

# Investor Presentation Third Quarter, 2010

August 31, 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

### **Q3 2010 Overview**

- **Strong quarter**
  - Net income: \$1,062 million
  - EPS up 13% vs. prior year, down 4% vs. Q2
  - Strong ROE at 18.2%
- **Continued strong risk management performance**
- **All three platforms contributing to success**
- **Continued strengthening of capital ratios**

## Outlook for Balance of 2010

Objective	Target	YTD Q3/10
ROE	16% to 20%	18.5%
EPS Growth	7% to 12%	17.3%
Productivity Ratio	< 58%	50.9%
Capital ratios	Strong Capital Ratios	Tier 1 = 11.7% TCE = 9.3%

- Well positioned to meet full year targets

## Financial Review

Luc Vanneste

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Executive Vice-President &  
Chief Financial Officer

## Strong Quarter

Q3/10	Q2/10	Q/Q		Q3/09	Y/Y
1,062	1,097	(3)%	Net Income (\$MM)	931	14%
\$0.98	\$1.02	(4)%	EPS	\$0.87	13%
18.2%	19.9%	(170) bps	ROE	17.3%	+90 bps
52.5%	49.9%	+260 bps	Productivity Ratio	51.0%	+150 bps

### Year-over-year earnings comparison

#### Q3 earnings benefited from...

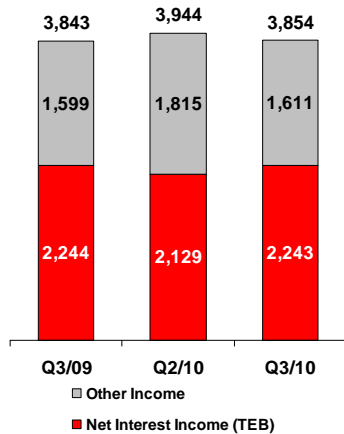
- Stable net interest income
- Growth in wealth management revenues
- Lower PCLs

#### Partly offset by...

- Lower trading revenues
- Lower securitization revenues
- Higher non-interest expenses

## Revenues Negatively Impacted by Trading

Revenues (TEB)  
(\$ millions)



### Year-over-Year

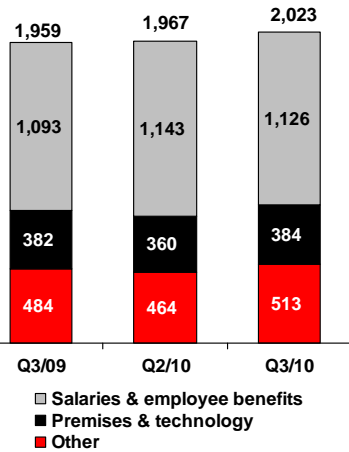
- **Net interest income flat**
  - + Asset growth in Canadian and International Banking
  - Margin compression and lower lending volumes in Scotia Capital
- **Other income up 1%**
  - + Higher net gains on securities
  - + Increase in wealth management revenues
  - Lower trading revenues
  - Lower securitization revenues

### Quarter-over-Quarter

- **Net interest income up 5%**
  - + Asset growth and longer quarter
  - Lower net interest margin
- **Other income down 11%**
  - + Stronger mutual fund revenues
  - Lower trading revenue
  - Lower net gains on securities

## Disciplined Expense Management

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



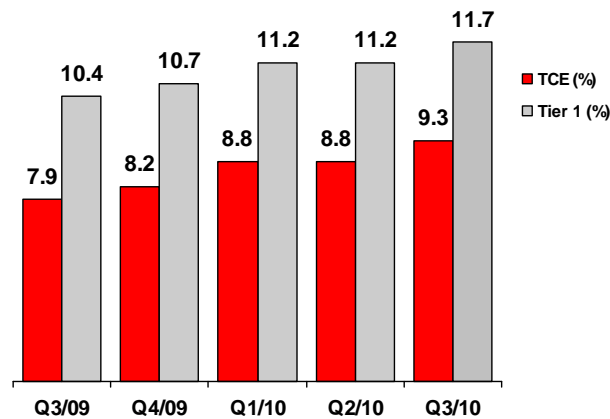
### Year-over-Year

- **Expenses up 3%**
  - Expenses related to acquisition of R-G Premier
  - Increased remuneration, advertising and professional spending to support business growth
  - + Lower performance based compensation reflecting lower trading revenues

