



Scotiabank Digital Banking Update

February 2, 2017





Digital Banking Update

JAKE LAWRENCE

Senior Vice President, Investor Relations



Caution Regarding Forward-Looking Statements

Our public communications often include oral or written forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may include, but are not limited to, statements made in this document, the Management’s Discussion and Analysis in the Bank’s 2016 Annual Report under the headings “Overview-Outlook,” for Group Financial Performance “Outlook,” for each business segment “Outlook” and in other statements regarding the Bank’s objectives, strategies to achieve those objectives, the regulatory environment in which the Bank operates, anticipated financial results (including those in the area of risk management), and the outlook for the Bank’s businesses and for the Canadian, U.S. and global economies. Such statements are typically identified by words or phrases such as “believe,” “expect,” “anticipate,” “intent,” “estimate,” “plan,” “may increase,” “may fluctuate,” and similar expressions of future or conditional verbs, such as “will,” “may,” “should,” “would” and “could.” By their very nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not prove to be accurate. Do not unduly rely on forward-looking statements, as a number of important factors, many of which are beyond the Bank’s control and the effects of which can be difficult to predict, could cause actual results to differ materially from the estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: the economic and financial conditions in Canada and globally; fluctuations in interest rates and currency values; liquidity and funding; significant market volatility and interruptions; the

failure of third parties to comply with their obligations to the Bank and its affiliates; changes in monetary policy; legislative and regulatory developments in Canada and elsewhere, including changes to, and interpretations of tax laws and risk-based capital guidelines and reporting instructions and liquidity regulatory guidance; changes to the Bank’s credit ratings; operational (including technology) and infrastructure risks; reputational risks; the risk that the Bank’s risk management models may not take into account all relevant factors; the accuracy and completeness of information the Bank receives on customers and counterparties; the timely development and introduction of new products and services in receptive markets; the Bank’s ability to expand existing distribution channels and to develop and realize revenues from new distribution channels; the Bank’s ability to complete and integrate acquisitions and its other growth strategies; critical accounting estimates and the effects of changes in accounting policies and methods used by the Bank as described in the Bank’s annual financial statements (See “Controls and Accounting Policies – Critical accounting estimates” in the Bank’s 2016 Annual Report) and updated by this document; global capital markets activity; the Bank’s ability to attract and retain key executives; reliance on third parties to provide components of the Bank’s business infrastructure; unexpected changes in consumer spending and saving habits; technological developments; fraud or other criminal behavior by internal or external parties, including the use of new technologies in unprecedented ways to defraud the Bank or its customers; increasing cyber security risks which may include theft of assets, unauthorized access to sensitive information or operational disruption; anti-money laundering; consolidation in the financial services sector in Canada and globally; competition, both from new entrants and established competitors including through internet and mobile banking; judicial and regulatory proceedings; natural disasters, including, but not limited to, earthquakes and hurricanes, and disruptions

to public infrastructure, such as transportation, communication, power or water supply; the possible impact of international conflicts and other developments, including terrorist activities and war; the effects of disease or illness on local, national or international economies; and the Bank’s anticipation of and success in managing the risks implied by the foregoing. A substantial amount of the Bank’s business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank’s financial results, businesses, financial condition or liquidity. These and other factors may cause the Bank’s actual performance to differ materially from that contemplated by forward-looking statements. For more information, see the “Risk Management” section Bank’s 2016 Annual Report. Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2016 Annual Report under the heading “Overview-Outlook,” as updated by this document; and for each business segment “Outlook”. The “Outlook” sections are based on the Bank’s views and the actual outcome is uncertain. Readers should consider the above-noted factors when reviewing these sections. The preceding list of factors is not exhaustive of all possible risk factors and other factors could also adversely affect the Bank’s results. When relying on forward-looking statements to make decisions with respect to the Bank and its securities, investors and others should carefully consider the preceding factors, other uncertainties and potential events. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf. Additional information relating to the Bank, including the Bank’s Annual Information Form, can be located on the SEDAR website at www.sedar.com and on the EDGAR section of the SEC’s website at www.sec.gov.



Strategic Agenda

BRIAN PORTER

President and Chief Executive Officer

Strategic agenda





Culture

Leadership

Innovation

Partnerships

The background is a solid red color. Overlaid on this is a complex, abstract network diagram. It consists of numerous small, dark red circular nodes of varying sizes. These nodes are interconnected by thin, light red lines, creating a web-like structure. Some nodes are highlighted with larger, concentric circles. The overall effect is one of a dynamic, interconnected system.

Looking back,
shifting our culture
has been the most important effort
that we have undertaken
to build an even
better Bank.



Culture

Leadership

Innovation

Partnerships

Closing

When it comes
to digital banking,
we are positioning
ourselves to lead

NEVER

STOPPING



Momentum of our Digital Transformation

IGNACIO "NACHO"
DESCHAMPS

Group Head, International Banking
and Digital Transformation

JAMES
O'SULLIVAN

Group Head,
Canadian Banking





The image features a complex network of thin grey lines connecting various grey dots of different sizes, creating a web-like background. Two large, prominent circles are centered horizontally. The left circle is red with a white border and contains the word 'CULTURE' in white capital letters. The right circle is dark red with a white border and contains the word 'ALIGNMENT' in white capital letters. Both circles have a subtle drop shadow effect.

