

# Investor Presentation

SECOND QUARTER 2017

May 30, 2017



# 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 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; consolidation in the financial services sector in Canada and globally; competition, both from new entrants and established competitors; 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 of the 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](http://www.sedar.com) and on the EDGAR section of the SEC’s website at [www.sec.gov](http://www.sec.gov).

# Overview

Brian Porter

President & Chief Executive Officer



## Q2 2017 Overview

- **Good Q2 results**
  - Net income of \$2.1 billion
  - Diluted EPS of \$1.62 per share
  - ROE of 14.9%
- **Strong operating performances across all three business lines**
- **Capital position remains strong**



# Financial Review

Sean McGuckin

Chief Financial Officer



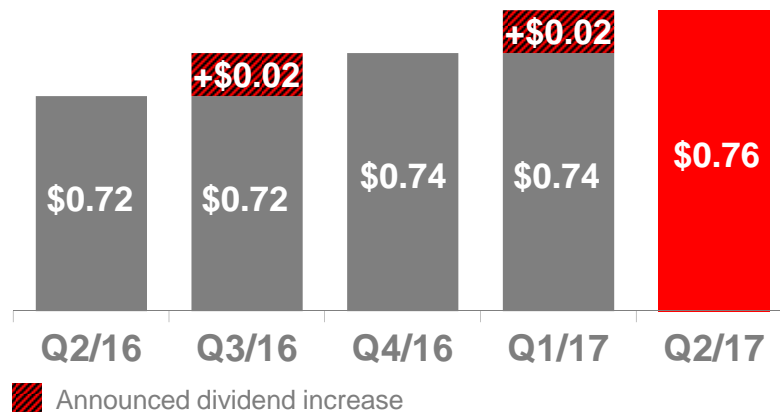
# Q2 2017 Financial Performance

\$ millions, except EPS	Q2/17	Q/Q	Y/Y <sup>1,2</sup>
Net Income	2,061	+3%	+11%
Diluted EPS	\$1.62	+3%	+11%
Revenues	\$6,581	-4%	--
• Revenues (TEB)	\$6,918	--	+4%
Expenses	\$3,601	-2%	+5%
Productivity Ratio	54.7%	100bps	+250bps
• Productivity Ratio (TEB)	52.1%	-130bps	+30bps
Core Banking Margin	2.54%	+14bps	+16bps

## Year-over-Year Highlights<sup>1,2</sup>

- Net Income grew 11%
- Diluted EPS growth of 11%
- Revenue up 4% on a TEB basis
  - Higher asset growth in Canadian and International Banking and increased contributions from asset/liability management activities
  - Increased fees and gains on sale of real estate
  - Offset by reduced net gain on investment securities and impact of foreign currency translation
- Expense growth of 5%
  - Focused business investment to drive higher digital and technology related expenses
  - Realized \$155 million in savings from our structural cost transformation in Q2/17
- Positive operating leverage on a TEB basis
- PCL ratio improved 15 bps
  - Due mostly to lower energy provisions

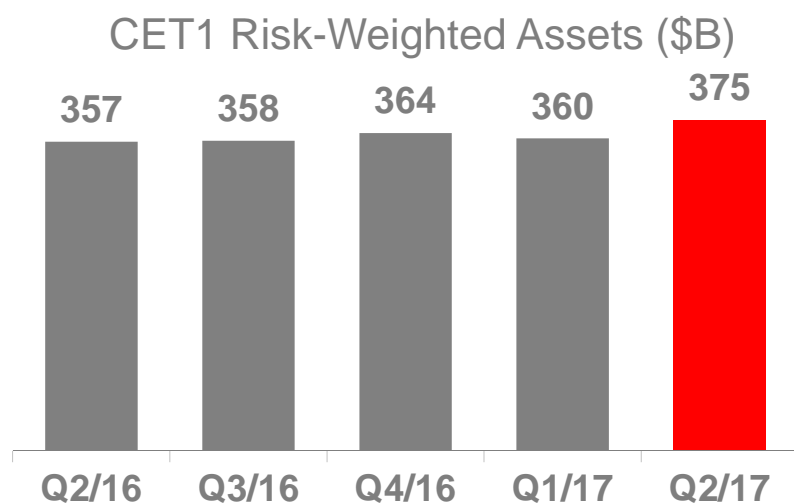
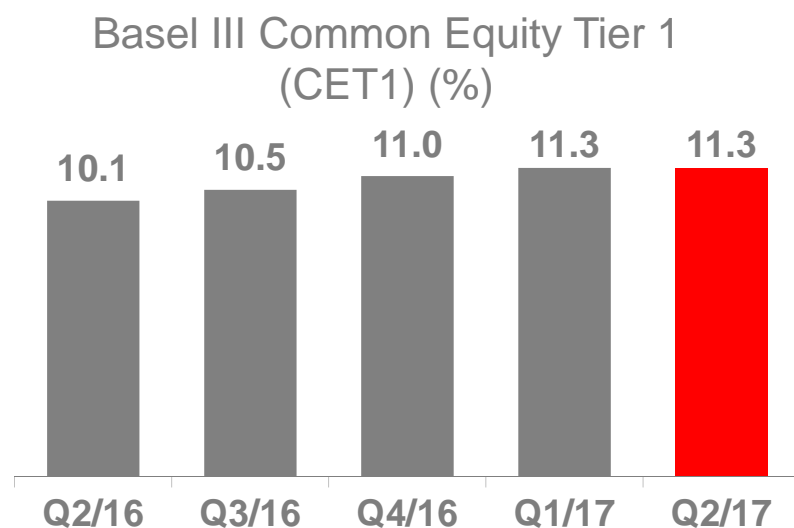
## Dividends Per Common Share



<sup>1</sup>Adjusting for restructuring charge of \$278 million after-tax (\$378 million before-tax) in Q2/16

<sup>2</sup>Using TEB grosses up tax-exempt income earned on certain securities reported in either net interest income or non-interest income to an equivalent before tax basis. A corresponding increase is made to the provision for income taxes; hence, there is no impact on net income.

# Capital – Strong Position



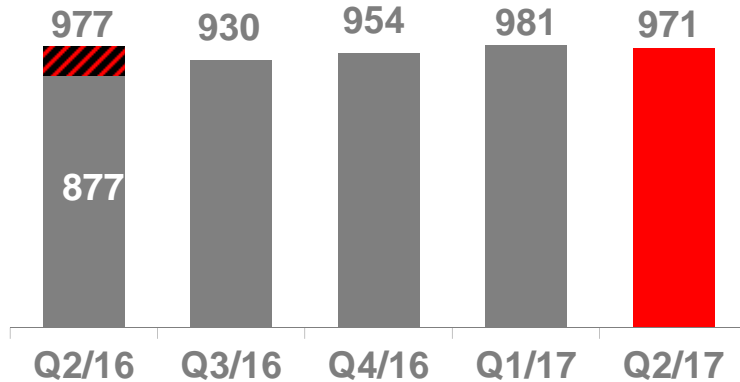
## Highlights

- **Capital ratio stable at 11.3%, notwithstanding larger share buyback and pension revaluation**
- **Quarterly dividend of \$0.76 per share**
- **CET1 risk-weighted assets increased \$15 billion Q/Q**
  - Primarily due to the impact of a weaker Canadian dollar and organic growth in personal and business lending RWA
  - Partly offset by lower market and counterparty credit RWA
- **Leverage ratio of 4.4%**

Capital position remains strong

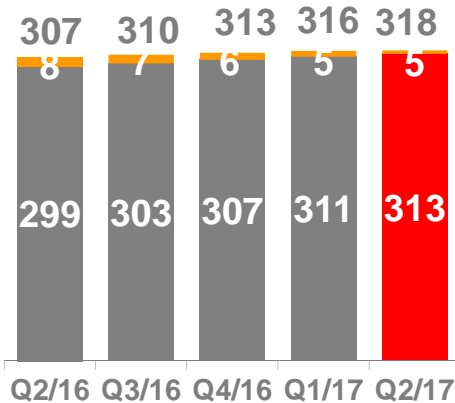
# Canadian Banking

Net Income<sup>1</sup> (\$MM)



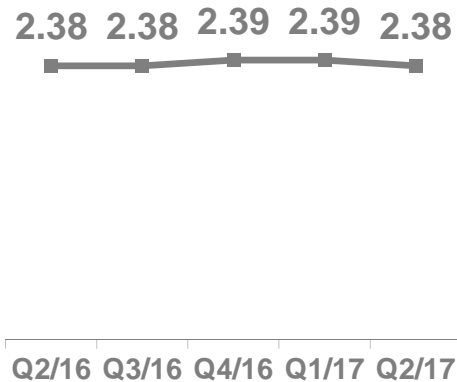
Gain on sale of a non-core lease financing business

Average Assets (\$B)



Tangerine run-off mortgage portfolio

Net Interest Margin (%)



(1) Attributable to equity holders of the Bank

## Year-over-Year Highlights

- **Net income down 1% or up 11%, adjusting for the gain on disposition of a non-core lease finance business in Q2/16**
  - Net income up 5% when adjusting for real estate gains as well
- **Loan growth of 4%**
  - Adjusting for Tangerine run-off portfolio, mortgages up 5%
  - Business loans up 9%
- **Deposits up 4%**
  - Retail savings deposits grew 11% and chequing accounts were up 10%
- **NIM stable**
- **PCL ratio up 3 bps**
- **Expenses up 3%**
  - Higher spending on digital and technology to support business growth, partially offset by benefits realized from cost reduction initiatives

