Retail & Small Business Risk Canada

CANADA CREDIT COMMITTEE

Portfolio Review Data: November 30, 2023

December 2023

Scotia®

Agenda

1 Items for Approval or Notification

2 Portfolio Performance: Risk Reviews

- Real Estate Secured Lending
- Automotive Lending
- Unsecured Lending
- Small Business

3 Presentations

- No presentations this month

02

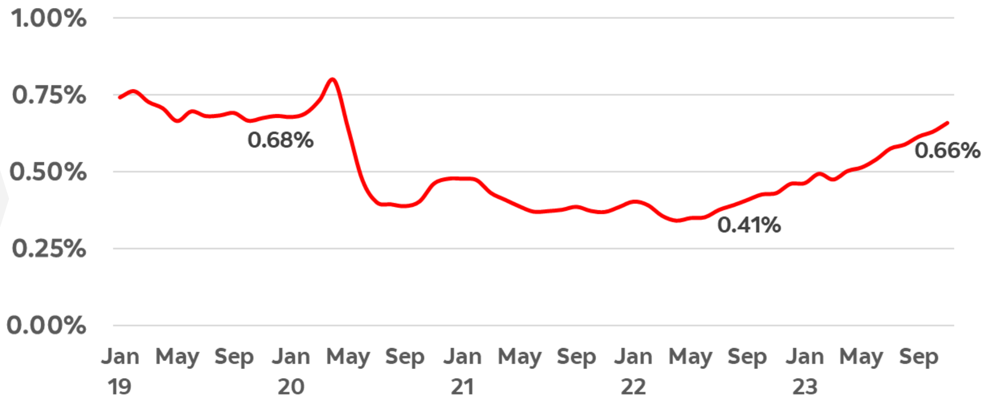
Portfolio Performance: Risk Reviews

Total Retail | Portfolio Trends and Notable Highlights

Portfolio Trends

- Retail balances have remained dampened since the beginning of the year due to lower housing demand. Compared to Jan'23, portfolio has decreased -3% driven by Mortgages and Near-Prime Auto, partially offset by positive trends in Revolving products and Prime Auto.
- 31+ delinquency is higher MoM (66bps, +3bps) across all products except for Near-Prime Auto. Increase is mainly driven by HELOC (59bps, +7bps), ULOC (99bps, +7bps) and Cards (162bps, +11bps).
- YoY softness is observed across all products, in line with industry trends.

31+ Delinquency



As of Nov'23

Originations

- New bookings are relatively stable compared to last month (at $5Bn, -1%) with slight reductions observed in all products except for Mortgages. Compared to last year, new bookings are -21% lower, mainly impacted from reduced Mortgage (-31%), Prime Auto (-25%) and HELOC (-12%) acquisitions.
- Vintage delinquency (at 74bps) significantly increased compared to last month (+19bps), mainly driven by Mortgages (39bps, +14bps), HELOC (21bps, +17bps), Cards (259bps, +87bps) and ULOC (141bps, +56bps).

Takeaways

- Despite gradual increases, total retail delinquency levels remain within historical norms.
- Vintage delinquency is highly impacted by a lower RESL contribution out of total new originations, declining from 70% (Avg. 2019) to 53% in May'23 (61% Nov'23), lowest in the last 4 years. This is a major factor as Mortgage delinquency is typically very low.
- We remain cautious of current macroeconomic environment impacting customer affordability and ability to complete payments. Proactive management actions have been taken to address areas of softness as required.

Residential Mortgages

Portfolio Trends

- Balances decreased -0.3% MoM, decreasing for 12 months in a row (-4.5% YoY) to $267Bn.
- 31+ increased to 0.49% (+2bps MoM, +19bps YoY). Delinquency increase driven by VRM portfolio while FRM delinquency is relatively stable
- Tail risk decreased slightly –1 bps MoM to 0.56%, stable trend observed across regions and segments

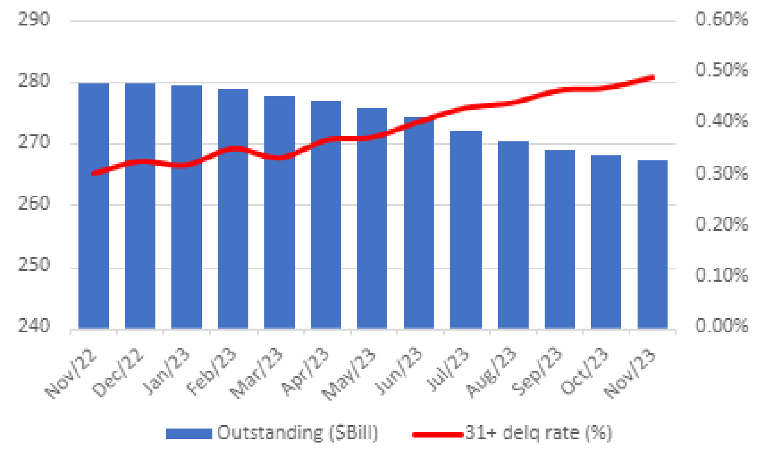
Originations

- New bookings at $2.2Bn increased +0.8% MoM, however, remain lower compared to last year (-31%) continuously impacted by elevated interest rates and in line with market trends.
- % VRM of total bookings increased +4% MoM but still down considerably from 45% to 14% in Nov'23. Originations with a 5-year term down from 63% to 44% YoY.
- Booked LTV at 63.1%, increased +98bps MoM driven by Uninsured mortgages (+114bps), where avg. Property price decreased -2% while avg. Booked amount increased +0.8%.