### Quarter-over-Quarter

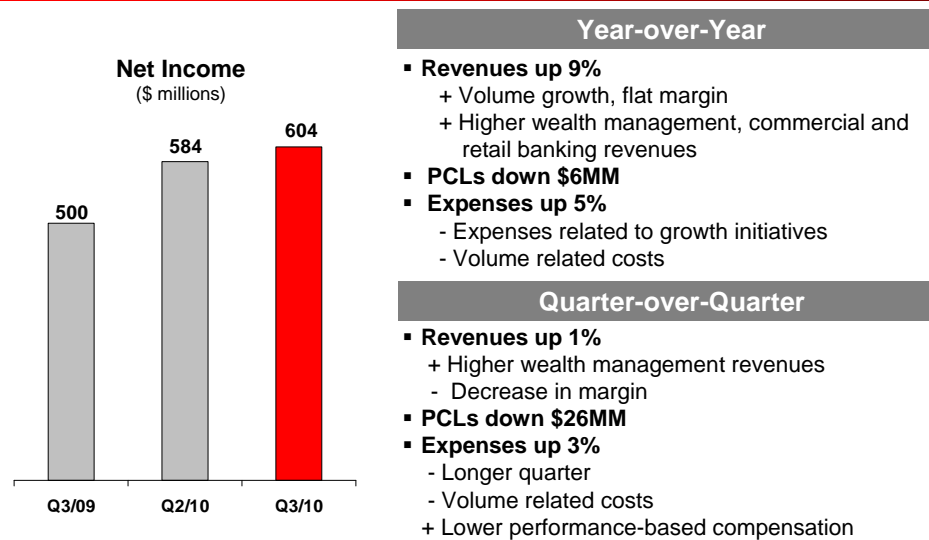
- **Expenses up 3%**
  - Acquisition of R-G Premier
  - Longer quarter
  - Higher spending in technology, advertising and premises
  - + Lower performance based compensation

## Strengthened Capital Ratios



- YTD internal capital generation of \$1,484MM
- DRIP participation: \$166MM (vs. \$172MM in Q2)

## Canadian Banking: Positive Momentum Continues



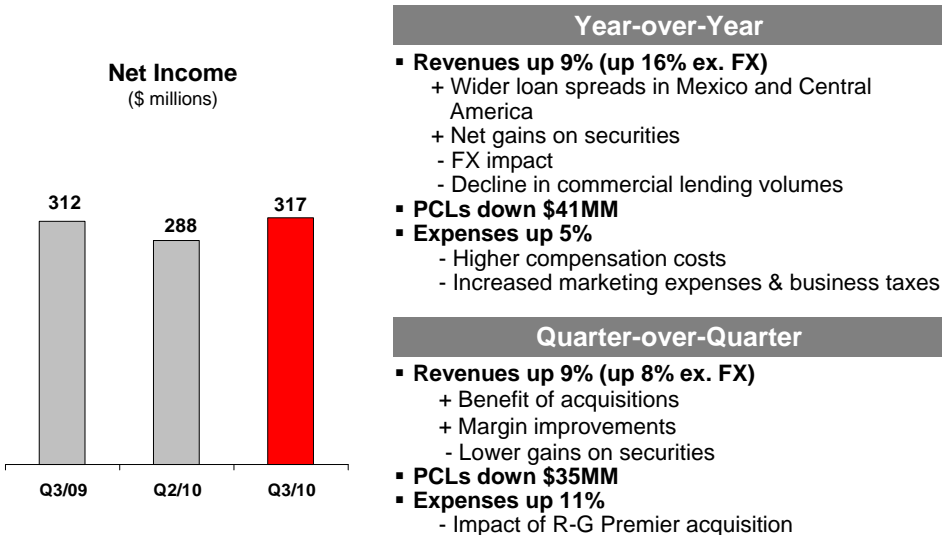
### Year-over-Year

- **Revenues up 9%**
  - + Volume growth, flat margin
  - + Higher wealth management, commercial and retail banking revenues
- **PCLs down \$6MM**
- **Expenses up 5%**
  - Expenses related to growth initiatives
  - Volume related costs

### Quarter-over-Quarter

- **Revenues up 1%**
  - + Higher wealth management revenues
  - Decrease in margin
- **PCLs down \$26MM**
- **Expenses up 3%**
  - Longer quarter
  - Volume related costs
  - + Lower performance-based compensation

