

## Strategy in action

## Investor Presentation

Third Quarter, 2012

August 28, 2012



## 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 U.S. 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 may include comments with respect to 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; the effect of applying future accounting changes; 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 discussion starting on page 63 of the Bank's 2011 Annual Report.

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.

The "Outlook" sections in this document are based on the Bank's views and the actual outcome is uncertain. Readers should consider the above-noted factors when reviewing these sections.

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).



# Strategy in action

## Overview

Rick Waugh  
President & Chief Executive Officer



## Q3 2012 Overview

- **Strong quarter**
  - Net income: \$2,051 million
  - EPS: \$1.69, including:
    - \$0.53 gain on the sale of Scotia Plaza
    - \$0.06 increase in the collective allowance
  - ROE: 24.6%
  - Revenue growth of 11% excluding the Scotia Plaza gain
- **Diversified business model continues to drive sustainable long-term growth**
- **Credit conditions in line with expectations**
- **Capital position remains strong and high quality**
- **Confident of achieving 2012 financial objectives**



## Solid Growth in Each Business Line

Business Line	Net Income	Revenue
Canadian Banking	16.5%	4.6%
International Banking	19.7%	22.4%
Global Wealth Management	18.7%	13.3%
Global Banking and Markets	8.0%	7.9%
All Bank	9.1%	9.2%

Note: Excludes \$286 million in acquisition-related gains in Q2/11, \$94 million and \$614 million after-tax real estate gains in Q1/12 and Q3/12, respectively.



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# Strategy in action

## Financial Review

Sean McGuckin

Executive Vice-President &  
Chief Financial Officer



## Continued Sustainable Profitability

Q3/12 <sup>1</sup>	Q2/12	Q/Q		Q3/11	Y/Y
\$1,437	\$1,460	(2%)	Net Income (\$MM)	\$1,303	10%
\$1.16	\$1.15	1%	EPS	\$1.10	5%
17.0%	18.6%	(160) bps	ROE	19.1%	(210) bps
53.9%	53.7%	20 bps	Productivity Ratio	53.7%	20 bps

(1) Excluding \$614 million or \$0.53 per share gain from the sale of Scotia Plaza

### Year-over-Year Comparison

#### Q3 earnings benefited from...

- Impact of acquisitions, particularly in Colombia
- Strong trading and insurance revenues
- Lower effective tax rate
- Growth in transaction-based banking fees

#### Partly offset by...

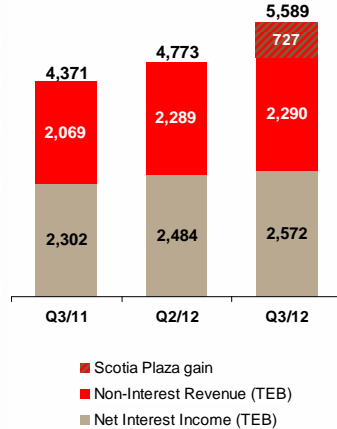
- Higher provisions and an increase in the collective allowance
- Lower underwriting and advisory fees
- Lower net gains on investment securities



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## Record Revenue

### Revenue (TEB) (\$ millions)



### Year-over-Year

- **Net interest income up 12%**
  - + Asset growth
  - + Impact of acquisitions, particularly Colombia
- **Non-interest revenues up 11% ex-Scotia Plaza gain**
  - + Higher banking fees from credit cards and deposits
  - + Stronger capital markets revenues
  - + Gain on sale of a leasing business
  - Lower net gains on investment securities

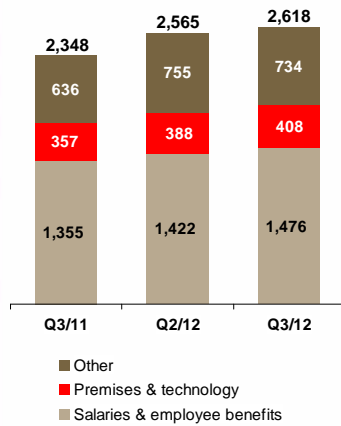
### Quarter-over-Quarter

- **Net interest income up 4%**
  - + Asset growth
  - Decline in core banking margin
- **Non-interest revenues flat ex-Scotia Plaza gain**
  - + Higher trading revenues
  - + Gain on sale of a leasing business
  - + Two additional days in the quarter
  - Lower wealth management and investment banking revenues

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## Expense Growth In Line with Business Performance

