News release via Canada NewsWire, Toronto 416-863-9350

Attention Business/Financial Editors:
Scotiabank reports 2009 fourth quarter net income of $902 million, up substantially from last year

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Scotiabank's 2009 audited annual consolidated financial statements, accompanying management's discussion & analysis (MD&A) will be available today at www.scotiabank.com, along with the supplementary financial information report which includes fourth quarter financial information.
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Fiscal 2009 Highlights (year over year)

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- Earnings per share (diluted) of $3.31 versus $3.05
- Net income of $3.547 billion, up 13% from last year
- ROE was 16.7%
- Productivity ratio of 53.7%, versus 59.4%
- Annual dividends per share of $1.96, increased by 2.1%, compared to $1.92
- Tier 1 capital ratio of 10.7%, compared to 9.3% last year
- Tangible common equity ratio of 8.2% compared to 6.6% last year
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Fourth Quarter Highlights (versus Q4, 2008)

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- Earnings per share (diluted) of $0.83 compared to $0.28
- Net income of $902 million, up from $315 million
- ROE of 16.4%
- Productivity ratio of 54.2%, versus 75.2%
- Maintained quarterly dividend of $0.49
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Fiscal 2009 Performance versus Objectives

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The Bank met or exceeded all of its four key financial and operational objectives this year as follows:

1. TARGET: Generate growth in EPS (diluted) of 7 to 12% per year. The year-over-year EPS growth was 8.5%
2. TARGET: Earn a return on equity (ROE) of 16 to 20%. For the full year, Scotiabank earned an ROE of 16.7%
3. TARGET: Maintain a productivity ratio of less than 58%. Scotiabank's performance was 53.7%
4. TARGET: Maintain sound capital ratios. At 10.7%, the Tier 1 capital ratio remains strong.
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TORONTO, Dec. 8 /CNW/ - Scotiabank achieved net income of $3.547 billion for 2009, meeting or exceeding its four key financial and operational targets. Earnings per share (EPS) (diluted) were $3.31, compared to $3.05 in 2008. Return on equity (ROE) was 16.7%, an industry-leading level.

Net income for the quarter ended October 31, 2009 was $902 million, versus $315 million for the same period last year. EPS (diluted) were $0.83, compared to $0.28.

"Despite the challenges of the past year, results for the fourth quarter rounded out a very strong year for Scotiabank and I am pleased to report that we have met all of the targets established at the end of last year," said Rick

Waugh, President and CEO. "Our strategy of diversification by business and geography, and our focus on aggressively managing risk has again enabled our Bank to earn through the challenges of volatile markets and difficult economic conditions.

"Canadian Banking had another record quarter with an 8% net income increase over the same period a year ago. The division benefited from increases in residential mortgages and revolving credit, while growth in personal and non-personal deposits reflected customers' preference for safe and liquid investments during periods of uncertainty. Gains in wealth management underscore our ability to be successful in a highly competitive market.

"With its second strongest quarter on record, Scotia Capital reported net income of $353 million, up from $44 million from the same quarter last year. Gains were made in credit fees, investment banking revenues and strong trading activities, but offset by lower loan volumes and foreign exchange revenues. The year-over-year increase was offset by higher provisions for loan losses, which have now started to moderate.

"International Banking reported net income of $283 million, up from $227 million in the same quarter last year, due in part to contributions from acquisitions and growth in retail loans. Results in the same quarter last year were adversely affected by fair value changes on certain investments and other valuation adjustments.

"Scotiabank's strong capital position and continued profitability, with an industry-leading ROE of 16.7%, has enabled us to reward shareholders for their confidence in our organization by providing consistent quarterly dividends, which we have maintained at $0.49 cents per share.

"I would like to thank our great team of employees around the world for their continued dedication to serving our customers through some very difficult times. One of Scotiabank's competitive strengths is our people, and I appreciate the efforts that our employees have made, which have contributed to the Bank's success in 2009.

"We will continue to focus on our priorities of driving sustainable revenue growth; ensuring effective capital management that will allow us to explore opportunities for growth and provide shareholders with solid returns; and developing the Bank's leadership at all levels of the organization. We are also committed to maintaining prudent risk and expense management.

"Looking ahead, the environment continues to be challenging, but we have the right strategy and the right team. As we move into a new year, I am optimistic that our well-diversified businesses, each with excellent growth opportunities, and our commitment to serving our shareholders, employees, customers and communities, will enable us to succeed.

"By emphasizing our priorities and core competencies, and continuing our tradition of excellence in execution against our strategic goals, we are well positioned to achieve our targets for the next year and beyond."

Financial Highlights

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| | As at and for the three months ended | | | For the year ended | |
|---|---|---|---|---|---|
| (Unaudited) | October 31 2009 | July 31 2009 | October 31 2008 | October 31 2009 | October 31 2008 |
| Operating results ($ millions) | | | | | |
| Net interest income | 2,099 | 2,176 | 1,941 | 8,328 | 7,574 |
| Net interest income (TEB(1)) | 2,172 | 2,244 | 2,036 | 8,616 | 7,990 |
| Total revenue | 3,735 | 3,775 | 2,491 | 14,457 | 11,876 |
| Total revenue (TEB(1)) | 3,808 | 3,843 | 2,586 | 14,745 | 12,292 |
| Provision for credit losses | 420 | 554 | 207 | 1,744 | 630 |

| | | | | | |
|---|---|---|---|---|---|
| Non-interest expenses | 2,064 | 1,959 | 1,944 | 7,919 | 7,296 |
| Provision for income taxes | 321 | 303 | 2 | 1,133 | 691 |
| Provision for income taxes (TEB(1)) | 394 | 371 | 97 | 1,421 | 1,107 |
| Net income | 902 | 931 | 315 | 3,547 | 3,140 |
| Net income available to common shareholders | 853 | 882 | 283 | 3,361 | 3,033 |
| Operating performance | | | | | |
| Basic earnings per share ($) | 0.84 | 0.87 | 0.28 | 3.32 | 3.07 |
| Diluted earnings per share ($) | 0.83 | 0.87 | 0.28 | 3.31 | 3.05 |
| Return on equity(1)(2) (%) | 16.4 | 17.3 | 6.0 | 16.7 | 16.7 |
| Productivity ratio (%) (TEB(1)) | 54.2 | 51.0 | 75.2 | 53.7 | 59.4 |
| Net interest margin on total average assets (%) (TEB(1)(2)) | 1.74 | 1.76 | 1.68 | 1.68 | 1.75 |
| Balance sheet information ($ millions) | | | | | |
| Cash resources and securities(2) | 160,572 | 148,257 | 125,353 | | |
| Loans and acceptances(2) | 275,885 | 276,815 | 300,649 | | |
| Total assets(2) | 496,516 | 486,469 | 507,625 | | |
| Deposits | 350,419 | 333,728 | 346,580 | | |
| Preferred shares | 3,710 | 3,710 | 2,860 | | |
| Common shareholders' equity(2) | 21,062 | 20,300 | 18,782 | | |
| Assets under administration | 215,097 | 207,913 | 203,147 | | |
| Assets under management | 41,602 | 39,806 | 36,745 | | |
| Capital measures | | | | | |
| Tier 1 capital ratio (%) | 10.7 | 10.4 | 9.3 | | |
| Total capital ratio (%) | 12.9 | 12.7 | 11.1 | | |
| Tangible common equity to risk-weighted assets(1)(3) (%) | 8.2 | 7.9 | 6.6 | | |
| Risk-weighted assets ($ millions) | 221,656 | 221,494 | 250,591 | | |
| Credit quality | | | | | |
| Net impaired loans(4) ($ millions) | 2,563 | 2,509 | 1,191 | | |
| General allowance for credit losses ($ millions) | 1,450 | 1,450 | 1,323 | | |