## International Banking: Earning Through Challenges



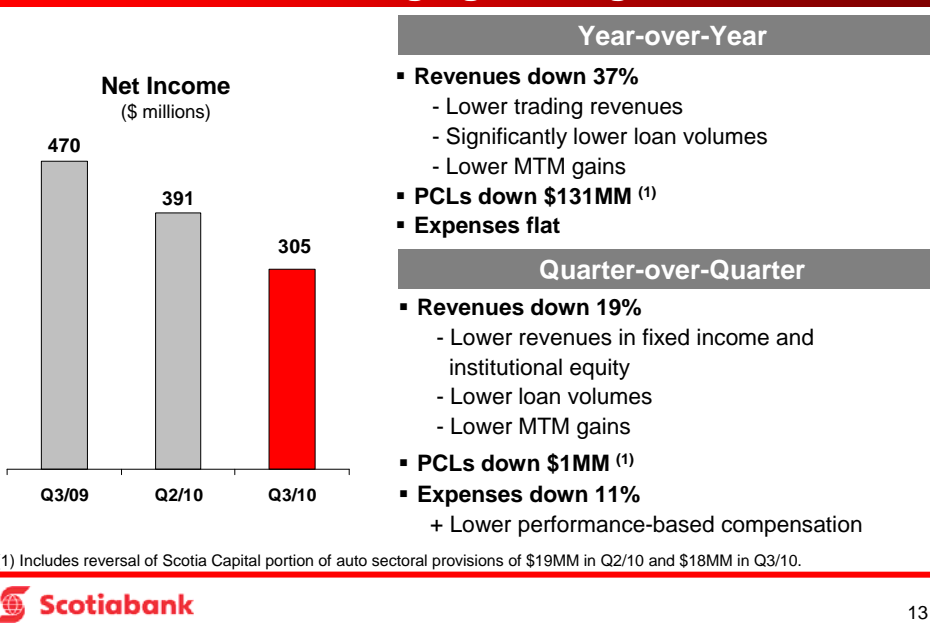
### Year-over-Year

- **Revenues up 9% (up 16% ex. FX)**
  - + Wider loan spreads in Mexico and Central America
  - + Net gains on securities
  - FX impact
  - Decline in commercial lending volumes
- **PCLs down \$41MM**
- **Expenses up 5%**
  - Higher compensation costs
  - Increased marketing expenses & business taxes

### Quarter-over-Quarter

- **Revenues up 9% (up 8% ex. FX)**
  - + Benefit of acquisitions
  - + Margin improvements
  - Lower gains on securities
- **PCLs down \$35MM**
- **Expenses up 11%**
  - Impact of R-G Premier acquisition

## Scotia Capital: Solid Quarter, Challenging Trading Environment



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

(\$ millions)	Q3/10	Q2/10	Q3/09
Funding Net Interest Income	(117)	(105)	(94)
Broker Deposits <sup>(2)</sup>	--	--	(57)
Net Securitization Revenues <sup>(3)</sup>	(110)	(112)	(96)
AFS Securities Writedowns	(5)	(11)	(95)
Financial Instruments <sup>(4)</sup>	(6)	24	--
General Provision	--	--	(100)
Expenses & Net Other Items	20	36	(41)
TEB Offset	(70)	(71)	(68)
Taxes	124	72	200
<b>Total Other</b>	<b>(164)</b>	<b>(166)</b>	<b>(351)</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 Q3/09 Financial Instruments was reported in Funding Net Interest Income, as well as Net Other Items

**Scotiabank** 14

## Risk Review

Brian Porter

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Group Head, Risk & Treasury

### Q3 2010 Risk Overview

- **Risk in credit portfolios continues to be well-managed**
  - Significant decline in specific provisions
  - Reversed remaining \$24 million of auto sectoral provision set up in Q2/09
  - General downward trend in net impaired loan formations
- **Strong coverage ratios**
- **Market risk well controlled**
  - Greater variability in trading revenues from higher volatility in credit markets



