



Scotiabank Acquires 51% of Banco Colpatria in Colombia

October 20, 2011



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 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 2010 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.

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.

Expanding our Presence in South America

➤ **Colombia: strong economic fundamentals**

- Attractive macro environment with favourable demographics
- Positive investment framework – recently upgraded to investment grade
- Significant improvement in security

➤ **Well regarded banking system**

- Strong regulatory framework
- Attractive returns in past 5 years, even throughout the recent financial crisis

➤ **Investment consistent with strategy**

- Under-banked, high growth market
- 51% investment in Banco Colpatria – long-term partnership with a well regarded Colombian conglomerate
- Strong franchise with a sound risk culture

➤ **Opportunity to create value**

- Leverage Scotiabank's best practices

Colombia – Strong Economic Fundamentals

➤ Fourth largest economy in Latin America

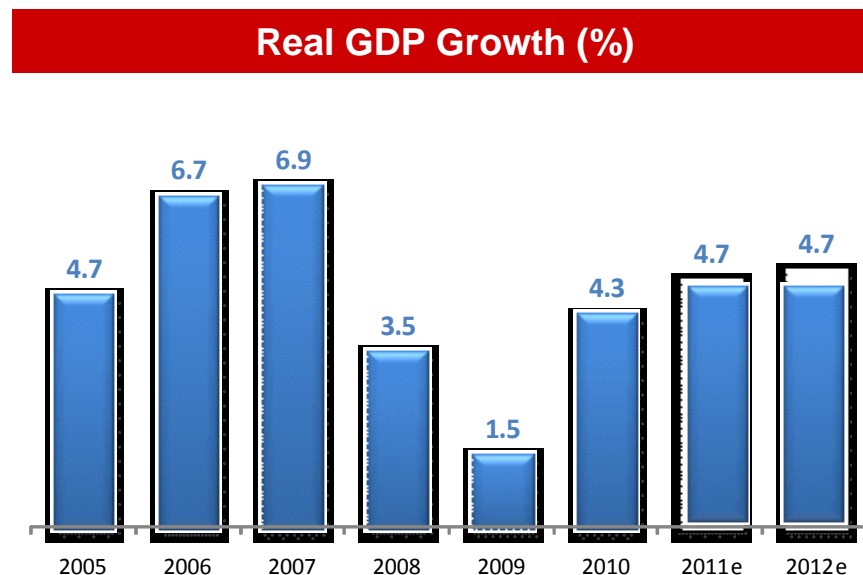
- In 2011, Colombia's credit rating was boosted to investment grade by Moody's, Fitch and S&P

➤ Population of 45 million

- Mainly urban with a growing middle class

➤ Favourable environment for foreign investors

- Solid economic growth
- Stable political environment
- Consistently improved governance, security and foreign investment incentives
- Recently ratified free trade agreements with Canada, U.S. and European Union



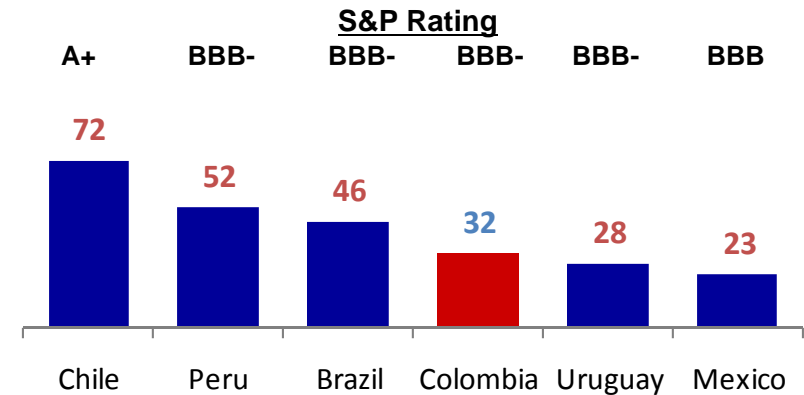
Country Overview

Sovereign ratings (S&P / Moody's)	BBB- / Baa3
GDP per capita (USD - PPP)	9,277
Banking Penetration	32%
Population	45MM