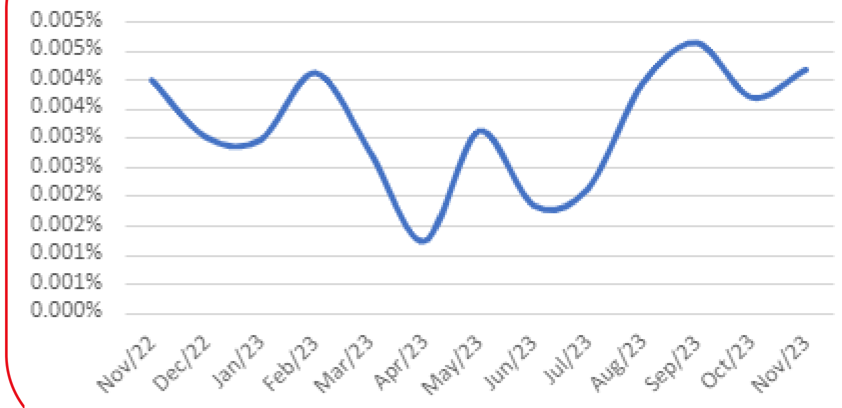
Takeaways

- Vintage delinquency continues to increase, reaching highest levels in the past 5 years (MOB6 at 0.39%, +14bps and MOB12 at 0.48%, +15bps). Increases are mainly driven by below prime customers, booked amount higher than $1MM and VRM accounts.
- 31+ delinquency is ~62% higher YoY, mainly driven VRM customers (+194% YoY) impacted by rising monthly payments (+52% increase in payments with avg. $4,584) while modest increase for FRM (16% YoY) observed with only 6% increase in monthly payments (avg. $2,462)

Balances and %31+



Net Write-offs %



Home Equity Line of Credit (HELOC)

Portfolio Trends

- Balances increased +0.3% MoM to $22.06 Bn (+1.7% YoY).
- HELOC %31+ increased +7bps MoM and +33bps YoY to 0.60%. Highest increase in Quebec (at 0.50%, 3.3x YoY).
- Delinquencies are higher MoM and YoY, reaching highest levels in the past 5 years for %91+. Delinquent customers showing higher account balances and utilization rates compared to total product levels

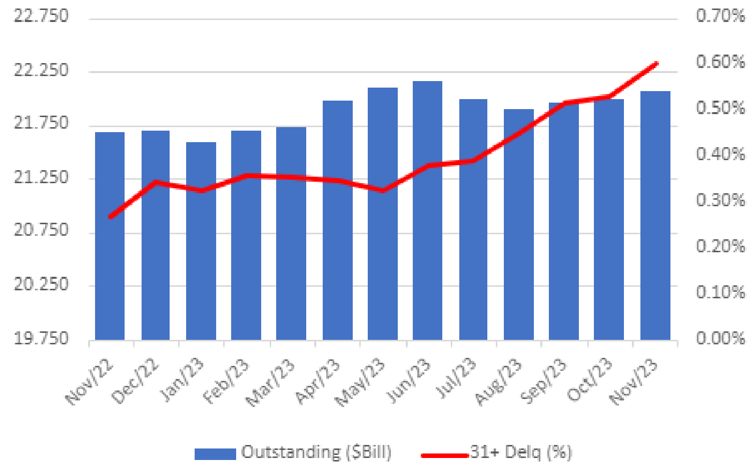
Originations

- New bookings at $0.86Bn, decreased –0.3% MoM and down –11% YoY.
- HELOC 31+% MOB6 increased +17bps MoM to 0.21%, driven by customers without credit card product (+41bps)
- HELOC 31+% MOB12 decreased -1bps MoM to 0.28% mainly driven by improvement in customers with credit card product (-26bps).

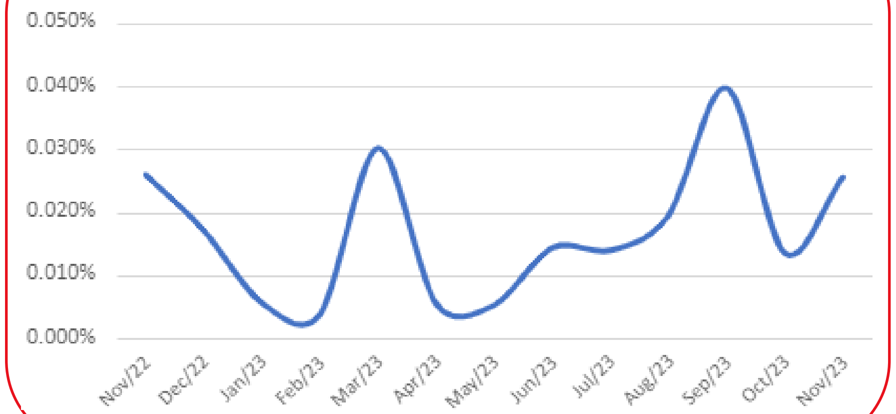
Takeaways

- HELOC exhibits fastest deterioration in delinquency performance among all retail lending products, increasing by +122% YoY. Higher cost of living and interest rates are impacting customers' ability to make payments.
- De-risking strategies have been implemented in response to increased delinquency, including restrictions for STEP restructures and enhanced HELOC limit monitoring.

Balances and %31+



Net Write-offs %



Prime Auto

Portfolio Trends

- Outstanding balance is $35.1Bn, decreased for three consecutive months (-0.3% MoM) driven by lower origination volume following de-risking actions implemented in Sep’23.
- 31+% delinquency is 1.39%, up by +4bps MoM and by +44bps YoY, continuing its upward trend. Larger delinquency increases on higher risk segment (i.e. Used Cars, ‘Below-Prime’ and elevated TDSRs), consistently throughout FY’23.
- Portfolio LTV substantially increased to 114.2%, up by +222bps MoM and by +693bps YoY, due to gradual decrease in Used Car price in market.