| | | | | | |
|---|---|---|---|---|---|
| Sectoral allowance ($ millions) | 44 | 48 | - | | |
| Net impaired loans as a % of loans and acceptances(4) | 0.93 | 0.91 | 0.40 | | |
| Specific provision for credit losses as a % of average loans and acceptances (annualized) | 0.63 | 0.64 | 0.29 | 0.54 | 0.24 |
| Common share information | | | | | |
| Share price ($) | | | | | |
| High | 49.19 | 46.51 | 51.55 | 49.19 | 54.00 |
| Low | 42.95 | 33.75 | 35.25 | 23.99 | 35.25 |
| Close | 45.25 | 45.92 | 40.19 | | |
| Shares outstanding (millions) | | | | | |
| Average - Basic | 1,021 | 1,017 | 990 | 1,013 | 987 |
| Average - Diluted | 1,024 | 1,020 | 994 | 1,016 | 993 |
| End of period | 1,025 | 1,020 | 992 | | |
| Dividends per share ($) | 0.49 | 0.49 | 0.49 | 1.96 | 1.92 |
| Dividend yield(5) (%) | 4.3 | 4.9 | 4.5 | 5.4 | 4.3 |
| Market capitalization ($ millions) | 46,379 | 46,858 | 39,865 | | |
| Book value per common share(2) ($) | 20.55 | 19.89 | 18.94 | | |
| Market value to book value multiple(2) | 2.2 | 2.3 | 2.1 | | |
| Price to earnings multiple (trailing 4 quarters) | 13.6 | 16.6 | 13.1 | | |
| Other information | | | | | |
| Employees | 67,802 | 67,482 | 69,049 | | |
| Branches and offices | 2,686 | 2,689 | 2,672 | | |

(1) Non-GAAP measure. Refer to Non-GAAP measures section of this press release for a discussion of these measures.
(2) Comparative amounts for 2009 have been adjusted to reflect the impact of the new accounting standard for classification and impairment of financial assets. Refer to New Accounting Policies below for details.
(3) Comparative amounts have been restated to reflect a new definition of tangible common equity. Refer to Non-GAAP measures below.
(4) Net impaired loans are impaired loans less the specific allowance for credit losses.
(5) Based on the average of the high and low common share price for the period.
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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 the results of its operations, 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 62 of the Bank's 2009 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 and on the EDGAR section of the SEC's website at www.sec.gov

## Non-GAAP measures

The Bank uses a number of financial measures to assess its performance. Some of these measures are not calculated in accordance with Generally Accepted Accounting Principles (GAAP), are not defined by GAAP and do not have standardized meanings that would ensure consistency and comparability between companies using these measures. These non-GAAP measures are used throughout this report and defined below:

### Taxable equivalent basis

The Bank analyzes net interest income and total revenues on a taxable equivalent basis (TEB). This methodology grosses up tax-exempt income earned on certain securities reported in net interest income to an equivalent before tax basis. A corresponding increase is made to the provision for income taxes; hence, there is no impact on net income. Management believes that this basis for measurement provides a uniform comparability of net interest income arising from both taxable and non-taxable sources and facilitates a consistent basis of measurement. While other banks also use TEB, their methodology may not be comparable to the Bank's. The TEB gross-up to net interest income and to the provision for income taxes for 2009 was $288 million versus $416 million in the prior year.

For purposes of segmented reporting, a segment's net interest income and provision for income taxes are grossed up by the taxable equivalent amount. The elimination of the TEB gross up is recorded in the "Other" segment.

### Productivity ratio (TEB)

Management uses the productivity ratio as a measure of the Bank's efficiency. This ratio represents non-interest expenses as a percentage of total revenue on a taxable equivalent basis.

### Net interest margin on total average assets (TEB)

This ratio represents net interest income on a taxable equivalent basis as a percentage of total average assets.

### Operating leverage

The Bank defines operating leverage as the rate of growth in total revenue, on a taxable equivalent basis, less the rate of growth in expenses.

### Return on equity

Return on equity is a profitability measure that presents the net income available to common shareholders as a percentage of common shareholders' equity. The Bank calculates its return on equity using average common shareholders' equity.

### Economic equity and return on economic equity

For internal reporting purposes, the Bank attributes capital to its business lines based on their risk profile and uses a methodology that considers credit, market, operational and other risks inherent in each business line. The amount of risk capital attributed is commonly referred to as economic equity. Return on equity for the business lines is based on the economic equity attributed.

### Tangible common equity to risk-weighted assets

Tangible common equity to risk-weighted assets is an important financial measure for rating agencies and the investing community. Tangible common equity is total common shareholders' equity, plus non-controlling interest in subsidiaries, less goodwill and unamortized intangible assets. Tangible common equity is presented as a percentage of risk-weighted assets.

Regulatory capital ratios, such as Tier 1 and Total Capital ratios, have standardized meanings as defined by the Office of the Superintendent of Financial Institutions Canada (OSFI).

Fourth Quarter Review

Net income was $902 million in the fourth quarter, an increase of $587 million from the same quarter last year, but $29 million below last quarter. The increase mainly reflected $642 million of after-tax charges taken last year related to certain trading activities and valuation adjustments, as well as the impact of new acquisitions. This was partly offset by the negative impact of foreign currency translation, and an increase in the provision for credit losses.

Total revenue

Total revenue (on a taxable equivalent basis) was $3,808 million this quarter, an increase of $1,222 million from last year, notwithstanding a negative foreign currency translation impact of $109 million. Quarter over quarter, total revenue declined $35 million or 1%, entirely from a negative impact of foreign currency translation of $91 million.

Net interest income

Net interest income (on a taxable equivalent basis) was $2,172 million in the fourth quarter, an increase of $136 million over the same quarter of last year, but a decrease of $72 million from last quarter. The impact of foreign exchange translation was negative $75 million over the same quarter last year, and negative $64 million compared to the third quarter. The increase in net interest income from the same quarter last year reflected growth in average assets of $14 billion or 3%, due mainly to solid growth in retail lending in Canadian Banking.

The Bank's net interest margin was 1.74% in the fourth quarter, an increase of 6 basis points from last year due to the positive impact of the change in fair value of financial instruments used for asset/liability management purposes and wider spreads in the corporate loan portfolio.

The Bank's net interest margin narrowed by 2 basis points from last quarter as the unfavourable impact of the change in the fair value of financial instruments more than offset lower volumes of non-earning assets.

Other income

Other income was $1,636 million in the fourth quarter, $1,086 million above last year, notwithstanding a negative foreign currency translation impact of $34 million. The increase was due mainly to the charges taken last year which totaled $796 million. In addition, there were significant increases in trading revenues, credit fees, underwriting fees and mutual fund revenues.

Quarter over quarter, other income was up $37 million or 2%, notwithstanding a negative foreign currency translation impact of $27 million. This was mainly from higher net gains on securities, growth in mutual fund revenues, and higher credit and underwriting fees in Scotia Capital. These were partially offset by lower securitization revenues and a decline in trading revenues from the record levels in the previous quarter.

Provision for credit losses

The provision for credit losses was $420 million this quarter, comprised of $424 million in specific provisions and a $4 million reduction in the automotive sectoral allowance, which was reclassified to specific provisions.

The total provision was up $213 million from the same period last year, but down $134 million from last quarter. Year-over-year provisions rose across all business lines as a result of global economic conditions. Quarter-over-quarter provisions were down due mainly to an increase of $100 million in the general allowance in the prior quarter, as well as lower provisions in Scotia Capital.

