

# Investor Presentation Second Quarter, 2010

June 1, 2010

## Caution Regarding Forward-Looking Statements

**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," "intend," "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](http://www.sedar.com) and on the EDGAR section of the SEC's website at [www.sec.gov](http://www.sec.gov).

## Overview

Rick Waugh

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President & Chief Executive Officer

### Q2 2010 Overview

- **Record quarter**
  - Net income: \$1,097 million
  - EPS up 26% vs. prior year, and 12% vs. Q1
  - Strong ROE: 19.9%
- **Continued strong risk management performance**
- **Continuing to make accretive & disciplined acquisitions**
  - Thanachart Bank acquisition of Siam City Bank
  - Acquisition of R-G Premier Bank in Puerto Rico
  - Both have very attractive risk/return profiles

## Financial Review

Luc Vanneste

Executive Vice-President &  
Chief Financial Officer

### Very Strong Quarter

Q2/10	Q1/10	Q2/10 vs. Q1/10		Q2/09	Q2/10 vs. Q2/09
1,097	988	11%	Net Income (\$MM)	872	26%
\$1.02	\$0.91	12%	EPS	\$0.81	26%
19.9%	17.4%	+250 bps	ROE	16.8%	+310 bps
49.9%	50.5%	(60) bps	Productivity Ratio	51.4%	(150) bps

#### Year-over-year earnings comparison

##### Q2 earnings benefited from...

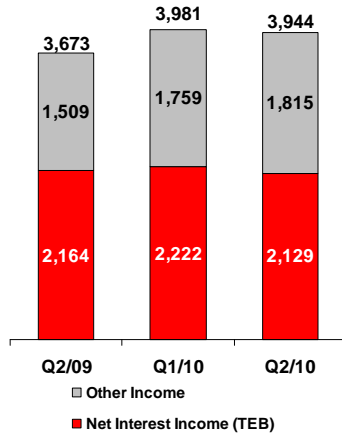
- Significantly lower PCLs
- Strong contributions from personal & commercial banking, wealth management
- Higher securities gains & trading

##### Partly offset by...

- Negative impact of FX
- Lower securitization revenues
- Higher expenses

## Solid Revenues

Revenues (TEB)  
(\$ millions)



### Q2/10 vs. Q2/09 Revenues

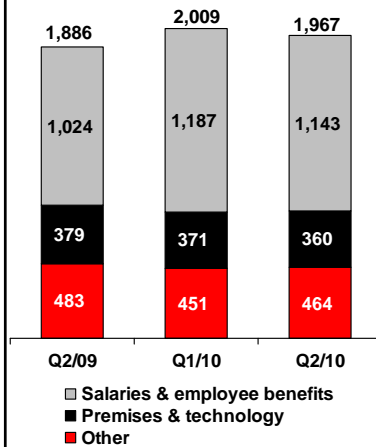
- **Net interest income down 2%**
  - Negative impact of FX
  - + Asset growth, 2 bps increase in margin
- **Other income up 20%**
  - + Higher securities gains, fewer write-downs
  - + Increase in trading & wealth management revenues
  - Lower securitization revenues vs. record Q2/09
  - Negative impact of FX

### Q2/10 vs. Q1/10 Revenues

- **Net interest income down 4%**
  - Shorter quarter
  - Slight decrease in margin
- **Other income up 3%**
  - + Higher securities gains
  - + Stronger trading & wealth management revenues
  - Lower underwriting & transaction-based fees
  - Negative impact of FX

## Disciplined Expense Management

Non-Interest Expenses  
(\$ millions)



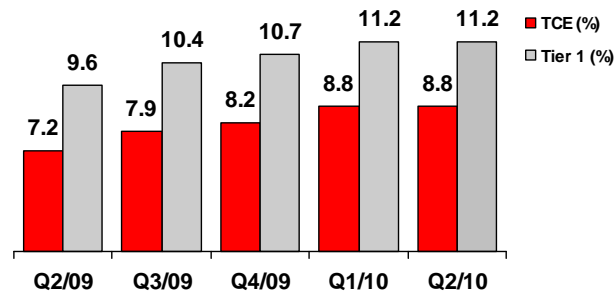
### Q2/10 vs. Q2/09 Expenses

- **Expenses up 4%**
  - Higher performance & stock-based compensation
  - Increase in advertising & promotion spending
  - Impact of acquisitions
  - + Positive impact of FX