### Non-Interest Expenses (\$ millions)



### Year-over-Year

- **Expenses up 11%**
  - Acquisitions accounted for over 50% of increase
  - Higher expenses related to increased staffing levels
  - + Higher performance-based compensation in line with higher revenues

### Quarter-over-Quarter

- **Expenses up 2%**
  - Two additional days in the quarter

### Year-to-Date<sup>1</sup>

- **Operating leverage +0.4%**
  - + Each business line positive



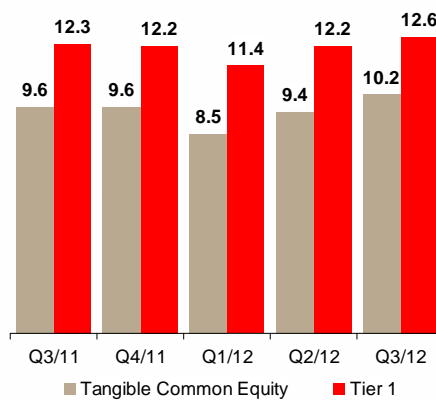
Scotiabank

(1) Excluding 2012 real estate gains and 2011 non-recurring acquisition gains and IFRS FX translation gains

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## Strong Capital Ratios: High Quality

### Capital Ratios (%)



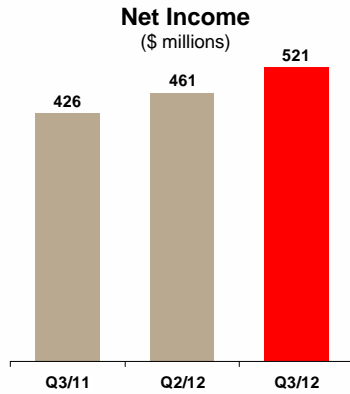
- **YTD internal capital generation of \$2,832MM (vs. \$2,238MM in 2011)**
- **YTD stock issued under DRIP: \$573MM (vs. \$463MM in 2011)**
- **Target of 7.0-7.5% common equity Tier 1 ratio under Basel III achieved as at Q3/12**



Scotiabank

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## Canadian Banking: Very Strong Performance



### Year-over-Year

- **Revenues up 7%**
  - + Strong asset and deposit growth
  - + \$32MM gain (after-tax) on sale of a leasing business
  - Margin decline
- **PCLs down \$28MM to \$118MM**
- **Expenses up 1%**

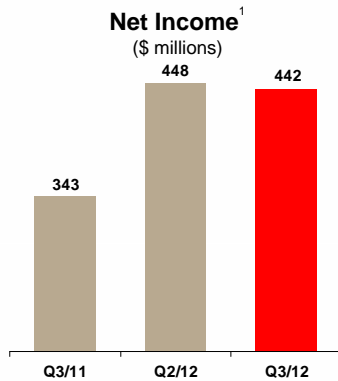
### Quarter-over-Quarter

- **Revenues up 7%**
  - + \$32MM gain (after-tax) on sale of a leasing business
  - + Higher transaction-driven card and deposit revenues
  - Modestly lower margin
- **PCLs down \$2MM to \$118MM**
- **Expenses up 3%**
  - + Two more days in the quarter
  - Higher marketing expenses



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## International Banking: Solid Quarter



(1) Before deducting non-controlling interest

### Year-over-Year

- **Revenues up 27%**
  - + Strong diversified loan and deposit growth
  - + Positive impact from recent acquisitions
  - + Wider margins in Peru and Asia
- **PCLs up \$42MM to \$168MM**
- **Expenses up 23%**
  - More than two thirds of growth due to acquisitions
  - Higher costs from annual inflationary increases and to support business growth

### Quarter-over-Quarter

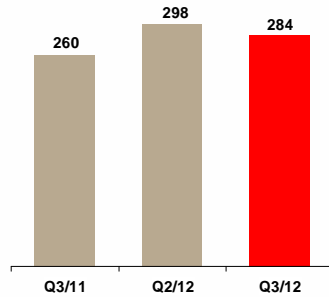
- **Revenues up 2%**
  - + Full quarter contribution of Colpatría
  - + Good retail loan and deposit growth
- **PCLs up \$23MM to \$168MM**
- **Expenses up 1%**
  - + Expense control remains a priority



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## Global Wealth Management: Solid Quarter

**Net Income**  
(\$ millions)



### Year-over-Year

- **Revenues up 5%**
  - + Strong growth across insurance and most wealth management businesses
  - + Good AUM/AUA growth
  - Lower brokerage revenues
- **Expenses flat**
  - + Lower brokerage commissions and performance-based compensation
  - + Discretionary expense management
- **Higher taxes (\$12MM) due to Ontario tax rate freeze impacting CI**