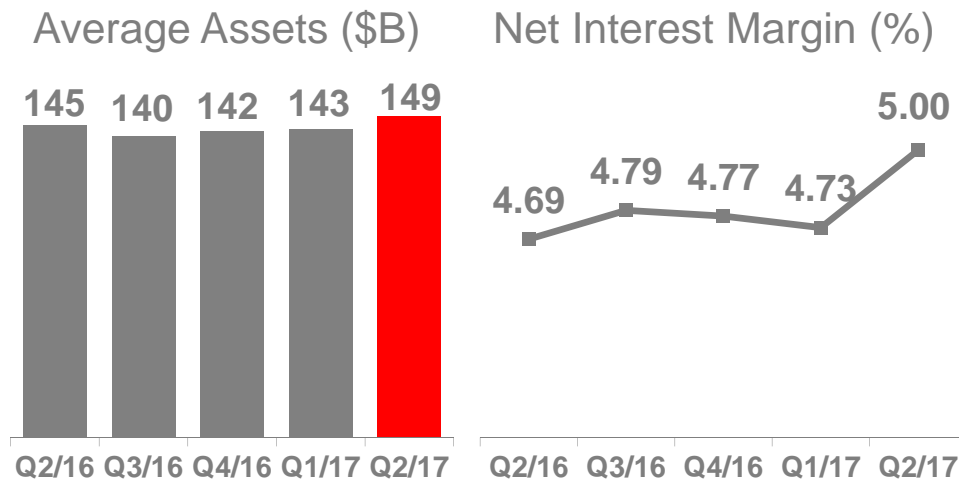
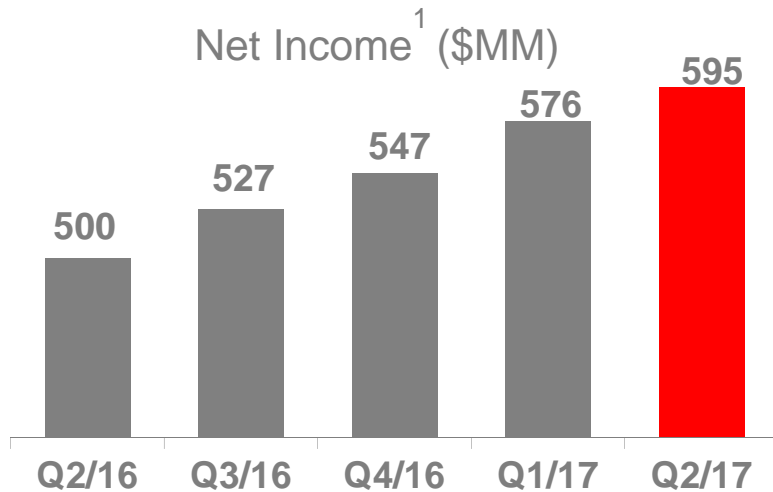
## Positive operating leverage YTD

**Solid growth in assets and deposits**





# International Banking



(1) Attributable to equity holders of the Bank

(2) Adjusting for foreign currency translation – see page 5 of MD&A for additional details

## Year-over-Year Highlights

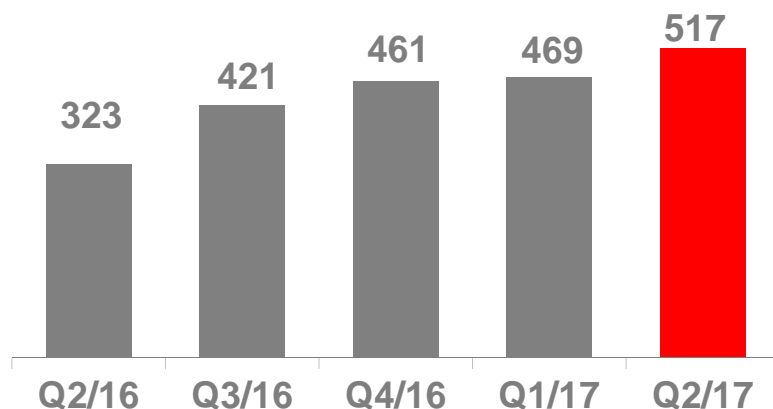
- **Net Income up 19% or 23%<sup>2</sup>**
  - Higher net interest margin and lower provision for credit losses
- **Loans up 3% and deposits up 10%**
  - Adjusting for the impact of foreign currency translation, commercial loan volumes were up 4% Q/Q
- **NIM up 31 bps**
  - Driven by changes in Central Bank rates and business mix
- **PCL ratio improved by 17 bps**
- **Expenses up 3% or 2%<sup>2</sup>**
  - Increased business volumes, inflation and negative impact of foreign currency translation
  - Partly offset by benefits realized from cost reduction initiatives
- **Positive operating leverage YTD**

**Margin expansion and positive operating leverage**

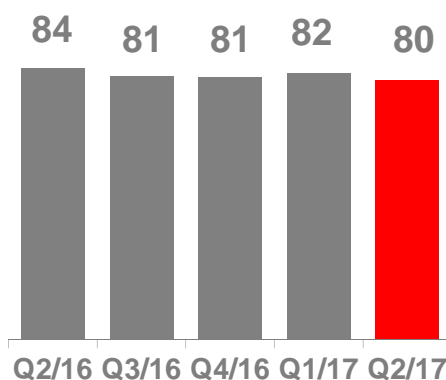
# Global Banking and Markets

## Year-over-Year Highlights

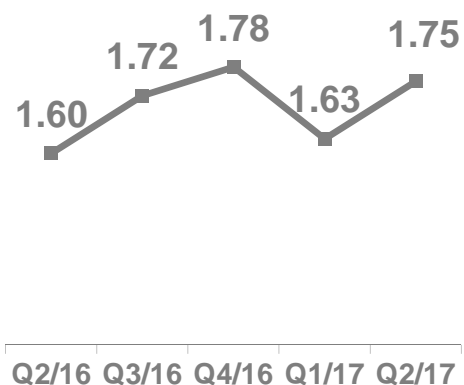
Net Income<sup>1</sup> (\$MM)



Average Loans<sup>2</sup> (\$B)



Net Interest Margin<sup>3</sup> (%)



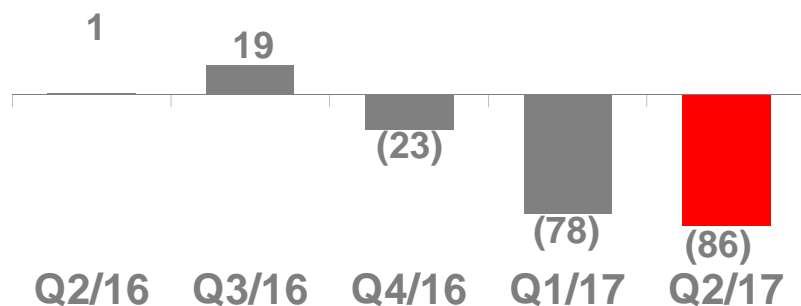
- **Net Income up 60%**
  - Increased income from equities related primarily to higher client activity in equity trading, contributing 40% of the year-over-year earnings growth
  - Remaining increases from Corporate Banking businesses primarily in U.S. and Canada, as well as lower PCLs
  - Partly offset by lower results in derivatives and commodities businesses
- **Revenue up 14%**
- **PCL ratio improved by 56 bps, driven by lower provisions in the energy sector**
- **Expenses up 2%**
  - Higher performance based compensation, as well as higher expenses related to technology and regulatory initiatives

**Higher contributions from equities and improved credit performance**

(1) Attributable to equity holders of the Bank  
 (2) Average Business & Government Loans & Acceptances  
 (3) Corporate Banking only

# Other Segment<sup>1</sup>

Net Income<sup>2,3</sup> (\$MM)



## Year-over-Year Highlights

- Lower net gain on investment securities, lower gains on sale of real estate, the negative impact of foreign currency translation (including hedges), and higher expenses
- Partly offsetting was an increase in the collective allowance on performing loans last year

(1) Includes Group Treasury, smaller operating segments, and other corporate items which are not allocated to a business line. The results primarily reflect the net impact of asset/liability management activities

(2) Attributable to equity holders of the Bank

(3) Adjusting for restructuring charge of \$278 million after-tax (\$378 million before-tax) in Q2/16



# Risk Review

Daniel Moore

Chief Risk Officer



## Risk Review

- **Overall credit fundamentals remain within expectations**
- **PCL ratio – Credit performance remains strong at 49 basis points, up 4 basis points Q/Q and down 15 basis points Y/Y**
- **Gross impaired loans of \$5.4 billion up 3% Q/Q<sup>1</sup>**
  - Net impaired loan ratio was flat Q/Q at 0.49%
  - Net formations of \$807 million was up from \$723 million in Q1/17, driven by International Commercial and Global Banking and Markets
- **Market risk – Average 1-day all-bank VaR of \$11.1 million, down from \$12.0 million in Q1/17**
  - No trading loss days in Q2/17

(1) Excludes loans acquired under the Federal Deposit Insurance Corporation (FDIC) guarantee related to the acquisition of R-G Premier Bank of Puerto Rico.

