



## SCOTIABANK

### 2023 Investor Day – Global Banking and Markets

December 13, 2023

#### FORWARD-LOOKING INFORMATION

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From time to time, our public communications 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 (SEC), or in other communications. In addition, representatives of the Bank may include forward-looking statements orally to analysts, investors, the media and others. 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 2023 Annual Report under the headings “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, 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,” “aim,” “achieve,” “foresee,” “forecast,” “anticipate,” “intend,” “estimate,” “plan,” “goal,” “strive,” “target,” “project,” “commit,” “objective,” and similar expressions of future or conditional verbs, such as “will,” “may,” “should,” “would,” “might,” “can” and “could” and positive and negative variations thereof.

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that our assumptions may not be correct and that our financial performance objectives, vision and strategic goals will not be achieved.

We caution readers not to place undue reliance on these statements as a number of risk factors, many of which are beyond our control and effects of which can be difficult to predict, could cause our actual results to differ materially from the expectations, targets, estimates or intentions expressed in such forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which we operate and globally; changes in currency and interest rates; increased funding costs and market volatility due to market illiquidity and competition for funding; the failure of third parties to comply with their obligations to the Bank and its affiliates; changes in monetary, fiscal, or economic policy and tax legislation and interpretation; changes in laws and regulations or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance, and the effect of such changes on funding costs; geopolitical risk; changes to our credit ratings; the possible effects on our business of war or terrorist actions and unforeseen consequences arising from such actions; technological changes and technology resiliency; operational and infrastructure risks; reputational risks; the accuracy and completeness of information the Bank receives on customers and counterparties; the timely development and introduction of new products and services, and the extent to which products or services previously sold by the Bank require the Bank to incur liabilities or absorb losses not contemplated at their origination; our ability to execute our strategic plans, including the successful completion of acquisitions and dispositions, including obtaining regulatory approvals; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; global capital markets activity, the Bank’s ability to attract, develop and retain key executives; the evolution of various types of fraud or other criminal behaviour to which the Bank is exposed; anti-money laundering; disruptions or attacks (including cyber-attacks) on the Bank’s information technology, internet connectivity, network accessibility, or other voice or data communications systems or services; which may result in data breaches, unauthorized access to sensitive information, and potential incidents of identity theft; increased competition in the geographic and in business areas in which we operate, including through internet and mobile banking and non-traditional competitors; exposure related to significant litigation and regulatory matters; climate change and other environmental and social risks, including sustainability that may arise, including from the Bank’s business activities; the occurrence of natural and unnatural catastrophic events and claims resulting from such events; inflationary pressures; Canadian housing and household indebtedness; the emergence or continuation of widespread health emergencies or pandemics, including their impact on the global economy, financial market conditions and the Bank’s business, results of operations, financial condition and prospects; 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. The Bank cautions that the preceding list is not exhaustive of all possible risk factors and other factors could also adversely affect the Bank’s results, for more information, please see the “Risk Management” section of the Bank’s 2023 Annual Report, as may be updated by quarterly reports.

Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2023 Annual Report under the headings “Outlook”, as updated by quarterly reports. The “Outlook” and “2024 Priorities” 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. 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.

Any forward-looking statements contained in this document represent the views of management only as of the date hereof and are presented for the purpose of assisting the Bank’s shareholders and analysts in understanding the Bank’s financial position, objectives and priorities, and anticipated financial performance as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. Except as required by law, 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.sedarplus.ca](http://www.sedarplus.ca) and on the EDGAR section of the SEC’s website at [www.sec.gov](http://www.sec.gov).

## **CORPORATE PARTICIPANTS**

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### **Jake Lawrence**

*The Bank of Nova Scotia – CEO and Group Head of Global Banking & Markets*

### **John McCartney**

*The Bank of Nova Scotia – SVP of Investor Relations*

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## **John McCartney - The Bank of Nova Scotia – SVP of Investor Relations**

Great. Thank you very much, Francisco. Our next presenter is Jake Lawrence, well known to many of you. Jake has been the Head of our Global Banking and Markets business for the past 5 years. He's been with the bank for over 20 years. And prior to his current role, manage the bank's U.S. business and held senior roles in group treasury function as well as IR. We'll roll a quick video. And after that, Jake will take the stage and talk to you about the future of Global Banking and Capital Markets.