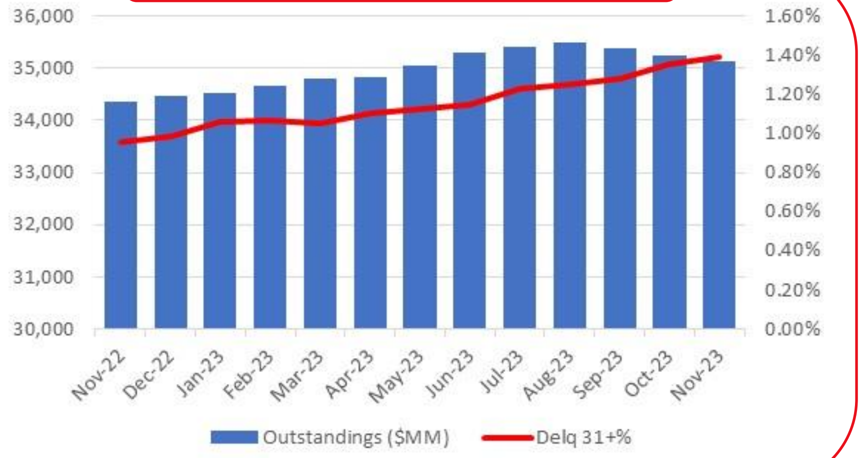
Originations

- New bookings are stable at $891MM, down by -0.6% MoM, however, have decreased since Sep’23 in line with de-risking actions expectations and along with rising vehicle prices and higher rates.
- %31+MOB3 is stable at 0.62%, up by +1bp MoM due to a spike from Used car segment, especially from European Luxury OEMs (Mercedes-Benz, Audi, Porsche and Land Rover).
- Concentration of Used car segment further decreased to 23.7%, down by -289bps MoM and by -1,536 bps YoY due to continued improvement in market supply of new vehicles and de-risking actions targeting on Used Car segment.

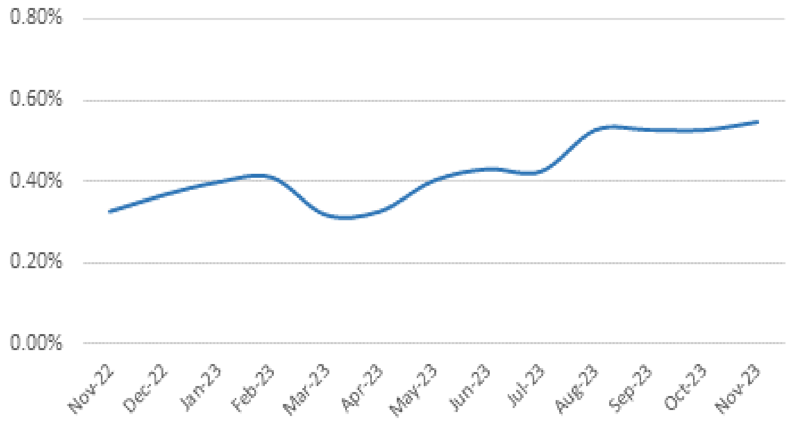
Takeaways

- Origination quality has substantially improved following the implementation of de-risking strategies in Sep’23.
- Portfolio delinquency continues to rise, impacted by rising monthly debt payment from adverse macroeconomic environment and increased vehicle price as well as decreasing portfolio balance. Action plans are in place including Pre-delinquency multi-channel treatments by the Customer Relief Team in Automotive Finance, along with expanded digital LMTs.

Balances and %31+



Net Write-offs %



Scotia Dealer Advantage (SDA)

Portfolio Trends

- Outstanding balance at $2.80Bn, down by -0.2% MoM and by -4.3% YoY. Accounts and balances have consistently decreased due to lower new origination volume impacted from rising vehicle price and elevated financing rates, reducing vehicle affordability and credit demand.
- 31+% is 5.14%, slightly decreased by -8 bps MoM but still higher by +53bps YoY. Delinquency levels slightly improved across all segments after a sharp increase seen in previous month.
- Net Write-off% sharply increased to 5.05% by +88bps MoM due to Used Card segment.

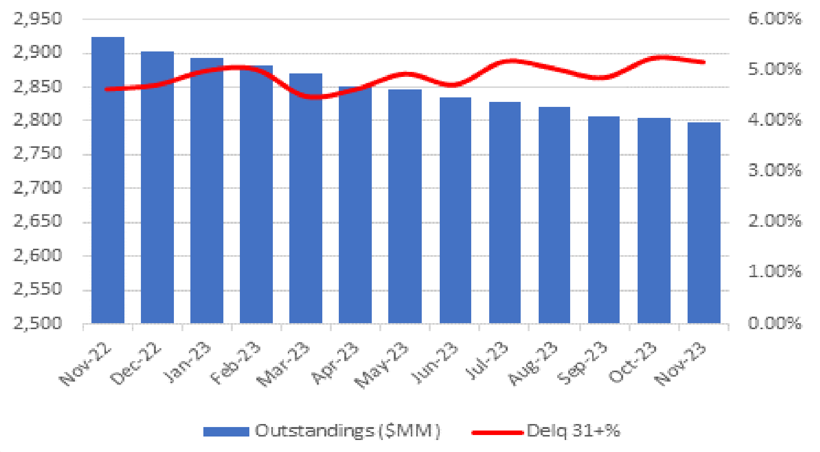
Originations

- New origination amount slightly decreased to $87.5MM, down by -3.5% MoM and by -1.9% YoY, in line with industry trends.
- 31+% MOB 6 substantially increased to 5.02%, up by +101bps MoM and by +34bps YoY, driven by Used Car segment. However, 31+% MOB3 significantly improved to 2.30%, down by -90bps MoM but slightly up by +4bps YoY.