# PCL Ratios

(Total PCL as a % of Average Net Loans & Acceptances)	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17
<b>Canadian Banking</b>					
Retail	0.30	0.30	0.31	0.32	0.34
Commercial	0.14	0.20	0.14	0.21	0.14
<b>Total</b>	<b>0.28</b>	<b>0.29</b>	<b>0.28</b>	<b>0.30</b>	<b>0.31</b>
<i>Total - Excluding net acquisition benefit</i>	<i>0.30</i>	<i>0.31</i>	<i>0.29</i>	<i>0.31</i>	<i>0.32</i>
<b>International Banking</b>					
Retail	2.09	2.13	2.01	2.10	2.19
Commercial	0.97	0.47	0.33	0.35	0.51
<b>Total</b>	<b>1.50</b>	<b>1.26</b>	<b>1.15</b>	<b>1.21</b>	<b>1.33</b>
<i>Total - Excluding net acquisition benefit</i>	<i>1.63</i>	<i>1.39</i>	<i>1.32</i>	<i>1.32</i>	<i>1.45</i>
<b>Global Banking and Markets</b>	<b>0.57</b>	<b>0.19</b>	<b>0.19</b>	<b>0.04</b>	<b>0.01</b>
<b>All Bank</b>	<b>0.59 <sup>(1)</sup></b>	<b>0.47</b>	<b>0.45</b>	<b>0.45</b>	<b>0.49</b>

(1) Adjusting for collective allowance increase; including collective allowance increase, All Bank PCL ratio was 0.64

# Appendix

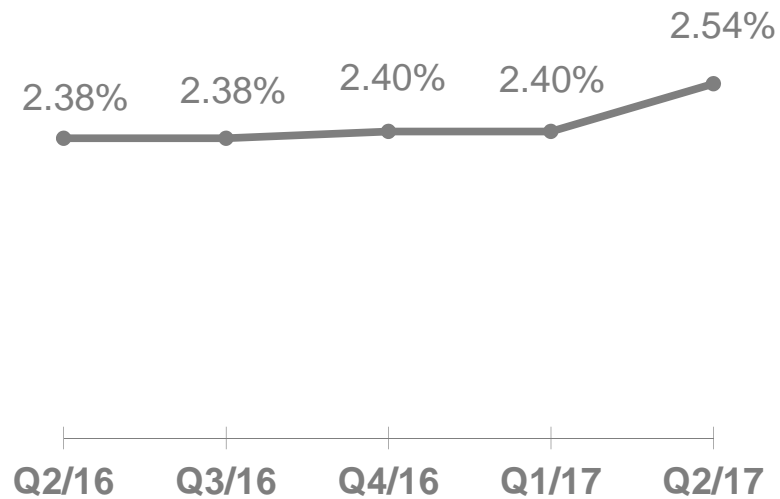


# Diluted EPS Reconciliation

<b>\$ per share</b>	<b>Q2/17</b>
Reported Diluted EPS	\$1.62
Add: Amortization of Acquisition and Intangibles	\$0.01
Adjusted Diluted EPS	\$1.63



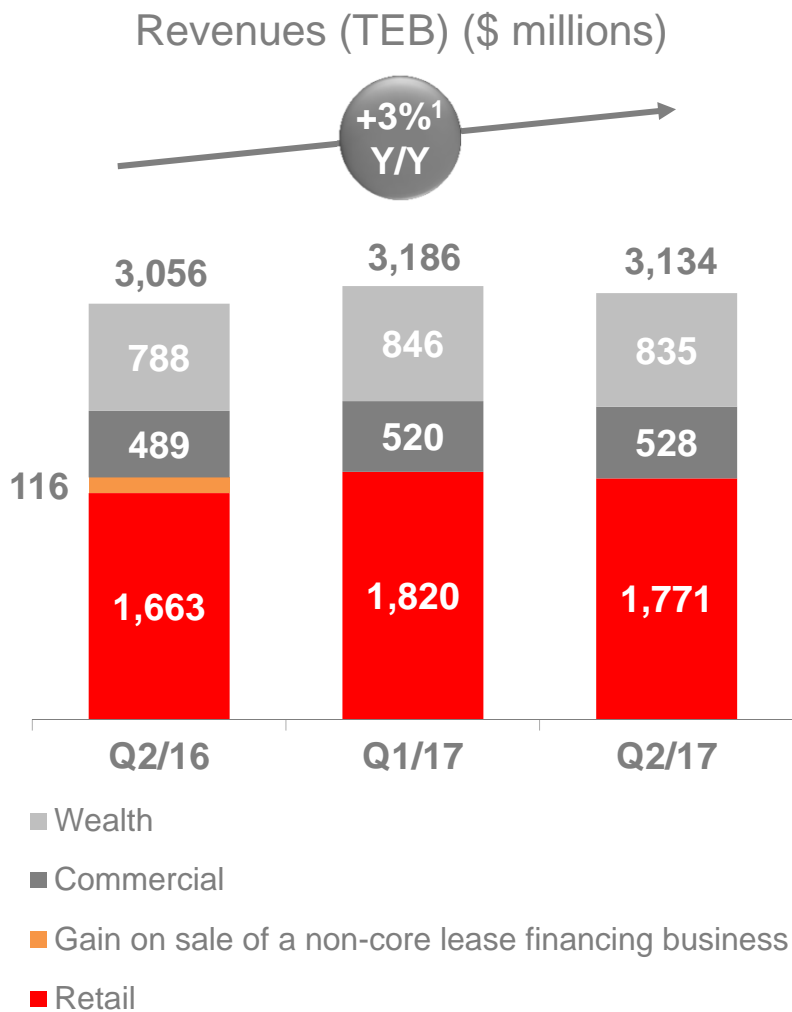
# Core Banking Margin



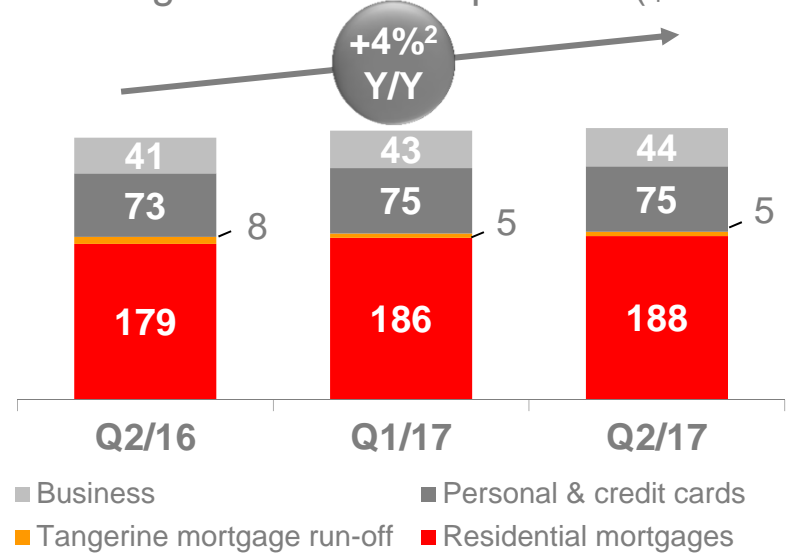
## Year-over-year

- Higher margins in International Banking, mostly driven by business mix changes, higher inflation, and Central Bank rate changes in the Pacific Alliance countries
- Higher contributions from asset/liability management activities

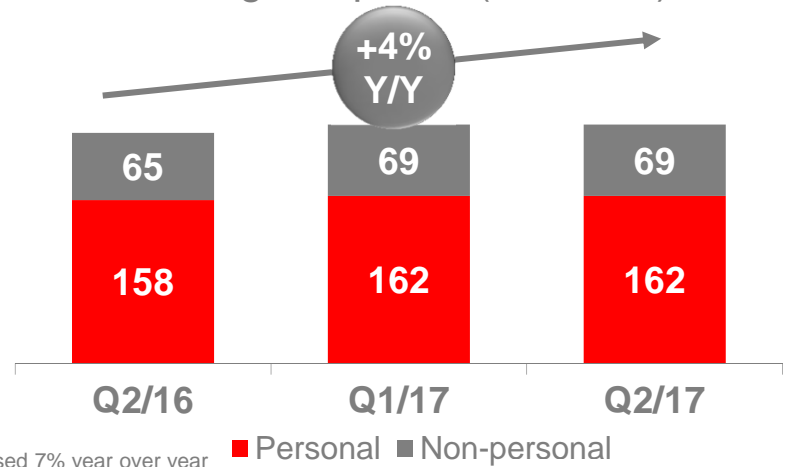
# Canadian Banking – Revenue & Volume Growth



Average Loans & Acceptances (\$ billions)



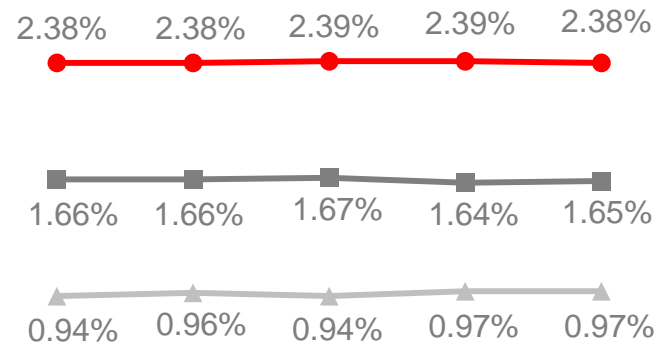
Average Deposits (\$ billions)



(1) Adjusting for gain on sale of non-core lease financing business in Q2/16, revenue increased 7% year over year

(2) Adjusting for Tangerine run-off portfolio, loans & acceptances increased 5% year over year