### Q2/10 vs. Q1/10 Expenses

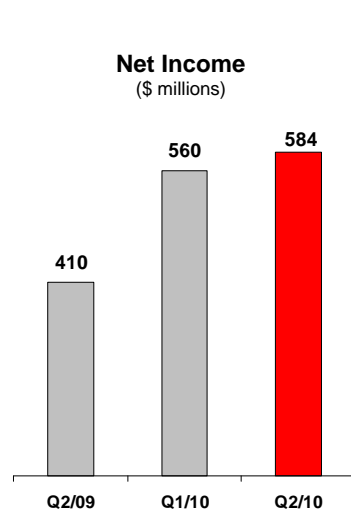
- **Expenses down 2%**
  - + Lower stock-based compensation
  - + Positive impact of FX & shorter quarter
  - Higher performance-based compensation

## Maintained Capital Ratios



- YTD internal capital generation of \$980MM
- Increased DRIP participation: \$172MM (vs. \$132MM in Q1)
- \$265MM preferred share issue
- Investments in Thailand, Puerto Rico

## Canadian Banking: Positive Momentum Continues



### Q2/10 vs. Q2/09

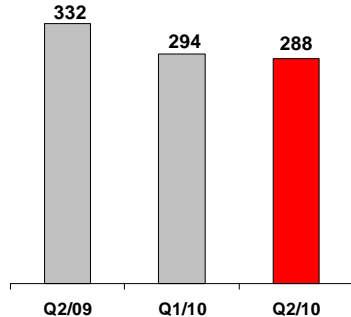
- **Revenues up 17%**
  - + 17 bps increase in margin, volume growth
  - + Higher wealth management revenues
- **PCLs flat**
- **Expenses up 6%**
  - Volume related costs
  - Performance-based compensation

### Q2/10 vs. Q1/10

- **Revenues up 2%**
  - + Increase in margin
  - + Higher wealth management revenues
- **PCLs up \$9MM, delinquencies trending down**
- **Expenses down 1%**
  - + Shorter quarter
  - Discretionary & growth related expenses

## International Banking: Earning Through Challenges

Net Income  
(\$ millions)



### Q2/10 vs. Q2/09

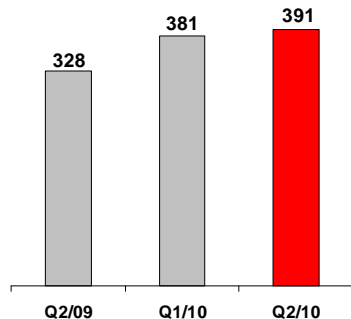
- **Revenues down 3% (up 10% ex. FX)**
  - + Wider loan spreads in Latin America
  - + \$36MM gain on sale of shares in Siam City Bank
  - Negative impact of financial instruments (FI)
- **PCLs up \$58MM**
- **Expenses down 7% (up 4% ex. FX)**
  - Higher compensation costs
  - Increased professional fees & business taxes

### Q2/10 vs. Q1/10

- **Revenues down 8% (down 6% ex. FX)**
  - Margin compression in the Caribbean
  - Lower treasury results in Mexico & Chile
  - Negative impact of FI
  - + Higher insurance revenues in Caribbean
  - + \$36MM gain on sale of shares in Siam City Bank
- **PCLs down \$4MM**
- **Significantly lower tax rate**
- **Expenses down 4%**
  - + Positive impact of FX
  - + Lower professional fees & seasonality

## Scotia Capital: Strong Quarter, Excellent Credit Performance

Net Income  
(\$ millions)



### Q2/10 vs. Q2/09

- **Revenues up 1%**
  - + Higher trading revenues
  - Significantly lower loan volumes
- **PCLs down \$183MM <sup>(1)</sup>**
- **Expenses up 29%**
  - Higher performance-based compensation
  - Increased salaries & technology expenses

### Q2/10 vs. Q1/10

- **Revenues down 5%**
  - Lower loan volumes & slightly reduced spreads
  - Continued strong trading revenues, but slightly lower than Q1/10
- **PCLs down \$38MM <sup>(1)</sup>**
- **Expenses down 3%**
  - + Lower performance-based compensation

(1) Q2/10 included an auto sectoral reversal of \$19MM. Q2/09 included an auto sectoral provision of \$50MM.

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

(\$ millions)	Q2/10	Q1/10	Q2/09
Funding Net Interest Income	(105)	(114)	(67)
Broker Deposits <sup>(2)</sup>	--	--	(48)
Net Securitization Revenues <sup>(3)</sup>	(112)	(135)	67
AFS Securities Writedowns	(11)	(36)	(97)
Financial Instruments <sup>(4)</sup>	24	17	--
General Provision	--	--	(27)
Expenses & Net Other Items	36	21	(35)
Taxes (Excl. TEB Offset)	1	55	9
<b>Sub-Total</b>	<b>(166)</b>	<b>(192)</b>	<b>(198)</b>
Ontario Tax writedown	--	(55)	--
<b>Total Other</b>	<b>(166)</b>	<b>(247)</b>	<b>(198)</b>