(Video Presentation)

## **PRESENTATION**

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### **Jake Lawrence - The Bank of Nova Scotia – CEO and Group Head of Global Banking & Markets**

Great. John, thanks for the intro. Good afternoon, everyone. I'm quite excited to provide an update on the performance and strategy of Global Banking and Markets or GBM, as you'll hear me refer to it several times. My slides and comments do include GBM LatAm as Francisco just noted, and we do that so we can provide a holistic view of our banking and markets business across our footprint.

However, for external financial reporting purposes, I want to remind everyone that GBM LatAm is included in the International Banking segment.

Before I begin, I want to start off with 3 key messages that you will hear throughout my presentation today. First, GBM plans to continue building additional products and capabilities, as well as grow in new segments and industries. These actions are expected to enable the business to attract new clients while also deepening existing client relationships.

Second, you can expect increased capital allocation into North America with outsized growth in the U.S. Capital allocation in Latin America, excluding Mexico, will be deemphasized as Scott mentioned earlier. We believe the focus on North America will support our multinational banking strategy that Francisco just touched on, and it will further increase our client relevance.

And finally, we intend to increase our focus on returns as well as increased capital velocity versus growth in absolute earnings and growth in the balance sheet. Specifically, GBM aims to deploy and recycle capital at a faster rate while generating higher returns well within our risk appetite. Private capital including our collateralized loan obligation platform is a great example of how we're already starting to do that.

With these 3 messages in mind, I'll begin by discussing GBM's historical financial performance. As you can see, over the past several years, GBM has increased client relevance and expanded our product offerings to serve more than 4,500 clients globally. Since 2018, as many of you will know, the operating environment for GBM has been volatile. This environment has created opportunities for us, opportunities that we've taken advantage of to add talent, to add clients, as well as make money in the markets.

GBM NIAT grew 5% compounded annually to \$2.9 billion for this past fiscal year. And while GBM LatAm delivered earnings of \$1.1 billion in 2023, as you've heard, we do not believe the returns are commensurate with the risk profile, and this market has lower fee income opportunities. I'll speak more on that point later in my presentation.

GBM's strong performance reflects the execution of our strategic goals as we discussed at the bank's 2020 Investor Day in Santiago. And there are 3 key areas I want to remind everyone from that Investor Day.

First, GBM has strengthened its business. As we committed to, we've reached our natural share in Canada. We've grown in the U.S. under Michael Kruse's leadership who's with us today, and I encourage you to introduce yourself to him. And we've also grown in GBM LatAm. As a result, GBM has increased its league table rankings, we've expanded our structured finance capabilities, and we generated strong earnings.

Second reminder, we increased our client relevance through better cross-sell and greater share of wallet. For example, GBM has narrowed its gap to peers on the metric, underwriting and advisory fees as a percentage of corporate loans and acceptances.

Finally, we've elevated our products and capabilities in capital markets. You saw some of the awards. We've grown our business in sustainable finance. We enhanced our electronic trading capabilities across multiple asset classes, and we've deployed capital offerings into the market. However, this market environment is evolving, involving particularly around the Basel III capital rules. With this evolution, our strategy and our GBM business also need to evolve. Over the medium term, GBM will build on the momentum I've just talked about with identified growth opportunities while making those necessary business pivots to evolve.

As you can see on this slide, the 3 countries in North America represent our priority markets, and they account for the majority of GBM's loans, GBM's deposits and GBM's earnings. Since 2018, revenue growth was 4% in Canada, 8% in the U.S. and an impressive 15% in Mexico.

An important takeaway from this slide is the rest of the world. This includes Europe, Asia Pacific and the GBM LatAm countries, excluding Mexico. This collective region consumed 34% of GBM's lending book, so it's about 1/3. But it only generated 23% of earnings and 18% of deposits. As you'll hear in a moment, this takeaway is an important factor as GBM increases capital allocation in North America to drive our future growth.