# Canadian Banking – Net Interest Margin



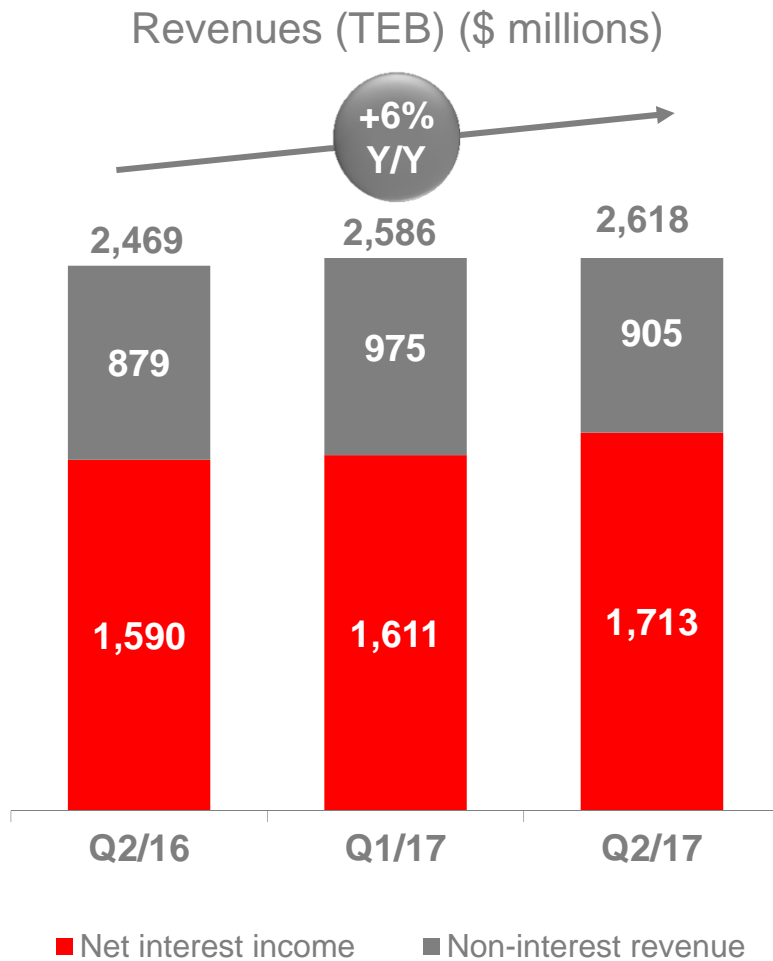
Q2/16 Q3/16 Q4/16 Q1/17 Q2/17

- Total Canadian Banking Margin
- Total Earning Assets Margin
- ▲— Total Deposits Margin

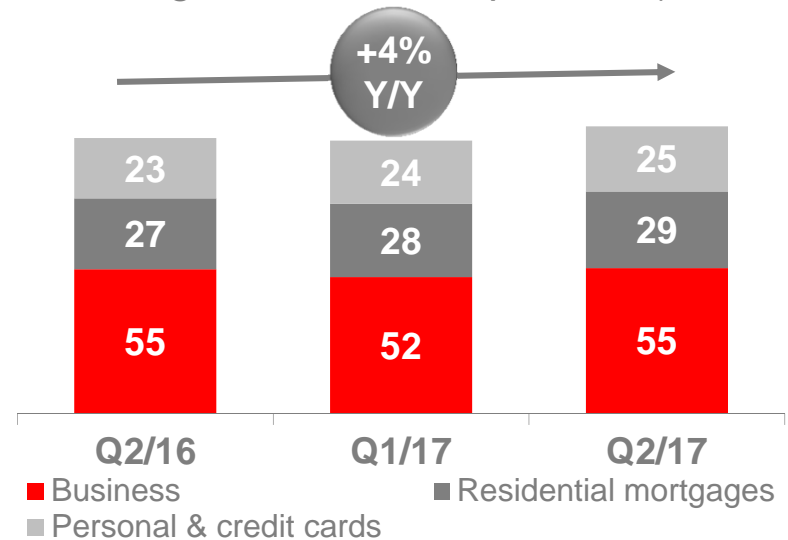
## Year-over-Year

- Net Interest Margin was stable at 2.38%, as increased spreads in retail deposits and higher yields on unsecured lending were offset by lower spreads on commercial loans and residential mortgages

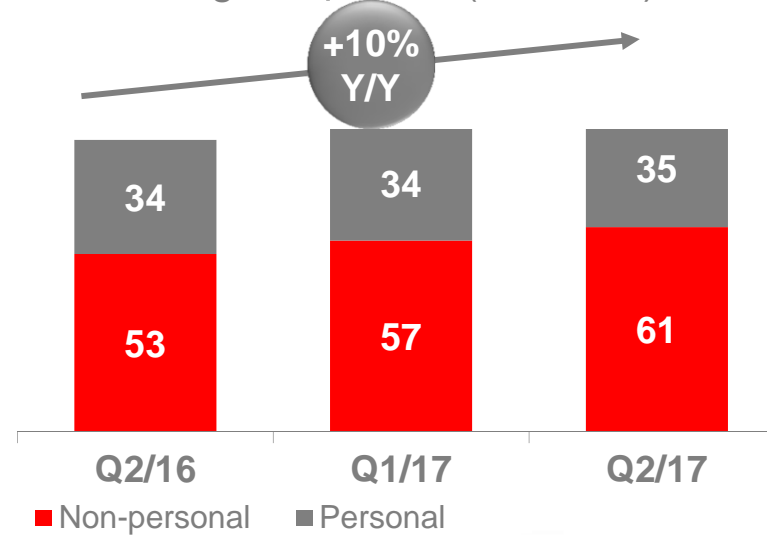
# International Banking – Revenue & Volume Growth



Average Loans & Acceptances (\$ billions)



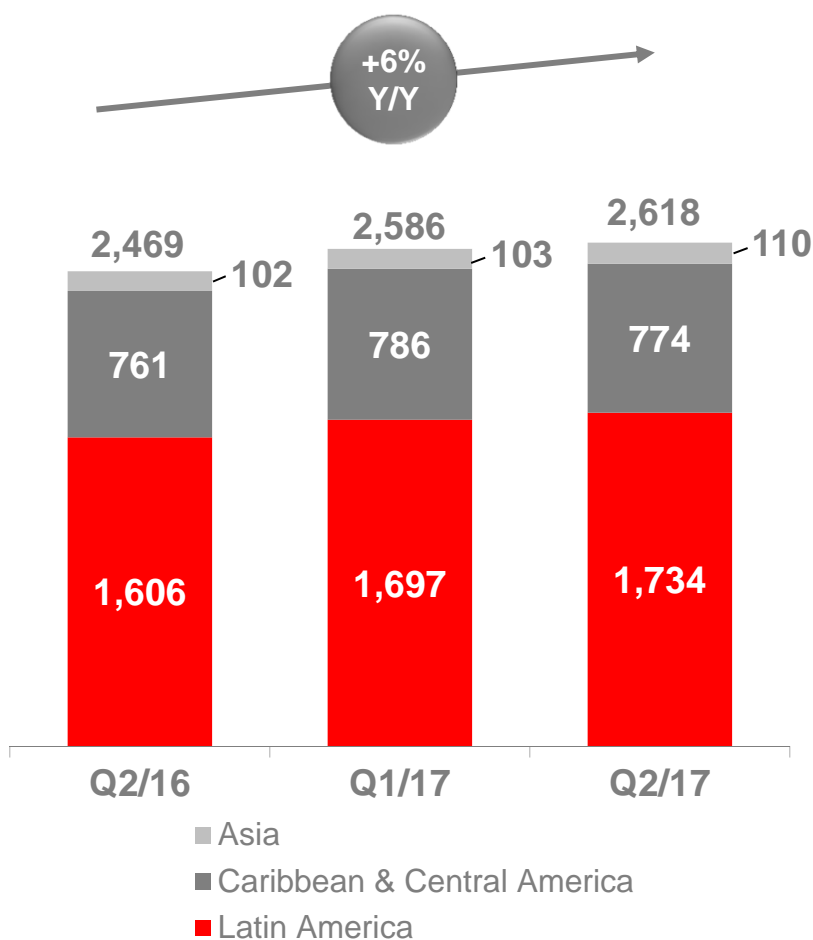
Average Deposits<sup>1</sup> (\$ billions)



(1) Includes deposits from banks

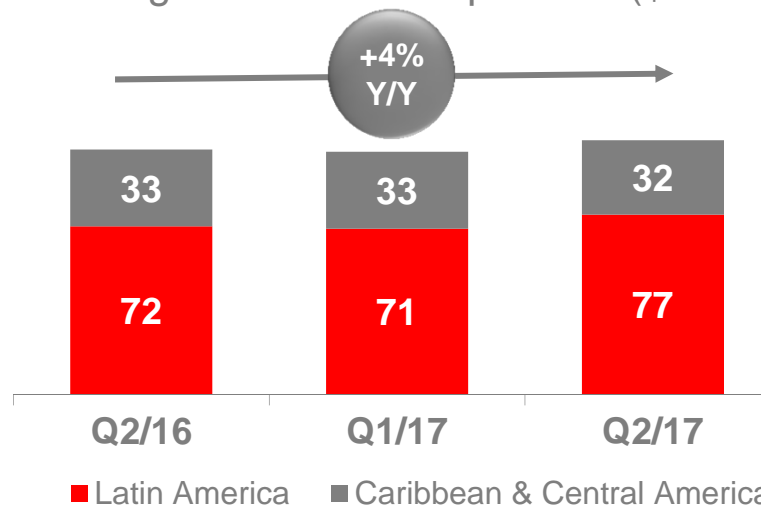
# International Banking – Regional Growth

Revenues (TEB) (\$ millions)



(1) Excludes bankers acceptances

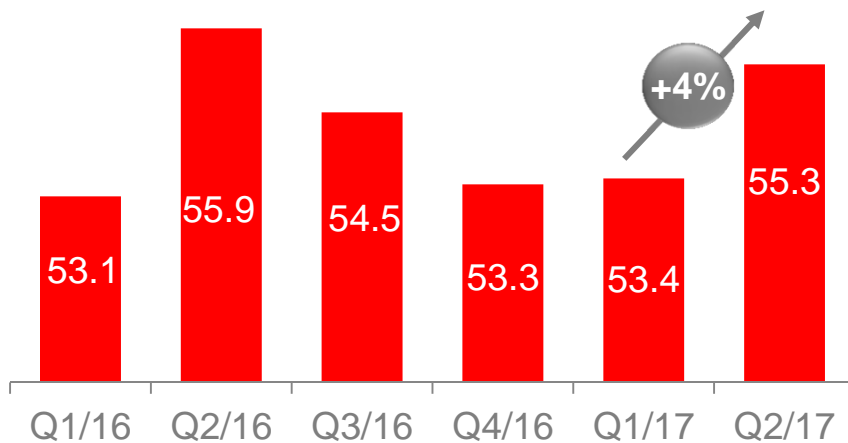
Average Loans & Acceptances (\$ billions)