### Quarter-over-Quarter

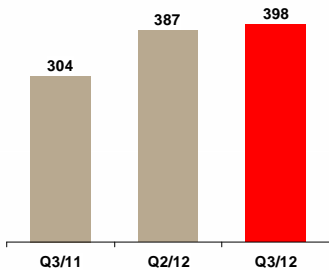
- **Revenues down 2%**
  - + Higher international wealth revenues
  - Lower brokerage and mutual fund revenues
- **Expenses down 3%**
  - + Lower volume related expenses and performance based compensation
- **Higher taxes (\$12MM) due to Ontario tax rate freeze impacting CI**



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## Global Banking & Markets: Very Strong Quarter

**Net Income**  
(\$ millions)



### Year-over-Year

- **Revenues up 18%**
  - + Higher fixed income and commodities revenues
  - + Solid asset growth
  - Modestly lower underwriting and advisory fees
- **PCLs up \$7MM to \$15MM**
- **Expenses up 14%**
  - Higher performance-based compensation and technology costs
  - Impact of the Howard Weil acquisition

### Quarter-over-Quarter

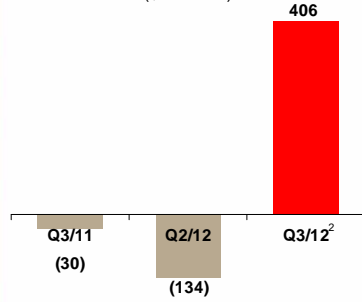
- **Revenues flat**
  - + Stronger fixed income and FX revenues
  - + Modestly higher revenues from Canadian lending businesses
  - Decline in precious metals revenues
- **PCLs of \$15MM vs. recoveries of \$1MM**
- **Expenses up 2%**
  - Full quarter impact of the Howard Weil acquisition



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## Other Segment<sup>1</sup>

**Net Income**  
(\$ millions)



### Q3/12

- + \$727MM gain on the sale of Scotia Plaza (\$614MM after-tax)
- \$100MM increase in the collective allowance

### Q2/12

- \$34MM impairment loss on investment securities
- \$25MM costs related to share issuance

### Q3/11

- + \$30MM reduction in the collective allowance



- (1) Includes Group Treasury, smaller operating segments, and other corporate items which are not allocated to a business line  
(2) \$134MM loss excluding after-tax Scotia Plaza gain and the increase to the collective allowance for performing loans

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# Strategy in action

## Risk Review

Rob Pitfield

Group Head and Chief Risk Officer





## Q3 2012 Risk Overview

- **Risk in credit portfolios continues to be well-managed**
  - Specific provisions remain in line with expectations
  - Increase in collective allowance on performing loans
    - In light of weaker global economic conditions
- **Improvement in net impaired loan formations**
- **Exposures to “GIIPS” countries in Europe not material**
- **Market risk remains low and well controlled**
  - Average 1-day all-bank VaR: \$20.0MM vs. \$18.3MM in Q2/12
- **Stress tests confirm appropriateness of risk appetite**



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## Credit Provisions In Line with Expectations

(\$ millions)	Q3/11	Q4/11	Q1/12	Q2/12	Q3/12
Canadian Retail	103	106	112	105	103
Canadian Commercial	43	29	24	15	15
	<b>146</b>	<b>135</b>	<b>136</b>	<b>120</b>	<b>118</b>
International Retail	116	129	125	133	151
International Commercial	10	29	(1)	12	17
	<b>126</b>	<b>158</b>	<b>124</b>	<b>145</b>	<b>168</b>
Global Wealth Management	–	1	–	–	1
Global Banking & Markets	8	17	5	(1)	15
Collective Allowance	<b>(30)</b>	<b>(30)</b>	–	–	<b>100</b>
Total	<b>250</b>	<b>281</b>	<b>265</b>	<b>264</b>	<b>402</b>
PCL ratio (bps) ex. collective allowance on performing loans	35	38	32	30	33
PCL ratio (bps)	32	34	32	30	44