(1) Includes Group Treasury and other corporate items, which are not allocated to a business line

(2) Effective Q1/10, Broker deposits were transferred to Canadian Banking

(3) Represents the impact to the Other segment of CMB securitization revenues recognized in other income, and the reduction in mortgage net interest income earned as a result of removing the mortgages from the Balance Sheet

(4) In Q2/09 Financial Instruments was reported in Funding Net Interest Income, as well as Net Other Items



## Risk Review

Brian Porter

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Group Head, Risk & Treasury

## Q2/10 Risk Overview

- **Risk in credit portfolios continues to be well-managed**
  - Further decline in specific provisions
  - Net impaired loan formations slowing
  - Reversed \$19 million of sectoral provision set up in 2009
- **Improved coverage ratios**
- **Limited downside risk to loans from R-G Premier Bank acquisition**
- **Negligible exposure to European Sovereigns**
  - Portugal, Ireland, Italy, Greece, Spain
- **Trading risk & VaR well controlled and within limits**

## Further Decline in Specific Provisions

(\$ millions)	Q2/09	Q3/09	Q4/09	Q1/10	Q2/10
Canadian Retail	126	137	159	140	149
Canadian Commercial	52	33	33	41	40
	<b>178</b>	<b>170</b>	<b>192</b>	<b>181</b>	<b>189</b>
International Retail	125	146	122	130	125
International Commercial	(10)	33	45	47	48
	<b>115</b>	<b>179</b>	<b>167</b>	<b>177</b>	<b>173</b>
Scotia Capital	<b>109</b>	<b>117</b>	<b>65</b>	<b>14</b>	<b>(5)</b>
<b>Total</b>	<b>402</b>	<b>466</b>	<b>424</b>	<b>372</b>	<b>357</b>
PCL ratio (bps)	54	64	63	55	55



## Net Impaired Loan Formations Slowing

(\$ millions)	Q2/09	Q3/09	Q4/09	Q1/10	Q2/10
Canadian Retail	246	167	205	184	154
Canadian Commercial	98	67	24	42	15
	<b>344</b>	<b>234</b>	<b>229</b>	<b>226</b>	<b>169</b>
International Retail	264	276	254	259	184
International Commercial	93	232	5	135	15
	<b>357</b>	<b>508</b>	<b>259</b>	<b>394</b>	<b>199</b>
Scotia Capital	<b>303</b>	<b>161</b>	<b>139</b>	<b>(109)</b>	<b>(68)</b>
<b>Total</b>	<b>1,004</b>	<b>903</b>	<b>627</b>	<b>511</b>	<b>300</b>

## Improved Coverage Ratios


	Q2/10	Q1/10	Q2/09
Earnings coverage of PCL <sup>(1)</sup>	5.6x	5.1x	3.5x
Total Allowance as a % of GIL - ex. R-G Premier Bank acquisition	81% 75%	71%	79%
Total Allowance as a % of Loans & BAs - ex. R-G Premier Bank acquisition	1.52% 1.04%	1.06%	0.92%

(1) Pre-tax, pre-provision income to total PCL

## Limited Downside Risk to Loans from R-G Premier Bank Acquisition

(\$ millions)	Gross Loans	Allowance	Net Loans	Allowance Coverage
Residential mortgages	3,352	711	2,641	21%
Business loans	2,031	711	1,320	35%
	5,383	1,422	3,961	26%


**80% FDIC loss coverage under loss-sharing agreement**

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## Negligible Exposure to European Sovereigns

(balances at Q2/10, US\$ millions)

Country	Exposure
Portugal	-
Ireland	122
Italy	-
Greece	-
Spain	102

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## Risk Outlook – Second Half 2010

- **Asset quality remains strong**
  - Retail and commercial portfolios performing as expected
  - Corporate portfolios performing better than expected
- **Second Half 2010 provisions**
  - Expect credit trends to improve but with some degree of variability

## Canadian Banking Second Half 2010 Outlook

Chris Hodgson

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Group Head, Canadian Banking

## Canadian Banking: Second Half 2010 Outlook

- **Core businesses continue to grow and benefit from strategic investments**
- **Stable margins**
- **Provisions for credit losses to remain elevated but will reflect declining delinquencies**
- **Expenses remain well managed but will increase with investment in selective growth opportunities**

## International Banking Second Half 2010 Outlook

Rob Pitfield

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Group Head, International Banking

## **International Banking: Second Half 2010 Outlook**

- **Asset and revenue growth as economies rebound**
- **Mixed outlook for margin**
- **Continued focus on risk management, expenses**
- **Acquisitions accretive to earnings**

## **Scotia Capital Second Half 2010 Outlook**

**Steve McDonald**

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Group Head, Global Corporate & Investment Banking  
& Co-CEO, Scotia Capital