CULTURE

ALIGNMENT

Digital transformation strategy



Setting the context

Convenience
simplicity
PERSONALIZATION





Experiencing digital

Customers
are

30% more likely
to be delighted by
mobile transactions

compared to their experience
in branches

Bain's 2015 Customer Satisfaction Global survey

Digital transformation strategy



Customer experience driven



Operational efficiency



Streamline
processes and
operations

Drive more
customer activity
through digital
channels

Leverage
our scale

Reduce
structural
costs

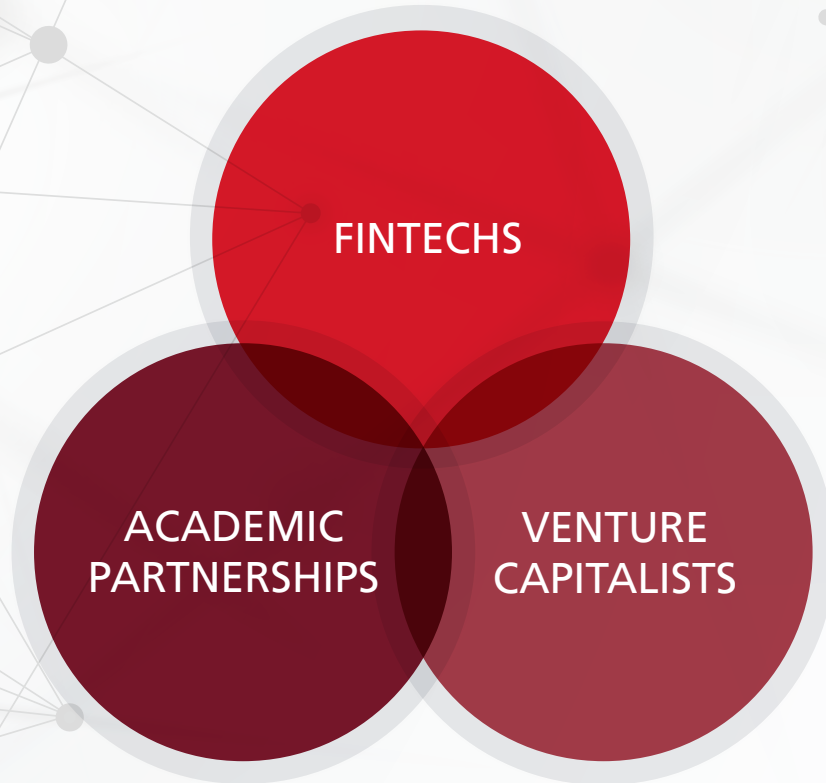
Deploy
new
technologies

Alignment

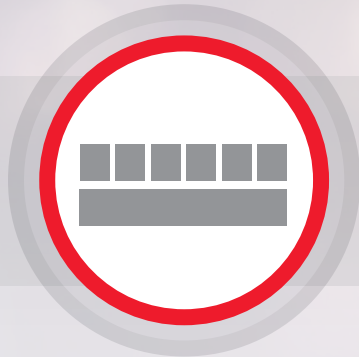
- Leadership and tone at the top
- Business led; customer-focused
- Local innovation; connected internationally



Innovation partnership ecosystem



Technology modernization



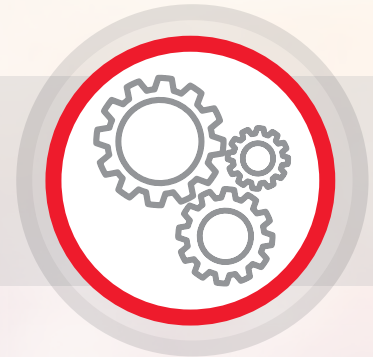
Platform
modernization



New
technologies



Cloud-based
architecture



Data &
analytics

Culture & talent



CUSTOMER



MORE
PERFORMANCE
ORIENTED



TALENT



AGILE
CO-CREATION



CULTURAL TRANSFORMATION

Digital vision: medium term

CUSTOMER
EXPERIENCE



A leader
in our
five key markets
(measured by NPS)

DIGITAL ADOPTION
BY OUR CUSTOMERS



At least
70%

DIGITAL
RETAIL SALES



At least
50%

IN-BRANCH FINANCIAL
TRANSACTIONS



Less than
10%

WILL IMPROVE ALL-BANK PRODUCTIVITY RATIO



Alignment
Culture
momentum
LEADER



Financial Considerations

SEAN MCGUCKIN
Group Head and Chief Financial Officer



Expected benefits

Customer Experience

Operational Efficiency

Structural Cost Transformation

All Bank productivity ratio of 50% or better by 2021

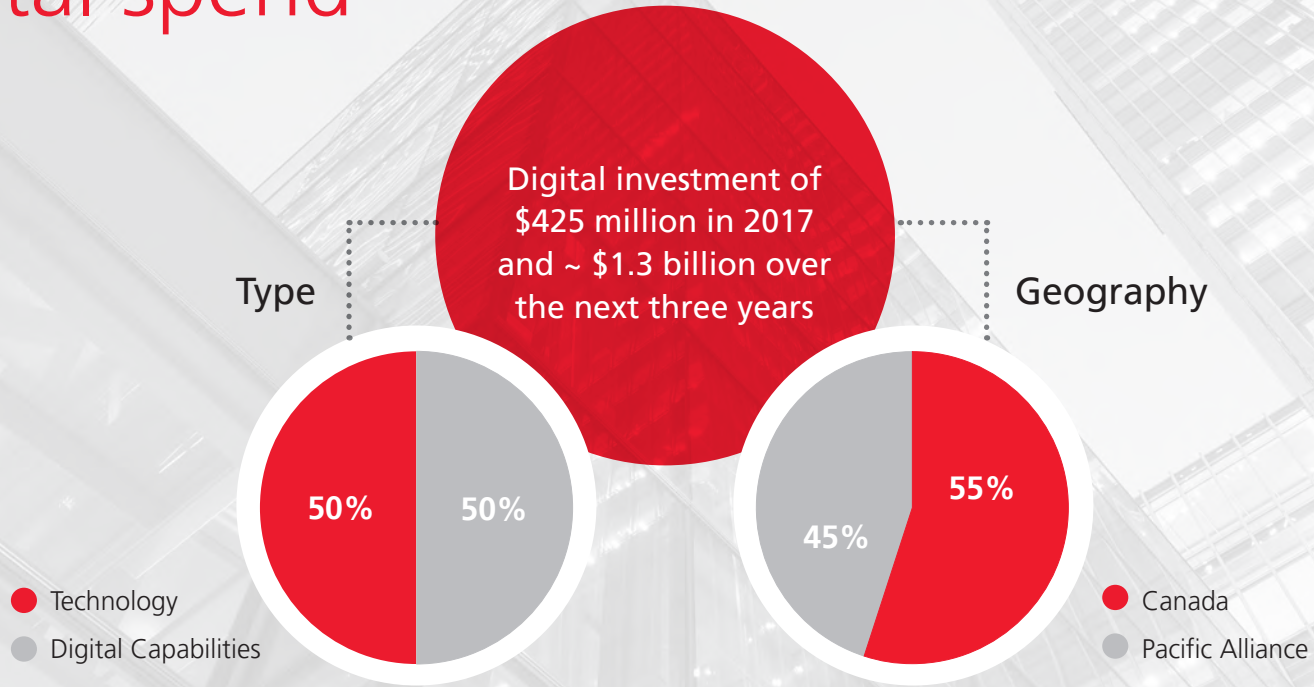
Technology spend

Scotiabank
aspires to be a
digital leader in
our 5 key
markets

Supported by
technology spend
of \$2.6 billion

Ongoing
efficiencies and
re-prioritizing
investments to fund
technology spending
growth