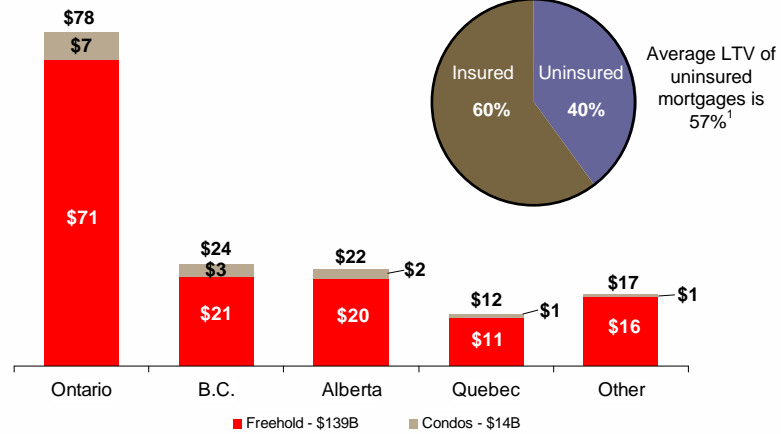


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## Canadian Banking: Residential Mortgage Portfolio

(\$ billions, as at July 31, 2012)

Total Portfolio: \$153



(1) LTV calculated based on the total outstanding balance secured by the property. Property values indexed using Stats Can New Housing Price Index.

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## Risk Outlook

- **Asset quality remains strong**
  - Retail and commercial portfolios performing as expected
  - Continued strength in Corporate portfolios
- **Combination of growth in portfolios and product mix will result in rising provisions**
  - Canadian Retail provisions stable
  - International Retail provisions will grow in line with portfolio growth, product mix, and a modest softening in economic conditions
  - Corporate and Commercial provisions remain modest



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# Strategy in action

## Canadian Banking 2012 Outlook

Anatol von Hahn

Group Head, Canadian Banking



### Canadian Banking: 2012 Outlook

- **Retail:**
  - Asset growth remains healthy but is expected to moderate in Q4
  - Focus on deposits, payments and wealth management
- **Small Business:**
  - Continued strong loan and deposit growth
- **Automotive:**
  - Expanded footprint and healthy volume growth
- **Commercial Banking:**
  - Pipeline remains strong
  - Continue to work with Global Transaction Banking to grow deposits
- **Margin:**
  - Steady, but remains under pressure
- **PCLs:**
  - Stabilized at low levels
- **Operating leverage for the year:**
  - Revenue growth is expected to outpace expense growth



# Strategy in action

## International Banking 2012 Outlook

Brian Porter  
Group Head, International Banking



### International Banking: 2012 Outlook

- **Stable outlook; moderating economic growth in Latin America**
- **PCLs are well-controlled; modest increases expected in line with portfolio growth**
- **Expect positive retail growth, as initiatives continue to perform well**
- **Commercial pipeline remains solid in Latin America, Mexico & Asia**
- **Continuing focus on prudent expense management**
- **Credito Familiar will leverage Mexico's Consumer & Micro Finance segment; Bank of Guangzhou regulatory process is progressing**



# Strategy in action

## Global Wealth Management 2012 Outlook

Chris Hodgson  
Group Head, Global Wealth Management



### Global Wealth Management: 2012 Outlook

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- **Strong results year to date**
- **GWM benefitting from business mix and geographic diversification**
- **Growing earnings from International businesses**
- **Consolidated online brokerage platform well positioned to grow**
- **Outlook for Wealth supported by strong AUM/AUA levels but impacted by markets**
- **Remain #2 among Canadian banks in mutual funds**
- **Global Insurance outlook remains strong**
- **Good deposit growth in Global Transaction Banking**
- **Continued scrutiny on expense management**



# Strategy in action

## Global Banking & Markets 2012 Outlook

Mike Durland

Group Head, Global Capital Markets  
& Co-CEO, Global Banking & Markets



### Global Banking & Markets: 2012 Outlook

- Ongoing strong results from diversified business platform
- Global uncertainty continues to challenge us, but the pipeline for M&A and advisory fees is reasonably strong
- Continued focus on core businesses and products and on growing the Global Wholesale Banking platform
- Global Transaction Banking continues to provide innovative opportunities for cross-sell, particularly around deposit growth
- Loan growth expected to be modest with stable margin
- PCLs to remain modest
- Expense management initiatives continue with objective of positive operating leverage