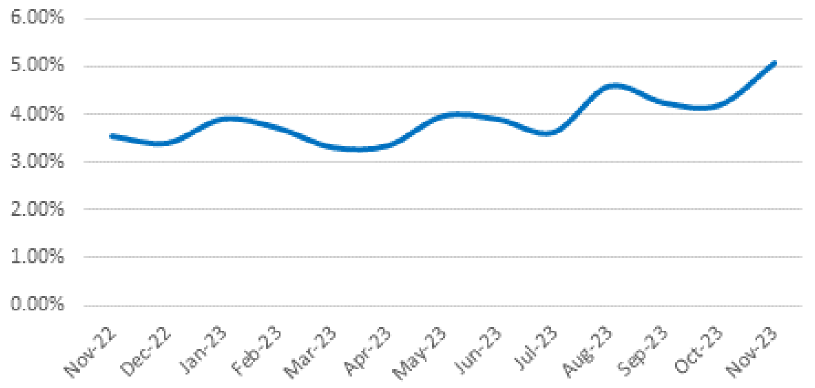
Takeaways

- Balance is consistently decreasing, contributing to continuous rise in portfolio delinquency and Net Write-offs.
- Net Write-offs increase in Nov'23 was the highest level since FY'22, consistent with delinquency trends observed during the last two years.
- Portfolio LTV increased to 144.2%, significantly higher compared to last month and last year (+402bps +1,346bps respectively) due to reduced Used Car price in portfolio.

Balances and %31+



Net Write-offs %



Auto Leasing

Portfolio Trends

- Outstanding balance continued upward trend at 4.0Bn (up by +0.7% MoM and by +2.6% YoY)
- Balance growth driven by Mazda (up by +11.9% YoY by +1.5% MoM) accounting for 51.0% of total portfolio. Volvo (23.0%) and Land Rover (19.0%) are second and third largest contributor.
- Delinquency gradually increased throughout FY'23. 31+% in Nov'23 at 0.40% (up by +18bps YoY), primarily driven by 'Sub-Prime' segment and Ontario region.
- Annualized Net Write-off % has slightly increased over the last two months to 0.20% but still showing lowest loss levels among the three Automotive portfolios.

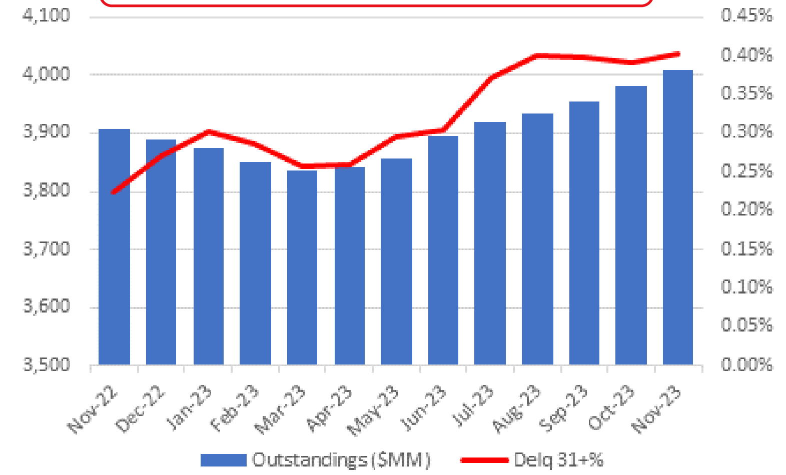
Originations

- New origination at $163MM, down by -0.2% MoM but up by +48.2% YoY, benefitting from improvements around new vehicle supply shortage with overall stable origination credit quality.
- 31+% MOB6 (booked in May'23) slightly increased to 0.22% (by +2bps MoM) while 31+% MOB3 (booked in Aug'23) significantly improved to 0.12% (by -12bps MoM).

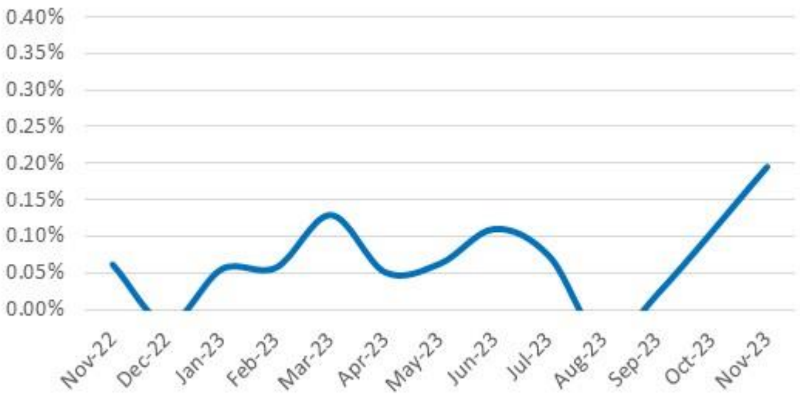
Takeaways

- Despite recent rise in 31+% delinquency, Leasing is showing the most stable performance with positive balance growth among the three Automotive portfolios.
- Land Rover and Jaguar shows the highest risk with 31+% delinquency of 1.1% (vs. Total Lease portfolio of 0.40%), and accounts for 21.9% of total balance.
- Credit quality at origination is strong, with 'Prime & Above' (CV score) concentration at 78.0% as of Nov'23, higher by +142bps YoY.

Balances and %31+



Net Write-offs %



Credit Cards

Portfolio Trends

- Balance growth continues to remain strong, with $7.34Bn as of Nov'23 (MoM + 1.7%, YoY +19.3%), mainly driven by positive YTD pre-approval results. Credit Limit Increases are also higher compared to last Quarter (+11%).
- Utilization rate is at 22.7%, higher MoM (+25 bps) and YoY (+146 bps), in line with the industry
- 31+% delinquency of 1.58% is stable despite increasing this month (+12 bps MoM and +10 bps YoY). Gross write-off rate of 3.48% is higher MoM (+56 bps) and YoY (+34 bps).