Digital spend



Summary

Increased confidence
in all-Bank medium-term
objectives of 5-10% EPS
growth and 14%+ ROE



Driving Customer Experience

MIGUEL UCCELLI

CEO and Country Head of Scotiabank Peru



Pacific Alliance



- Equivalent to the world's tenth largest economy
- 225 million people; median age of 30
- Low banking penetration

Putting the voice of the customer at the centre of everything we do

ECONOMIC
VALUE
CREATION

STRONG
CUSTOMER
CULTURE

SIMPLE AND
EASY TO
UNDERSTAND

BEHAVIOURAL
CHANGE

GLOBAL
CONSISTENT
APPROACH

EMPLOYEE
ENGAGEMENT

CUSTOMER
ADVOCACY

Our **Cx System**
is more than a score

Scotiabank's Customer Experience (Cx) System

INNER LOOP

Actively listening in real time to our customers



Post-interaction survey



Customer call-backs



Coaching and teamwork



Front-end technology



HUDDLE

Empowering front-line to act and escalate issues



OUTER LOOP

Identifying root causes, prioritize efforts and act



Dedicated Cx Team



Systematic follow up process

Creating a sustainable competitive edge



Drive a culture of
customer advocacy



Empower employees with
digital-driven tools



Empower employees to manage customer
feedback and correct Cx issues



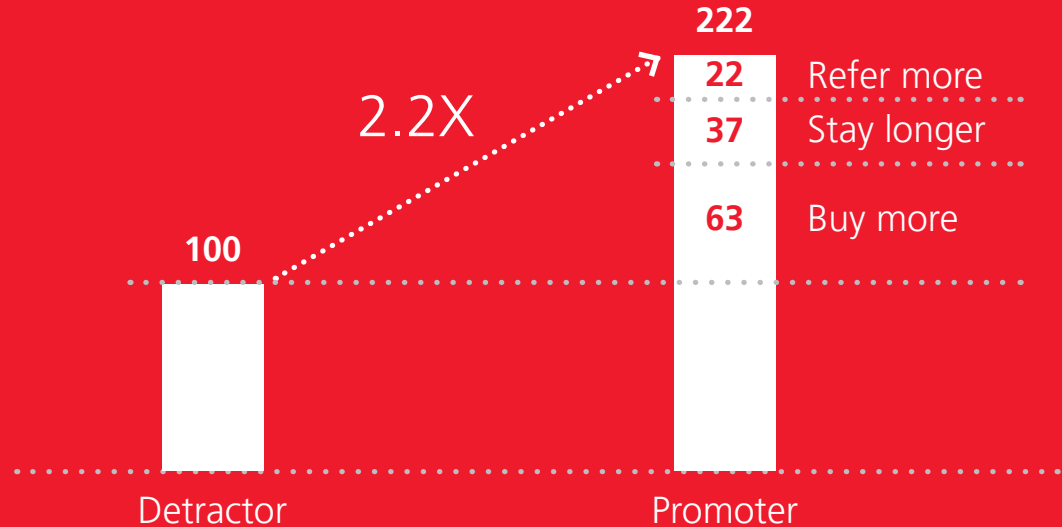
Leverage data and analytics

Proven economic value

Promoters are worth more than detractors



Proven economic value



Successful implementation in Peru



LIBRE

TAXI

TAXI

Cx System
is driving culture
change and
customer-focus

Pivoting Retail Distribution Strategy to Digital

JAMES MCPHEDRAN

Executive Vice President, Canadian Banking



Digital context



4%

CAGR in
total transactions



-7%

CAGR in
branch transactions



42%

CAGR in mobile
transactions