In North America, we've made strong progress and increased our market share in league table rankings. For example, GBM is now a top 3 capital markets platform here in Canada. GBM U.S. continues to make good progress in several areas, including DCM. One of the questions I get asked most often is, how are you going to win in the U.S.? We'll get into that a bit more later.

But just to give you a stat, in 2023, GBM U.S. was a book runner on about 220 bond deals. That's up 50%, 50% compared to 2022, and we've made progress on league table rankings and improved to 16th. So absolute wins and relative wins versus the competition. And as you heard from my colleague, Francisco, Mexico first. Mexico has made a meaningful increase in rankings, and it's now a top 3 platform also under Adrian's leadership.

This team has also been recognized by external awards. For example, we've been recognized as the best investment bank for the Americas by the banker. Best Specialist ESG Bank by ESG Investing and best sustainable finance by Euromoney.

Now getting back to the U.S. I want to discuss our strong momentum and why we believe this market is key to our future success. As many of you will be aware, the U.S. is the largest banking market and has the highest fee income pools globally. Estimates of the corporate and investment banking revenue pool size in the U.S. are 3.5x. 3.5x larger than the rest of the Americas and nearly 6x larger than Latin America. As GBM increases capital allocation to North America, the U.S. will play a central role in our multinational strategy as the key corridor in the region.

As was mentioned earlier, we're a top 10 foreign banking organization in the U.S., and we know how to win. We intend to pursue targeted growth in priority businesses, priority segments and with priority clients. For example, GBM has successfully increased its league table rankings in our targeted sectors to date. We're now a top 10 bank in REITs, top 10 bank in power and utilities as well as investment-grade energy.

And as we expand into other core sectors, we expect to establish leadership positions here, too. GBM U.S. has been delivering 8% earnings growth in recent years, and we expect this momentum to continue over the medium term.

Our current business has a strong balance sheet, with approximately 80% of loans rated investment grade. This is well above our Canadian peer average. So as many of you know, GBM reports lower credit losses. However, we have a meaningful opportunity to increase fee income and thereby increase returns. For example, as I mentioned earlier, GBM has generated lower underwriting and advisory revenues as a percentage of our corporate loans and acceptances.

There's reasons for this. Our strategy has been investment grade led and it leads to higher holds in the lending book. It's also paired often with lower fee opportunities from these same clients.

As we move forward, we intend to continue to focus on generating more ancillary fees from our core clients, we're going to increase our nonlending share of wallet. We're going to pursue those larger fee pools I referenced in the U.S., and we're going to attract new clients with greater return profiles.

Moving to GBM LatAm where strong earnings have been supported by double-digit volume growth and market share gains. The business has improved its league table rankings and today, it's a market leader. Going forward, however, additional capital allocation will be reduced to GBM LatAm excluding Mexico.

Our business today has reached scale and GBM intends to focus on our multinational strategy across North America. As mentioned, the GBM LatAm business does not generate returns commensurate with its risk profile and fee income opportunities are lower.

This slide is a great example. We're a DCM market leader in the region, but the fees generated on average by the Pacific Alliance countries are roughly 1.5x lower than Canada. And they're up to 3x -- 3x lower than what we can get in the U.S. So as you've heard from Francisco and you're hearing it from me, Mexico will remain a priority given the connectivity within North America, and this market has the highest fee income potential among those Pacific Alliance countries.

Our renewed strategy is focused on delivering sustainable, profitable growth, driven by disciplined capital allocation, focused on these priority markets. And we set ambitious medium-term financial objectives. Notwithstanding GBM, we'll continue investing in pivoting certain parts of the business, given new capital rules, we expect to deliver earnings growth in excess of 7%, mid-single-digit in loans and deposit growth and an ROE of roughly 14%. We intend to deliver a productivity ratio of 53% or better.

And as you've heard today in the earlier Q&A session, North America and the U.S. is a big part of our business, and we expect it to be even bigger moving forward. As we focus on our multinational strategy and grow in North America, we also see significant opportunity from the near-shoring trend. We believe there will be significant capital investment in North America. This is in light of the macro environment as well as the geopolitical landscape. Canada, the U.S. and Mexico, they really provide strong complementary resources to each other, like labor, capital markets, raw materials.