Constant FX Loan Volumes Y/Y	Retail	Commercial <sup>1</sup>	Total
Latin America	11%	0%	5%
C&CA	-1%	-3%	-2%
<b>Total</b>	<b>7%</b>	<b>-1%</b>	<b>3%</b>

**Commercial loans increased 4% Q/Q**

# International Banking – Commercial Loan Growth



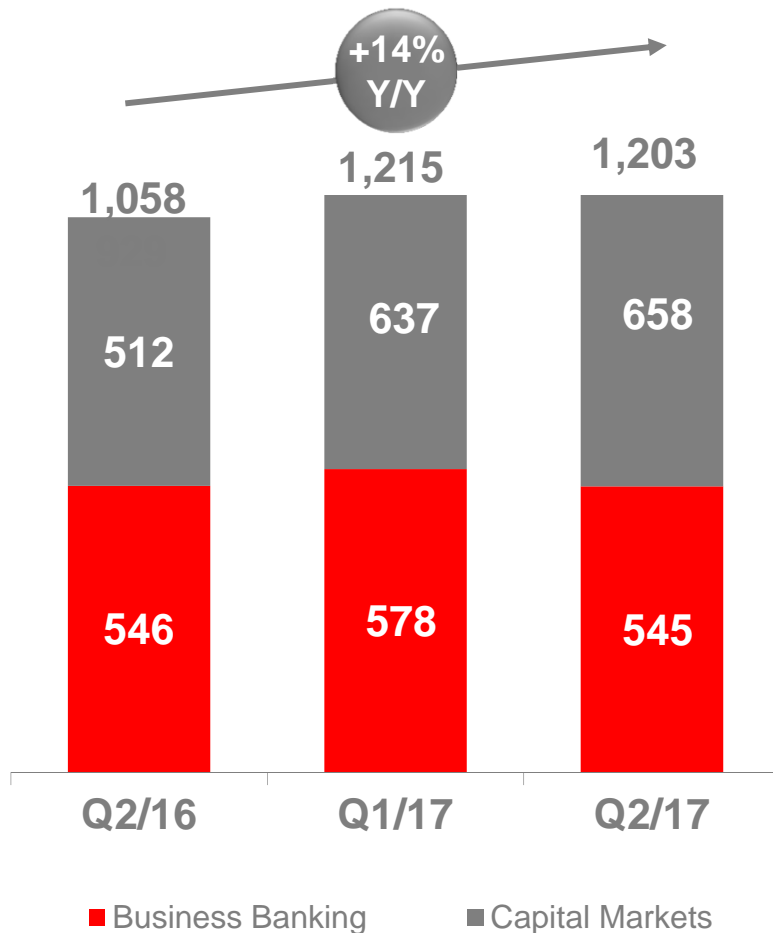
## Highlights

- Quarter-over-quarter commercial loan growth recovered +4% and momentum is expected to continue in the second half of 2017.
- Year-over-year loan growth was impacted by strong volumes in the first half of 2016, and growth is expected to be positive for the second half of 2017.

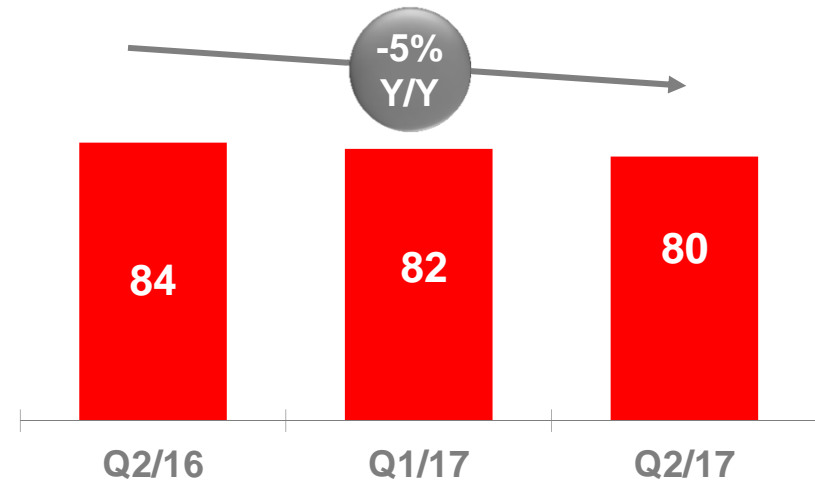
(1) In \$ billions and reflects foreign exchange translation at Q2/17 foreign exchange rates

# Global Banking and Markets – Revenue & Volume Growth

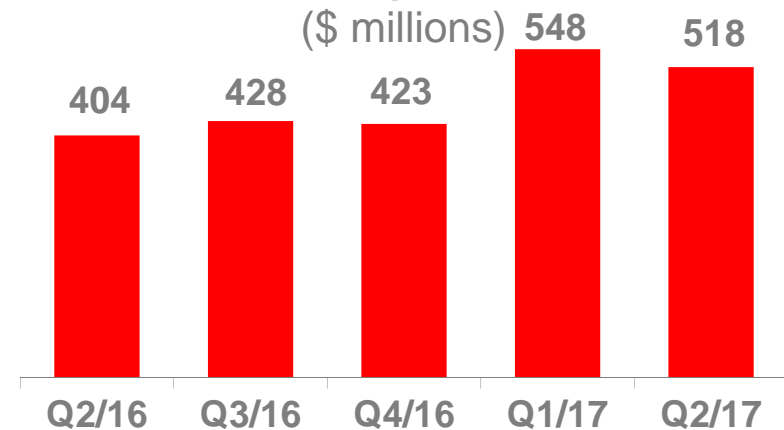
Revenues (TEB) (\$ millions)



Average Loans & Acceptances (\$ billions)



All-Bank Trading Revenue (TEB) (\$ millions)



# Economic Outlook in Key Markets

	Real GDP (Annual % Change)			
Country	2000-15 Avg.	2016A	2017F	2018F
Mexico	2.4	2.3	2.0	2.5
Peru	5.3	3.9	2.5	3.7
Chile	4.3	1.6	1.8	2.4
Colombia	4.3	2.0	2.0	2.8
	2000-15 Avg.	2016A	2017F	2018F
Canada	2.2	1.4	2.5	2.0
U.S.	1.9	1.6	2.2	2.4

Source: Scotia Economics, as of May 3, 2017



# Energy Exposures<sup>1</sup>

- **Committed to our guidance of a cumulative PCL ratio of less than 3%<sup>2</sup> since 2015**
  - Cumulative PCL ratio of 2.1% as of Q2/17<sup>2</sup>
  - Risk of loss has declined in this sector
- **Drawn corporate energy exposure of \$14.6 billion increased 0.5% Q/Q<sup>3</sup>**
  - Approximately 52% investment grade
- **Undrawn commitments of \$12.4 billion increased 12% Q/Q<sup>3</sup>**
  - Approximately 68% investment grade
- **Focus on select non-investment grade E&P and Services accounts**
  - Approximately two-thirds of focus accounts have issued debt ranking below the Bank's senior position

(1) Exposures relate to loans and acceptances outstanding as of April 30, 2017 and to undrawn commitments attributed/related to those drawn loans and acceptances.

(2) Cumulative PCL ratio by sector is calculated as total PCLs over the period Q1/15 – Q2/17 divided by the average quarterly exposure over the period Q1/15 – Q2/17.

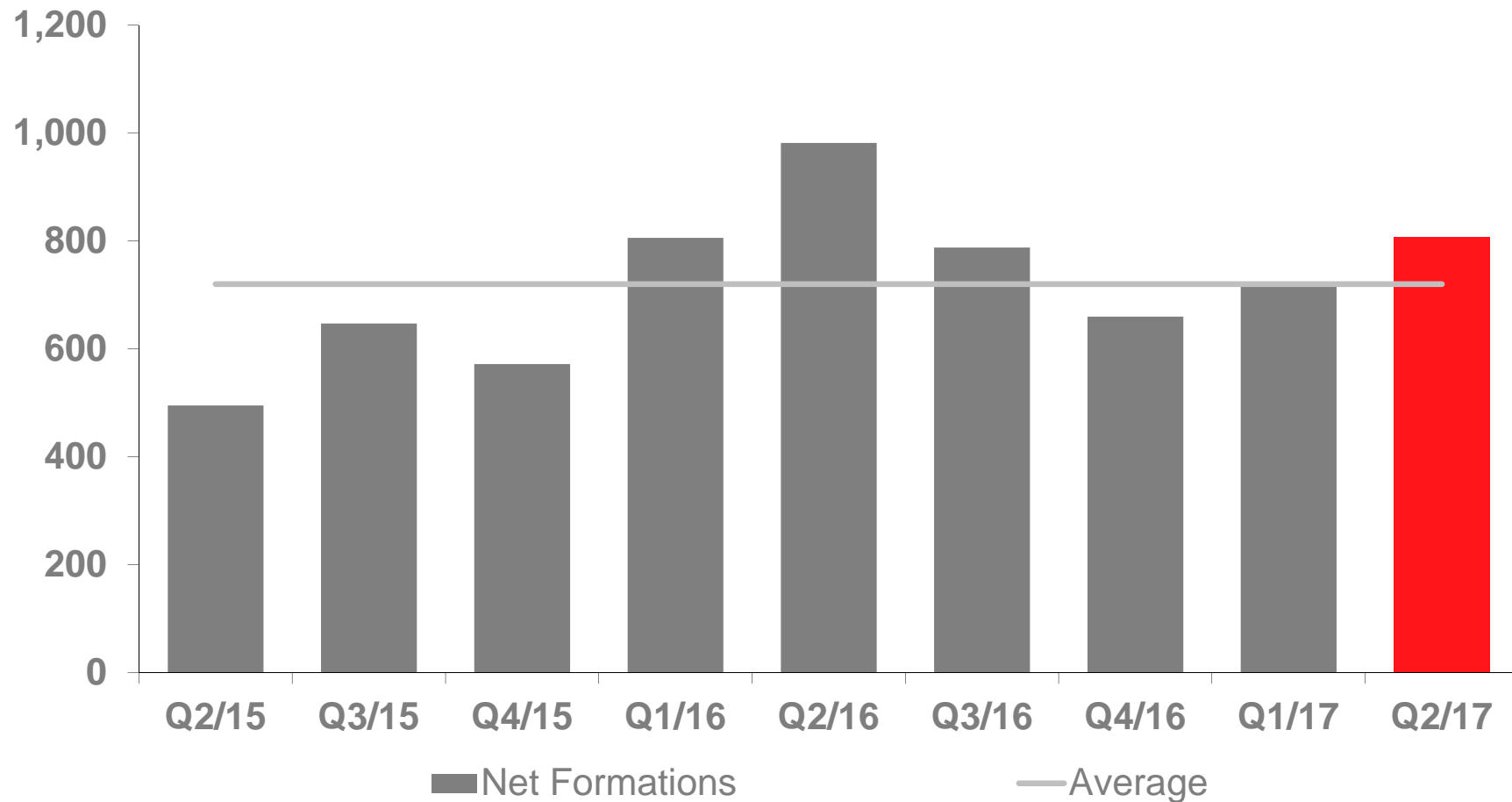
(3) Quarter-over-quarter impact is calculated on a constant currency basis.