CLEAR CASE FOR CHANGE TOWARD DIGITAL

Embracing the digital mindset



➤ New digital talent

➤ Bankers and
technologists
co-creating

➤ Mobile first,
omni by design

What digital means to our retail strategy



Advancing the digital customer experience

- digital sales
- Cx System



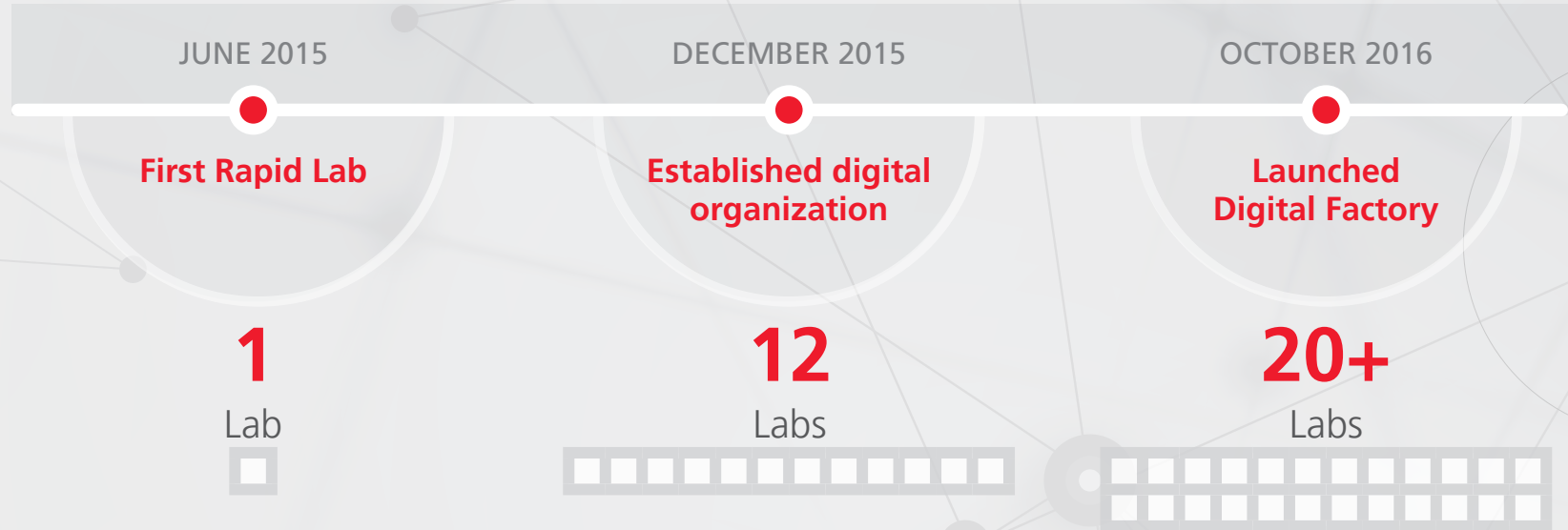
Transforming our physical network

- simplify presence
- reduce cost



Digital customer experience

Case study



Digital customer experience



DAY-TO-DAY BANKING

15 days



5 minutes



CREDIT CARDS

7 days



2 minutes



SMALL BUSINESS

no digital capability



20 minutes



DIGITAL X-SELL

**fulfilled
in minutes**

**EXCELLENT DIGITAL CUSTOMER EXPERIENCE
IS THE DRIVER FOR AGGRESSIVE SALES GROWTH**

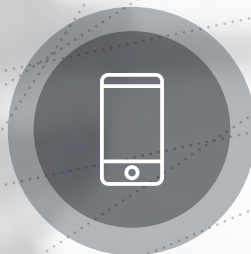
Digital customer experience

2016 results



Digital sales
functionality*

1ST PLACE



Mobile banking
functionality*

1ST PLACE



Digital sales
results

>50% GROWTH
from previous year

* 2016 Forrester Canadian benchmark

Network transformation



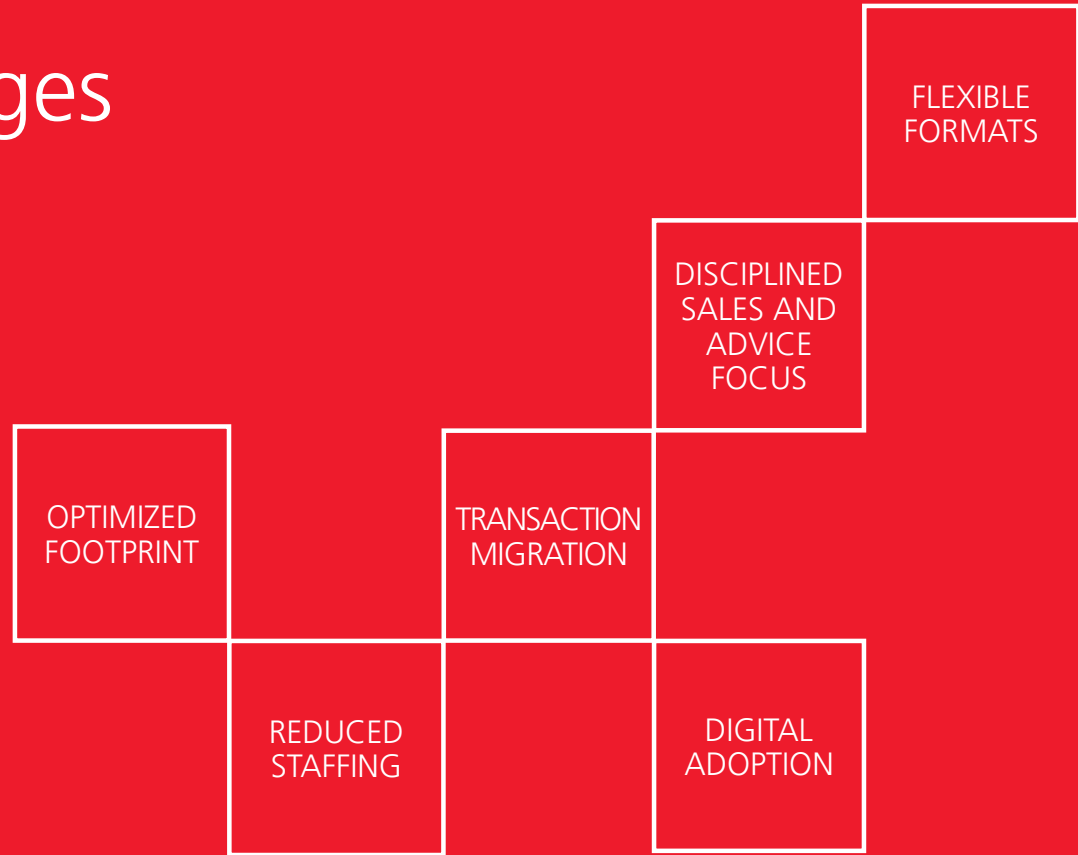
Customer experience

- Meaningful conversations
- Digital coaches
- Coaching and sales leadership

Simplification

- De-layered management structure
- Digitized processes
- Improved employee experience

Network changes are significant



A different implementation approach

Creating meaningful change



"It allowed me to focus more on coaching and spending more time with my customers, and that has been awesome."

BRANCH MANAGER



"This change is revolutionary for our branch."

CUSTOMER SERVICE REPRESENTATIVE



"New digital capability gives us the ability to actively engage our customers."

DIGITAL COACH



"Customers really love the new team approach."