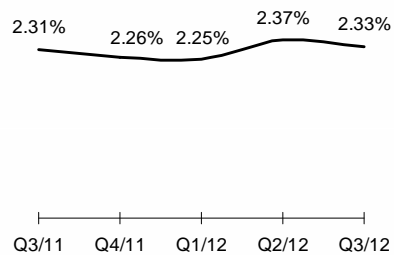


# Strategy in action

## Appendix



### Core Banking Margin (TEB)<sup>1</sup>



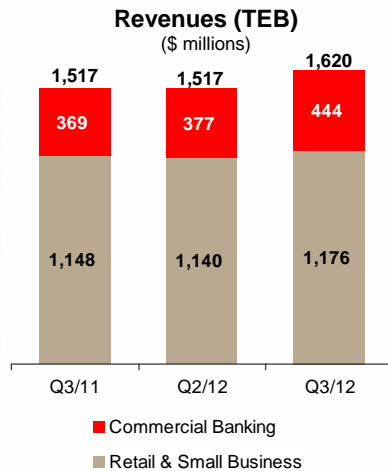
#### Quarter-over-Quarter

- Lower spreads in several international countries: -3 bps
- Higher volumes of DWBs: -2 bps
- Lower spreads in Canadian Banking: -1 bps
- Full quarter impact of Colpatría: +2 bps

(1) Represents net interest income (TEB) as a % of average earning assets excluding bankers acceptances and total average assets relating to the Global Capital Markets business within Global Banking and Markets.



## Canadian Banking: Solid Asset & Deposit Growth



### Year-over-Year

- **Retail & Small Business**
  - + Good residential mortgage and credit card growth
  - + Solid growth in chequing and high-interest savings deposits
  - Lower margin
- **Commercial Banking**
  - Lower margin
  - + Strong volume growth in commercial banking and auto loans
  - + Gain from the sale of a leasing business

### Quarter-over-Quarter

- **Retail & Small Business**
  - + Solid asset and deposit growth
  - Modestly lower margin
  - + Seasonally higher retail transaction-driven card revenues
- **Commercial Banking**
  - + Higher credit fees
  - + Gain from the sale of a leasing business

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## Canadian Banking: Volume Growth

Q3/12	Q2/12	Q/Q	Average Balances (\$ billions)	Q3/11	Y/Y
149.5	146.4	2.1%	Residential Mortgages	139.1	7.5%
39.7	38.7	2.6%	Personal Loans	37.4	6.2%
8.8	8.7	1.1%	Credit Cards <sup>1</sup>	8.8	-
28.3	27.3	3.7%	Business Loans & Acceptances	25.8	9.7%
104.0	103.4	0.6%	Personal Deposits	100.6	3.4%
43.6	41.6	4.8%	Non-Personal Deposits	40.1	8.7%

(1) Includes ScotiaLine VISA

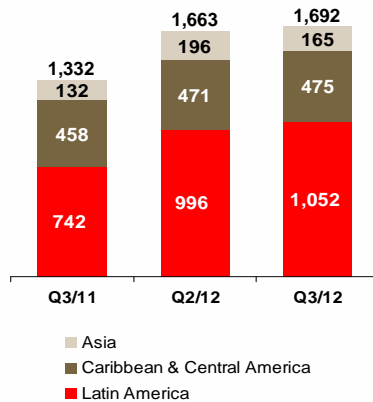


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## International Banking: Diversified Loan & Deposit Growth

Revenues (TEB)  
(\$ millions)



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### Year-over-Year

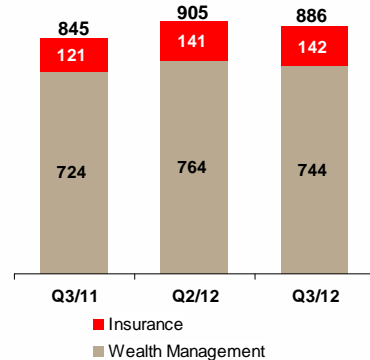
- **Latin America**
  - + Strong diversified retail and commercial loan growth
  - + Contribution of recent acquisitions
  - + Higher trading income
- **Caribbean & Central America**
  - + Solid retail and commercial loan growth
  - + Good growth in banking fees
- **Asia**
  - + Strong commercial loan growth and higher margins
  - Lower earnings from Thailand

### Quarter-over-Quarter

- **Latin America**
  - + Full quarter contribution from Colpatría
  - + Good loan and deposit growth in Peru
  - + Favourable change in FV of financial instruments used for ALM
- **Caribbean & Central America**
  - + Solid retail loan growth, and good deposit growth
  - Lower commercial banking fees
- **Asia**
  - Reduction in commercial loans
  - Lower earnings from Thailand

## Global Wealth Management: Solid Performance

Revenues (TEB)  
(\$ millions)



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### Year-over-Year

- **Wealth Management**
  - + Higher international wealth and Canadian private client businesses
  - Lower brokerage revenues
- **Insurance**
  - + Growth in global insurance revenues