## Significant Decline in Specific Provisions

(\$ millions)	Q3/09	Q4/09	Q1/10	Q2/10	Q3/10
Canadian Retail	137	159	140	149	145
Canadian Commercial	33	33	41	40	24
	<b>170</b>	<b>192</b>	<b>181</b>	<b>189</b>	<b>169</b>
International Retail	146	122	130	125	118
International Commercial	33	45	47	48	20
	<b>179</b>	<b>167</b>	<b>177</b>	<b>173</b>	<b>138</b>
Scotia Capital	<b>117</b>	<b>65</b>	<b>14</b>	<b>(5)</b>	<b>(7)</b>
<b>Total</b>	<b>466</b>	<b>424</b>	<b>372</b>	<b>357</b>	<b>300</b>
PCL ratio (bps)	64	63	55	55	43

## General Downward Trend in Net Impaired Loan Formations

(\$ millions)	Q3/09	Q4/09	Q1/10	Q2/10	Q3/10
Canadian Retail	167	205	184	154	147
Canadian Commercial	67	24	42	15	47
	<b>234</b>	<b>229</b>	<b>226</b>	<b>169</b>	<b>194</b>
International Retail	276	254	259	184	211
International Commercial	232	5	135	15	(12)
	<b>508</b>	<b>259</b>	<b>394</b>	<b>199</b>	<b>199</b>
Scotia Capital	<b>161</b>	<b>139</b>	<b>(109)</b>	<b>(68)</b>	<b>(10)</b>
<b>Total</b>	<b>903</b>	<b>627</b>	<b>511</b>	<b>300</b>	<b>383</b>

## Strong Coverage Ratios

	Q3/10	Q2/10	Q3/09
Earnings coverage of PCL <sup>(1)</sup>	6.4x	5.6x	3.3x
Total Allowance as a % of GIL	79%	81%	75%
- ex. R-G Premier Bank acquisition	73%	75%	
Total Allowance as a % of Loans & BAs	1.47%	1.52%	1.07%
- ex. R-G Premier Bank acquisition	1.02%	1.04%	

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

## Risk Outlook

- **Asset quality remains strong**
  - Retail and Commercial portfolios performing as expected
  - Continued strength in corporate portfolios
- **Credit trends have stabilized**
  - Further improvements dependent on economic conditions

## **Canadian Banking Outlook – Balance of 2010**

Chris Hodgson

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Group Head, Canadian Banking

### **Canadian Banking: Balance of 2010 Outlook**

- **Core businesses continue to grow and benefit from strategic investments**
- **Slowing asset growth in retail and small business offset by growth opportunities in commercial, payments and wealth**
- **Margins to remain under pressure from increased competition and higher wholesale funding costs**
- **Provisions for credit losses stabilized and expected to decline**

## **International Banking Outlook – Balance of 2010**

Rob Pitfield

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Group Head, International Banking

### **International Banking: Balance of 2010 Outlook**

- **Retail growth as economies improve**
- **Some margin compression expected**
- **Continued focus on risk management and expenses**
- **Sustainable contribution from acquisitions**

## **Scotia Capital Outlook – Balance of 2010**

Mike Durland

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

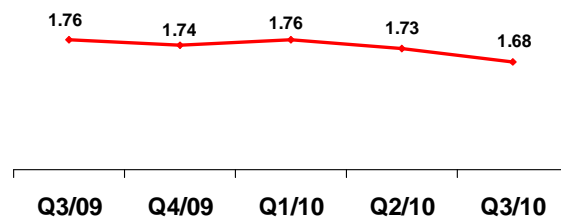
### **Scotia Capital: Balance of 2010 Outlook**

- **Expect solid trading performance from diversified client-driven businesses, although not at the level seen in first half of the year**
- **Continue to benefit from very low loan loss provisions in portfolios that continue to perform well**
- **Trend in contracting loan volumes to moderate**
- **New business initiatives should continue to offset decline from peak capital markets activity**

## Appendix

### Net Interest Margin

(%)