The provision for credit losses was $190 million in Canadian Banking, comprised of $192 million in specific provisions and a $2 million reduction in the automotive sectoral allowance reclassified to specific provisions. The total provision was up from $107 million in the same quarter last year and from $169 million in the previous quarter. Both increases were due mainly to higher retail provisions in the unsecured lending portfolios related primarily to credit cards and, to a lesser extent, the indirect automotive portfolio.

International Banking's provision for credit losses was $167 million in the fourth quarter, compared to $90 million in the same period last year, and $179 million last quarter. Commercial provisions were up over the same period last year due partially to substantial levels of reversals in Mexico and Peru in the prior year. Increased provisions from last year also reflect higher retail provisions related to the acquisition in Peru. The decrease in provisions from last quarter was attributable to the retail portfolios, where there was modest improvement in loss trends across most regions. However, commercial provisions increased from last quarter, primarily in Asia, Peru, and the Caribbean.

Scotia Capital's provision for credit losses was $63 million in the fourth quarter, comprised of $65 million in specific provisions and a $2 million reduction in the automotive sectoral allowance reclassified to specific provisions. The total provision was up from $10 million in the fourth quarter of last year, but down from $106 million in the previous quarter. The new provisions in this quarter were related primarily to several accounts in the U.S. and, to a lesser extent, in Canada.

Total net impaired loans, after deducting the allowance for specific credit losses, were $2,563 million as at October 31, 2009, an increase of $54 million from last quarter.

The general allowance for credit losses was $1,450 million as at October 31, 2009, unchanged from last quarter. The sectoral allowance for the automotive industry was $44 million, down $4 million from last quarter.

## Non-interest expenses and productivity

Non-interest expenses were $2,064 million in the fourth quarter, an increase of $120 million or 6% from the same quarter last year. Recent acquisitions accounted for approximately $23 million of this growth. Excluding the impact of these acquisitions and the positive effect of foreign currency translation of $59 million, the year-over-year growth was due primarily to higher performance-driven and stock-based compensation, capital taxes, and loyalty reward point costs.

Quarter over quarter, non-interest expenses were up $105 million or 5%. The increase was primarily from higher performance-driven and stock-based compensation, advertising expenses driven by growth initiatives, and technology and professional fees from higher project spending. Partly offsetting these items was the favourable impact of foreign currency translation.

The productivity ratio was 54.2% this quarter, compared to 75.2% reported for the same period last year and 51.0% last quarter. The significant year-over-year improvement reflected strong revenue growth of 47.3%, partly from the charges taken last year, and an increase in expenses of 6.2%.

## Taxes

The Bank's effective tax rate was 25.7%, compared to 0.6% reported for the same period last year and 24.0% last quarter. The low tax rate a year ago was due primarily to the pre-tax charges taken in that quarter related to certain trading activities and valuation adjustments, which were in higher tax jurisdictions. The increase from last quarter was due to lower income in lower tax rate jurisdictions.

Common dividend

The Board of Directors, at its meeting on December 7, 2009, approved a quarterly dividend of 49 cents per common share payable on January 27, 2010, to shareholders of record at the close of business on January 5, 2010.

Outlook

The global economy is transitioning from recession to recovery, although the return to positive growth is far from robust and highly uneven among countries, regions and sectors. Many of the large developed nations are recording modest to moderate growth.

A number of positive factors should continue to support a gradual strengthening of global growth including government incentives to stimulate the economy, very low borrowing costs, a rebound in commodities and emerging markets, and a gradual revival in consumer demand.

The Bank expects continued growth in 2010 with solid contributions from each of its business lines. In view of this outlook, the following targets have been established for 2010:

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- TARGET: Generate growth in EPS (diluted) of 7 to 12% per year.
- TARGET: Earn a return on equity (ROE) of 16 to 20%.
- TARGET: Maintain a productivity ratio of less than 58%.
- TARGET: Maintain sound capital ratios.

Business Segment Review
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Canadian Banking

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| (Unaudited) ($ millions) (Taxable equivalent basis)(1) | For the three months ended October 31 2009 | July 31 2009 | October 31 2008 | For the year ended October 31 2009 | October 31 2008 |
|---|---|---|---|---|---|
| Business segment income | | | | | |
| Net interest income(2) | $ 1,280 | $ 1,212 | $ 1,160 | $ 4,785 | $ 4,324 |
| Provision for credit losses | 190 | 169 | 107 | 702 | 399 |
| Other income | 606 | 593 | 554 | 2,279 | 2,174 |
| Non-interest expenses | 991 | 933 | 939 | 3,757 | 3,632 |
| Provision for income taxes | 202 | 203 | 202 | 754 | 743 |
| Net Income | $ 503 | $ 500 | $ 466 | $ 1,851 | $ 1,724 |

Other measures

| | | | | | |
|---|---|---|---|---|---|
| Return on economic equity(1) | 22.1% | 22.3% | 38.0% | 22.3% | 35.6% |
| Average assets ($ billions) | $ 196 | $ 193 | $ 185 | $ 192 | $ 175 |

(1) Non-GAAP measure. Refer to Non-GAAP measures section of this press release for a discussion of these measures.
(2) Commencing in 2009, net interest income includes liquidity premium charges arising from a refinement in the Bank's transfer pricing. Prior periods have not been reclassified. Refer to footnote (4) in Other.

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Q4 2009 vs Q4 2008

Canadian Banking net income for the quarter was a record $503 million, up $37 million or 8% from the same quarter last year. Return on economic equity was 22.1% versus 38.0% last year, due largely to increased allocated capital relating to the acquisition of E(x)Trade Canada (renamed Scotia iTRADE) and the significant investment in CI Financial.

Average assets before securitization rose $11 billion or 6% from the fourth quarter last year, due primarily to growth of $8 billion or 7% in residential mortgages, which resulted in market share growth of 18 basis points versus the other major banks in 2009. Revolving credit increased by $5 billion or 17% year over year. Personal deposits grew by $7 billion or 7%, reflecting customers' preference for safe and liquid investments during a period of economic uncertainty. Non-personal deposits rose $9 billion or 19% from growth in savings and current accounts. Assets under administration grew 7% from the fourth quarter of last year, reflecting improved market conditions in the latter half of 2009.

Total revenue rose $172 million or 10% from the same quarter last year, due to growth in both net interest income and other income.

Net interest income was $1,280 million, up $120 million or 10% from the fourth quarter of last year. The increase was due mainly to strong volume growth in both assets and deposits.

Other income increased by $52 million or 9% from the same quarter of last year, due largely to higher wealth management revenues, including contributions from CI Financial and Scotia iTRADE.

The provision for credit losses was $190 million in Canadian Banking, comprised of $192 million in specific provisions and a $2 million reduction in the automotive sectoral allowance reclassified to specific provisions. The total provision was up from $107 million in the same quarter last year. The increase was due mainly to higher retail provisions in the unsecured lending portfolios related primarily to credit cards and, to a lesser extent, the indirect automotive portfolio.

Non-interest expenses increased 6% from the fourth quarter of last year reflecting higher VISA reward point costs and performance and stock-based compensation.

Q4 2009 vs Q3 2009

Quarter over quarter, net income increased $3 million or 1%.

Compared to last quarter, average assets before securitization rose $3 billion or 2%, reflecting growth in residential mortgages as a result of historically low interest rates. Deposits increased 1% from growth in current accounts and high-interest savings accounts. Assets under administration grew 8% from last quarter, primarily reflecting market appreciation.

Total revenues increased by $81 million or 5% quarter over quarter also from higher net interest income and other income.