## Scotia Capital: Second Half 2010 Outlook

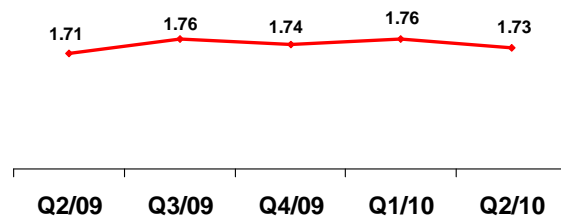
- Loan portfolio continues to perform well and improve
- Loan volumes contracting but at a slower pace
- Loan loss provisions were better than expected, but unlikely to remain this low
- Capital markets may be more challenging but should benefit from initiatives underway

## Appendix

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## Stable Net Interest Margin

(%)



### Q2 margin benefited from...

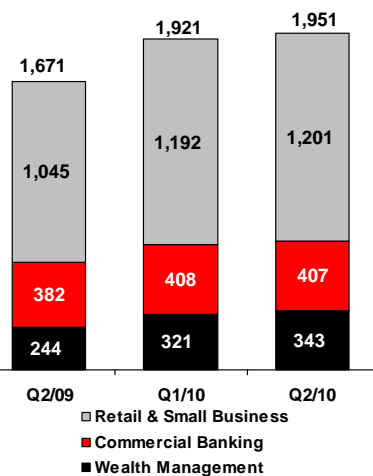
- Wider spreads on retail assets in Canadian Banking

### Offset by...

- Lower spreads in International & Corporate Banking
- Increase in low yielding DWBs

## Canadian Banking: Strong Y/Y Performance in Retail & Wealth Mgmt.

Revenues (TEB)  
(\$ millions)



### Q2/10 vs. Q2/09 Revenues

#### Retail & Small Business

- + Higher margin
- + Asset & deposit growth

#### Commercial Banking

- + Net gain on investment securities
- + Widespread growth in fee based revenues

#### Wealth Management

- + Full service brokerage & mutual fund fees
- + Increased contributions from CI & DW

### Q2/10 vs. Q1/10 Revenues

- + 5 bps increase in margin, asset growth
- + Higher wealth management revenues:
  - + Increased contribution from CI, benefiting from tax recovery

## Canadian Banking: Volume Growth

(\$ billions)	Average Balances				
	Q2/10	Q1/10	Q2/09	Y/Y	Q/Q
Residential Mortgages <sup>(1)</sup>	126.8	125.1	118.0	8.8	1.7
Personal Loans	38.0	37.5	34.1	3.9	0.5
Credit Cards <sup>(2)</sup>	9.2	9.3	9.1	0.1	(0.1)
Business Loans & Acceptances	24.1	24.0	25.7	(1.6)	0.1
Personal Deposits <sup>(3)</sup>	104.6	104.3	92.3	12.3	0.3
Non-Personal Deposits	57.7	58.4	48.9	8.8	(0.7)
Wealth Mgmt. AUA (Spot)	148.9	141.6	116.0	32.9	7.3

(1) Before securitization

(2) Includes Scotiabank VISA

(3) Effective November 1, 2009, \$10 billion of broker sourced deposits were transferred from the Other segment into Canadian Banking.

## Canadian Banking: Market Share

Market Share (%) <sup>1</sup>	Q2/09	Q3/09	Q4/09	Q1/10	Q2/10
Residential Mortgages	20.02	20.06	20.14	20.23	20.28
Total Personal Lending	18.37	18.29	18.30	18.29	18.26
Total Personal Deposits	11.21	11.07	10.85	10.87	10.87
Mutual Funds	7.63	7.93	8.35	8.84	9.10

(1) Market share statistics are issued on a one-month lag basis. (Q2 10: March 2010)

Total Personal Lending market share is based on a comparison with the big six banks.

Total Personal Deposits market share is based on a comparison with the total industry.

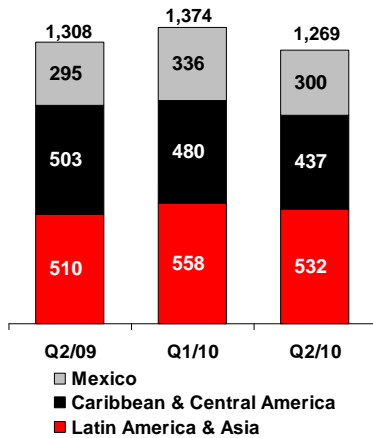
Mutual Funds market share is based on a comparison with total banks.