### Quarter-over-Quarter

- **Wealth Management**
  - + Higher international wealth revenues
  - + Higher Canadian private client revenues
  - Lower brokerage and global asset management revenues
- **Insurance**
  - + Solid global insurance revenues

## Global Wealth Management: Key Metrics

(\$ billions)	Q3/11	Q4/11	Q1/12	Q2/12	Q3/12
Assets Under Administration	266	262	269	275	272
Assets Under Management	105	103	106	109	109
Mutual Funds Market Share in Canada vs. Schedule 1 Banks <sup>1</sup>	18.7%	18.4%	18.4%	18.4%	18.3%

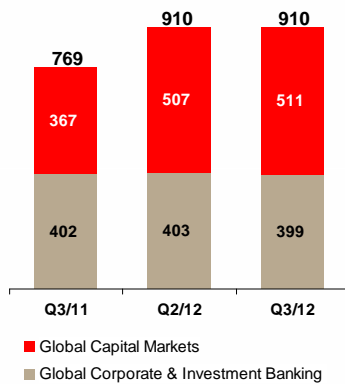
(1) Excludes Scotiabank's investment in CI Financial. Source: IFIC



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## Global Banking & Markets: Diversified Business Platform

### Revenues (TEB) (\$ millions)



### Year-over-Year

- **Global Capital Markets**
  - + Higher revenues in the fixed income and commodities businesses
- **Global Corp. & Investment Banking**
  - + Strong volume growth across all regions
  - + Small increase in margins
  - Lower advisory fees and credit fees

### Quarter-over-Quarter

- **Global Capital Markets**
  - + Strong revenues in the fixed income and FX businesses
  - Decline in precious metals revenues
- **Global Corp. & Investment Banking**
  - + Loan volume growth
  - Margin decline



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## Economic Outlook in Key Markets

Real GDP (Annual % Change)				
Country	2000-10 Avg.	2011e	2012F	2013F
Mexico	2.1	4.2	3.7	3.6
Peru	5.5	7.0	6.3	6.2
Chile	4.6	6.1	5.1	5.7
Jamaica	0.7	1.5	1.2	1.5
Colombia	4.0	5.9	4.9	5.0
Costa Rica	4.1	4.2	3.8	4.0
Dominican Republic	5.4	4.5	4.4	4.8
Thailand	4.4	0.1	5.0	4.0
	2000-10 Avg.	2011	2012F	2013F
Canada	2.2	2.4	1.9	1.8
U.S.	1.8	1.8	2.1	1.9



Source: Scotia Economics, as of August 1, 2012.

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## Unrealized Securities Gains

(\$ millions)	Q3/12	Q2/12
Emerging Market Debt	269	249
Other Debt	345	267
Equities	439	443
	<b>1,053</b>	<b>959</b>
Net Fair Value of Derivative Instruments and Other Hedge Amounts	(230)	(131)
<b>Total</b>	<b>823</b>	<b>828</b>



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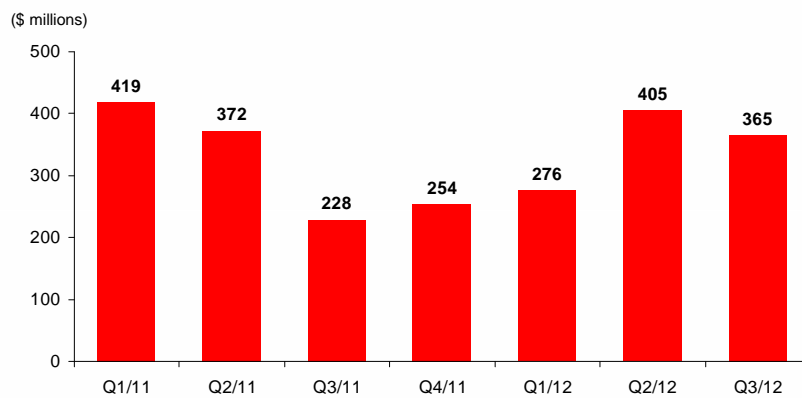
## PCL Ratios