Compared to last quarter, net interest income was up $68 million or 6% due mainly to asset growth and an improved interest margin, reflecting portfolio re-pricing and low wholesale funding costs.

Other income grew by $13 million or 2% from last quarter, mostly from improving results in wealth management and retail banking due to improved market conditions.

As noted above, the provision for credit losses in Canadian Banking was $190 million, and this was up from $169 million in the previous quarter. The increase was due mainly to the higher retail provisions in the unsecured lending portfolios related particularly to credit cards and, to a lesser extent, the indirect automotive portfolio.

Expenses rose 6% quarter over quarter, due mainly to higher VISA reward point costs, performance and stock-based compensation, volume-related compensation in wealth management and seasonal expenses.

International Banking

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| (Unaudited) ($ millions) (Taxable equivalent basis)(1) | For the three months ended October 31 2009 | July 31 2009 | October 31 2008 | For the year ended October 31 2009 | October 31 2008 |
|---|---|---|---|---|---|
| Business segment income | | | | | |
| Net interest income(2) | $ 888 | $ 979 | $ 940 | $ 3,773 | $ 3,315 |
| Provision for credit losses | 167 | 179 | 90 | 577 | 236 |
| Other income | 364 | 296 | 228 | 1,480 | 1,282 |
| Non-interest expenses | 741 | 718 | 753 | 2,960 | 2,634 |
| Provision for income taxes | 33 | 38 | 75 | 287 | 422 |
| Non-controlling interest in net income of subsidiaries | 28 | 28 | 23 | 114 | 119 |
| Net Income | $ 283 | $ 312 | $ 227 | $ 1,315 | $ 1,186 |
| Other measures | | | | | |
| Return on economic equity(1) | 10.2% | 10.9% | 10.5% | 12.5% | 15.5% |
| Average assets ($ billions) | $ 81 | $ 87 | $ 88 | $ 90 | $ 79 |

(1) Non-GAAP measure. Refer to Non-GAAP measures section of this press release for a discussion of these measures.
(2) Commencing in 2009, net interest income includes liquidity premium charges arising from a refinement in the Bank's transfer pricing. Prior periods have not been reclassified. Refer to footnote (4) in Other.

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Q4 2009 vs Q4 2008

International Banking's net income in the fourth quarter was $283 million, an increase of $56 million or 25% from last year. The increase mainly reflected charges relating to valuation adjustments last year, as well as a lower effective tax rate, partially offset by the unfavourable impact of foreign currency translation.

Total revenues were $1,252 million, an increase of 7% over the same period last year, benefiting from acquisitions and higher securities gains. Growth in average retail loans of $1.7 billion or 8%, excluding foreign currency translation, was partly offset by lower commercial loan volumes.

Net interest income was $888 million in the fourth quarter, a decrease of $52 million from the same quarter last year. This decrease reflected the adverse impact of foreign currency translation, partially offset by the benefit attributable to acquisitions and the growth in retail loans. Other income of $364 million increased $136 million over the same quarter last year, partly reflecting last year's valuation adjustments, in addition to higher securities gains this quarter.

The specific provision for credit losses was $167 million in the fourth quarter, compared to $90 million in the fourth quarter of last year. Commercial provisions were up over the same period last year due partially to substantial levels of reversals in Mexico and Peru in the prior year. Increased provisions from last year also reflect higher retail provisions related to the acquisition in Peru.

Non-interest expenses decreased $12 million or 2% from the same period last year as the positive impact of foreign currency translation was partially offset by higher compensation and premises expenses consistent with acquisitions, new branch openings and business growth.

Q4 2009 vs Q3 2009

At $283 million, net income decreased $29 million or 9% from last quarter. The decrease arose due to fair value changes in certain financial instruments and the impact of a stronger Canadian dollar quarter over quarter, partly offset by a writedown on an equity investment last quarter.

Total revenues decreased $23 million or 2%. Excluding the impact of foreign currency translation and changes in valuation adjustments quarter over quarter, revenues increased $45 million or 3%, mainly reflecting higher securities gains.

Net interest income decreased $91 million from last quarter, due mainly to the negative impact of foreign currency translation and fair value adjustments on certain financial instruments. Other income was $364 million, an increase of $68 million over last quarter, mainly reflecting higher security gains and last quarter's writedown of an equity investment. These were partially offset by the impact of foreign currency translation and the impact of fair value changes on certain financial instruments.

The specific provision for credit losses of $167 million this quarter was down $12 million from last quarter. The decrease in provisions was attributable to the retail portfolios, where there was modest improvement in loss trends across most regions. However, commercial provisions increased from last quarter, primarily in Asia, Peru, and the Caribbean.

Non-interest expenses increased by $23 million, reflecting higher professional expenses and the seasonality of certain expenses. Partially offsetting was the positive impact of foreign currency translation.

Scotia Capital

<<

| (Unaudited) ($ millions) (Taxable equivalent basis)(1) | For the three months ended | | | For the year ended | |
|---|---|---|---|---|---|
| | October 31 2009 | July 31 2009 | October 31 2008 | October 31 2009 | October 31 2008 |

| | | | | | |
|---|---|---|---|---|---|
| Business segment income | | | | | |
| Net interest income(2) | $ 321 | $ 423 | $ 331 | $ 1,427 | $ 1,120 |
| Provision for credit losses | 63 | 106 | 10 | 338 | (5) |
| Other income | 589 | 681 | (99) | 2,138 | 707 |
| Non-interest expenses | 284 | 266 | 249 | 1,072 | 937 |
| Provision for income taxes | 210 | 262 | (71) | 704 | 108 |
| Net Income | $ 353 | $ 470 | $ 44 | $ 1,451 | $ 787 |

| | | | | | |
|---|---|---|---|---|---|
| Other measures | | | | | |
| Return on economic equity(1) | 18.1% | 21.8% | 3.6% | 20.0% | 21.5% |
| Average assets ($ billions) | $ 167 | $ 181 | $ 169 | $ 183 | $ 164 |

(1) Non-GAAP measure. Refer to Non-GAAP measures section of this press release for a discussion of these measures.

(2) Commencing in 2009, net interest income includes liquidity premium charges arising from a refinement in the Bank's transfer pricing. Prior periods have not been reclassified. Refer to footnote (4) in Other.

>>

Q4 2009 vs Q4 2008

Net income for the quarter was very strong at $353 million, the second strongest quarter on record, driven by robust revenues across all business units. This represents a $309 million increase from last year which included $503 million ($305 million after tax) in charges relating to certain trading activities and valuation adjustments. Revenues were $910 million, up $678 million which offset higher loan losses and expenses compared to the prior year.

Fourth-quarter revenues in Global Corporate and Investment Banking were strong at $467 million up $443 million from the same period last year largely reflecting last year's writedown to fair value of certain securities and collateralized debt obligations in the U.S. portfolio. Compared to the same period last year, interest income increased slightly as wider corporate lending spreads and loan origination fees were largely offset by lower loan volumes. Other income increased $439 million from the fourth quarter of the prior year due in part to the charges mentioned above. Credit-related fees and investment banking revenues also increased significantly.

Fourth-quarter revenues in Global Capital Markets of $443 million were the second highest ever achieved. This was an increase of $234 million or 112% from last year which reflected $171 million in charges related to the Lehman Brothers bankruptcy. Interest income was modestly lower than the same period last year due to lower tax-exempt dividend income, largely offset by higher interest on trading assets. Other income increased compared to the fourth quarter last year due in part to the charges noted above. There were also higher underlying trading revenues in the derivatives, fixed income and equities businesses, partly offset by lower foreign exchange revenues.