Sources: Mutual Funds – IFIC; Personal Lending and Personal Deposits – Bank of Canada



## International Banking: Challenging Economic Environment

Revenues (TEB)  
(\$ millions)



### Q2/10 vs. Q2/09 Revenues

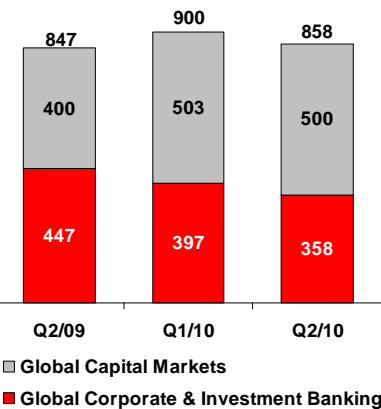
- **Mexico**
  - + Loss on sale of credit card portfolio in Q2/09
  - Decrease in Commercial loan volumes
- **Caribbean & Central America**
  - Lower loan balances
  - + Higher margins
- **Latin America & Asia**
  - + \$36MM gain on sale of shares in Siam City Bank
  - + Increased contribution from T-Bank

### Q2/10 vs. Q1/10 Revenues

- **Mexico**
  - Lower Commercial credit fees
  - Gain from sale of pension business in Q1
- **Caribbean & Central America**
  - Margin compression
  - + Increased insurance revenues
- **Latin America & Asia**
  - Negative impact of FI
  - + \$36MM gain on sale of shares in Siam City Bank
  - + Loss on investment in Venezuelan affiliate in Q1

## Scotia Capital: Strong Trading Revenues

Revenues (TEB)  
(\$ millions)



### Q2/10 vs. Q2/09 Revenues

#### Global Capital Markets

- + Higher derivatives & institutional equity revenues
- Lower fixed income & precious metals revenues

#### Global Corporate & Investment Banking

- Significantly lower loan volumes, lower fee income
- + Wider lending spreads, increased loan origination fees

### Q2/10 vs. Q1/10 Revenues

#### Global Capital Markets

- + Strong quarter for institutional equity
- + Higher fixed income & FX revenues
- Lower derivatives & precious metals revenues

#### Global Corporate & Investment Banking

- Lower loan volumes & slightly reduced spreads
- Decreased other income
- + Higher loan origination fees

## Economic Outlook in Key Markets

Real GDP (Annual % Change)				
	2010F	2009	2008	2000-07 Avg.
Mexico	4.8	(6.5)	1.3	2.9
Peru	6.6	0.9	9.8	5.1
Chile	4.2	(1.5)	3.7	4.4
Jamaica	(0.5)	(2.8)	(0.9)	1.5
Trinidad & Tobago	2.0	(3.0)	2.3	8.2
Costa Rica	3.0	(1.3)	2.9	4.7
Dominican Republic	3.5	3.0	5.3	5.4
Thailand	4.5	(2.3)	2.9	4.9
	2010E	2009F	2008	2000-07 Avg.
Canada	3.6	(2.5)	0.4	2.9
U.S.	3.4	(2.4)	0.4	2.6

Source: Scotia Economics, as of June 1st

## Unrealized Securities Gains

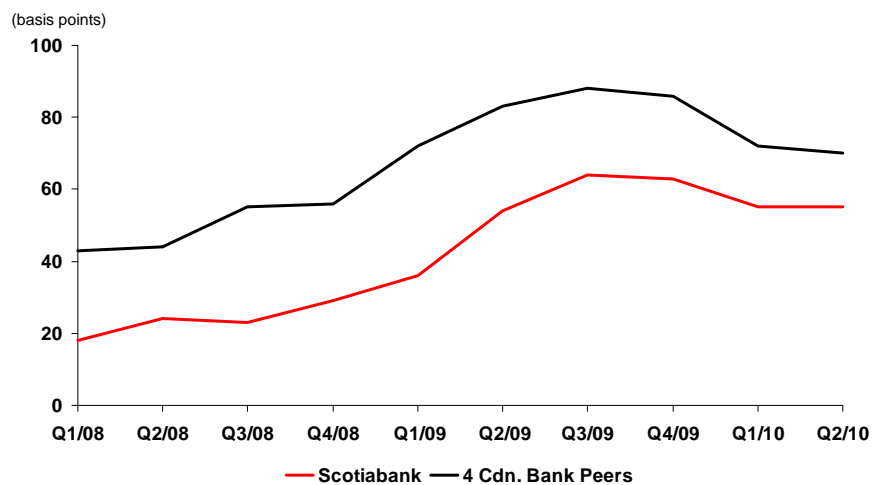
(\$ millions)	Q2/10	Q1/10
Emerging Market Debt	375	383
Other Debt	255	672
Equities	233	190
	<b>863</b>	<b>1,245</b>
Net Fair Value of Derivative Instruments and Other Hedge Amounts	(67)	(217)
<b>Total</b>	<b>796</b>	<b>1,028</b>