(Total PCL as % of average loans & BAs)	Q3/11	Q4/11	Q1/12	Q2/12	Q3/12
<b>Canadian Banking</b>					
Retail	0.22	0.22	0.23	0.22	0.21
Commercial	0.66	0.45	0.36	0.22	0.22
<b>Total</b>	<b>0.27</b>	<b>0.25</b>	<b>0.25</b>	<b>0.22</b>	<b>0.21</b>
<b>International Banking</b>					
Retail	1.83	1.98	1.90	1.79	1.99
Commercial	0.09	0.25	0.00	0.09	0.13
<b>Total</b>	<b>0.73</b>	<b>0.87</b>	<b>0.65</b>	<b>0.71</b>	<b>0.81</b>
<b>Global Wealth Management</b>	<b>0.01</b>	<b>0.06</b>	<b>0.03</b>	<b>(0.01)</b>	<b>0.09</b>
<b>Global Banking and Markets</b>					
Corporate Banking	0.12	0.21	0.06	(0.01)	0.16
<b>All Bank (ex. collective allowance on performing loans)</b>	<b>0.35</b>	<b>0.38</b>	<b>0.32</b>	<b>0.30</b>	<b>0.33</b>
<b>All Bank</b>	<b>0.32</b>	<b>0.34</b>	<b>0.32</b>	<b>0.30</b>	<b>0.44</b>



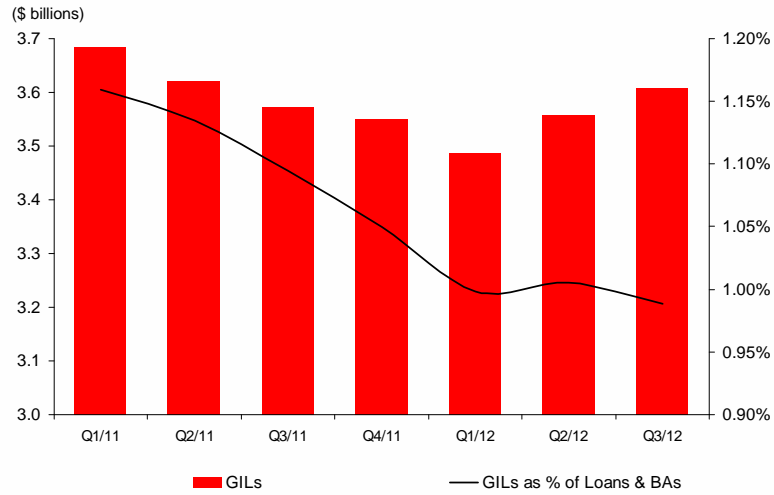
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## Net Impaired Loan Formations



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## Downward Trend in Gross Impaired Loans %

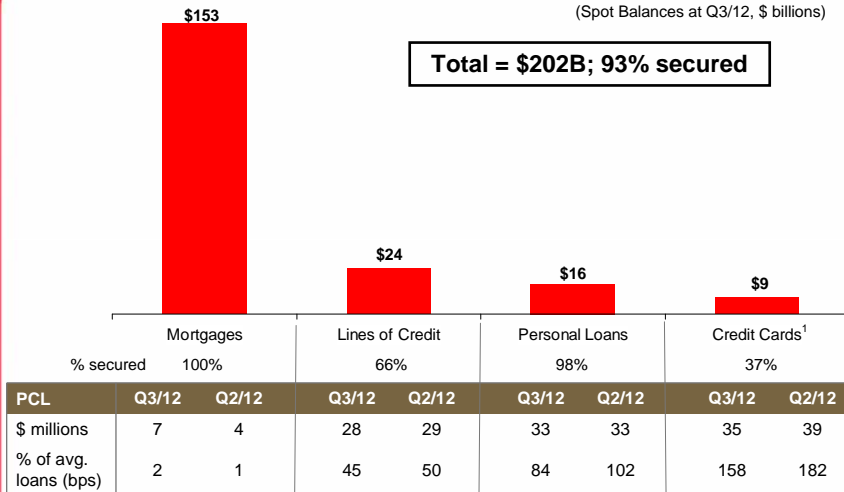


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## Canadian Banking Retail: Loans and Provisions

(Spot Balances at Q3/12, \$ billions)