FINANCIAL ADVISOR



Takeaways

Advancing customer experience



Digital is an enabler for our retail strategy



Digital focus drives dynamic change across all channels



Strong organizational alignment



Gaining Digital Traction in the Pacific Alliance

FRANCISCO SARDÓN

CEO and Country Head
of Scotiabank Chile



Driving digital sales

CUSTOMER EXPERIENCE

+

CUSTOMER DATA
AND ANALYTICS

+

SIMPLIFIED PROCESSES



Colpatria – leveraging digital marketing and social media

75%
MORE PROSPECTS
AS A RESULT OF



#32

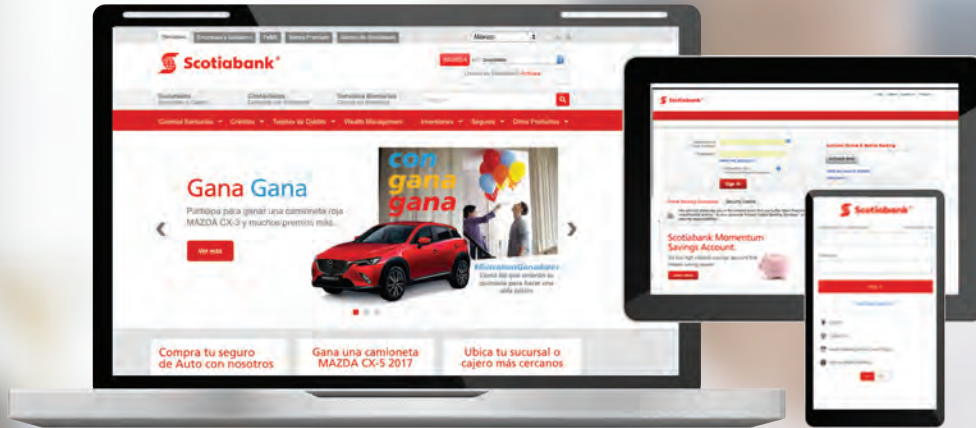
IN THE WORLD

1,000

SAVINGS ACCOUNTS THROUGH



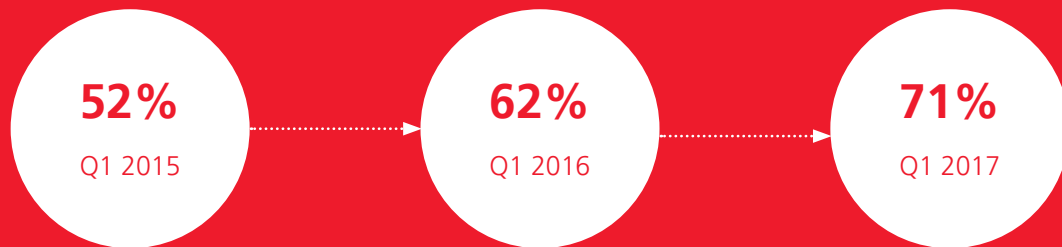
Mexico's new online/mobile platform



DRIVING **30%**
TRANSACTION GROWTH

Scotiabank Chile: growing digital sales

TERM DEPOSITS



% of unit sold

PERSONAL LOANS



% of unit sold

FROM 20-30 MINUTES BRANCH SALES TO <2 MINUTES ONLINE SALES

Chile's digital momentum



Aligned goals –
branch
and digital



Customer specific
offers



Simplified
processes

DIGITALLY SAVVY CONSUMER

Optimizing pricing in Chile

VOLUME GROWTH

PERSONAL LOAN

+20%

2015

2016

AVERAGE SPREAD

**+32
bps**

Growing market share in Chile

MARKET SHARE - RETAIL LOANS

RETAIL BANKING

+160
bps

to
7.8%

2014→ 2016

MARKET SHARE - CORE DEPOSITS

ALL BANK

+170
bps

to
5.5%

2014→ 2016

Summary

We have laid a digital foundation in the Pacific Alliance region



Work closely with Canada to accelerate progress



Better serve customers in the Pacific Alliance region



50% digital sales goal



BRENDA RIDEOUT

Chief Marketing, Information and Strategy Officer



Canada's leading digital bank

Over
2 Million
Clients

Over
\$34 Billion
in Deposits

Over
\$2.5 Billion
in AUM

90%

Digital
Onboarding

99%

Transactions are
Self-Serve

Our hard work is paying off



50%

Multi-Product
Clients



1.4%

Client
Attrition*



50%

New Clients
Via Referral



37%

Higher New Client
Savings Balances



63

Net Promoter
Score (NPS)

*Multi-product Clients

We're evolving the Client experience

Insightful

Seamless

Contextual

Pro-active

Action
Oriented

Our competitive advantage

Offer Strong
Economic Value
to Clients

Operational
Excellence
Low-Cost
Model

Client
Experience
Leader

Changing landscape

Innovating with
Scotiabank, Tangerine
will deliver an
even better client
experience



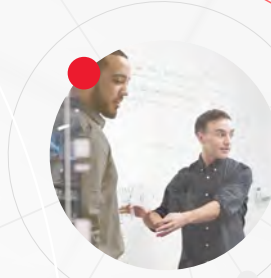
Technology & Architecture Platform

KYLE M^CNAMARA

EVP and Co-Head,
Information Technology,
Business Systems

MICHAEL ZERBS

EVP and Co-Head,
Information Technology,
Enterprise Technology



Strategic focus for technology

Modernize our
platform to accelerate
value delivery



Velocity



Leverage

Leverage our
data, scale and
partnerships



Foundation

Increase day-to-day efficiency
and safeguard the bank

Our technology strategy is well aligned

**Digital
Banking**

Technology

Operations



Foundation



Increase day-to-day
efficiency and
safeguard the Bank

Simplifying and driving efficiencies



**Simplify &
de-layer**

**Create a more
modern
IT organization**

**Generate
significant
cost savings**

Safeguard the Bank through robust cyber-security



1

Protect

2

Detect

3

Respond

Example:

Leveraging behavioural analytics to assess global user activity in support of data loss prevention



Velocity



Modernize our
platform to accelerate
customer delivery

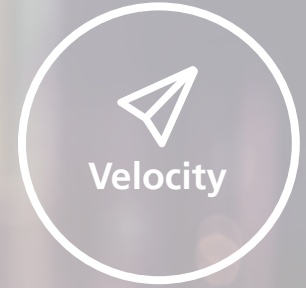
Modernizing our platform



Our core banking systems
are proven, reliable and protected

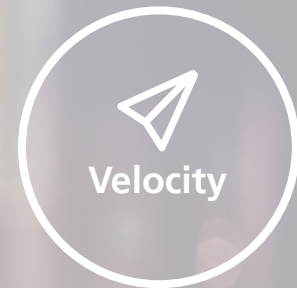


Modernizing our platform



Today each customer channel interacts with those systems separately, as they were added one-by-one