Scotia Capital's provision for credit losses was $63 million in the fourth quarter, comprised of $65 million in specific provisions and a $2 million reduction in the automotive sectoral allowance reclassified to specific provisions. The total provision was up from $10 million in the fourth quarter of last year. The new provisions this quarter related primarily to several accounts in the U.S. and, to a lesser extent, in Canada.

Total non-interest expenses were $284 million in the fourth quarter, 14% higher than last year. The increase reflected higher legal provisions and support costs, partially offset by a decrease in hiring and severance costs.

Q4 2009 vs Q3 2009

Net income was $117 million lower than last quarter's record level.

Revenues of $910 million were the second highest ever reported. These were $194 million lower than the third quarter's record revenue, a decline that was partially offset by lower loan losses. The decrease in revenues from the third quarter primarily reflects lower trading revenues in derivatives and fixed income, and lower revenues from the lending businesses, partially offset by record investment banking revenues.

Compared to last quarter, total revenues in Global Corporate and Investment Banking were down $23 million. Interest income fell 22% due to lower loan volumes. Other income was up 13% due to higher credit-related fees and new issue and advisory fees, partly offset by valuation adjustments on certain securities.

In Global Capital Markets, the revenue decrease of $171 million or 28% from last quarter primarily reflects lower trading revenues compared to the record levels achieved in the third quarter.

Scotia Capital's total provision for credit losses of $63 million was down from $106 million in the previous quarter. The new provisions this quarter related primarily to several accounts in the U.S. and, to a lesser extent, in Canada.

Total non-interest expenses were 7% higher than the third quarter. The increase reflected higher legal provisions and hiring costs, partially offset by lower performance-based compensation.

Other(1)

<<

| (Unaudited) ($ millions) (Taxable equivalent basis)(2) | For the three months ended October 31 2009 | July 31 2009 | October 31 2008 | For the year ended October 31 2009 | October 31 2008 |
|---|---|---|---|---|---|
| Business segment income | | | | | |
| Net interest income(3)(4) | $ (390) | $ (438) | $ (490) | $ (1,657) | $ (1,185) |
| Provision for credit losses | - | 100 | - | 127 | - |
| Other income | 77 | 29 | (133) | 232 | 139 |
| Non-interest expenses | 48 | 42 | 3 | 130 | 93 |
| Provision for income taxes(3) | (124) | (200) | (204) | (612) | (582) |
| Net Income (Loss) | $ (237) | $ (351) | $ (422) | $ (1,070) | $ (557) |

Other measures

| | | | | | |
|---|---|---|---|---|---|
| Average assets ($ billions) | $ 51 | $ 45 | $ 39 | $ 48 | $ 37 |

(1) Includes all other smaller operating segments and corporate adjustments, such as the elimination of the tax-exempt income gross-up reported in net interest income and provision for income taxes, differences in the actual amount of costs incurred and charged to the operating segments, and the impact of securitizations.
(2) Non-GAAP measure. Refer to Non-GAAP measures section of this press release for a discussion of these measures.
(3) Includes the elimination of the tax-exempt income gross-up reported in net interest income and provision for income taxes for the three months ended October 31, 2009 ($73), July 31, 2009 ($68), October 31, 2008 ($95), and the years ended October 31, 2009 ($288) and October 31, 2008 ($416) to arrive at the amounts reported in the Consolidated Statement of Income.
(4) Commencing November 1, 2008, the impact of including a liquidity premium charge in the cost of funds allocated to the business segments was a reduction in the net interest income of the three major segments, which was offset by a reduction in the net interest expense of the Other segment. Prior periods have not been reclassified.

>>

Q4 2009 vs Q4 2008

The Other segment had a net loss of $237 million in the fourth quarter, compared to a loss of $422 million last year.

Net interest income and the provision for income taxes include the elimination of tax-exempt income gross-up. This amount is included in the operating segments, which are reported on a taxable equivalent basis. The elimination was $73 million in the fourth quarter, compared to $95 million in the same period last year.

Total revenue this quarter was negative $313 million, an improvement of $310 million from the prior year.

Net interest income was negative $390 million this quarter, a favourable change of $100 million from the same quarter last year, due mainly to changes in the fair value of financial instruments used for asset/liability management purposes. This was partly offset by the impact of relatively higher term funding costs compared to the declining wholesale rates used for transfer pricing with the business segments.

Other income was $77 million in the fourth quarter, $210 million higher than last year. This was mainly attributable to higher gains realized on the sales of securities, a lower level of writedowns on securities, partly offset by lower securitization revenues.

Non-interest expenses were $48 million this quarter, an increase of $45 million from last year due largely to unusually low expenses in the fourth quarter of 2008.

There were no changes in the general allowance in the fourth quarter this year, or the same period last year. During 2009, the general allowance increased $127 million to a total of $1,450 million.

Q4 2009 vs Q3 2009

The Other segment's net loss of $237 million in the fourth quarter compared to a loss of $351 million in the prior quarter.

As noted above, the net interest income and the provision for taxes include the elimination of tax-exempt income gross-up. The fourth quarter elimination was $73 million compared to $68 million last quarter.

The total revenue of negative $313 million this quarter was an improvement of $96 million from last quarter.

Net interest income of negative $390 million this quarter improved $48 million from last quarter due mainly to changes in the fair value of financial instruments used for asset/liability management purposes. The impact of relatively higher term funding costs discussed above was in line with the previous quarter.

Other income of $77 million in the fourth quarter was $48 million above last quarter. This was due mainly to lower writedowns on securities.

Non-interest expenses of $48 million this quarter were $6 million higher than last quarter.

There was no increase in the general allowance during the quarter compared to a $100 million increase in the general allowance in the prior quarter.

Total

<<

| (Unaudited) ($ millions) | For the three months ended October 31 2009 | July 31 2009 | October 31 2008 | For the year ended October 31 2009 | October 31 2008 |
|---|---|---|---|---|---|
| Business segment income | | | | | |
| Net interest income | $ 2,099 | $ 2,176 | $ 1,941 | $ 8,328 | $ 7,574 |
| Provision for credit losses | 420 | 554 | 207 | 1,744 | 630 |
| Other income | 1,636 | 1,599 | 550 | 6,129 | 4,302 |
| Non-interest expenses | 2,064 | 1,959 | 1,944 | 7,919 | 7,296 |
| Provision for income taxes | 321 | 303 | 2 | 1,133 | 691 |
| Non-controlling interest in net income of subsidiaries | 28 | 28 | 23 | 114 | 119 |
| Net Income | $ 902 | $ 931 | $ 315 | $ 3,547 | $ 3,140 |
| Other measures | | | | | |
| Return on equity(1) | 16.4% | 17.3% | 6.0% | 16.7% | 16.7% |
| Average assets ($ billions) | $ 495 | $ 506 | $ 481 | $ 513 | $ 455 |

(1) Non-GAAP measure. Refer to Non-GAAP measures section of this press release for a discussion of these measures.

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Quarterly Financial Highlights

<<

| | For the three months ended Oct. 31 2009 | July 31 2009 | April 30 2009 | Jan. 31 2009 |
|---|---|---|---|---|
| Total revenue ($ millions) | $ 3,735 | $ 3,775 | $ 3,596 | $ 3,351 |
| Total revenue (TEB(1)) | | | | |

| | | | | |
|---|---|---|---|---|
| ($ millions) | 3,808 | 3,843 | 3,673 | 3,421 |
| Net income ($ millions) | 902 | 931 | 872 | 842 |
| Basic earnings per share ($) | 0.84 | 0.87 | 0.81 | 0.80 |
| Diluted earnings per share ($) | 0.83 | 0.87 | 0.81 | 0.80 |

| | For the three months ended | | | |
|---|---|---|---|---|
| | Oct. 31 2008 | July 31 2008 | April 30 2008 | Jan. 31 2008 |
| Total revenue ($ millions) | $ 2,491 | $ 3,374 | $ 3,172 | $ 2,839 |
| Total revenue (TEB(1)) ($ millions) | 2,586 | 3,477 | 3,272 | 2,957 |
| Net income ($ millions) | 315 | 1,010 | 980 | 835 |
| Basic earnings per share ($) | 0.28 | 0.99 | 0.97 | 0.83 |
| Diluted earnings per share ($) | 0.28 | 0.98 | 0.97 | 0.82 |

(1) Non-GAAP measure. Refer to non-GAAP measures section for a discussion of these measures.