**Total = \$202B; 93% secured**

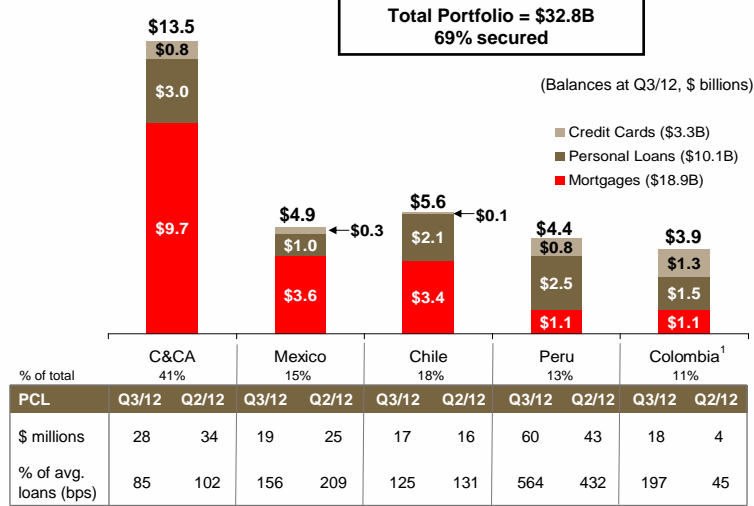


(1) Includes \$6 billion of Scotiabank VISA

Note: Includes Wealth Management balances of ~\$3 billion

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## International Retail Loans and Provisions

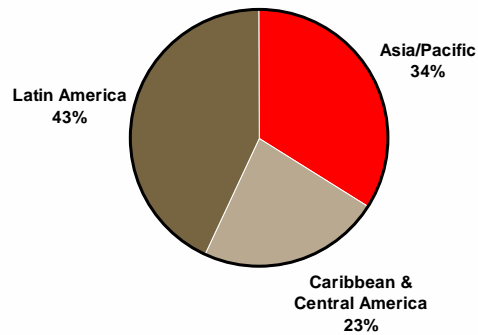


Note: Excludes non-material portfolios  
(1) Purchased portfolio recorded at fair value, which includes a discount for expected credit losses. The bank expects to see increased provisions as the purchased portfolio in Colombia rolls over and reaches a steady state.

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## International Banking Commercial Lending Portfolio

Q3/12 = \$53 billion



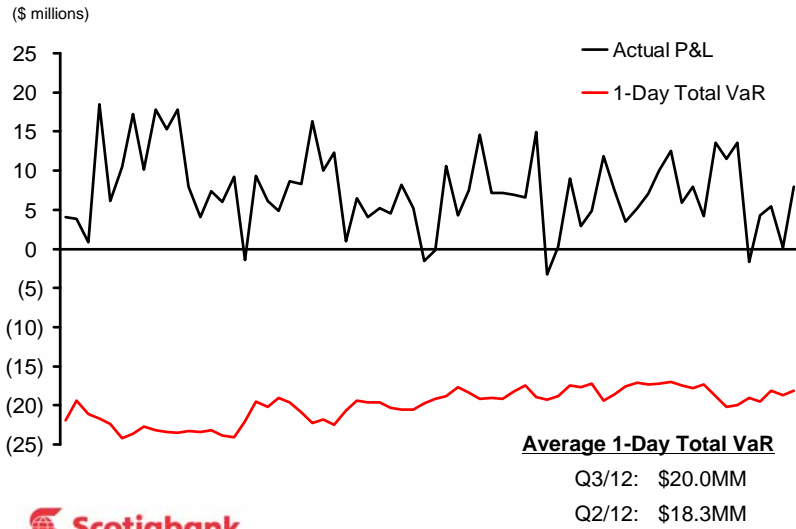
- Well secured
- Portfolios in Asia/Pacific, Mexico, Chile, Peru and Central America performing well
- Closely managing Caribbean hospitality portfolio

Note: Slide updated to report International Banking's average reported balances by region



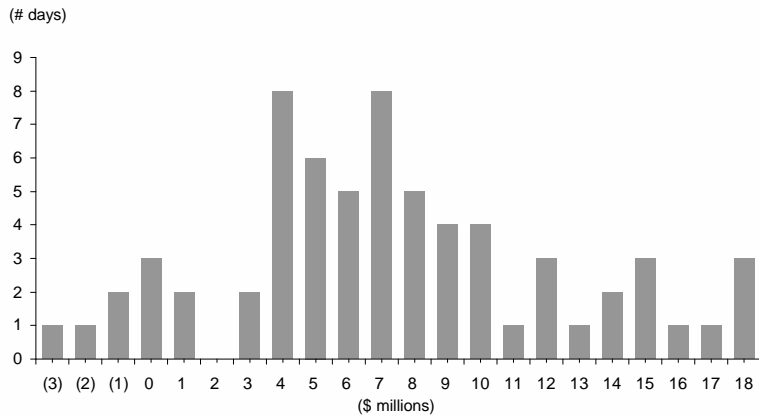
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### Q3 2012 Trading Results and One-Day Total VaR



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### Q3 2012 Trading Revenue Distribution



- 92% of days had positive results in Q3/12



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