Micro-services enable speed and stability

Continuously evolve customer channels without changing the back end

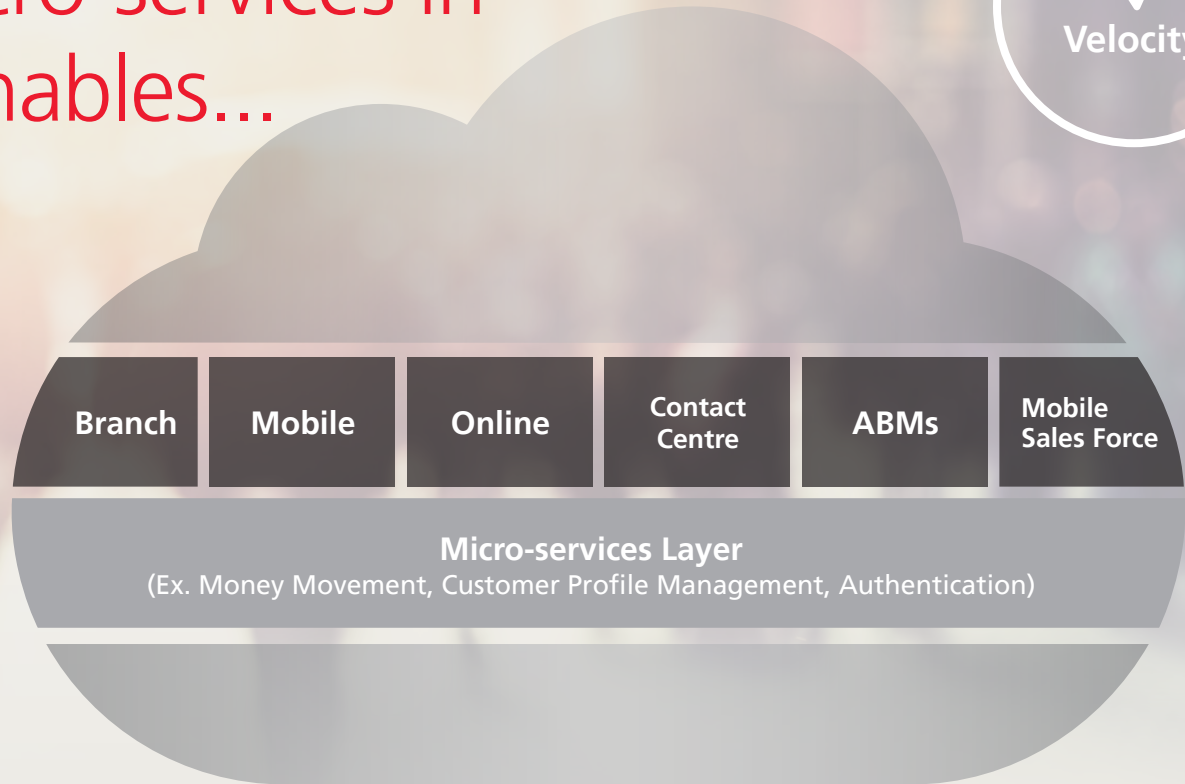
Core banking system updates without disrupting customer channels



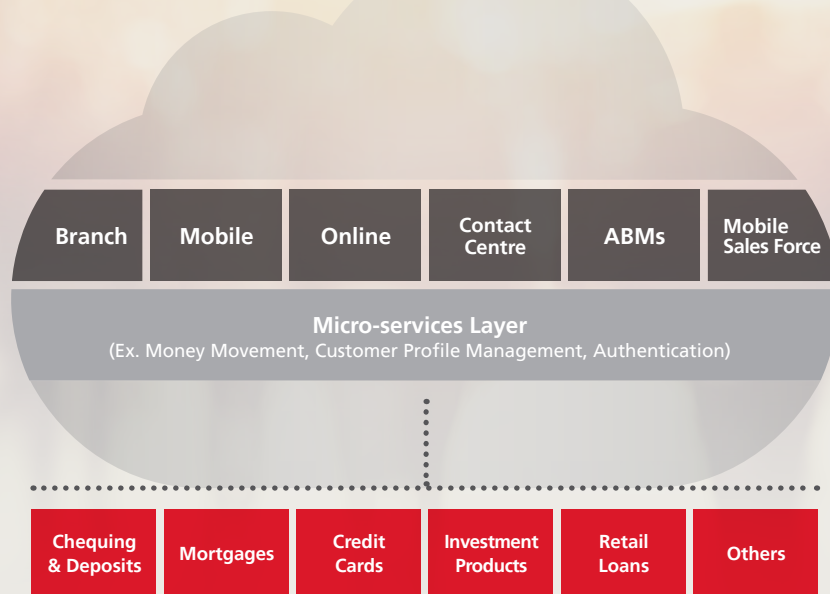
Building micro-services in the cloud enables...



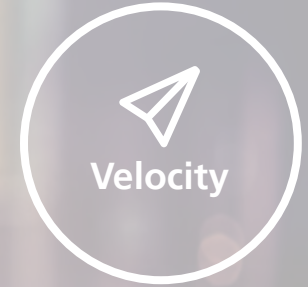
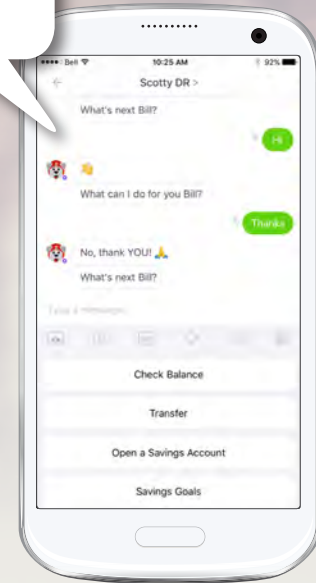
- Automation & reusability
- Standardization
- Faster time-to-market
- Iterative development



Speed to market for us and our partners



Cloud and Open
API strategy enables
banking anywhere





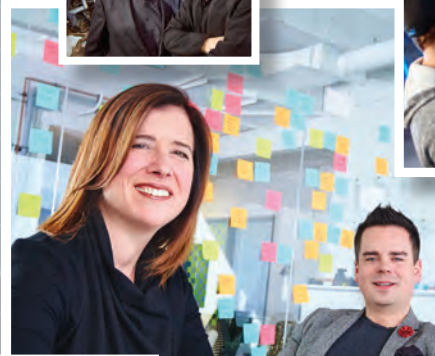
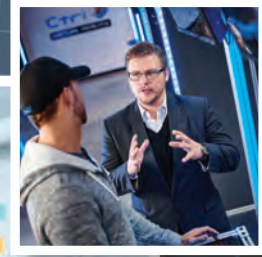
Leverage

.....

