

Scotiabank to Acquire 14.9% Interest in KeyCorp

August 12, 2024

Scotiabank[®]

Caution Regarding Forward-Looking Statements

Forward-looking Statements 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 cyberattacks) 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 and on the EDGAR section of the SEC’s website at www.sec.gov.

Strategic Overview

Increasing U.S. capital deployment consistent with North American strategy

- We are uniquely positioned as the only Canadian Bank with a presence across Canada, the U.S. and Mexico
- U.S. market identified as a key growth market in our recently updated medium-term strategy
- KeyCorp investment significantly increases capital allocated to developed markets
- Intention to explore mutually beneficial strategic opportunities in the future

Investment in a Premier US Regional Bank

- KeyCorp is a top 15 U.S. bank¹, present in 15 states with ~US\$187 Bn² in assets, operating across a complementary and attractive geographic footprint
- Well-established and diversified commercial platform
 - Focused on mid-market clients; offering fulsome commercial, payments, capital markets and advisory services; 89% of clients are multi-product³
- Strong retail deposit base, contributing to 59% of total deposits²
- Growing wealth offering focused on comprehensive planning with US\$58 Bn in AUM/AUA²

Attractive Financial Returns

- Attractive returns on a capital efficient structure
- Further diversifies and significantly enhances our well-established earnings growth trend in the U.S. market

Generates near-term attractive returns while creating future optionality for the Bank in the North American corridor

Transaction Highlights

<p>Key Financial Terms & Structure</p>	<ul style="list-style-type: none"> BNS to invest ~US\$2.8 Bn (~C\$3.9 bn) to acquire common shares issued by KeyCorp Shares issued at fixed price of US\$17.17/share, representing an 11% premium to the 20-day VWAP¹ Pro-forma ownership of approximately 14.9% Transaction to be completed in two stages, closing subject to receipt of clearances and regulatory approvals <ul style="list-style-type: none"> Initial Investment: of ~US\$0.8Bn for 4.9% pro-forma ownership, upon expiration of the HSR² waiting period, anticipated in the fourth quarter of fiscal 2024 Additional Investment: of ~US\$2.0Bn for an additional ~10% pro-forma ownership, expected to close in fiscal 2025, on receipt of Federal Reserve approval
<p>Governance</p>	<ul style="list-style-type: none"> Right to designate two individuals to serve on KeyCorp’s Board of Directors once ownership exceeds 10% <ul style="list-style-type: none"> one senior officer of Scotiabank one third party director designated by Scotiabank and reasonably acceptable to KeyCorp
<p>Expected Financial Impact</p>	<ul style="list-style-type: none"> Highly capital efficient transaction (leveraging the “Significant Investments in Financial Institutions” bucket) EPS accretive in the first full year following closing of the Additional Investment <ol style="list-style-type: none"> Incremental earnings of approximately C\$300 to C\$350 million³ in FY26 (based on current consensus) KeyCorp’s contemplated securities repositioning and balance sheet deployment could further increase earnings generation CET1 ratio: Initial Investment impact of ~(10) bps and ~(40)-(45) bps from Additional Investment
<p>Purchase Accounting</p>	<ul style="list-style-type: none"> Initial Investment to be designated as fair value through other comprehensive income (“FVOCI”)⁴ Once the Additional Investment is completed, the entire ~14.9% investment will be recorded using equity method of accounting, with BNS recognizing its proportionate share of KeyCorp’s earnings on a go-forward basis

1. 20-day VWAP refers to the volume-weighted average price for the last 20 trading days 2. Hart-Scott-Rodino Antitrust Improvements Act of 1976. 3. BNS’ pro-rata share of ~14.9% of KeyCorp’s earnings based on consensus. (Source: Factset) Figures subject to further required accounting adjustments. 4. Upon closing of the Initial Investment, the difference between price paid and the quoted share price will be recorded as a gain/loss in P&L

About KeyCorp

- KeyCorp is a Top 15 U.S. Bank¹ headquartered in Cleveland, OH, serving customers across 15 states
- **Strong Commercial Banking franchise** (~75% of earnings²) offering borrowing solutions, payment services, and investment banking
- KeyCorp's **strong deposit base** is built on deepening existing client relationships and capitalizing on high growth markets

FINANCIAL HIGHLIGHTS² (IN USD)

Total Assets (Bn)

\$187

Total Deposits (Bn)

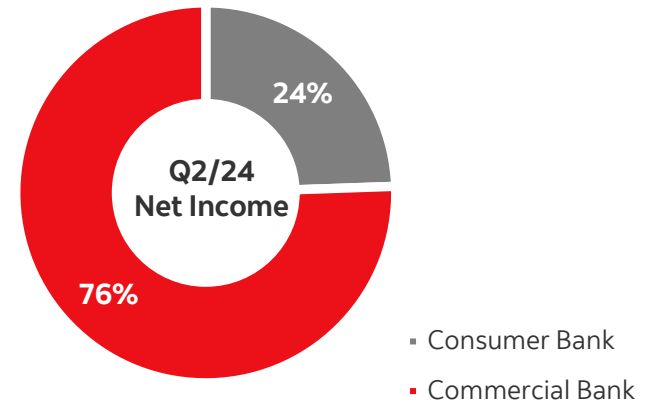
\$146

Total Gross Loans (Bn)

\$107

Q2 Net Income (MM)

\$274



COMMERCIAL BANKING

- **Leading full-service middle-market commercial and investment bank**
- **89%** of clients are multi-product³
- **Strategically focused on clients in targeted verticals** healthcare, consumer, technology, energy, industrial, real estate, and public sector

CONSUMER BANKING

- **Strong deposit gathering** platform
- **Growing wealth business** with US\$58 Bn in AUM/AUA²
- **Focused on deepening relationships** through a strong foundation and distribution network

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