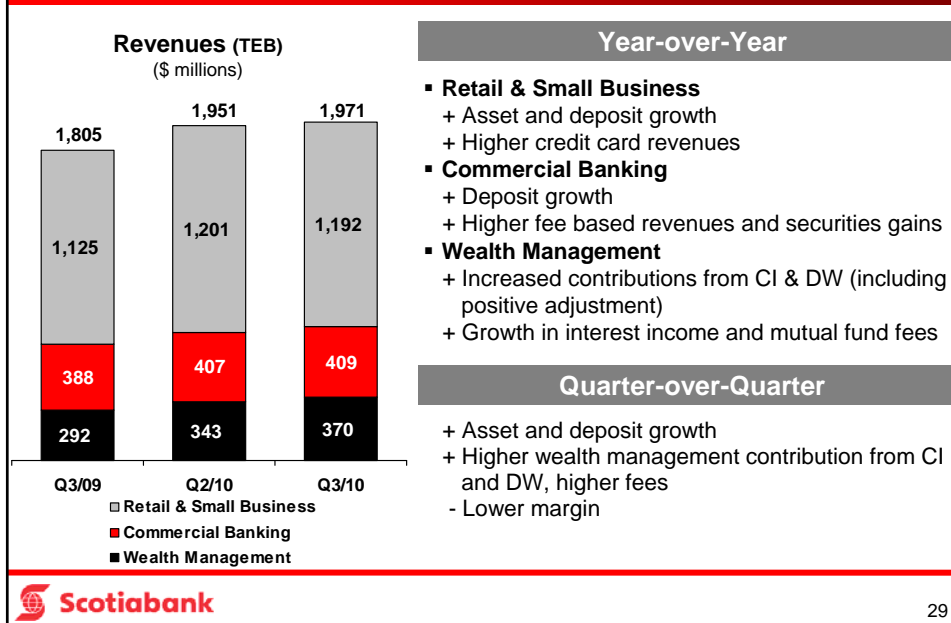
#### Q3 margin benefited from...

- Wider spreads on retail assets in International Banking

#### Offset by...

- Lower spreads in Canadian Banking & Scotia Capital

## Canadian Banking: Strong Y/Y Performance in Wealth Management



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## Canadian Banking: Volume Growth

(\$ billions)	Average Balances				
	Q3/10	Q2/10	Q3/09	Y/Y	Q/Q
Residential Mortgages <sup>(1)</sup>	130.9	126.8	119.9	11.0	4.1
Personal Loans	38.5	38.0	35.6	2.9	0.5
Credit Cards <sup>(2)</sup>	9.1	9.2	9.2	(0.1)	(0.1)
Business Loans & Acceptances	24.7	24.1	25.0	(0.3)	0.6
Personal Deposits <sup>(3)</sup>	105.6	104.6	93.8	11.8	1.0
Non-Personal Deposits	58.5	57.7	52.5	6.0	0.8
Wealth Mgmt. AUA (Spot)	147.6	148.9	126.8	20.8	(1.3)

(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.

**Scotiabank**

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## Canadian Banking: Market Share

Market Share (%) <sup>1</sup>	Q3/09	Q4/09	Q1/10	Q2/10	Q3/10
Residential Mortgages	20.06	20.14	20.23	20.28	20.40
Total Personal Lending	18.29	18.30	18.29	18.26	18.27
Total Personal Deposits	11.13	10.89	10.84	10.89	10.83
Mutual Funds	7.93	8.35	8.84	9.10	9.18

(1) Market share statistics are issued on a one-month lag basis. (Q3 10: June 2010)

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

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

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

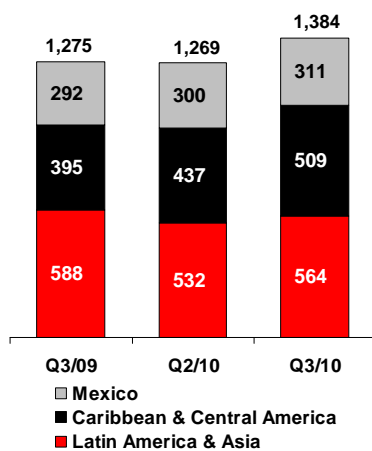
Sources: Mutual Funds – IFIC; Personal Lending and Personal Deposits – Bank of Canada



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## International Banking: Improving Economic Environment

Revenues (TEB)  
(\$ millions)



### Year-over-Year

- **Mexico**
  - + Higher commercial banking fees
- **Caribbean & Central America**
  - + Impact of R-G Premier acquisition
  - + Writedown of an equity investment in Q3/09
- **Latin America & Asia**
  - Fair value changes in financial instruments
  - + Increased contribution from T-Bank