And underpinning that, we see strong government policies across North America supporting this megatrend. To help everyone understand how we'll win, I want to call out 3 key areas where GBM provides differentiated capabilities that our clients value today and will value moving forward.

First, GBM operates across an attractive footprint and is uniquely positioned to serve cross-border clients with global trade flows throughout the region including our strong foundation here in Canada, our growing platform in the U.S. and our leading presence in Mexico and across the Pacific Alliance countries.

Second, GBM has strong expertise today across these markets, and we'll continue expanding in priority industries such as technology, health care, consumer, industrial and retail.

And finally, our balance sheet is strong with significant opportunity to generate higher cross-sell and to better support our clients. GBM's deposit gathering capabilities also support our client activity in the all bank liquidity profile.

Now I'd like to discuss our renewed strategy, which has 4 primary pillars that we've seen today, and obviously, our strategy is aligned with the all bank. First, we intend to grow and scale in our priority markets. We expect outsized growth in the U.S., along with growth in Mexico. Second, we are increasing primary client relationships today, and we're going to continue to do it. We're going to earn the right to more ancillary fees. It's going to drive more profits, higher returns and lower capital usage.

Next, to support our clients, we should make it easier to do business with us. For example, this will mean strengthening our end-to-end client life cycle experience, boosting our time to market with products and solutions, and embracing the benefits of migrating to the cloud, as Phil alluded to earlier, Scott had mentioned.

Finally, we're going to continue to align our people across products and regions to win as one team. The team in GBM has heard me say this, banking is a team sport and working together, we can deliver the full capabilities of GBM and frankly, the full capabilities of Scotiabank.

Moving on to capital deployment. You've heard this today. You've heard it from me. GBM intends to focus on allocating incremental capital to continue increasing both client relevance and generating higher returns. Over the next 5 years, we intend to prioritize capital deployment to North America and to provide greater support for cross-border issuances and cross-border flows.

We want to increase core banking relationships with our multinational strategy while enhancing our cash management capabilities that Francisco just alluded to. And we expect to strengthen our capital markets and advisory services to further increase share of wallet.

Overall, GBM expects to continue to narrow that gap versus Canadian peers on underwriting and advisory as a percentage of corporate loans and acceptances.

As mentioned, the priority markets will be those in North America. Our future capital allocation decisions are going to be driven by discipline, which we believe will require some new products and capabilities. In Canada, GBM has built a strong foundation and we're expecting to generate 5% earnings growth in this mature market. We plan to focus on defending our strong market position in Canada and really extending that strength into the U.S. and Mexico with clients.

In both the U.S. and Mexico, we expect outsized earnings growth at approximately 10%. Meanwhile, the rest of the world is expected to deliver generally flat earnings growth. Given my comments earlier, I want to be crystal clear, we intend to deploy capital in more profitable markets to support this division's future return profile.

Again, relative capital allocation in Latin America, excluding Mexico, is expected to decline. To achieve this division's growth objectives, we plan to expand our core sectors, which will allow us to acquire new clients and optimize capital to focus on the most valuable relationships. And we started this work and it's making a difference already.

As I just noted, our shifting focus to North America is expected to leverage our multinational strategy and increase returns. The U.S. is the key corridor for our clients in Canada and Mexico that have exposure to this country. We plan to continue investing in the U.S. by following a thoughtful approach in how we allocate capital to enhance capabilities and modernize our platform.

Key areas we plan to grow include new sectors by expanding our expertise in health care, technology as well as consumer, industrial and retail and also adding in new capabilities and products through investing in U.S. cash management and increasing product expertise and solutions.

These new sectors, these new capabilities and products, they're going to allow us to target existing and new clients to generate higher returns. A good example of how we can grow in the U.S. is the noninvestment-grade finance business. We've got great relationships here, and we intend to target existing sponsors in core sectors and priority markets. Growth in this area will be supported by a robust risk management team.

Overall, GBM's U.S. earnings is expected to grow at 9% CAGR through 2028. Okay. Heading south to Mexico now. This market directly supports our North America focus and GBM's strong views on nearshoring that I referred to earlier. Here's a great stat. Over the past 30 years, the value of goods manufactured in Mexico has nearly doubled versus LatAm and the Caribbean combined. And Mexico continues to capture a disproportionate share in U.S. imports from other market participants.