>>

Consolidated Statement of Income

<<

| | For the three months ended | | | For the year ended | |
|---|---|---|---|---|---|
| (Unaudited) ($ millions) | October 31 2009 | July 31 2009 | October 31 2008 | October 31 2009 | October 31 2008 |
| Interest income | | | | | |
| Loans | $ 2,961 | $ 3,267 | $ 4,321 | $ 13,973 | $ 15,832 |
| Securities | 1,029 | 1,234 | 1,054 | 4,090 | 4,615 |
| Securities purchased under resale agreements | 38 | 97 | 183 | 390 | 786 |
| Deposits with banks | 65 | 89 | 255 | 482 | 1,083 |
| | 4,093 | 4,687 | 5,813 | 18,935 | 22,316 |
| Interest expenses | | | | | |
| Deposits | 1,671 | 1,805 | 3,201 | 8,339 | 12,131 |
| Subordinated debentures | 75 | 78 | 56 | 285 | 166 |
| Capital instrument liabilities | 9 | 10 | 9 | 37 | 37 |
| Other | 239 | 618 | 606 | 1,946 | 2,408 |
| | 1,994 | 2,511 | 3,872 | 10,607 | 14,742 |
| Net interest income | 2,099 | 2,176 | 1,941 | 8,328 | 7,574 |
| Provision for credit losses | 420 | 554 | 207 | 1,744 | 630 |
| Net interest income after provision for credit losses | 1,679 | 1,622 | 1,734 | 6,584 | 6,944 |
| Other income | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Card revenues | 102 | 104 | 107 | 424 | 397 |
| Deposit and payment services | 220 | 229 | 222 | 905 | 862 |
| Mutual funds | 124 | 104 | 78 | 371 | 317 |
| Investment management, brokerage and trust services | 193 | 185 | 189 | 728 | 760 |
| Credit fees | 260 | 218 | 142 | 866 | 579 |
| Trading revenues | 255 | 387 | (41) | 1,057 | 188 |
| Underwriting fees and other commissions | 184 | 146 | 101 | 620 | 402 |
| Foreign exchange other than trading | 68 | 87 | 88 | 373 | 314 |
| Net gain (loss) on securities, other than trading | 20 | (155) | (543) | (412) | (374) |
| Securitization revenues | 21 | 71 | 45 | 409 | 130 |
| Other | 189 | 223 | 162 | 788 | 727 |
| | 1,636 | 1,599 | 550 | 6,129 | 4,302 |
| Net interest and other income | 3,315 | 3,221 | 2,284 | 12,713 | 11,246 |
| Non-interest expenses | | | | | |
| Salaries and employee benefits | 1,097 | 1,093 | 1,058 | 4,344 | 4,109 |
| Premises and technology | 394 | 382 | 382 | 1,543 | 1,417 |
| Communications | 81 | 86 | 89 | 346 | 326 |
| Advertising and business development | 95 | 66 | 96 | 307 | 320 |
| Professional | 62 | 47 | 59 | 216 | 227 |
| Business and capital taxes | 41 | 47 | 24 | 177 | 116 |
| Other | 294 | 238 | 236 | 986 | 781 |
| | 2,064 | 1,959 | 1,944 | 7,919 | 7,296 |
| Income before the undernoted | 1,251 | 1,262 | 340 | 4,794 | 3,950 |
| Provision for income taxes | 321 | 303 | 2 | 1,133 | 691 |
| Non-controlling interest in net income of subsidiaries | 28 | 28 | 23 | 114 | 119 |
| Net income | $ 902 | $ 931 | $ 315 | $ 3,547 | $ 3,140 |
| Preferred dividends paid | 49 | 49 | 32 | 186 | 107 |
| Net income available to common shareholders | $ 853 | $ 882 | $ 283 | $ 3,361 | $ 3,033 |

| | | | | | |
|---|---|---|---|---|---|
| Average number of common shares outstanding (millions): | | | | | |
| Basic | 1,021 | 1,017 | 990 | 1,013 | 987 |
| Diluted | 1,024 | 1,020 | 994 | 1,016 | 993 |
| Earnings per common share (in dollars)(1): | | | | | |
| Basic | $ 0.84 | $ 0.87 | $ 0.28 | $ 3.32 | $ 3.07 |
| Diluted | $ 0.83 | $ 0.87 | $ 0.28 | $ 3.31 | $ 3.05 |
| Dividends per common share (in dollars) | $ 0.49 | $ 0.49 | $ 0.49 | $ 1.96 | $ 1.92 |

Certain comparative amounts have been reclassified to conform with current period presentation.

(1) The calculation of earnings per share is based on full dollar and share amounts.

See Basis of Preparation below.
>>

Consolidated Balance Sheet

<<

| (Unaudited) ($ millions) | As at October 31 2009 | July 31 2009 | October 31 2008 |
|---|---|---|---|
| Assets | | | |
| Cash resources | | | |
| Cash and non-interest-bearing deposits with banks | $ 3,355 | $ 3,308 | $ 2,574 |
| Interest-bearing deposits with banks | 34,343 | 21,516 | 32,318 |
| Precious metals | 5,580 | 4,897 | 2,426 |
| | 43,278 | 29,721 | 37,318 |
| Securities | | | |
| Trading | 58,067 | 59,624 | 48,292 |
| Available-for-sale | 55,699 | 55,495 | 38,823 |
| Equity accounted investments | 3,528 | 3,417 | 920 |
| | 117,294 | 118,536 | 88,035 |
| Securities purchased under resale agreements | 17,773 | 14,166 | 19,451 |
| Loans | | | |
| Residential mortgages | 101,604 | 98,334 | 115,084 |
| Personal and credit cards | 61,048 | 60,934 | 50,719 |
| Business and government | 106,520 | 109,588 | 125,503 |

| | | | |
|---|---|---|---|
| | 269,172 | 268,856 | 291,306 |
| Allowance for credit losses | 2,870 | 2,982 | 2,626 |
| | 266,302 | 265,874 | 288,680 |
| Other | | | |
| Customers' liability under acceptances | 9,583 | 10,941 | 11,969 |
| Derivative instruments | 25,992 | 31,943 | 44,810 |
| Land, buildings and equipment | 2,372 | 2,372 | 2,449 |
| Goodwill | 2,908 | 2,875 | 2,273 |
| Other intangible assets | 561 | 541 | 521 |
| Other assets | 10,453 | 9,500 | 12,119 |
| | 51,869 | 58,172 | 74,141 |
| | $496,516 | $486,469 | $507,625 |
| Liabilities and shareholders' equity | | | |
| Deposits | | | |
| Personal | $123,762 | $123,996 | $118,919 |
| Business and government | 203,594 | 189,120 | 200,566 |
| Banks | 23,063 | 20,612 | 27,095 |
| | 350,419 | 333,728 | 346,580 |
| Other | | | |
| Acceptances | 9,583 | 10,941 | 11,969 |
| Obligations related to securities sold under repurchase agreements | 36,568 | 36,013 | 36,506 |
| Obligations related to securities sold short | 14,688 | 13,840 | 11,700 |
| Derivative instruments | 28,806 | 36,155 | 42,811 |
| Other liabilities | 24,682 | 24,804 | 31,063 |
| Non-controlling interest in subsidiaries | 554 | 520 | 502 |
| | 114,881 | 122,273 | 134,551 |
| Subordinated debentures | 5,944 | 5,958 | 4,352 |
| Capital instrument liabilities | 500 | 500 | 500 |
| Shareholders' equity | | | |
| Capital stock | | | |
| Preferred shares | 3,710 | 3,710 | 2,860 |
| Common shares | 4,946 | 4,768 | 3,829 |
| Retained earnings | 19,916 | 19,561 | 18,549 |
| Accumulated other comprehensive income (loss) | (3,800) | (4,029) | (3,596) |
| | 24,772 | 24,010 | 21,642 |
| | $496,516 | $486,469 | $507,625 |

Certain comparative amounts have been reclassified to conform with current period presentation.