### Quarter-over-Quarter

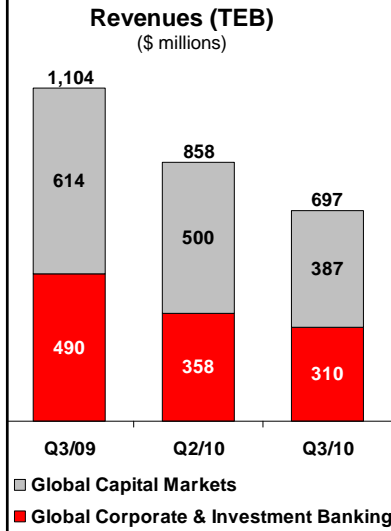
- **Mexico**
  - + Higher trading revenues and retail deposit spreads
- **Caribbean & Central America**
  - + Impact of R-G Premier acquisition
- **Latin America & Asia**
  - + Fair value changes in financial instruments
  - + Higher gains on securities
  - Gain on sale of shares in Siam City Bank in Q2



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## Scotia Capital: Lower Trading Revenues



### Year-over-Year

- **Global Capital Markets**
  - Lower derivatives, fixed income & institutional equity revenues compared to prior year's record revenues
  - + Precious metals revenues
- **Global Corporate & Investment Banking**
  - Significantly lower loan volumes, modestly lower spreads and lower loan origination fees

### Quarter-over-Quarter

- **Global Capital Markets**
  - Lower derivatives, fixed income & institutional equity revenues
  - + Precious metals revenues
- **Global Corporate & Investment Banking**
  - Lower loan volumes and loan origination fees
  - Lower MTM gains

## Economic Outlook in Key Markets

	Real GDP (Annual % Change)			
	2000-08 Avg.	2009	2010F	2011F
Mexico	2.8	(6.5)	4.8	3.5
Peru	5.6	0.9	7.0	5.4
Chile	4.3	(1.5)	4.2	5.8
Jamaica	1.4	(3.0)	(0.5)	1.5
Trinidad & Tobago	7.5	(3.2)	2.0	2.5
Costa Rica	4.5	(1.3)	3.5	3.0
Dominican Republic	5.4	3.0	4.5	4.0
Thailand	4.6	(2.3)	5.5	4.0
	2000-08 Avg.	2009	2010F	2011F
Canada	2.6	(2.5)	3.3	2.6
U.S.	2.3	(2.6)	3.0	2.5

Source: Scotia Economics, as of August 30, 2010

## Unrealized Securities Gains

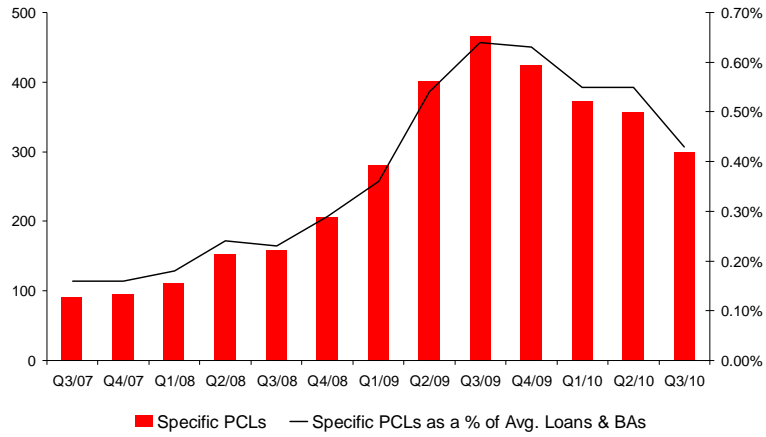
(\$ millions)	Q3/10	Q2/10	Q3/09
Emerging Market Debt	330	375	470
Other Debt	602	255	450
Equities	176	233	(25)
	<b>1,108</b>	<b>863</b>	<b>895</b>
Net Fair Value of Derivative Instruments and Other Hedge Amounts	(193)	(67)	(162)
<b>Total</b>	<b>915</b>	<b>796</b>	<b>733</b>

## Trend in PCL Ratios

(Specific PCL as % average of loans & BAs)	Q3/09	Q4/09	Q1/10	Q2/10	Q3/10
<b>Canadian Banking</b>					
Retail	0.33	0.37	0.32	0.35	0.32
Commercial	0.52	0.55	0.68	0.68	0.38
<b>Total</b>	<b>0.36</b>	<b>0.40</b>	<b>0.37</b>	<b>0.39</b>	<b>0.33</b>
<b>International Banking</b>					
Retail	2.59	2.30	2.41	2.42	1.88
Commercial	0.32	0.48	0.50	0.53	0.20
<b>Total</b>	<b>1.13</b>	<b>1.13</b>	<b>1.19</b>	<b>1.22</b>	<b>0.85</b>
<b>Scotia Capital</b>					
Corporate Banking	1.01	0.65	0.15	(0.07)	(0.09)
<b>All Bank</b>	<b>0.64</b>	<b>0.63</b>	<b>0.55</b>	<b>0.55</b>	<b>0.43</b>