Leverage our data,
scale, and partnerships

The bank of the future is defined by data

"Know me, wow me, make it easy for me..."



Building an Enterprise Data Lake

Monthly data ingestion = 10x data collected in first 184 years



Account &
Transaction Data



Partnership Data



Customer Information
& Interactions Data

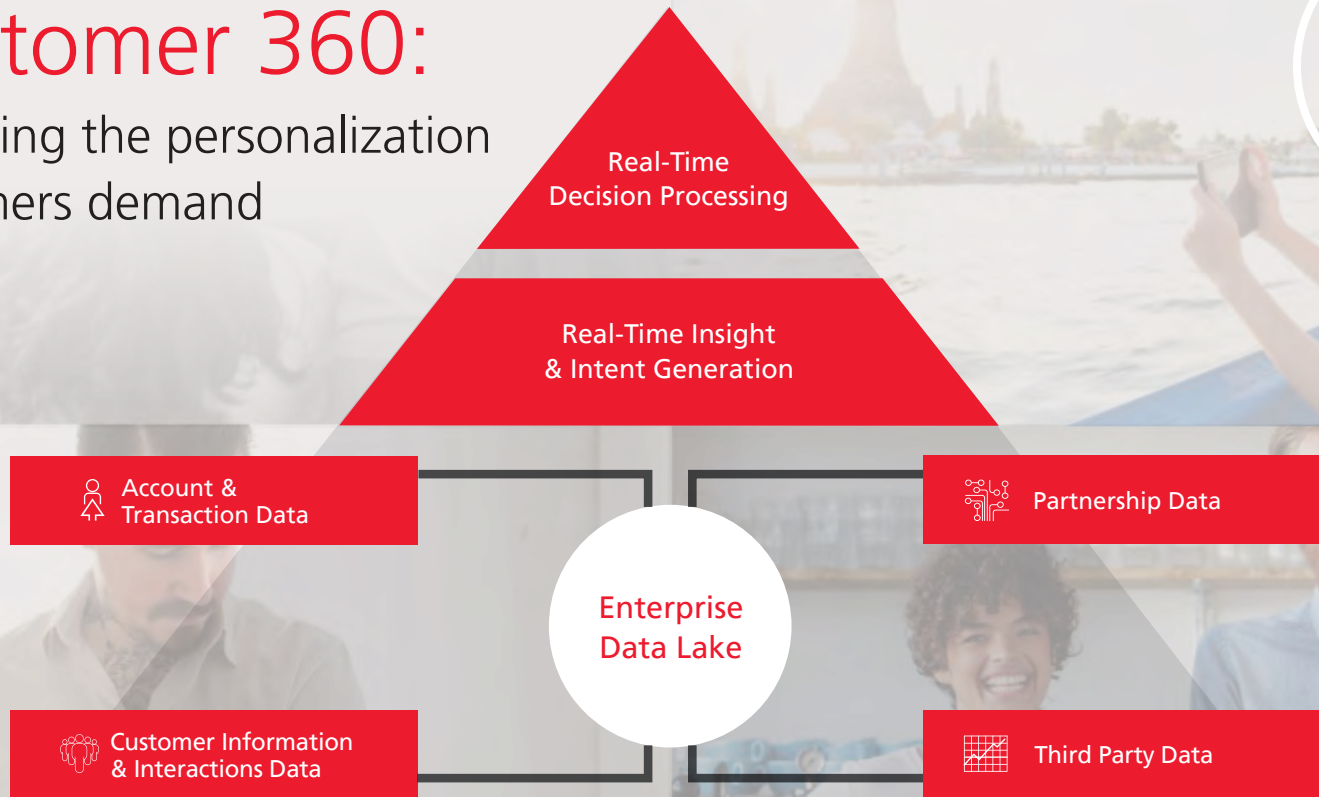


Third Party Data

Enterprise
Data Lake

Customer 360:

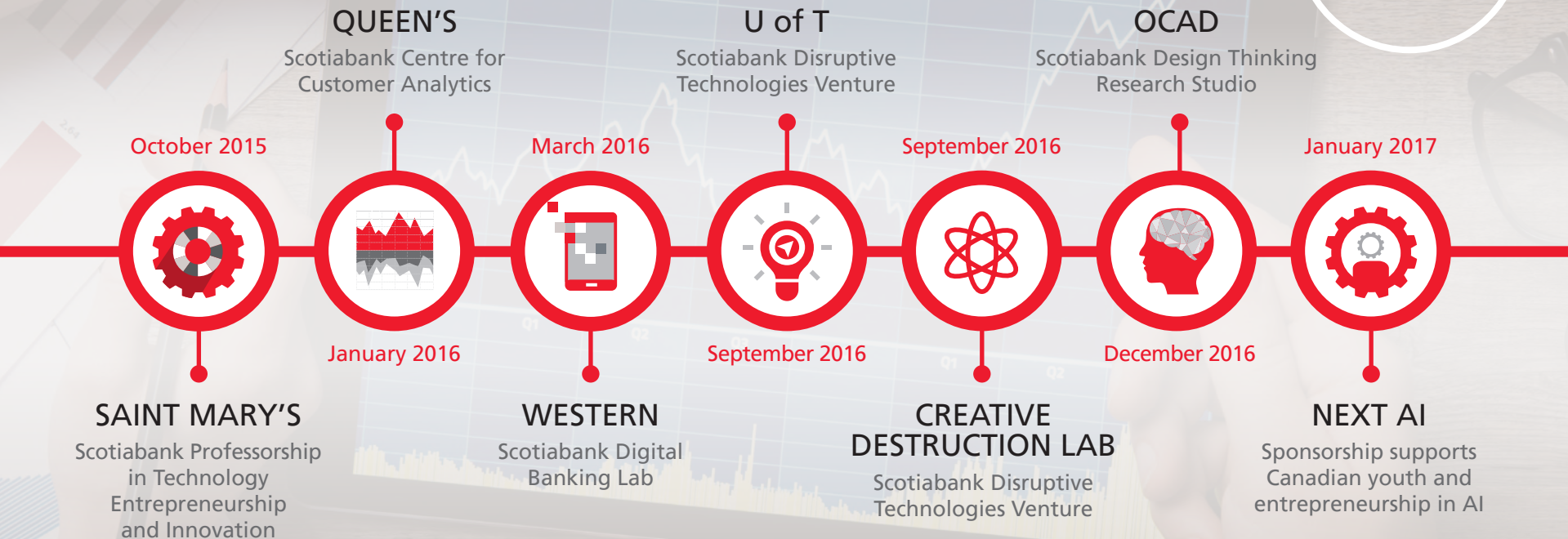
Delivering the personalization
customers demand