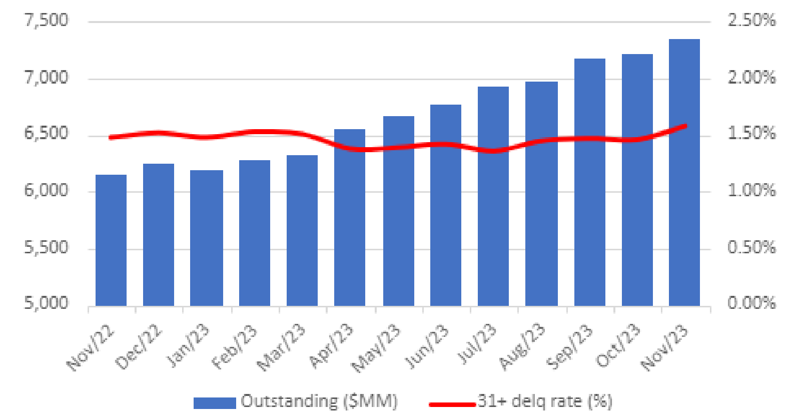
Originations

- Total credit limit granted of $369MM is slightly lower MoM (-5.8%) due to seasonality of campaigns, higher YoY (+0.4%).
- 31+% vintage delinquency at 6 months is at 2.59%, higher MoM (+87 bps) and YoY (+45 bps) driven regionally by Ontario, Quebec and BC. Delinquency remains below historical levels.

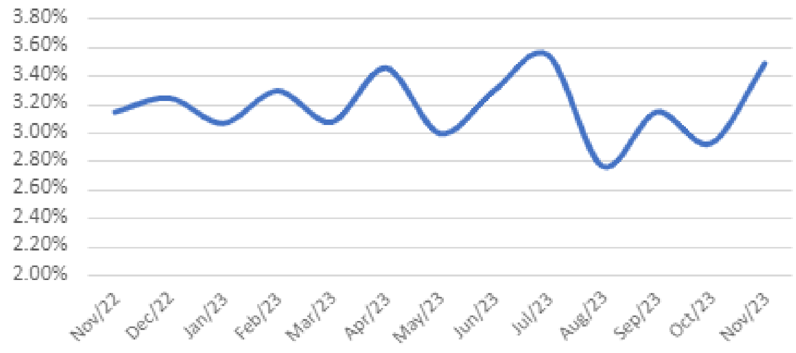
Account Management

- Retail spend of $3.56 Bn is slightly lower MoM (-5.6%). At account level, Spend and Payments both decreased resulting in slightly higher balance of $1,815 (Oct'23: $1,792).
- Pre-approval with $130MM granted is slightly lower MoM due to seasonality of the campaigns, however, results continue to be higher YTD (+38.5%).
- Credit Limit Increases of $303MM are slightly higher (~11%) compared to last Quarter

Balances and %31+



Net Write-offs %



Unsecured Line of Credit (ULOC)

Portfolio Trends

- Total balances increased slightly to $12.48 Bn (MoM +0.3% and YoY +5.4%).
- Delinquency continues to increase in line with industry trends and macroeconomic environment. 31% of 0.99% is +8 bps higher MoM and +29bps YoY.
- Gross write-off rate of 2.63% is higher MoM (+35 bps) and YoY (+97 bps), driven by higher credit and bankruptcy losses.

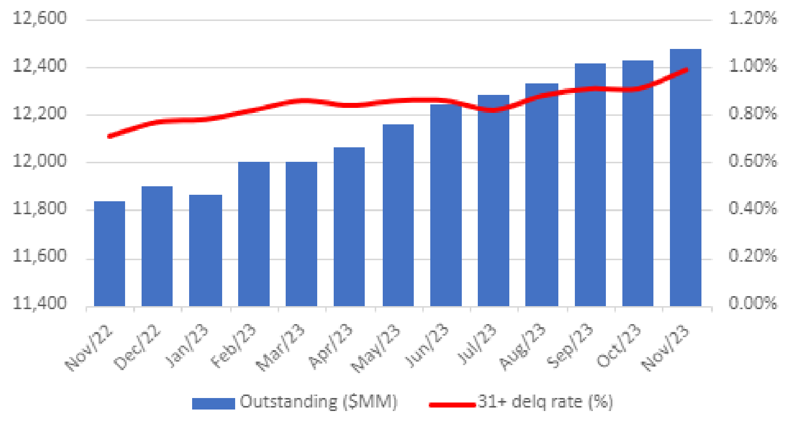
Originations

- 31+% vintage delinquency at 6 months on book of 1.41% is higher +56 bps MoM and +90 bps YoY, consistent with industry trends and current macroeconomic conditions impacting customer affordability and ability to make payments.
- Total limit granted of $317MM is lower MoM (-10.6%) and YoY (-2.3%).

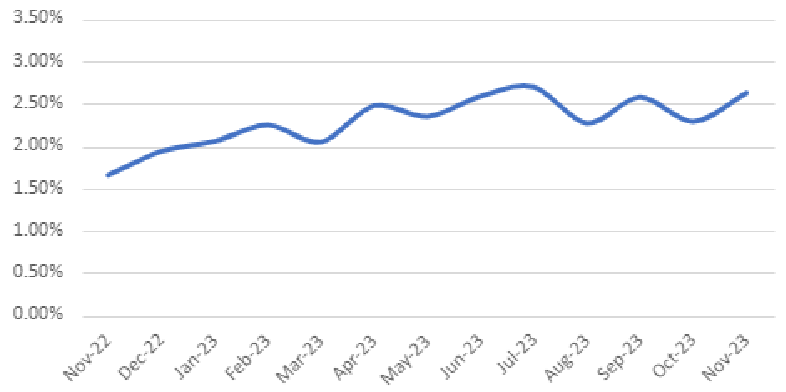
Account Management

- Pre-approved limits granted of $79MM are lower compared to last Month (-52.4%) due to seasonality of the campaigns, and lower YTD (-46.6%).
- Credit Limit Decreases of $12.2MM are +65% higher QoQ with average CLD per account of $6.21M
- ULOC's Credit Limit Increase strategy relaunched in Sep'23 with $83MM in total limits granted as of Q4, with $7.43M avg. limit increase per account.