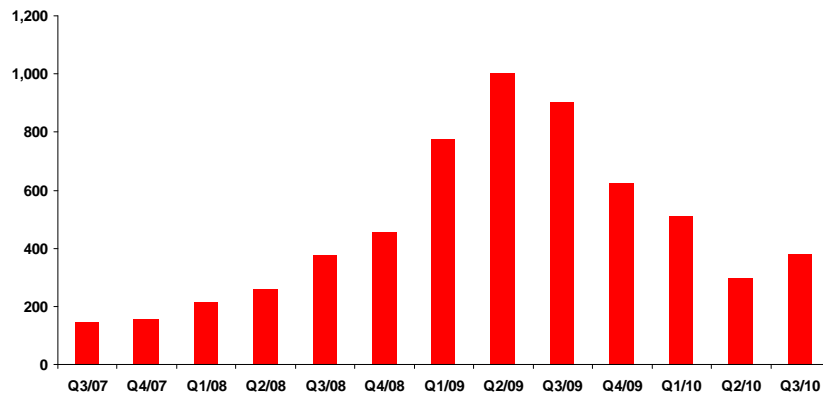
## Trend in Specific Provisions

(\$ millions)

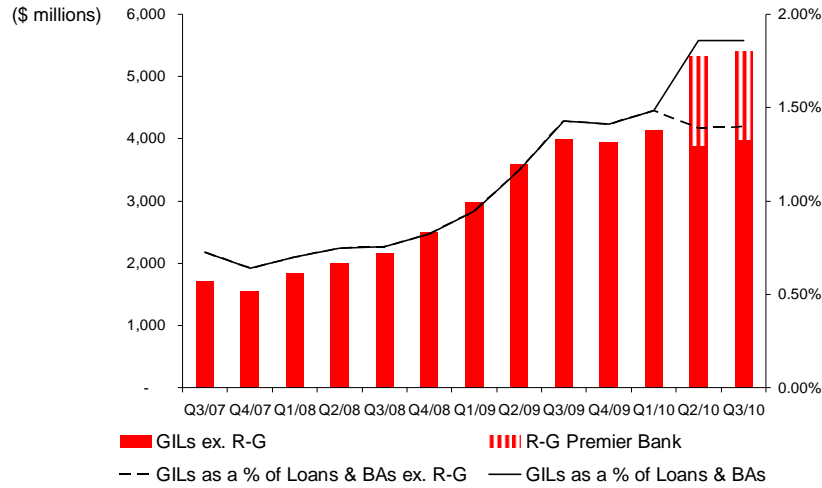


## Trend in Net Impaired Loan Formations

(\$ millions)

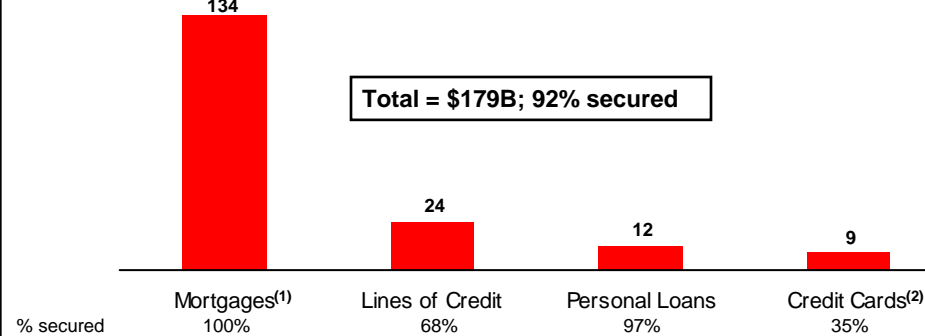


## Trend in Gross Impaired Loans



## Canadian Retail: Loans and Provisions

(balances at Q3/10, \$ billions)