Building out a rich partner ecosystem



Academic partnerships



Incubating and partnering with start-ups



**Deep
Learning**


Leverage

Wrap-up



Foundation



Velocity



Leverage



Building up the Digital Banking Organization

SHAWN ROSE

Executive Vice President,
Digital Banking

PAMELA HILBORN

Vice President,
Design Lead

Purpose of Digital Banking Organization

We are leading the Bank's digital transformation across our network



The background is a light gray network of interconnected nodes and lines. A prominent red circle is centered on the page, containing white text. The text is arranged in four lines, with the first line being the largest. The overall aesthetic is modern and tech-oriented.

Digital Banking
is a customer play.
To support this, we need
to incrementally become
a design-led software
organization

Digital Factories in 5 countries





Communities of Practice

We created Communities of Practice between specialists in every country
Members are bound together by a common skill sector expertise –
what keeps them together is a shared passion for their craft

DESIGN

ENGINEERING

ANALYTICS

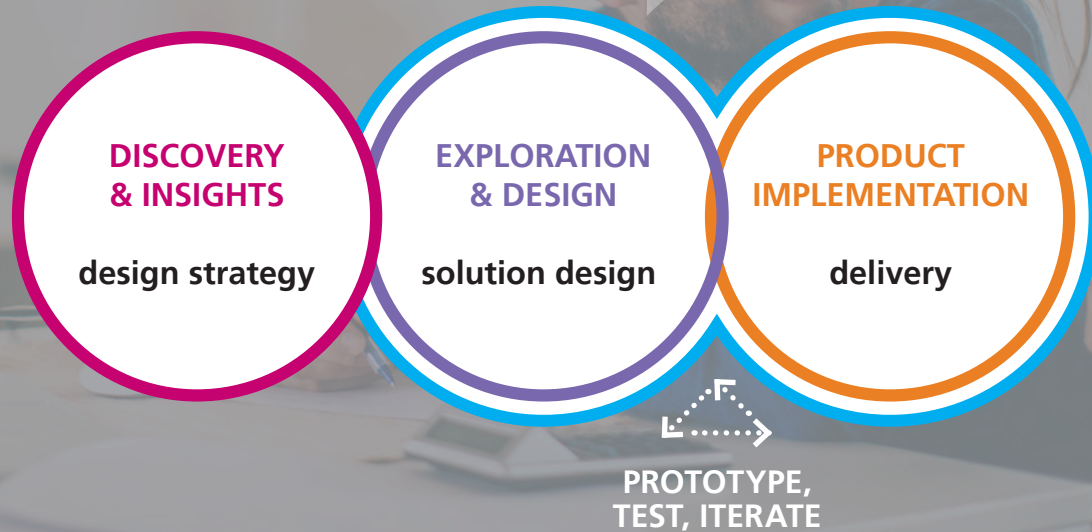
PRODUCT

AGILE

**DIGITAL
MARKETING**

Designing a better customer experience

DESIGN THINKING:



What does agility enable us to do?



LESS WASTE

Work not wasted
when priorities change



Increased **flexibility**
and **ability to**
respond to changing
priorities



TRANSPARENCY

Prioritization is an
informed process



More **transparency**
and better **visibility**
for stakeholders



REDUCED RISK

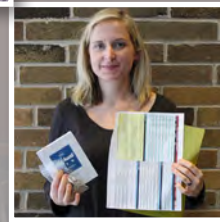
Collaboration leads to
realistic deliverables



Smaller and **more**
frequent releases

Designing a better customer experience

DESIGN INSIGHTS & PROTOTYPING:



Changing with our customers by personalization



Predictive data & intelligence



Fraud prediction



Travel notification




Customized offers



Dynamic content



Social media data



To enable our
customers to be
better off, we must
learn from them

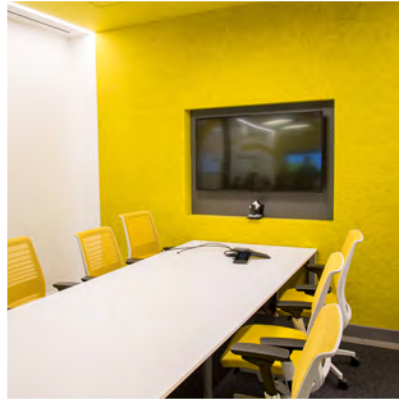
What does success look like?

Customers
stay with us, and
will refer us

Employees
will stay at
the Bank

Primary
customer
growth

Creative spaces to support collaboration and idea generation



Helping our people to be successful

RECRUITING

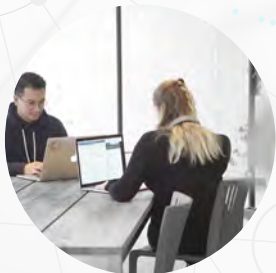


RE-RECRUITING



We drive the digital transformation

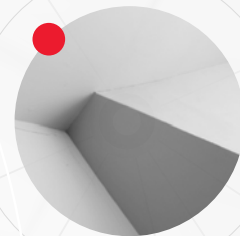




Strategic Partnerships for Innovation

SHAWN ROSE

Executive Vice President, Digital Banking



Introducing our panel



1. Justin LaFayette

Managing Partner, Georgian Partners

2. David Arana

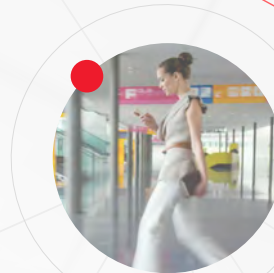
Founder & CEO, Konfío

3. Michael R. King

Associate Professor,
Ivey Business School & Co-director,
Scotiabank Digital Banking Lab

4. Dubie Cunningham

VP, Innovation, Digital Banking, Scotiabank



Closing Remarks

IGNACIO "NACHO" DESCHAMPS

Group Head, International Banking
and Digital Transformation

Becoming a leader in digital banking