See Basis of Preparation below.
>>

Consolidated Statement of Changes in Shareholders' Equity

<<

| (Unaudited) ($ millions) | For the year ended October 31 2009 | October 31 2008 |
|---|---|---|
| **Preferred shares** | | |
| Balance at beginning of year | $ 2,860 | $ 1,635 |
| Issued | 850 | 1,225 |
| Balance at end of year | 3,710 | 2,860 |
| **Common shares** | | |
| Balance at beginning of year | 3,829 | 3,566 |
| Issued | 1,117 | 266 |
| Purchased for cancellation | - | (3) |
| Balance at end of year | 4,946 | 3,829 |
| **Retained earnings** | | |
| Balance at beginning of year | 18,549 | 17,460 |
| Net income | 3,547 | 3,140 |
| Dividends: Preferred | (186) | (107) |
| Common | (1,990) | (1,896) |
| Purchase of shares | - | (37) |
| Other | (4) | (11) |
| Balance at end of year | 19,916 | 18,549 |
| **Accumulated other comprehensive income (loss)** | | |
| Balance at beginning of year as previously reported | (3,596) | (3,857) |
| Cumulative effect of adopting new accounting policies | 595(1) | - |
| Balance at beginning of year as restated | (3,001) | (3,857) |
| Other comprehensive income (loss) | (799) | 261 |
| Balance at end of year | (3,800) | (3,596) |
| Total shareholders' equity at end of year | $ 24,772 | $ 21,642 |

>>

Consolidated Statement of Comprehensive Income

<<

| | For the three months ended October 31 | October 31 | For the year ended October 31 | October 31 |
|---|---|---|---|---|

| (Unaudited) ($ millions) | 2009 | 2008 | 2009 | 2008 |
|---|---|---|---|---|
| Comprehensive income | | | | |
| Net income | $ 902 | $ 315 | $ 3,547 | $ 3,140 |
| Other comprehensive income (loss), net of income taxes: | | | | |
| Net change in unrealized foreign currency translation losses | 141 | 1,375 | (1,736) | 2,368 |
| Net change in unrealized gains (losses) on available-for-sale securities | 55 | (1,075) | 894 | (1,588) |
| Net change in gains (losses) on derivative instruments designated as cash flow hedges | 33 | (185) | 43 | (519) |
| Other comprehensive income (loss) | 229 | 115 | (799) | 261 |
| Comprehensive income (loss) | $ 1,131 | $ 430 | $ 2,748 | $ 3,401 |

(1) Relates to the adoption of a new accounting policy on financial instruments adopted in the fourth quarter of 2009. Refer to New Accounting Policies below for details.

See Basis of Preparation below.
>>

Condensed Consolidated Statement of Cash Flows

<<

| | For the three months ended | | For the year ended | |
|---|---|---|---|---|
| Sources (uses) of cash flows (Unaudited) ($ millions) | October 31 2009 | October 31 2008 | October 31 2009 | October 31 2008 |
| Cash flows from operating activities | | | | |
| Net income | $ 902 | $ 315 | $ 3,547 | $ 3,140 |
| Adjustments to determine net cash flows from (used in) operating activities | 873 | 504 | 2,648 | 928 |
| Net accrued interest receivable and payable | (170) | (187) | (229) | 60 |
| Trading securities | 1,635 | 8,741 | (10,898) | 13,721 |
| Derivative assets | 6,379 | (16,884) | 17,320 | (15,292) |
| Derivative liabilities | (7,518) | 15,744 | (12,009) | 11,202 |
| Other, net | (3,616) | 1,894 | (11,426) | 6,290 |
| | (1,515) | 10,127 | (11,047) | 20,049 |
| Cash flows from financing activities | | | | |
| Deposits | 15,701 | (1,134) | 17,031 | 28,106 |
| Obligations related to | | | | |

| | | | | |
|---|---|---|---|---|
| securities sold under repurchase agreements | 476 | 7,329 | 1,109 | 6,913 |
| Obligations related to securities sold short | 832 | (383) | 3,165 | (5,020) |
| Subordinated debentures issued | - | 950 | 2,000 | 3,144 |
| Subordinated debentures redemptions/repayments | (17) | (266) | (359) | (691) |
| Preferred shares issued | - | 300 | 600 | 1,225 |
| Common shares issued | 151 | 89 | 585 | 234 |
| Common shares redeemed/purchased for cancellation | - | (33) | - | (40) |
| Cash dividends paid | (550) | (517) | (2,176) | (2,003) |
| Other, net | 330 | (1,359) | (1,789) | (101) |
| | 16,923 | 4,976 | 20,166 | 31,767 |
| Cash flows from investing activities | | | | |
| Interest-bearing deposits with banks | (12,635) | (4,276) | (5,781) | (5,052) |
| Securities purchased under resale agreements | (3,590) | (1,665) | 980 | 3,793 |
| Loans, excluding securitizations | (3,447) | (8,860) | (12,583) | (47,483) |
| Loan securitizations | 690 | 2,537 | 11,879 | 5,121 |
| Securities, other than trading, net | 3,698 | (2,205) | (790) | (5,256) |
| Land, buildings and equipment, net of disposals | (55) | (193) | (199) | (401) |
| Other, net(1) | (31) | (942) | (1,635) | (2,399) |
| | (15,370) | (15,604) | (8,129) | (51,677) |
| Effect of exchange rate changes on cash and cash equivalents | 9 | 161 | (209) | 297 |
| Net change in cash and cash equivalents | 47 | (340) | 781 | 436 |
| Cash and cash equivalents at beginning of period | 3,308 | 2,914 | 2,574 | 2,138 |
| Cash and cash equivalents at end of period(2) | $ 3,355 | $ 2,574 | $ 3,355 | $ 2,574 |
| Cash disbursements made for: | | | | |
| Interest | $ 1,976 | $ 3,692 | $ 11,138 | $ 14,544 |
| Income taxes | $ 253 | $ 259 | $ 1,234 | $ 1,212 |

Certain comparative amounts have been reclassified to conform with current period presentation.

(1) For the three and twelve months ended October 31, 2009, comprises investments in subsidiaries and associated corporations, net of cash and cash equivalents at the date of acquisition of nil and $4, respectively (October 31, 2008 - nil, and $37, respectively), and net of non-cash consideration of common shares issued from treasury of $23 and $523, respectively (October 31, 2008 - nil and nil, respectively), and net of non-cumulative preferred shares of nil and

$250, respectively (October 31, 2008 - nil and nil, respectively).
(2) Represents cash and non-interest bearing deposits with banks.