## Trend in PCL Ratios

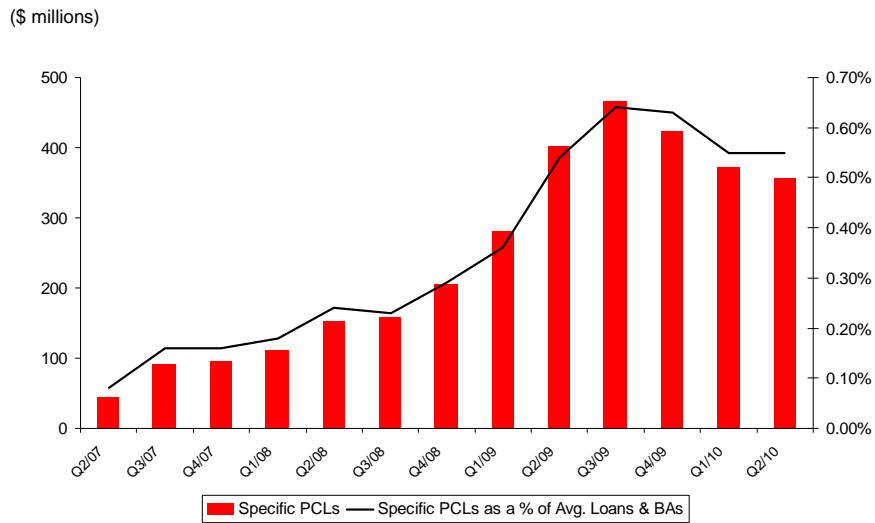
(Specific PCL as % average of loans & BAs)	Q2/09	Q3/09	Q4/09	Q1/10	Q2/10
<b>Canadian Banking</b>					
Retail	0.32	0.33	0.37	0.32	0.35
Commercial	0.83	0.52	0.55	0.68	0.68
<b>Total</b>	<b>0.39</b>	<b>0.36</b>	<b>0.40</b>	<b>0.37</b>	<b>0.39</b>
<b>International Banking</b>					
Retail	2.17	2.59	2.30	2.41	2.42
Commercial	(0.09)	0.32	0.48	0.50	0.53
<b>Total</b>	<b>0.69</b>	<b>1.13</b>	<b>1.13</b>	<b>1.19</b>	<b>1.22</b>
<b>Scotia Capital</b>					
Corporate Banking	0.80	1.01	0.65	0.15	(0.07)
<b>All Bank</b>	<b>0.54</b>	<b>0.64</b>	<b>0.63</b>	<b>0.55</b>	<b>0.55</b>

## Provisions: Consistently Outperforming Canadian Peers

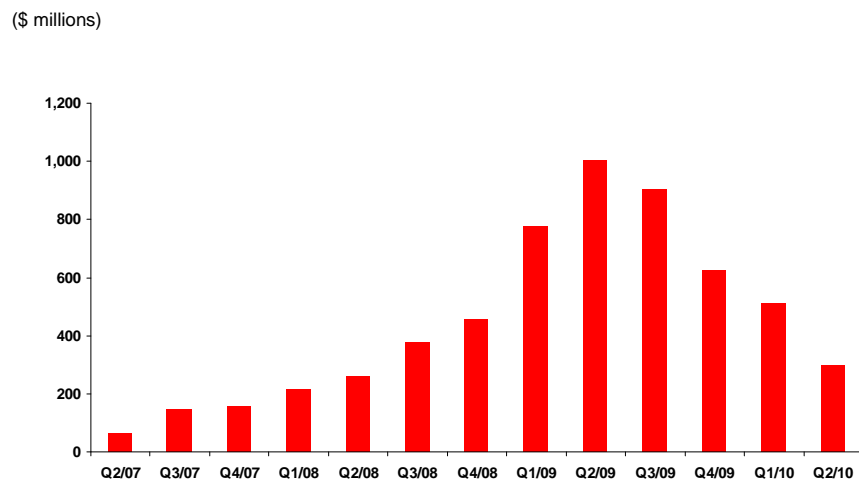
Specific PCL as a % of Average Loans & BAs