# Provisions for Credit Losses

(\$ millions)	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17
Canadian Retail	190	196	203	213	220
Canadian Commercial	14	21	14	22	16
<b>Total Canadian Banking</b>	<b>204</b>	<b>217</b>	<b>217</b>	<b>235</b>	<b>236</b>
<i><b>Total - Excluding net acquisition benefit</b></i>	<i><b>221</b></i>	<i><b>232</b></i>	<i><b>221</b></i>	<i><b>240</b></i>	<i><b>247</b></i>
International Retail	250	254	251	265	280
International Commercial	130	62	43	45	69
<b>Total International Banking</b>	<b>380</b>	<b>316</b>	<b>294</b>	<b>310</b>	<b>349</b>
<i><b>Total - Excluding net acquisition benefit</b></i>	<i><b>415</b></i>	<i><b>343</b></i>	<i><b>337</b></i>	<i><b>340</b></i>	<i><b>380</b></i>
Global Banking and Markets	<b>118</b>	<b>38</b>	<b>39</b>	<b>8</b>	<b>2</b>
All Bank	<b>702</b>	<b>571</b>	<b>550</b>	<b>553</b>	<b>587</b>
<i><b>All Bank - Excluding net acquisition benefit</b></i>	<i><b>754</b></i>	<i><b>613</b></i>	<i><b>597</b></i>	<i><b>588</b></i>	<i><b>629</b></i>
Increase in Collective Allowance	<b>50</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
All Bank	<b>752</b>	<b>571</b>	<b>550</b>	<b>553</b>	<b>587</b>
PCL ratio (bps) – Total PCLs as a % of Average Net Loans & Acceptances					
Excluding Collective Allowance	<b>59</b>	<b>47</b>	<b>45</b>	<b>45</b>	<b>49</b>
Including Collective Allowance	<b>64</b>	<b>47</b>	<b>45</b>	<b>45</b>	<b>49</b>

# Net Formations of Impaired Loans<sup>1</sup>

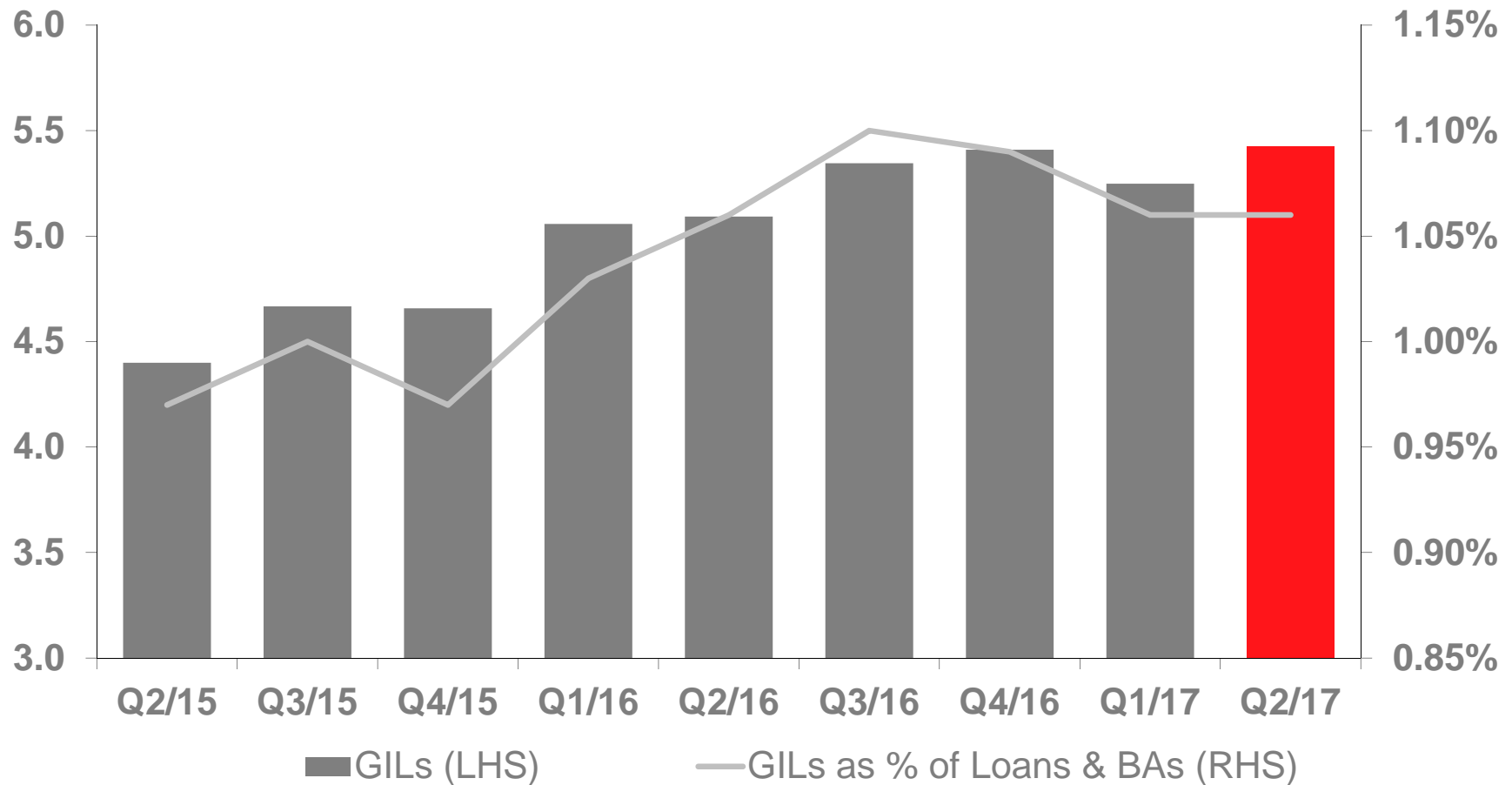
(\$ millions)



(1) Excludes loans acquired under the Federal Deposit Insurance Corporation (FDIC) guarantee related to the acquisition of R-G Premier Bank of Puerto Rico.

