Strategy in action

Scotiabank Acquires ING Bank of Canada

August 29, 2012

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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 and on the EDGAR section of the SEC's website at www.sec.gov.

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Overview of ING Direct Canada

- **Established in 1997**
  - Canada's 8th largest bank
  - Approximately 1,100 employees
  - 1.8 million customers with the highest average household net worth of all the Canadian banks
- **$30 billion of deposits**
  - 95% retail
- **$40 billion of high quality assets**
  - Includes $29 billion of residential mortgages
    - 59% of mortgages insured
    - Average loan-to-value ratio of uninsured portfolio is 53%
    - PCLs <0.02%
- **Primary customer interaction via internet, mobile banking and call centres**
  - No branches
  - Five ING Direct Cafés

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Strategic Rationale

- **$30 billion retail deposit base**
  - Provides increased stability and diversification of funding sources
  - Provides cost-effective funding for future asset growth
- **Positions Scotiabank as a solid #3 in Canadian deposit share**
- **Established & distinct direct retail banking brand and platform**
- **A “turnkey” standalone operation**
- **Add additional products that are aligned with ING Direct Canada's self-service value proposition**

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Business Model

- **Continue to operate as a separate entity**
  - Will not be integrated with Scotiabank's existing banking businesses
- **Maintain the unique value proposition offered by ING Direct Canada**
  - Provide attractively priced and highly competitive products to self-directed customers
- **Use of ING Direct Canada brand under license**
  - Any future branding will reflect the type of experience that customers receive now
- **Continue to acquire new customers who are attracted to ING Direct Canada's value proposition and cross-sell additional products to existing customers**

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Transaction Overview

Purchase Price	• $3.126 billion in cash • Net investment of approximately $1.9 billion after deducting ING Direct Canada's excess capital
Valuation	• P/E (LTM): 26.7x • P/E (LTM): 16.3x (adjusted for excess capital) • P/E (2013E): ~10x (adjusted for excess capital)
Approvals	• Transaction subject to regulatory approvals
Expected Closing	• By December 2012
Common Share Offering	• Bought deal offering of 29 million common shares from treasury at $52.00 per share for gross proceeds of $1.508 billion • Over-allotment option of an additional 4.35 million common shares

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Impact on Scotiabank

- **Earnings**
  - Accretive to earnings in Year 1
  - Cost synergies not significant given stand-alone business model
  - Double digit return on invested capital in Year 1
- **Capital**
  - ING Direct Canada currently has excess capital
    - Tier 1 Ratio of 25.6% and Total Capital Ratio of 29.2%
    - $8 billion of liquid securities
  - Following both the acquisition and the equity offering, Scotiabank expects to remain well within its targeted range of 7 - 7.5% common equity Tier 1 Ratio under Basel III through Q1 2013

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