## Trend in Specific Provisions

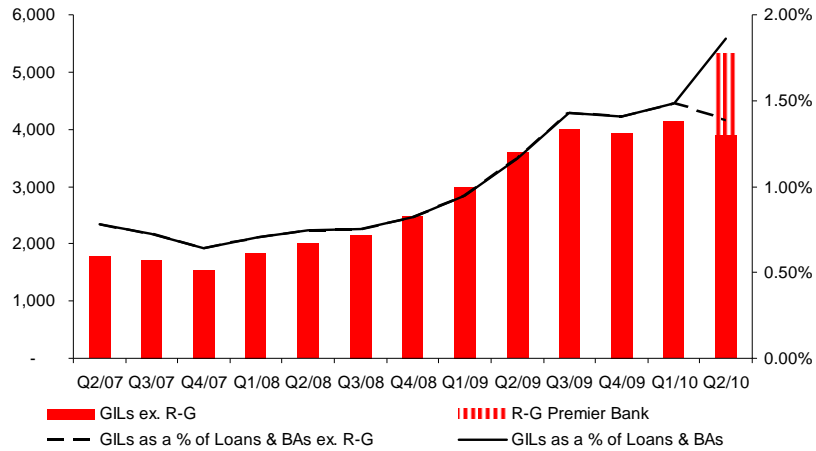


## Trend in Net Impaired Loan Formations



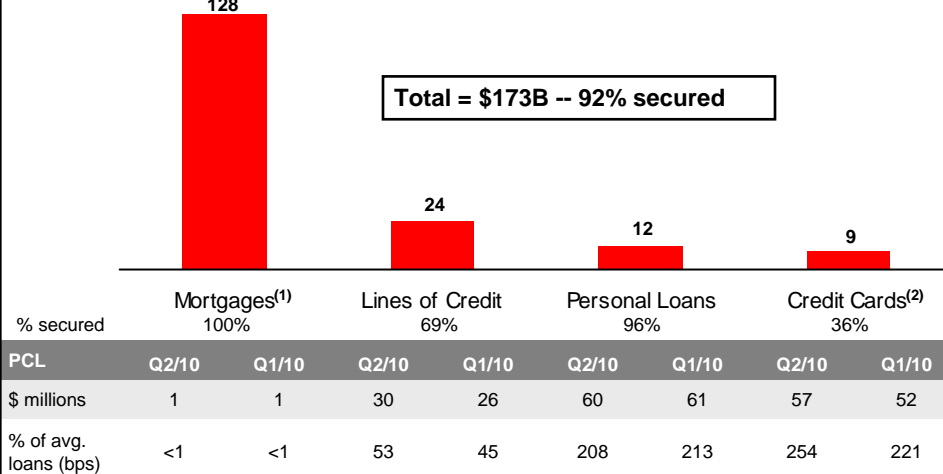
## Trend in Gross Impaired Loans

(\$ millions)



## Canadian Retail: Loans and Provisions

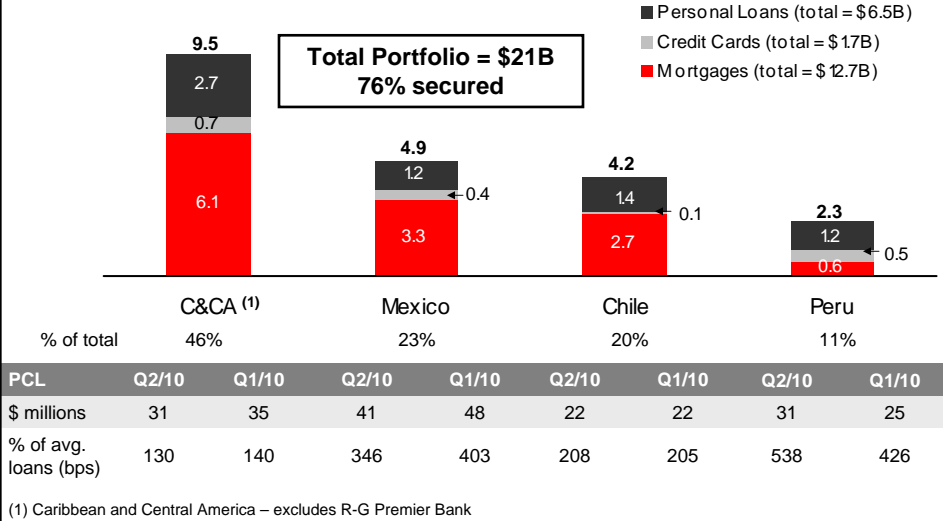
(balances at Q2/10, \$ billions)



(1) Before securitizations of \$16 billion & mortgages converted to MBS of \$18 billion; (2) Includes \$6 billion of Scotiabank VISA 52% insured (including \$11 billion portfolio insurance); LTV in mid-50s for uninsured portfolio

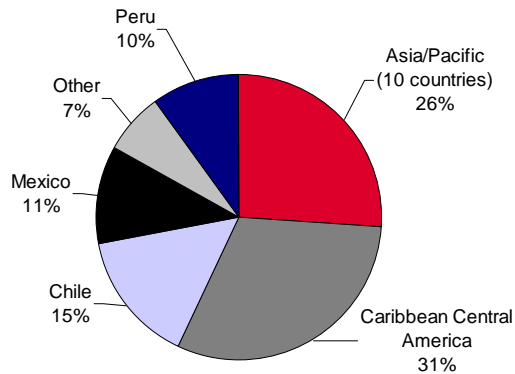
## International Retail: Loans and Provisions