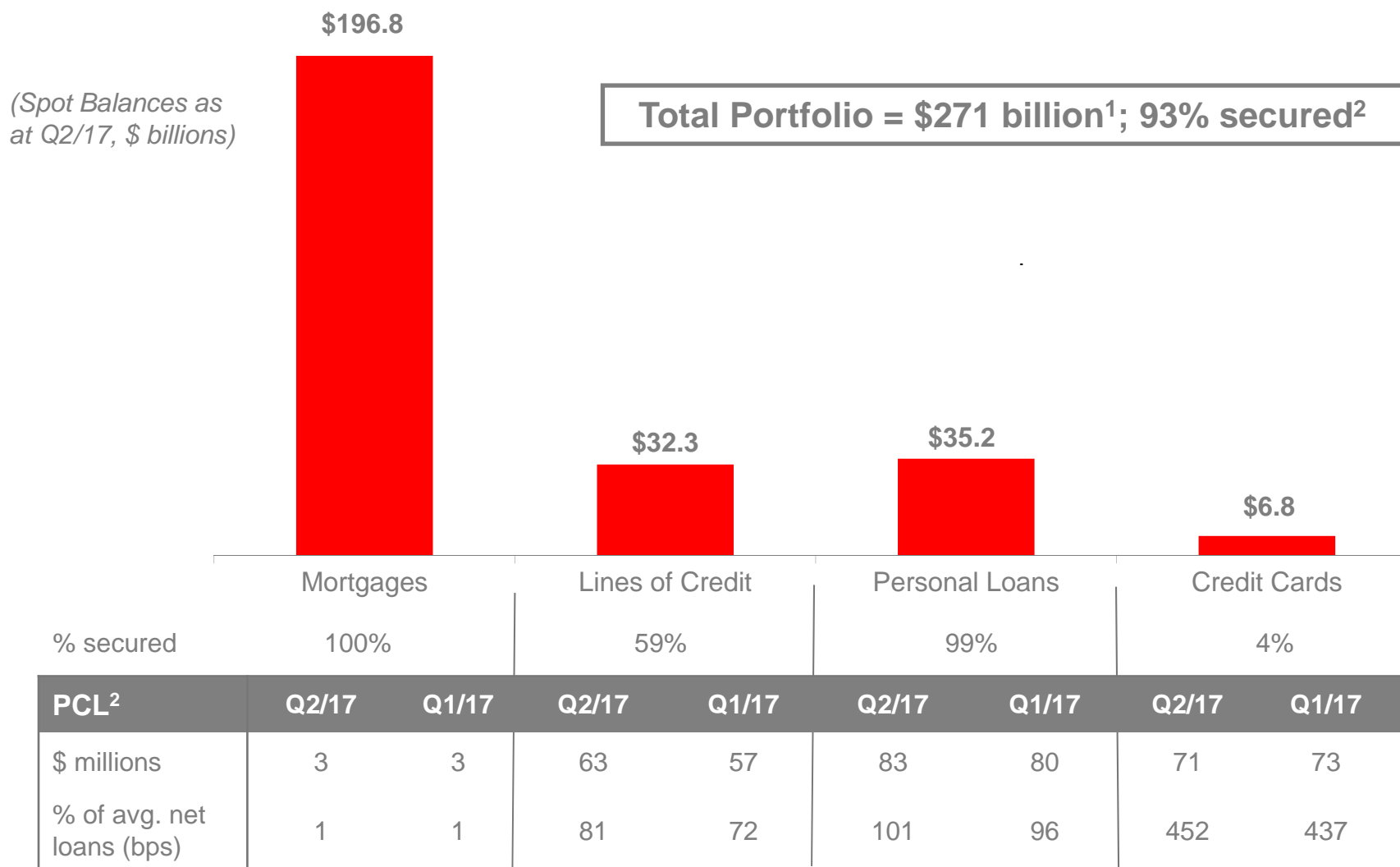
# Gross Impaired Loans<sup>1</sup>

(\$ billions)



(1) Excludes loans acquired under the Federal Deposit Insurance Corporation (FDIC) guarantee related to the acquisition of R-G Premier Bank of Puerto Rico.

# Canadian Retail: Loans and Provisions

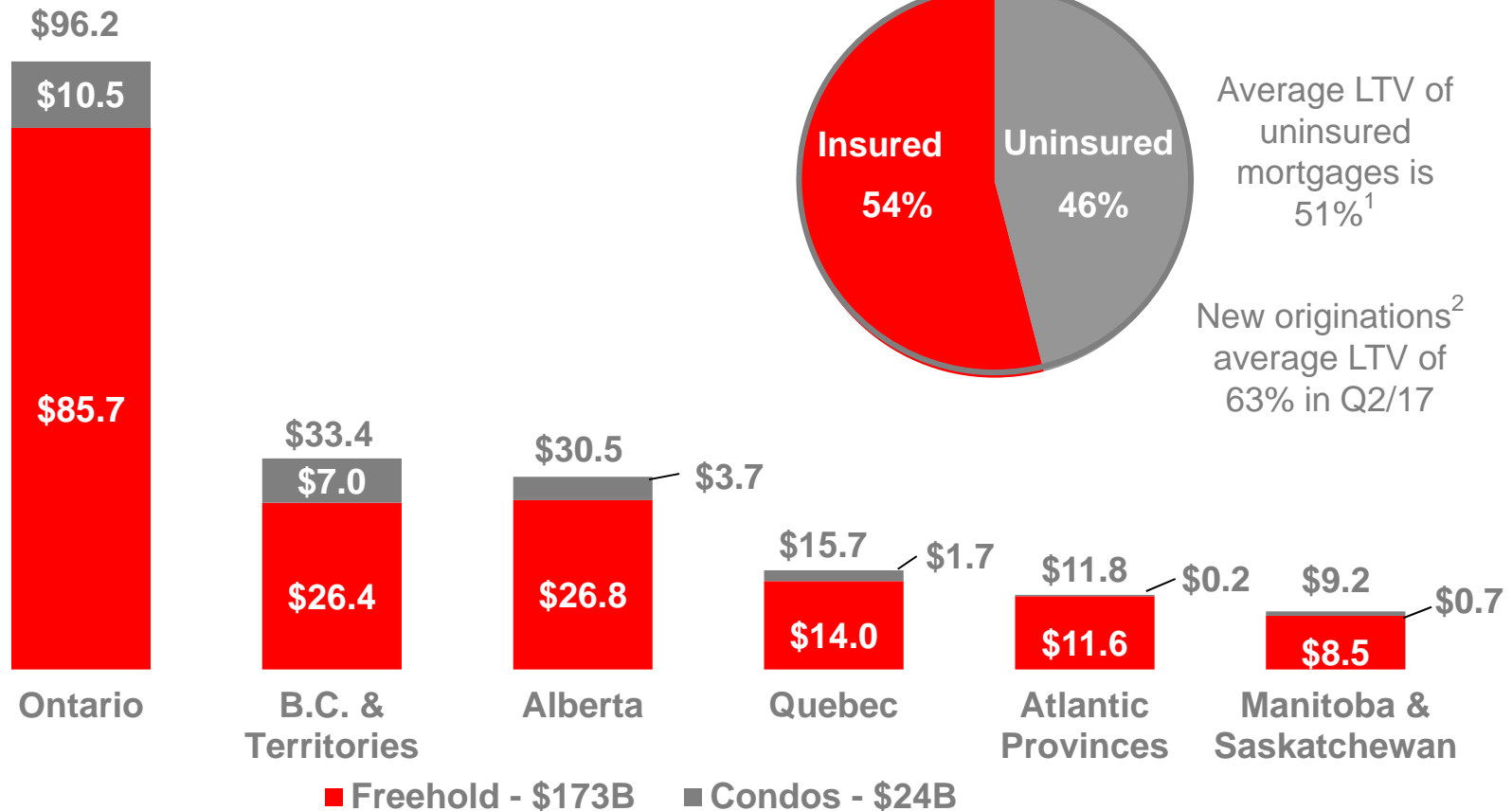


(1) Includes Tangerine balances of \$8 billion  
 (2) 81% secured by real estate; 12% secured by automotive

# Canadian Residential Mortgage Portfolio

(Spot Balances as at Q2/17, \$ billions)

**Total Portfolio: \$197 billion**

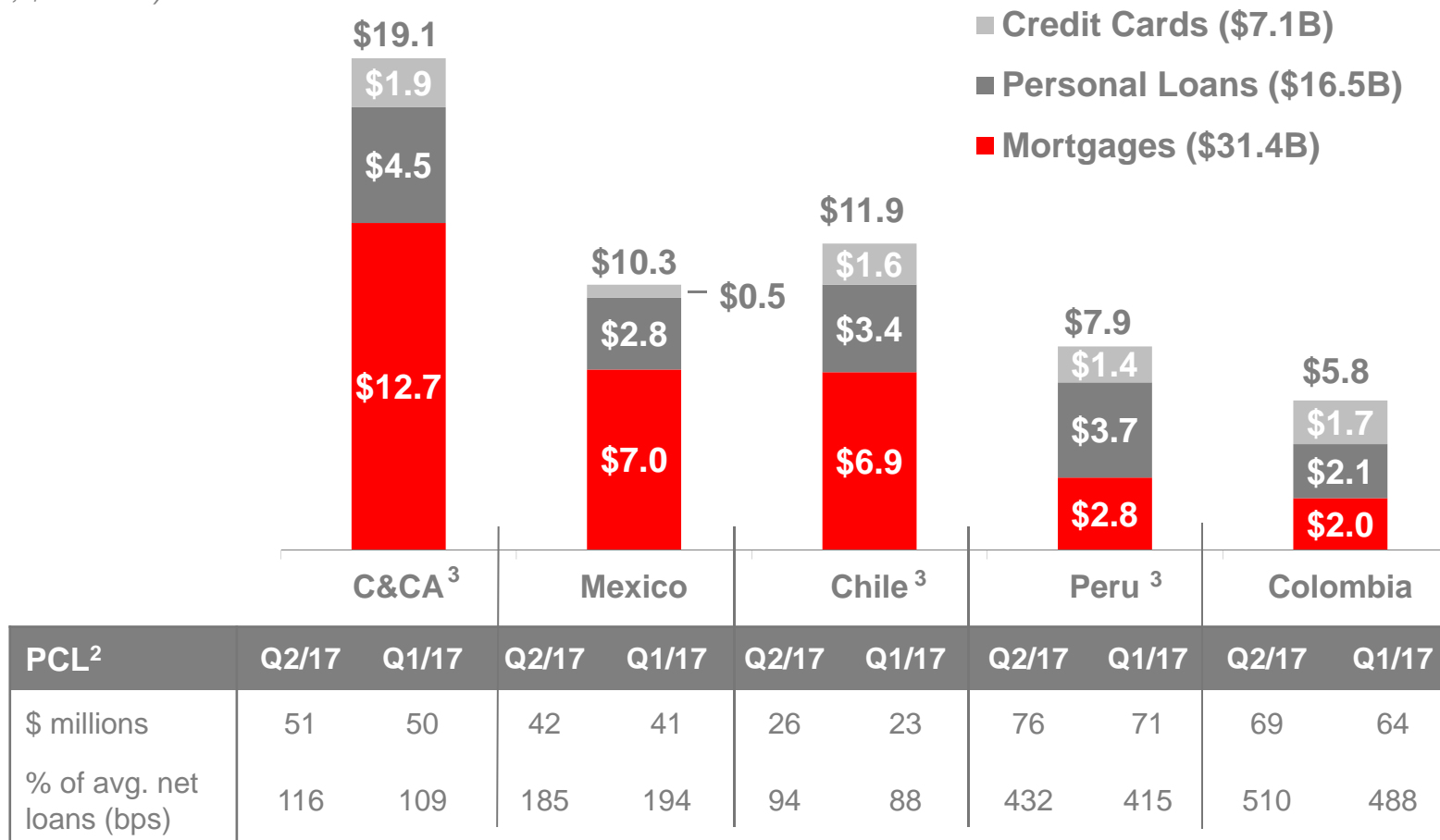


(1) LTV calculated based on the total outstanding balance secured by the property. Property values indexed using Teranet HPI data.  
 (2) New originations defined as newly originated uninsured residential mortgages and have equity lines of credit, which include mortgages for purchases, refinances with a request for additional funds and transfer from other financial institutions.  
 (3) Some figures on bar chart may not add due to rounding.