See Basis of Preparation below.
>>

Basis of preparation

These unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP), except for certain required disclosures. Therefore, these unaudited consolidated financial statements should be read in conjunction with the Bank's audited consolidated financial statements for the year ended October 31, 2009, which will be available at www.scotiabank.com. The significant accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the 2009 year-end statements. Certain comparative amounts have been reclassified to conform to the current period's accounting presentation.

New accounting policies

Classification and impairment of financial assets

In August 2009, the Canadian Institute of Chartered Accountants (CICA) amended Section 3855, Financial Instruments - Recognition and Measurement, to harmonize classification and related impairment accounting requirements of Canadian GAAP with International Financial Reporting Standards (IFRS). The new definition of loans includes debt securities not quoted in an active market but permits the Bank to designate these instruments as available-for-sale (AFS), measured at fair value with unrealized gains and losses recorded through other comprehensive income. The amendments also allow the reversal of impairment charges for debt instruments classified as available-for-sale on the occurrence of specific events. Impairment charges for debt securities classified as loans are recorded as provisions for credit losses. As a result of the above accounting standard amendments, at November 1, 2008 the Bank reclassified instruments with a carrying value of $9,447 million (fair value of $8,529 million) from AFS securities to loans. In addition, the Bank recorded a net decrease of $595 million (net of income tax benefit of $323 million) to accumulated other comprehensive loss. In accordance with these amendments, previous periods have not been restated as a result of implementing the new accounting standards.

Goodwill and intangible assets

Commencing November 1, 2008, the Bank adopted a new accounting standard - Goodwill and Intangible Assets. As a result of adopting the new standard, certain software costs previously recorded as Land, buildings and equipment are now recorded as Other intangible assets in the Consolidated Balance Sheet. The Consolidated Statement of Income reflects the charges related to amortization expense, which was previously recorded in Premises and technology non-interest expenses and is now recorded as Other non-interest expenses.

Financial instrument disclosures

In June 2009, the CICA issued amendments to its Financial Instruments Disclosure standard to expand disclosures of financial instruments consistent with new disclosure requirements made under IFRS. These amendments were effective for the Bank commencing November 1, 2008 and introduce a three-level fair value hierarchy that prioritizes the quality and reliability of information used in estimating the fair value of instruments. The fair values for the three levels are based on:

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- Level 1 - quoted prices in active markets

- Level 2 - models using observable inputs other than quoted market prices
- Level 3 - models using inputs that are not based on observable market data

## Shareholder and investor information

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### Direct deposit service

Shareholders may have dividends deposited directly into accounts held at financial institutions which are members of the Canadian Payments Association. To arrange direct deposit service, please write to the Transfer Agent.

### Dividend and share purchase plan

Scotiabank's dividend reinvestment and share purchase plan allows common and preferred shareholders to purchase additional common shares by reinvesting their cash dividend without incurring brokerage or administrative fees.

As well, eligible shareholders may invest up to $20,000 each fiscal year to purchase additional common shares of the Bank. Debenture holders may apply interest on fully registered Bank subordinated debentures to purchase additional common shares. All administrative costs of the plan are paid by the Bank.

For more information on participation in the plan, please contact the Transfer Agent.

### Dividend dates for 2010

Record and payment dates for common and preferred shares, subject to approval by the Board of Directors.

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| Record Date | Payment Date |
|---|---|
| January 5 | January 27 |
| April 6 | April 28 |
| July 6 | July 28 |
| October 5 | October 27 |

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### Annual meeting date for fiscal 2009

Shareholders are invited to attend the 178th Annual Meeting of Holders of Common Shares, to be held on April 8, 2010, at the Sheraton Hotel Newfoundland, 115 Cavendish Square, St. John's, Newfoundland and Labrador, beginning at 10:00 a.m. (Newfoundland Daylight Time). The record date for determining shareholders entitled to receive notice of and to vote at the meeting will be the close of business on February 9, 2010.

### Duplicated communication

If your shareholdings are registered under more than one name or address, multiple mailings will result. To eliminate this duplication, please write to the Transfer Agent to combine the accounts.

### Website

For information relating to Scotiabank and its services, visit us at our website: www.scotiabank.com.

### Conference call and web broadcast

The quarterly results conference call will take place on December 8, 2009, at 2:00 p.m. EST and is expected to last approximately one hour. Interested parties are invited to access the call live, in listen-only mode, by telephone, toll free, at 1-800-814-4859 (please call five to 15 minutes in advance). In addition, an audio webcast, with accompanying slide presentation, may be accessed via the Investor Relations page of www.scotiabank.com. Following discussion of the results by Scotiabank executives, there will be a question and answer session. Listeners are invited to submit questions by e-mail to investor.relations(at)scotiabank.com.

A telephone replay of the conference call will be available from December 8, 2009, to December 22, 2009, by calling (416) 640-1917 or 1-877-289-8525 and entering the identification code 4186010 followed by the number sign. The archived audio webcast will be available on the Bank's website for three months.

General information

Information on your shareholdings and dividends may be obtained by writing to the Bank's Transfer Agent:

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Computershare Trust Company of Canada
100 University Avenue, Ninth Floor
Toronto, Ontario, Canada M5J 2Y1
Telephone: 1-877-982-8767
Facsimile: 1-888-453-0330
Electronic Mail: service(at)computershare.com

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Contact information

Investors:
Financial analysts, portfolio managers and other investors requiring financial information, please contact Investor Relations, Finance Department:

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Scotiabank
Scotia Plaza, 44 King Street West
Toronto, Ontario, Canada M5H 1H1
Telephone: (416) 933-1273
Facsimile: (416) 866-7867
Electronic Mail: investor.relations(at)scotiabank.com

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Media:
For other information and for media enquiries, please contact the Public, Corporate and Government Affairs Department at the above address.

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Telephone: (416) 866-3925
Facsimile: (416) 866-4988
Electronic Mail: corpaff(at)scotiabank.com

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Shareholders:
For enquiries related to changes in share registration or address, dividend information, lost share certificates, estate transfers, or to advise of duplicate mailings, please contact the Bank's Transfer Agent:

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Computershare Trust Company of Canada
100 University Avenue, Ninth Floor
Toronto, Ontario, Canada M5J 2Y1
Telephone: 1-877-982-8767

Facsimile: 1-888-453-0330
Electronic Mail: service(at)computershare.com

Co-Transfer Agent (U.S.A.)
Computershare Trust Company N.A.
350 Indiana Street
Golden, Colorado 80401 U.S.A.
Telephone: 1-800-962-4284

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For other shareholder enquiries, please contact the Finance Department:

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Scotiabank
Scotia Plaza, 44 King Street West
Toronto, Ontario, Canada M5H 1H1
Telephone: (416) 866-4790
Facsimile: (416) 866-4048
Electronic Mail: corporate.secretary(at)scotiabank.com

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Rapport trimestriel disponible en français

Le Rapport annuel et les états financiers de la Banque sont publiés en français et en anglais et distribués aux actionnaires dans la version de leur choix. Si vous préférez que la documentation vous concernant vous soit adressée en français, veuillez en informer Relations publiques, Affaires de la société et Affaires gouvernementales, La Banque de Nouvelle-Ecosse, Scotia Plaza, 44, rue King Ouest, Toronto (Ontario), Canada M5H 1H1, en joignant, si possible, l'étiquette d'adresse, afin que nous puissions prendre note du changement.

The Bank of Nova Scotia is incorporated in Canada with limited liability.

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/For further information: Peter Slan, Senior Vice-President, Investor Relations, (416) 933-1273; Ann DeRabbie, Director, Public Affairs, (416) 933-1344/
(BNS. BNS)

CO:  Scotiabank

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