



## Pre-announcement of Q4/14 Notable Items

November 4, 2014



# 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 United States Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the “safe harbour” provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements include, but are not limited to, statements made in this document, the Management’s Discussion and Analysis in the Bank’s 2013 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, expected financial results (including those in the area of risk management), and the outlook for the Bank’s businesses and for the Canadian, United States 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”, “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 our control, 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; significant market volatility and interruptions; the failure of third parties to comply with their obligations to us and our affiliates; the effect of changes in monetary policy; legislative and regulatory developments in Canada and elsewhere, including changes in tax laws; the effect of changes to our credit ratings; amendments to, and interpretations of, risk-based capital guidelines and reporting instructions and liquidity regulatory guidance; operational and 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; changes in accounting policies and methods the Bank uses to report its financial condition and financial performance, including uncertainties associated with critical accounting assumptions and estimates (see “Controls and Accounting Policies – Critical accounting estimates” in the Bank’s 2013 Annual Report); the effect of applying future accounting changes (see “Controls and Accounting Policies – Future accounting developments” in the Bank’s 2013 Annual Report); 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; consolidation in the Canadian financial services sector; competition, both from new entrants and established competitors; judicial and regulatory proceedings; acts of God, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments, including terrorist acts and war on terrorism; the effects of disease or illness on local, national or international economies; disruptions to public infrastructure, including transportation, communication, power and water; 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 starting on page 60 of the Bank’s 2013 Annual Report. Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2013 Annual Report under the headings “Overview – Outlook”, and for each business segment “Outlook”. These “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 important factors is not exhaustive. 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).



# Pre-announcement of Q4/14 Notable Items

- **Several notable items will be recorded in Q4/14 results:**
  - Changes in estimates and additional credit provisions
  - Restructuring charges
    - Improve the speed and quality of service to customers
    - Reduce costs in a sustainable manner and migrate to a “low cost by design” approach
    - Accelerate realization of acquisition synergies and achieve greater cost efficiencies
- **Aggregate impact on Q4/14 earnings:**
  - Changes in estimates and additional credit provisions
    - \$303 million pre-tax
    - \$231 million after-tax
  - Restructuring charges
    - \$148 million pre-tax
    - \$110 million after-tax
  - Total
    - \$451 million pre-tax
    - \$341 million after-tax
    - \$0.28 diluted earnings per share
- **CET 1 ratio impact of 10bps on Q4/14 results**



# Summary of Changes in Estimates and Additional Credit Provisions

<b>Changes in estimates and additional credit provisions relate to:</b>	<i>Pre-tax (\$ millions)</i>
<ul style="list-style-type: none"> <li>Revaluation of unremitted dividends from Banco del Caribe<sup>1</sup></li> </ul>	\$47
<ul style="list-style-type: none"> <li>Accelerated loan write-offs on unsecured bankrupt retail accounts in Canada</li> </ul>	\$62
<ul style="list-style-type: none"> <li>Additional legal provisions</li> </ul>	\$55
<ul style="list-style-type: none"> <li>Additional loan loss provisions, primarily in the Caribbean hospitality portfolio</li> </ul>	\$109
<ul style="list-style-type: none"> <li>Funding Valuation Adjustment, a new fair value component related to uncollateralized derivative receivables</li> </ul>	\$30
	<hr/> \$303

(1) In addition, the carrying value of our investment will be written down in Other Comprehensive Income by \$129 million.

# Restructuring Charges will Generate Sustainable Cost Savings

- **Restructuring charges relate to:**

- Canadian Banking
  - Centralize & automate a number of branch functions
  - Reduction in wealth management operational support
- International Banking
  - Branch optimization
- Global Banking & Markets
  - Reduction in a small number of front office employees
- Simplifying the Bank's senior management structure

*Pre-tax  
(\$ millions)*

\$148

- **These restructuring initiatives are expected to generate:**

- Ongoing annual cost savings of \$120 million once fully realized in 2016
- Only modest savings expected in the first half of 2015
- Approximately 50% of the savings are expected in Canadian Banking, with the balance primarily in International Banking



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