# International Retail: Loans and Provisions

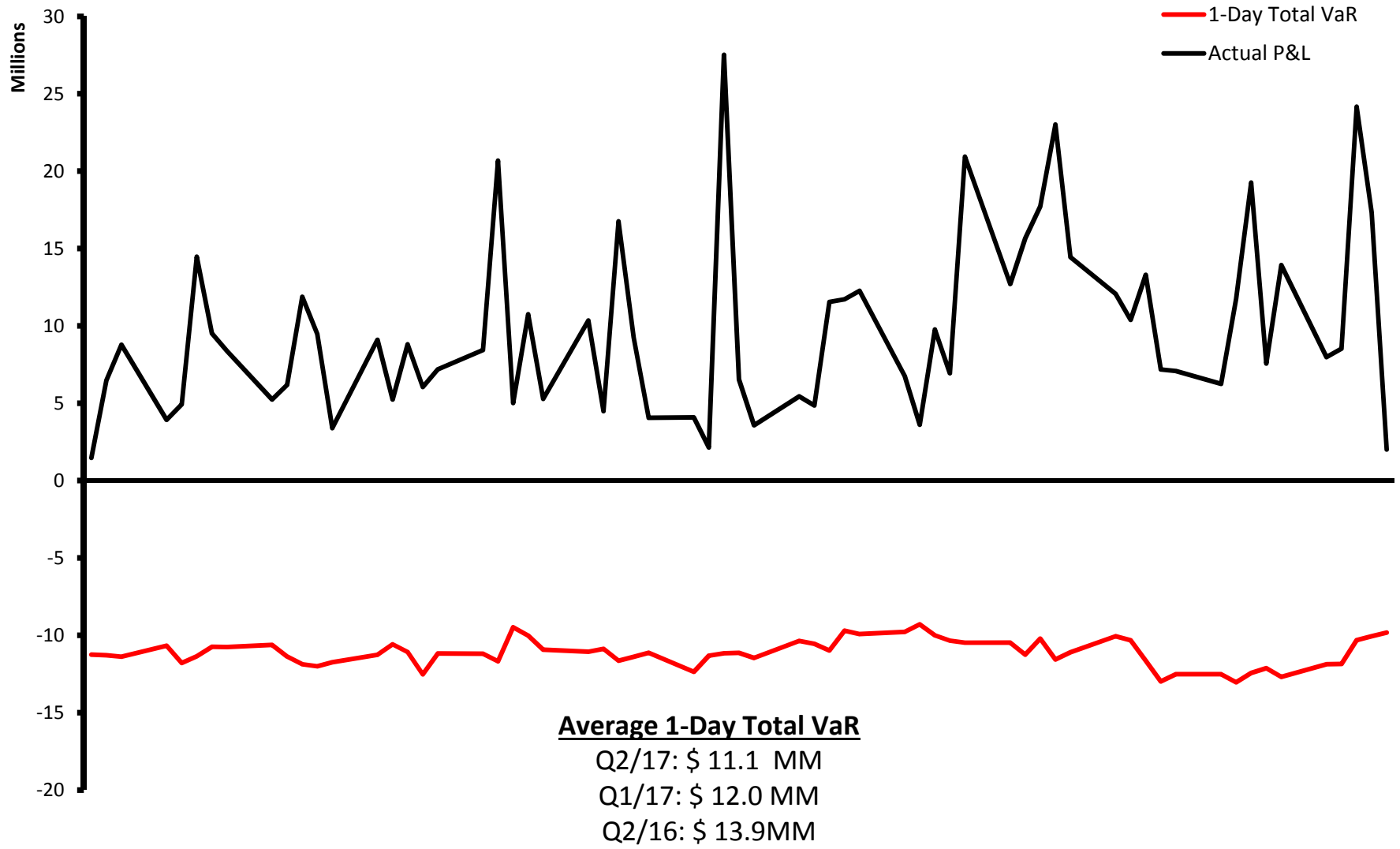
(Spot Balances as at Q2/17, \$ billions<sup>1</sup>)

**Total Portfolio<sup>1</sup> = \$56 billion; 65% secured**



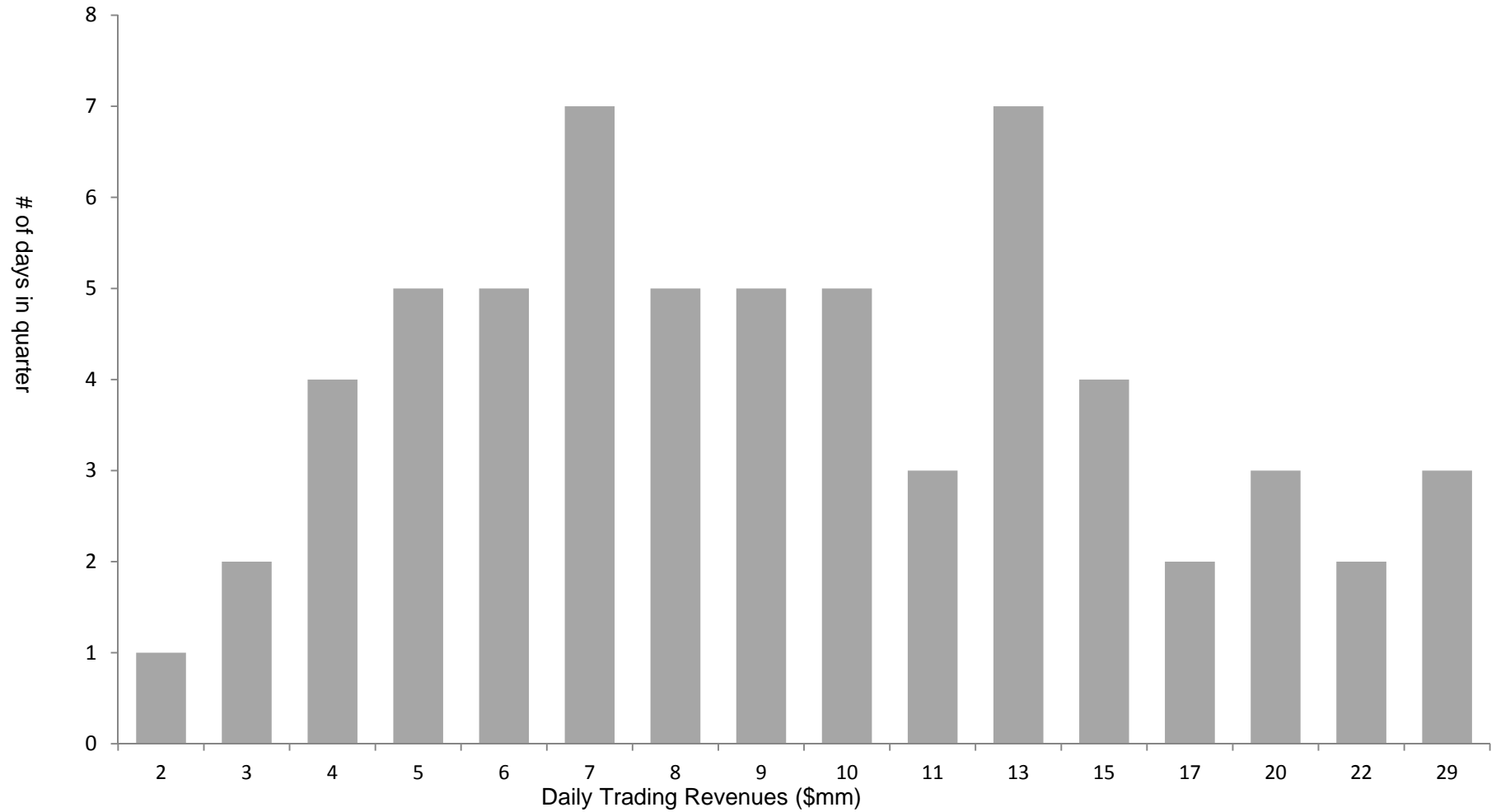
(1) Total Portfolio includes other smaller portfolios  
 (2) Excludes Uruguay PCLs of approximately \$16 million  
 (3) Includes the benefits from Cencosud and Citibank net acquisition benefits. Excluding the net acquisition benefits, C&CA's ratio would be 144 bps for Q2/17 and 143 bps for Q1/17 and Chile's ratio would be 130 bps for Q2/17 and 132 bps for Q1/17

# Q2 2017 Trading Results and One-Day Total VaR





# Q2 2017 Trading Results



- No trading loss days in Q2/17

# FX Movements versus Canadian Dollar

Currency	Q2/17	Q1/17	Q2/16	Canadian (Appreciation) / Depreciation	
				Q / Q	Y / Y
<b>Spot</b>					
U.S. Dollar	0.733	0.769	0.797	-4.7%	-8.1%
Mexican Peso	13.792	16.026	13.71	-13.9%	0.6%
Peruvian Sol	2.376	2.514	2.608	-5.5%	-8.9%
Colombian Peso	2,155	2,248	2,273	-4.1%	-5.2%
Chilean Peso	488.4	498.4	526.2	-2.0%	-7.2%
<b>Average</b>					
U.S. Dollar	0.751	0.750	0.755	0.2%	-0.4%
Mexican Peso	14.59	15.50	13.46	-5.9%	8.4%
Peruvian Sol	2.447	2.533	2.565	-3.4%	-4.6%
Colombian Peso	2,179	2,266	2,376	-3.8%	-8.3%
Chilean Peso	491.2	498.2	515.2	-1.4%	-4.7%