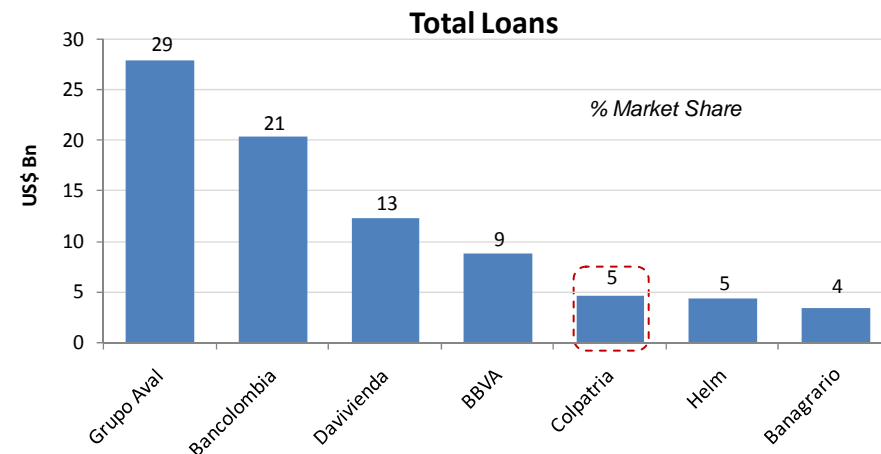
Colombia – Well Regulated Banking System

- Well funded banks with strong deposit base
- Strong growth in loans, deposits and net income
 - 2004-2010 CAGR of 20-25%
- Consistent and strong profitability
 - ROA >2%
 - ROE of 15-20%, even during recent crisis years
- Regulatory framework is conservative and largely in line with international standards

Under Penetration (private loans/GDP)



Colombian Banking System



Overview of Colpatría

Acquisition of 51% of Banco Colpatría and long-term partnership with Mercantil Colpatría (“MC”)

- Founded in 1955, Colpatría is the fifth largest financial group in Colombia with particular strength in the credit card segment (#2 with 19% share)
- Strong retail platform with a sound risk culture and sizable commercial platform
 - Strong focus on medium sized companies that present an opportunity for Scotiabank to add value
- Excellent track record of profitability
 - 19%+ ROEs in each of the last five years
 - Strong loan and deposit growth
 - Opportunity to improve funding structure through Scotiabank’s treasury best practices
- Until recently, jointly managed by MC and GE
 - MC is 51% owned by the Pacheco Cortes family with operations in several fast-growing sectors in Colombia (banking, insurance, pension funds and construction)

Colpatría	
USD MM	Jun-11
Commercial/SME	2,480
<i>Market share</i>	4%
Credit cards	1,050
<i>Market share</i>	19%
Mortgage	760
<i>Market share</i>	9%
Other retail	660
<i>Market share</i>	3%
Gross Loans	4,950
<i>Market share</i>	5%
Core Deposits	2,290
<i>Market share</i>	4%
Term Deposits	1,940
<i>Market share</i>	7%
Total Deposits	4,230
<i>Market share</i>	5%
Employees	3,900
Branches	175
ATMs	308

Transaction Overview

Purchase Price	<ul style="list-style-type: none">▪ Approximately US\$1 billion for 51%, comprised of:<ul style="list-style-type: none">➢ US\$500 million in cash; and➢ 10 million BNS common shares▪ P/E (2011E, U.S. GAAP) 12x
Governance	<ul style="list-style-type: none">▪ BNS to have 4 of 7 board members▪ Sellers to appoint the CEO and commercial VPs for the first 3 years▪ BNS to appoint deputy CEO, CFO, CRO, Chief Auditor and Head of Operations and Systems
Liquidity Rights	<ul style="list-style-type: none">▪ Put option in favour of vendor to sell its 49% stake to BNS after 7 years (at fair market value)
Approvals	<ul style="list-style-type: none">▪ Transaction subject to regulatory approvals
BNS Impact	<ul style="list-style-type: none">▪ Accretive to 2012 earnings▪ Double digit ROIC
BNS Colombia	<ul style="list-style-type: none">▪ Post-closing to be sold to Colpatria at book value
Expected Closing	<ul style="list-style-type: none">▪ December 2011

Strategically Significant for Scotiabank's LatAm Footprint

- **Colombia represents an important retail/commercial link between our South American operations (Chile/Peru) and our Central American subsidiaries**
- **Strong partner and well run bank with excellent productivity ratio**
 - Culture and values highly compatible with Scotiabank
 - Impressive shareholders, board members and management team
- **Unique opportunity to acquire a sound and sizable P&C platform in the attractive Colombian market which could serve as a platform for subsequent acquisitions**
- **Potential to enhance Colpatria's business and materially improve returns by leveraging Scotiabank's best practices through:**
 - Focus on corporate/commercial business and payroll/employee cross-sell
 - Trade finance
 - Scotia Capital products and expertise
 - Wealth management
 - Leveraging Scotiabank Peru and Uruguay expertise to develop a microfinance platform
 - Realizing synergies from potential subsequent acquisitions