

Strategy in action

2012 Scotiabank Global Banking and Markets Financials Summit

Rick Waugh
President and
Chief Executive Officer

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Toronto, ON



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.

Agenda

Business Model and Strategic Priorities

Year-to-Date Performance

ING Bank of Canada Acquisition

Outlook

A Proven and Straight-Forward Business Model

**Focused and diversified
revenue growth**

+

Low cost culture

+

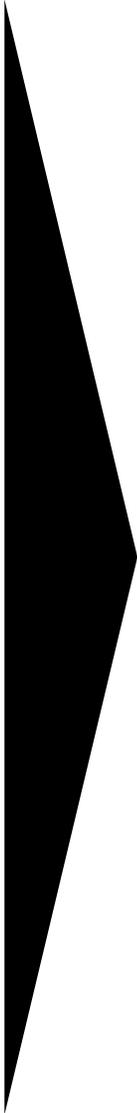
Disciplined risk management

+

Strong capital position

+

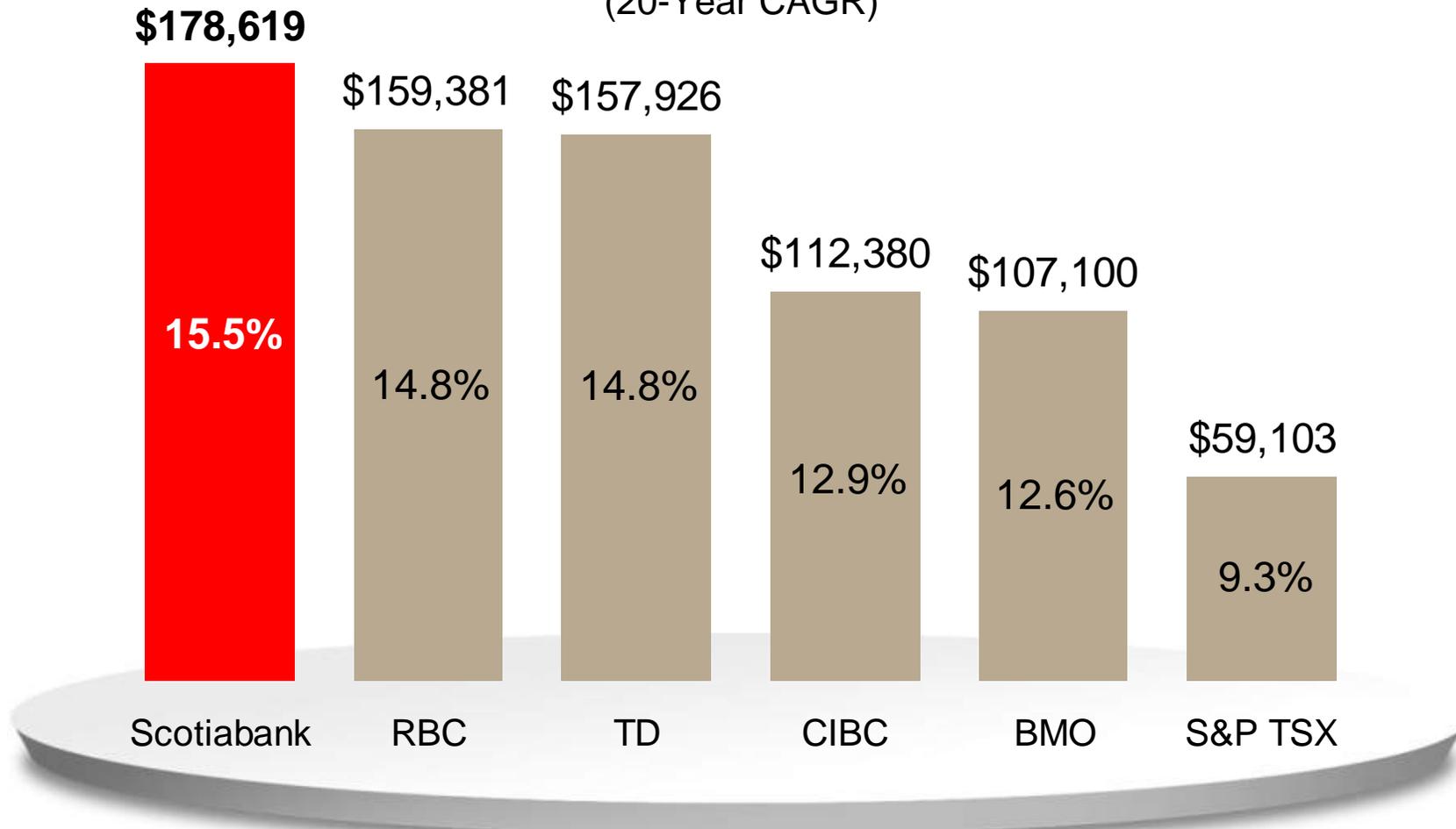
Leadership



**Top-tier
performance**

Superior Long-Term Total Shareholder Returns¹

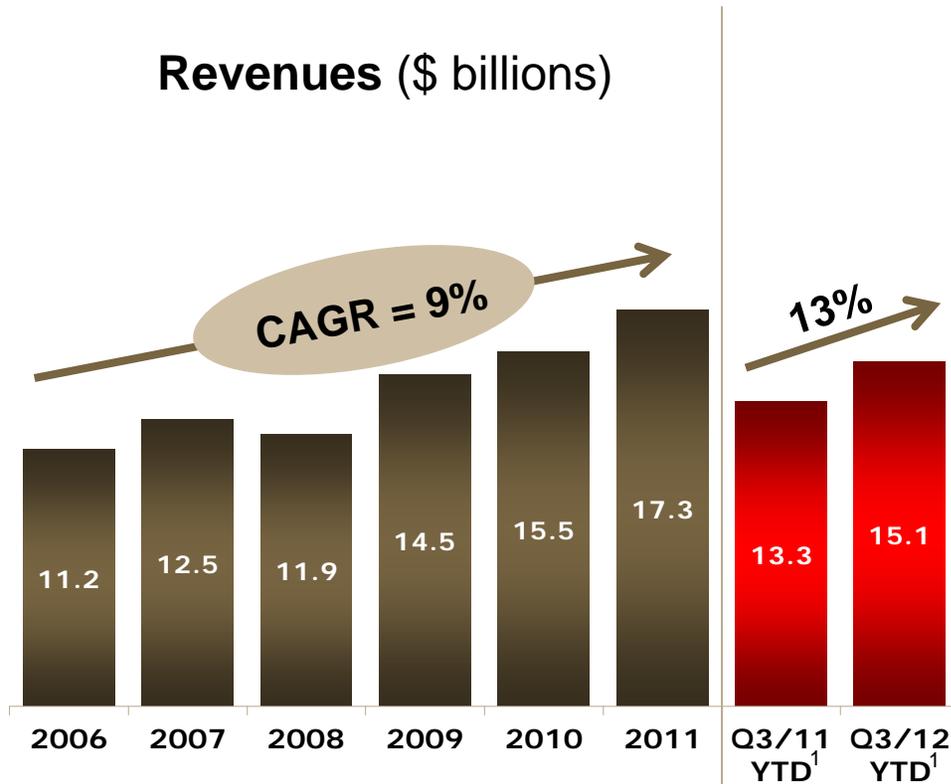
What investing \$10,000 twenty years ago would be worth today?
(20-Year CAGR)



(1) Includes share price appreciation and re-invested dividends. Calculated in Canadian dollars as of July 31, 2012. Assumes dividend yield of 3% for S&P/TSX composite. Source: The Globe and Mail, Aug. 28, 2012.

