balance at 12/31/2014</u>	<u>Formation</u>	<u>Realized</u>	<u>Balance at 12/31/2015</u>
<b>Deferred tax liabilities</b>				
Mark-to-market of derivatives	(4,342)	(12,676)	-	(17,018)
Monetary restatement of judicial deposits	(5,406)	(1,613)	1,000	(6,019)
<b>Total</b>	<u>(9,748)</u>	<u>(14,289)</u>	<u>1,000</u>	<u>(23,037)</u>

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

	<u>Temporary differences</u>	<u>Tax losses and negative base</u>	<u>Total</u>
Up to 1 year	8,649	5,631	14,280
1 – 2 years	2,037	9,797	11,834
2 – 3 years	1,258	756	2,014
3 – 4 years	208	-	208
4 – 5 years	13	-	13
5 – 10 years	1,671	-	1,671
<b>Total</b>	<u>13,836</u>	<u>16,184</u>	<u>30,020</u>
<b>Present Value (*)</b>	<u>11,329</u>	<u>13,376</u>	<u>24,705</u>

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

**21. Related parties**

Transactions between related parties are disclosed in conformity with CMN Resolution nº 3.750/09, in compliance with Technical Pronouncement CPC 05 - Related Parties Disclosure, approved by the Accounting Pronouncements Committee (CPC). These operations are carried out at usual market values, terms and average rates in effect at the respective dates.

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AT DECEMBER 31, 2015 AND 2014**  
**(In thousands of Reais)**

**a. Related party transactions**

	<u>2015</u>	<u>2014</u>
<b><u>Assets</u></b>		
Cash and cash equivalents (i)	122	56
Other credits (i)	-	1,620
<b><u>Liabilities</u></b>		
Time deposits (ii)	(455)	(1,503)
Borrowings (iii)	(1,411,610)	(610,412)
Other obligations (iv)	-	(1,979)
<b><u>Income</u></b>		
Revenue from foreign exchange operations (i)	-	618
Fee income (v)	27,500	21,027
Other income (iv)	253	22
<b><u>Expenses</u></b>		
Funding operations expenses (ii)	(5,582)	(148)
Expenses on borrowings (iii)	(375,220)	(41,887)
Foreign exchange transactions (i)	(4,177)	-
Other administrative expenses (iv)	(1,013)	(1,258)

(i) Refers to cash and cash equivalents in foreign currency and arbitration transactions with BNS.

(ii) Refers to fund raised with Scotia Participações e Serviços Ltda. and BNS.

(iii) Refers to funds raised with BNS (note 15).

(iv) Refers to technical services with BNS.

(v) Refers to revenue from origination fee, as well a reimbursement of expenses for the placement of transactions with BNS and Scotiabank & Trust (Cayman) Ltd..

**b. Management compensation**

For the purpose of disclosing management compensation, Statutory Officers were considered. Expenses with management compensation for the year ended December 31, 2015 in total amount of R\$ 11,102 (2014 - R\$ 10,014), of which R\$ 7,579 (2014 - R\$ 6,847) represents salaries and payroll charges, profit sharing, and bonuses and charges on bonuses, denominated short-term benefits, and R\$ 3,523 (2014 - R\$ 3,167) that represents share-based compensation. There are no post-employment benefits, other long-term benefits or work agreement termination benefits.

**22. Share based payment**

Share-based payment plans are evaluated based on The Bank of Nova Scotia (BNS) common share price traded in the Toronto Stock Exchange in Canada (TSX). BNS share price fluctuations change the unit value, which affects the Bank's share-based payment expenses. The portion that calculates share price fair value also varies according to the Bank's performance. These plans are settled in cash and their expenses are recognized in the Statement of Income for the semester 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. RSU - Restricted Share Unit Plan**

According to RSU plan, exigible employees will receive a bonus in restricted share units after three years. Final amount to be paid varies according to BNS share price. As of December 31, 2015, the amount of liabilities in this plan is R\$ 652 (2014 - R\$ 207) and the number of shares is 8,001 units measured at weighted average fair value of R\$ 160.75 per share. Total expenses recorded for this plan for the year is R\$ 592 (2014 - R\$ 174).

**SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AT DECEMBER 31, 2015 AND 2014**  
**(In thousands of Reais)**

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**b. PSU - Performance Share Unit Plan**

According to PSU plan, eligible employees will receive a bonus after three years. In addition to BNS share price variation, this bonus portion is subject to performance criteria (return on shareholders' equity and total return to shareholder) measured over a three-year period, on which a multiplying factor is applied. As of December 31, 2015, the amount of liabilities for this plan is R\$ 3,527 (2014 - R\$ 2,855) and the number of shares is 28,912 units measured at weighted average fair value of R\$ 160.75 per share. Total expenses recorded in this plan for the year is R\$ 2,634 (2014 - R\$ 2,295).

**c. DPP - Deferred Performance Plan**

Under the DPP plan, the bonus portion received by employees eligible for this plan is allocated as units. Values of these units are defined based on BNS shares market price variation and are paid to employees in each of the three following years. As of December 31, 2015, the amount of liabilities for this plan is R\$ 1,632 (2014 - R\$ 1,242) and the number of shares is 9,925 units measured at the weighted average fair value of R\$ 164.44 per share. Total expenses recorded in this plan for the year is R\$ 1,120 (2014 - R\$ 818).

**23. Basel Index and Operational Limits**

The Bank calculates the Basel index (New Capital Agreement) and the operational limits based on the Central Bank of Brazil guidelines, as follows:

	<u>2015</u>	<u>2014</u>
Referential Equity (PR)	488,997	410,683
Minimum PR required for the amount of Risk Weighted Asset (RWA)	272,246	117,121
Value corresponding to the $R_{BAN}$	882	110
Margin value	215,869	293,452
Extended Basel Index (includes $R_{BAN}$ )	19.69%	38.54%
Fixed assets to equity ratio – CMN Resolution nº 2.283/96	0.86%	0.79%
Leverage ratio (RA)	15.13%	-

Financial institutions are obliged to keep investment in permanent assets in accordance with Reference Shareholders' Equity level. Funds invested in permanent assets are limited to 50% of adjusted Reference Shareholders' Equity pursuant to current regulation. As of December 31, 2015, the Bank falls under this limit.

**24. Other information**

- a) New announcement - The CMN Resolution nº 4.424/2015 determined that banks shall observe, as of January 1, 2016, the application of the Technical Pronouncement CPC 33 – Employee Benefits, approved by Accounting Pronouncements Committee – CPC. The application of this standard does not have impact on the financial statements.
- b) As of December 31, 2015, the liabilities for confirmed export credits and imports recognized in memorandum accounts amounted to R\$ 8,849 (2014 - R\$ 3,983).

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