Balances and %31+



Net Write-offs %



Small Business

Portfolio Trends

- Portfolio balance at $10.9Bn, increased MoM (+0.6% | $66MM) mainly driven by Finance (+7.2% | $29MM), Agriculture (+0.8% | $18MM), Business Service (+1.8% | $17MM) and partially offset by Construction (-1.2% | -$5MM).
- 31%+ of 2.09% (1.7% excluding HASCAP) is lower MoM (-6bps) but higher YoY (+40bps), while 91+% delinquency increased MoM (+2bps) at 1.6%.

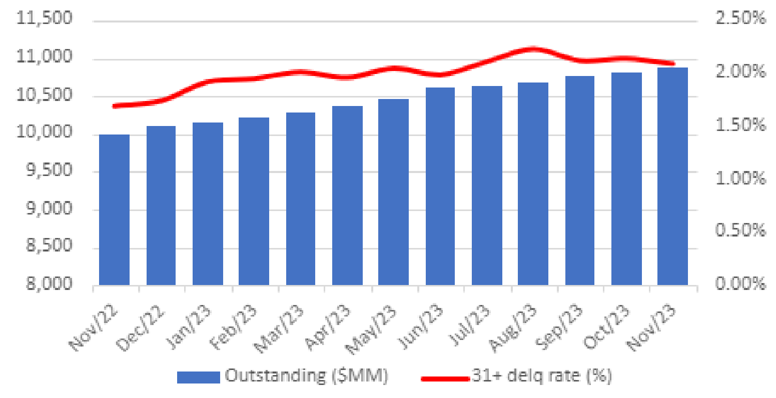
Originations

- New Bookings at $288MM, increased MoM (+28%) and YoY (+6%). MoM increase is mainly driven by SPP (+64%) and AG (+147%), and partially offset by SPSP (-26%). Compared to last year, increase is driven by AG (+27%), Core (+33%) and partially offset by SPSP (-46%) and Franchise (-89%).
- Credit demand continues to increase, with monthly applications higher MoM (7%) and YoY (26%). Approval rate at 60% is lower MoM (-120bps), and higher YoY (+87bps).

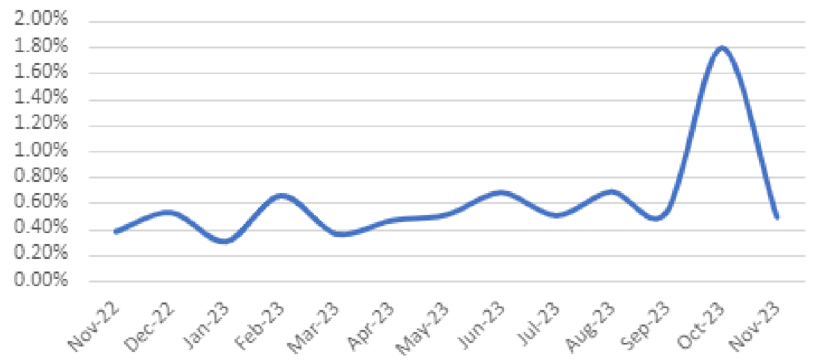
Takeaways

- Balances continue to increase compared to last year (+8.7% | $872MM) driven by Health (+10.2% | $234MM), Finance (+53.2% | $148MM), Retail (+23.6% | $127MM) and Others (9.6% | $128MM).
- % 31+ Delinquency improved MoM driven by Finance (-$3MM) and Business Services (-$2MM), regionally decrease is mainly driven by BC (-$3.7MM) and ON (-$1.9MM).
- % 91+ is higher YoY (+38bps) mainly driven by SPSP (+95bps), Construction (+76bps) and Retail (+52bps).

Balances and %31+



Net Write-offs %



03

Presentations

No presentations this month

CCC Appendix

Guardrails November 2023

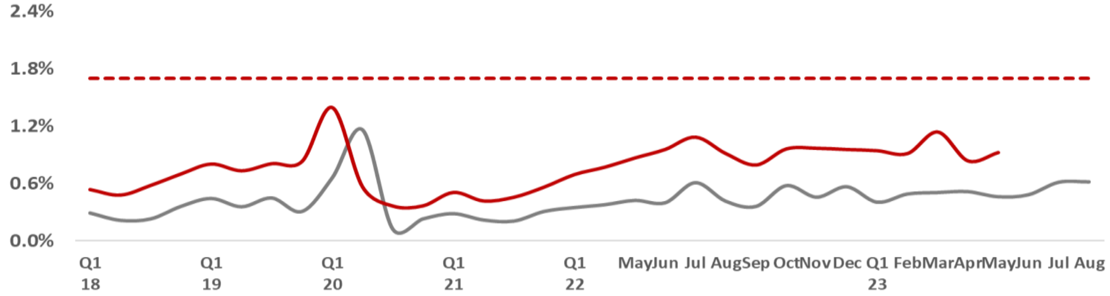
Scotiabank®

Guardrails Monthly Tracking | As of Nov'23

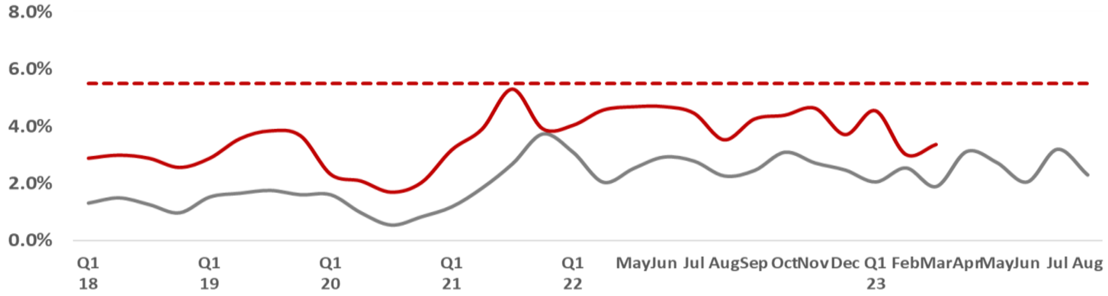
Vintage delinquency continues to climb since Q3'22 in line with industry trends and macroeconomic conditions. At 6 MOB, delinquency increased across all products, however, remains well below Risk Appetite Threshold except for Mortgages.