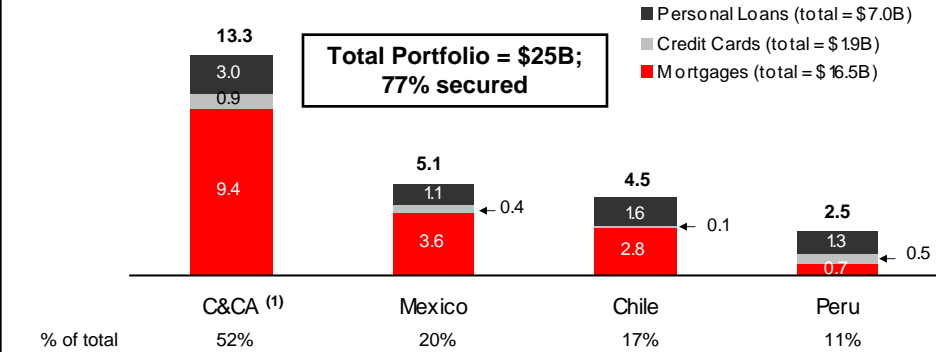


PCL	Q3/10	Q2/10	Q3/10	Q2/10	Q3/10	Q2/10	Q3/10	Q2/10
\$ millions	1	1	29	30	69	61	46	57
% of avg. loans (bps)	<1	<1	49	53	224	208	201	254

(1) Before securitizations of \$15 billion & mortgages converted to MBS of \$20 billion; (2) Includes \$6 billion of Scotiabank VISA 53% insured (including \$15 billion portfolio insurance); LTV in mid-50s for uninsured portfolio

## International Retail: Loans and Provisions

(balances at Q3/10, \$ billions)

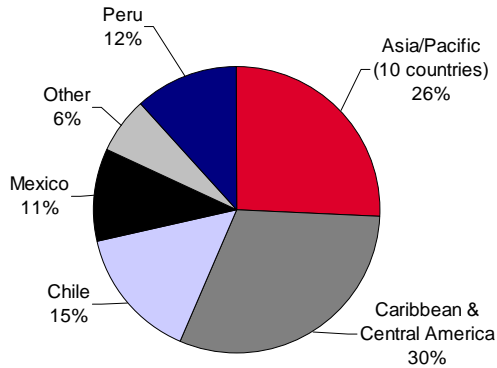


PCL	Q3/10	Q2/10	Q3/10	Q2/10	Q3/10	Q2/10	Q3/10	Q2/10
\$ millions	24	31	46	41	17	22	31	31
% of avg. loans (bps)	83	130	376	346	153	208	500	538

(1) Caribbean and Central America – includes R-G Premier Bank

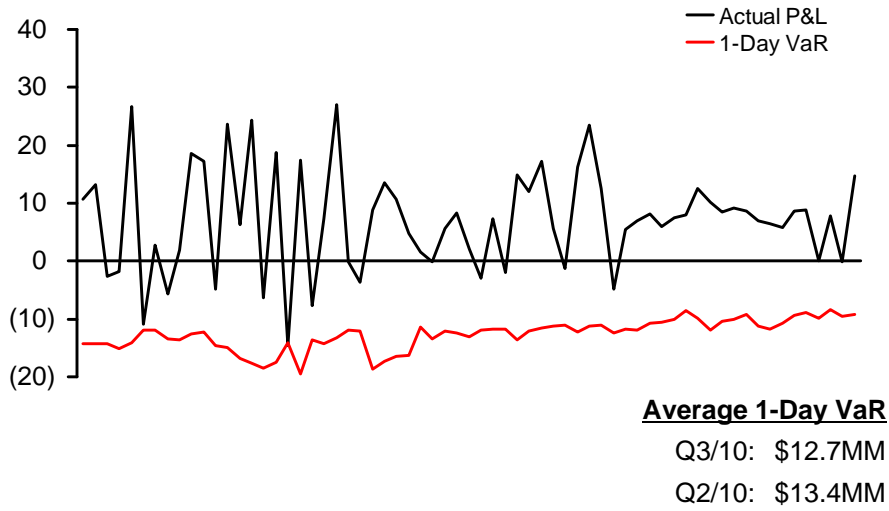
## International Commercial: Lending Portfolio

**Q3/10 = \$36 billion**



- Well secured
- Portfolios in Asia/Pacific, Mexico, Chile, Peru and Central America performing well
- Closely monitoring Caribbean hotel exposures

## Q3 2010 Trading Results Within One-Day VaR



## Q3 2010 Trading Revenue Distribution