We believe that our long operating history in the region positions us very well to capture existing trade flows between the U.S. and Mexico. To support our growth aspirations in Mexico, we expect to capture a greater share of wallet in advisory, capital markets and transaction banking. We intend to further build out capital market capabilities, including a focus on derivatives across several asset classes, a focus that hasn't been there to date.

Similar to the U.S., we believe our cash management capabilities will be key. Francisco talked about cash pooling, factoring. We've got to build the digital channels further to make it more attractive and easier to have GBM as your priority bank.

Mexico also plays an important role to support our multinational strategy and increase cross-border connectivity for our clients. We expect Mexico to grow at 10% CAGR on a constant currency basis through 2028. Next -- and a bit of this will be repetitive. I want to discuss how GBM expects to leverage our multinational strategy as a competitive advantage and further increase client relevance across our priority markets. This will be consistent with what you just heard from Francisco.

In the U.S., GBM has delivered strong deposit growth, and we intend to extend that momentum into broader cash management capabilities while providing an interconnected and aligned client coverage model. We also expect our platform will increase cross-border products with consistent global onboarding, lending and reporting practices. By leveraging our multinational strategy, GBM aims to continue winning new clients while growing new segments and sectors in the U.S. and deepening existing relationships.

We believe that our new strategy will be executed with thoughtful risk management oversight. GBM has been focused on delivering volume growth while supporting high-quality clients. As you've heard earlier, our investment-grade portfolio is well above the peer average, and we don't expect a material change in this narrative. We are also a market leader in league table rankings for lending in Canada and the Pacific Alliance region.

Compared to pre-COVID levels, GBM has increased its allowance for credit loss ratio by over 1.7x, providing us with further protection in the event of corporate credit events. GBM has been supported by risk partners within the business as well as under the leadership of Phil Thomas, who leads our global risk management practice. As we expand into new products and capabilities, the business will continue to ensure that we have the appropriate risk management oversight and are appropriately pricing risk for returns.

We will maintain the same discipline around proactively managing risks. And as GBM adds new capabilities to increase client support, we'll focus on those appropriate risk/reward characteristics I alluded to. We also expect reduced risk for the bank as GBM allocates more capital than North America. Obviously, a region that has relatively higher credit ratings versus LatAm broadly. Furthermore, we expect our hold levels will be reduced

from lower lending exposures. We're investing in more structured finance to assist the business in driving more client relevance while also providing additional capabilities to manage our risk and underwrite risk.

Specifically, GBM is expected to increase capital velocity and recycle capital faster to generate higher returns. And GBM will continue to make key investments in technology, fraud in areas like cybersecurity to protect the bank as well as our clients. And we'll make additional investments in digitization and automation. This will obviously enhance the client experience, making it easier to do business with us, but will also reduce our operational risk.

With the renewed GBM strategy, I want to reiterate our commitment for growth over the coming years. We expect an earnings CAGR of at least 7%, an ROE of roughly 14% and a productivity ratio of approximately 53%. These medium-term financial objectives expand on the momentum GBM has delivered to date while navigating that changing market environment I alluded to.

In summary, I'd like to end with 5 key takeaways for GBM. First, as you've heard, we're increasing the focus on returns and how we allocate shareholder capital. We are going through a period of optimization that we believe can see GBM come out stronger and deliver more sustainable and more profitable earnings. Second, we expect to increase GBM's client relevance further to generate higher cross-sell and build those deeper client relationships. Third, we're shifting our focus to North America. GBM is placing a much greater emphasis on growing in the U.S. market as well as in Mexico to drive connectivity with our multinational strategy while also leveraging that near-shoring megatrend and increasing fee income and exposure to larger fee pools.

Fourth, we plan to expand our product suite and capabilities to support priority clients and segments, priority segments and clients that we expect to bring an even higher level of growth and returns. And finally, we aim to deliver the entire division and bank to our clients in order to maximize our relevance and overall value proposition.

With that, thank you, everyone in the room and online for your attention. And I'd like to welcome Francisco, Raj and Phil back to the stage for Q&A, which will be moderated by John McCartney. Thank you, sir.

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