31+@3MOB 31+@6MOB Risk Appetite Threshold | 31+@6MOB

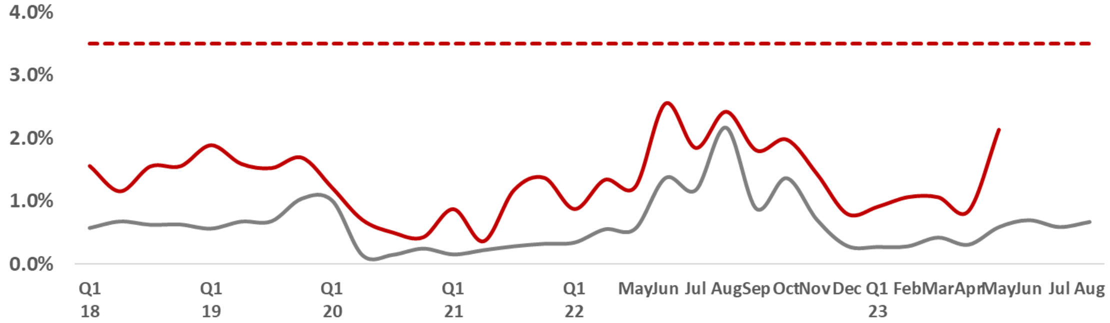
Prime Auto



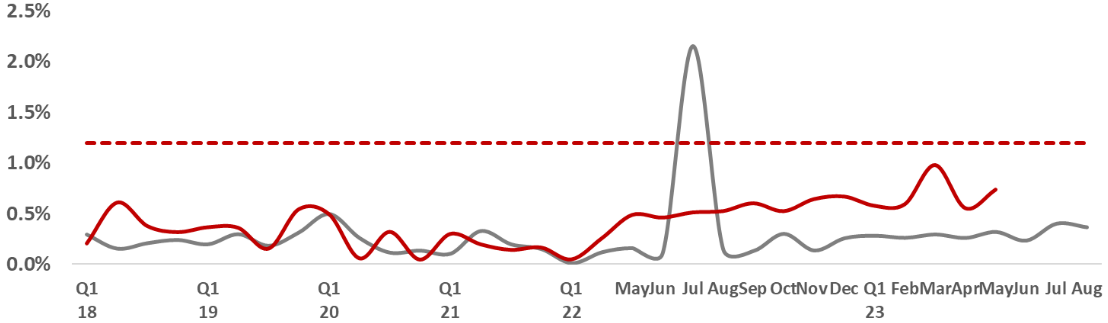
SDA



Credit Cards

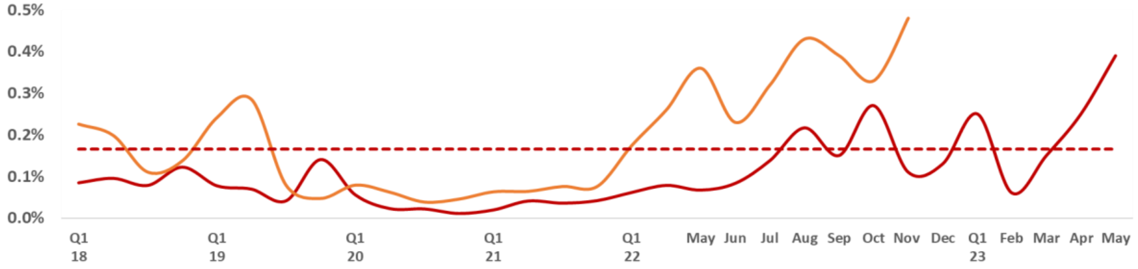


ULOC

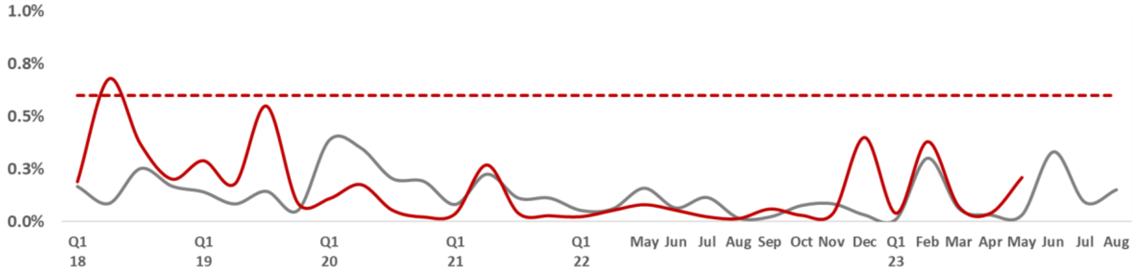


Mortgages

Actuals @6MOB Actuals @12MOB



HELOC



Concentration Limits (November)

November 2023

Lifecycle	Product	New Limits Issued	New Sub + Near Prime Limits	% Actual	% Limit	Var	Status
Originations (NPA+PA)	Cards	$284,861,800	$13,753,000	4.8%	9%	-4.2%	PASS
	ULOC	$128,277,700	$7,544,000	5.9%	9%	-3.1%	PASS
	Sub Total	*$413,139,500*	*$21,297,000*	*5.2%*	*9%*	*-3.8%*	*PASS*
CLI (NPA+PA)	Cards	$93,583,874	$2,205,900	2.4%	9%	-6.6%	PASS
	ULOC	$11,643,800	$259,300	2.2%	9%	-6.8%	PASS
	Sub Total	*$105,227,674*	*$2,465,200*	*2.3%*	*9%*	*-6.7%*	*PASS*
TOTAL	Cards	$378,445,674	$15,958,900	4.2%	9%	-4.8%	PASS
	ULOC	$139,921,500	$7,803,300	5.6%	9%	-3.4%	PASS
	TOTAL	**$518,367,174**	**$23,762,200**	**4.6%**	**9%**	**-4.4%**	**PASS**