(balances at Q2/10, \$ billions)



## International Commercial: Lending Portfolio

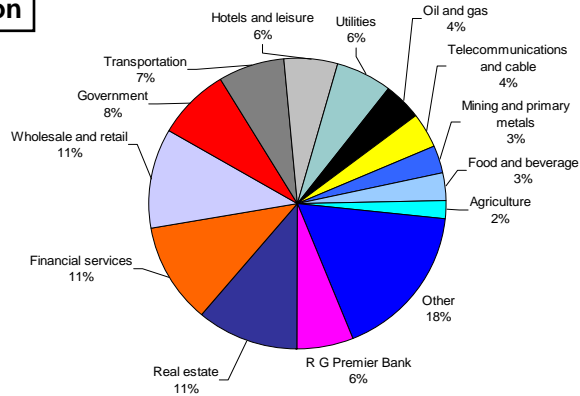
**Q2/10 = \$34 billion**



- Well secured
- Portfolios in Asia/Pacific, Mexico and Peru are performing well
- Closely monitoring portfolios in the Caribbean

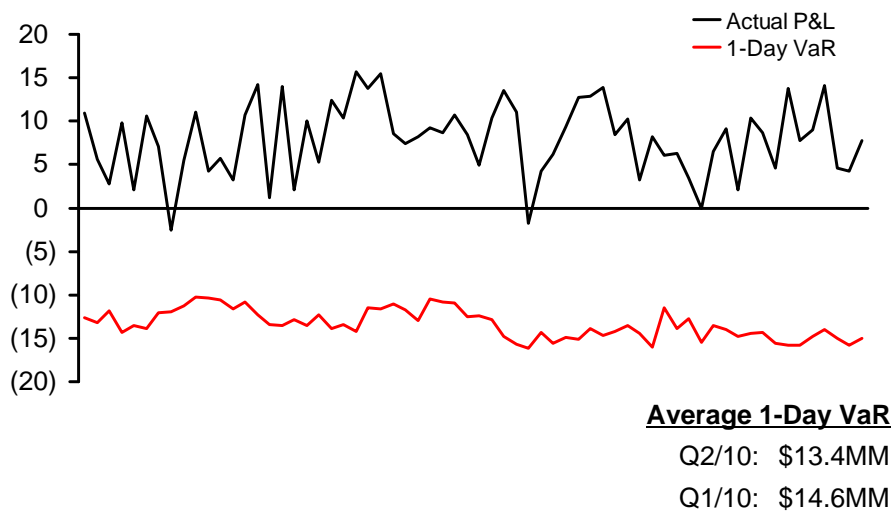
## International Commercial: Lending Portfolio

Q2/10 = \$34 billion



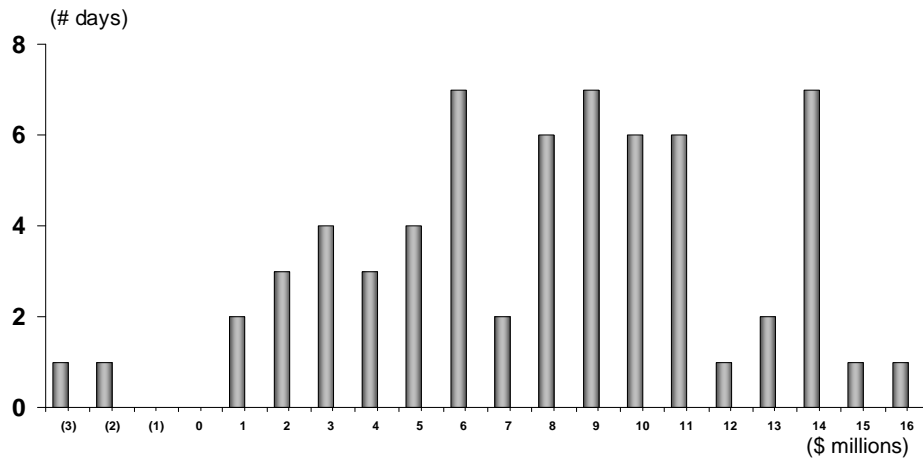
- Good diversification
- Closely monitoring Caribbean hotel exposures
  - \$1.4 billion exposure in the Caribbean, most accounts well secured
  - Tourism remains generally weak; expect gradual improvement in 2010/2011

## Trading Results Within One-Day VaR



## Trading Revenue

### Q2/10 Trading Revenue



▪ 97% of days had positive results in Q2/10