

What Scotiabank's 2025 annual report assumes, believes and expects

Source: Scotiabank - Annual Report, 2025 (236 pages). Public document.

Five assumptions worth your attention

These claims are never argued for directly, but the strategy depends on them.

Scotiabank bets it can lift return on equity to 14%+ by FY28, and that the large adjusting items excluded from adjusted results stop recurring.

Why it matters: 2025 return on equity was 9.7% reported and 11.8% adjusted, against the 14%+ objective, and 2025 adjusting items were a net charge of \$1,752 million after-tax. The pages read do not say which basis the objective uses.

What would prove or disprove it: Reported and adjusted return on equity for fiscal 2028 against 14%+, and the size of adjusting items in each year before then.

Mexico is a growth engine for the North American corridor, even though the bank's own outlook sees weak 2026 growth and little policy support.

Why it matters: Most incremental capital is directed to Canada, the U.S. and Mexico, yet the economic summary expects only marginal 2025 expansion and weak 2026 growth in Mexico. It also says Mexico's central bank has used up most of its easing space.

What would prove or disprove it: Mexico loan growth, earnings and provisions in the bank's fiscal 2026 International Banking results, compared with its weak-growth forecast.

The 2026 outlook assumes margins keep expanding and provisions fall, though 2025's margin gain came largely from lower funding costs after central bank rate cuts.

Why it matters: Net interest margin rose 17 basis points to 2.33% in 2025, while provision for credit losses rose to \$4,714 million, partly on an unfavourable outlook tied to U.S. tariffs. The document expects the Fed to cut another 100 basis points.

What would prove or disprove it: Net interest margin and provision for credit losses in each 2026 quarterly report, against 2.33% and \$4,714 million for 2025.

Minority stakes in KeyCorp and Bank of Xi'an are carried above market value on the assumption that their long-run value holds.

Why it matters: KeyCorp is carried at \$4,379 million against a market value of \$4,018 million, and Bank of Xi'an at \$729 million against \$617 million. The Xi'an test used a 2% terminal growth rate and an 11% discount rate (12% in 2024), after a \$343 million impairment last year.

What would prove or disprove it: Quarterly impairment results for Bank of Xi'an and KeyCorp's share price against its carrying value in the 2026 filings.

Deeper primary relationships and 'value over volume' are assumed to raise returns and cut credit risk, but no profit per primary client is shown.

Why it matters: The bank reports 420,000 new retail primary clients since the strategy launched, yet 2025 reported return on equity was 9.7% and provisions rose to \$4,714 million. The risk section says client primacy and lower-cost deposits help reduce credit risk, with no supporting figure.

What would prove or disprove it: Provision for credit losses ratio (62 basis points in 2025), deposit costs and return on equity as primary client counts grow through 2026 and 2027.

The fuller list

Sorted by how the document itself frames each claim.

Category	Claim	Source
<i>Stated outright</i>	Medium-term objectives: diluted EPS growth of 7%+ (five-year CAGR, FY23-FY28), positive operating leverage and a CET1 ratio of 12%+.	<i>Medium-term financial objectives</i>
<i>Stated outright</i>	Expects modest 2026 expense growth, excluding divestitures, as technology spend is partly offset by productivity initiatives, with positive operating leverage.	<i>Outlook</i>
<i>Stated outright</i>	Expects a loss of about \$300 million after-tax in Q1 2026 on the Davivienda closing, and a CET1 benefit of about 10 basis points.	<i>Significant Developments</i>
<i>Stated outright</i>	Capital and liquidity metrics are expected to remain strong in 2026; year-end 2025 CET1 was 13.2% and the liquidity coverage ratio was 128%.	<i>Outlook; Financial highlights</i>
<i>Stated outright</i>	Expects the Fed to cut another 100 basis points, while the Bank of Canada holds through the first half of 2026, then raises 50 basis points by end of 2026.	<i>Economic Summary</i>
<i>Stated outright</i>	Forecasts U.S. GDP growth of 1.6% in 2026 and Canadian growth of 1.4%, up from the 1.2% expected for Canada in 2025.	<i>Economic Summary</i>
<i>Stated outright</i>	Allowance for credit losses of \$7,654 million rests on four probability-weighted scenarios from Scotiabank Economics, with judgment in both forecasts and probability weights.	<i>Notes: allowance for credit losses</i>
<i>Stated outright (risk framing)</i>	Tariffs on non-CUSMA-compliant goods from Mexico and Canada could hurt key exports and create headwinds in the bank's priority markets.	<i>Risk Management, tariffs and trade policy</i>
<i>Stated outright (risk framing)</i>	Lagged effects of higher rates may keep raising delinquencies and provisions; collection effectiveness is called critical to impaired-loan momentum.	<i>Risk Management, client repayment</i>
<i>Stated outright (risk framing)</i>	Less support for climate regulation in the U.S. and Canada could limit clients' ability or willingness to cut emissions; the bank's climate finance goal is \$350 billion by 2030.	<i>Risk Management, climate change</i>
<i>Partly third-party</i>	Client experience is improving: Wealth Net Promoter Score is up 14 points since 2023, and awards such as Euromoney's Canada's Best Bank are cited.	<i>CEO message, via Euromoney</i>

Category	Claim	Source
<i>Asserted, no evidence shown</i>	Small Business clients are acquired at approximately twice the market rate; no market benchmark or measure is given.	<i>CEO message</i>
<i>Asserted, no evidence shown</i>	Share price performance is said to signal strong investor confidence, while the five-year annual total return of 17.1% is below the S&P/TSX Composite's 17.7%.	<i>CEO message; Overview of Performance</i>
<i>Asserted, no evidence shown</i>	A strong corporate culture is believed to be a strategic driver of performance; no measure linking culture to results is shown.	<i>CEO message</i>
<i>Aspiration, no numbers</i>	Embedding AI is expected to make the bank easier to deal with; the pages read give usage counts but no cost or revenue effect.	<i>CEO message</i>
<i>Implicit, derived from the figures</i>	The 40-50% dividend payout target implies earnings must grow into it: 2025 payout was 73.7% reported and 60.7% adjusted, with a \$1.10 quarterly dividend approved.	<i>Overview of Performance</i>
<i>Implicit, derived from the figures</i>	Moving from 9% adjusted expense growth in 2025 to modest growth implies productivity gains offset tech investment, while headcount fell to 86,431 from 88,488.	<i>Overview; Financial highlights</i>
<i>Standard legal boilerplate</i>	Management does not believe liabilities from pending litigation or regulatory proceedings will have a material adverse effect on the 2025 financial statements or results.	<i>Note on provisions and litigation</i>

Page numbers refer to the printed page numbers of the report. All amounts are as shown in the document.

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