* PA CLI number for ULOC is not included due to data issue

Mastercard

RCUL - November 2023 Portfolio At A Glance - MasterCard

	Actual	M/M Change	M/M Change %	Y/Y Change	Y/Y Change %	Q/Q Change	Q/Q Change %
OS Balance	$296.2MM	+$5.7MM	+1.96%	-$19.3MM	-6.13%	NA	NA
Accounts	276.2M	+32.6M	+13.38%	-16.6M	-5.66%	NA	NA
PD1 Balance	$9.8MM	+$0.5MM	+5.50%	-$1.7MM	-14.92%	NA	NA
PD1 Rate $%	3.32%	+0.11%	+3.47%	-0.34%	-9.37%	NA	NA
PD1-PD3 Balance	$14.0MM	+$0.6MM	+4.54%	-$1.8MM	-11.66%	NA	NA
PD1-PD3 Accounts	5.6M	+0.1M	+1.12%	-1.4M	-20.24%	NA	NA
PD1-PD3 Rate $%	4.71%	+0.12%	+2.53%	-0.29%	-5.89%	NA	NA
PD2+ Balance	$6.6MM	+$0.0MM	+0.02%	-$0.4MM	-5.97%	NA	NA
PD2+ Accounts	2.5M	-0.1M	-2.80%	-0.4M	-14.64%	NA	NA
PD2+ Rate $%	2.23%	-0.04%	-1.90%	+0.00%	+0.18%	NA	NA
PD4+ Balance	$2.5MM	-$0.1MM	-3.51%	-$0.3MM	-10.84%	NA	NA
PD4+ Accounts	1.0M	+0.0M	+3.68%	+0.0M	-1.10%	NA	NA
PD4+ Rate $%	0.84%	-0.05%	-5.37%	-0.04%	-5.02%	NA	NA
WO $	$1.1MM	+$0.2MM	+16.41%	-$0.2MM	-13.04%	NA	NA
WO Rate $%	4.65%	+0.58%	+14.18%	-0.37%	-7.36%	NA	NA
WO - BK $	$0.4MM	+$0.0MM	+2.32%	-$0.1MM	-14.68%	NA	NA
WO - BK Rate $%	1.43%	+0.01%	+0.36%	-0.14%	-9.11%	NA	NA
Net WO $	$1.1M	$0.2M	16.41%	-$0.2M	-13.04%	NA	NA
Net WO Rate $%	4.65%	+0.58%	+14.18%	-0.37%	-7.36%	NA	NA

Legend
+10% Increase of Balances or Accounts   +0.5% Increase of Rate   +10% Decrease of Balances or Accounts   +0.5% Decrease of Rate
Between +/- 10% Change of Balances or Accounts   Between +/- 0.5% Change of Rate   NA=Not Applicable * Accounts with credit limit > 0

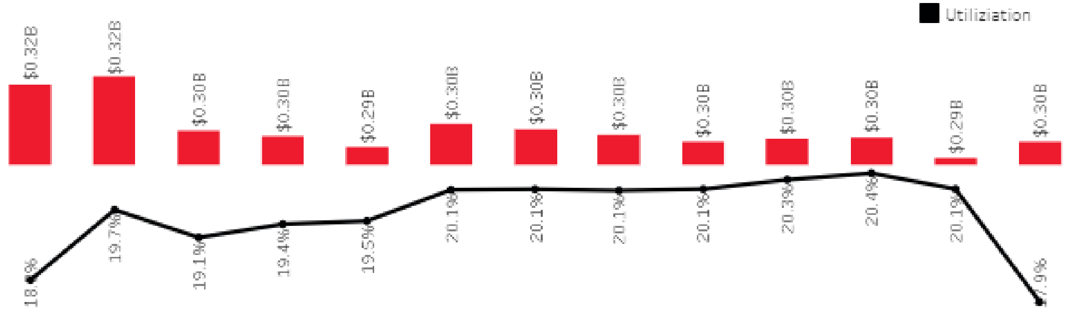
Mastercard

Current Month Snapshot - November 2023

		M/M | Y/Y
Credit Limit	$1.7B	+14.74% | -3.86%
Balance	$0.3B	+1.96% | -6.13%
Utilization	17.9%	-11.14% | -2.36%
PD2+%	2.23%	-1.90% | 0.18%
PD4+%	0.84%	-5.37% | -5.02%
Write Off	$1.1M	+16.41% | -13.04%
Write Off%	4.65%	14.18% | -7.36%
Bankruptcy	$0.4M	+2.32% | -14.68%
Credit Loss	$0.8M	+23.95% | -12.30%
Net WO	$1.1M	+16.41% | -13.04%
Net WO%	4.65%	14.18% | -7.36%

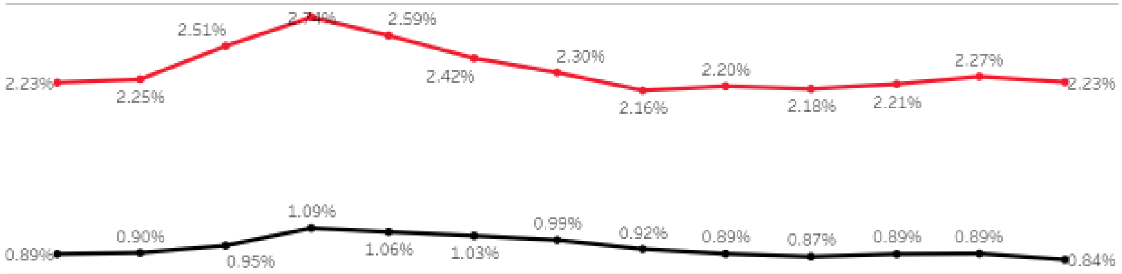
Monthly Trend until November 2023

Balance & Utilization



Delinquency 31+% , 91+%

(PD2+%, PD4+%)



Vintage 6MOB - 31+ % (PD2+ %)

Bankruptcy and Credit Losses