Sustainable and Profitable Revenue Growth

Revenues (\$ billions)



(1) Reflects adoption of IFRS

- **Focused on growth**

- Customer centric approach
- Capitalize on our expertise in sales & service
- Achieve scale across select products and geographies

- **Areas of Growth**

- Emerging Markets
- Wealth Management
- Insurance
- Deposits and Payments
- Consumer finance, cards and small business

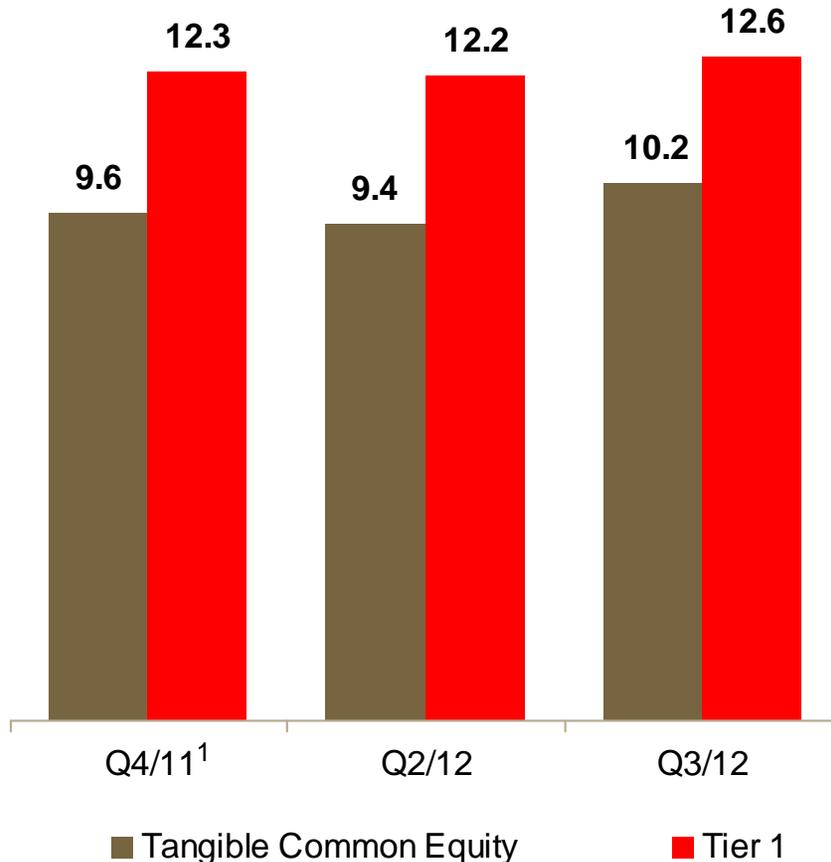
Solid Growth in Each Business Line – Q3 YTD

Business Line	Net Income	Revenue
Canadian Banking	16.5%	4.6%
International Banking	19.7%	22.4%
Global Wealth Management	18.7%	13.3%
Global Banking and Markets	8.0%	7.9%
All Bank	9.1%	9.2%

Note: Excludes \$286 million in acquisition-related gains in Q2/11, \$94 million and \$614 million after-tax real estate gains in Q1/12 and Q3/12, respectively.

Strong Capital Ratios: High Quality

Capital Ratios (%)



- YTD internal capital generation of \$2,832MM (vs. \$2,238MM in 2011)
- YTD stock issued under DRIP: \$573MM (vs. \$463MM in 2011)
- Target of 7.0-7.5% common equity Tier 1 ratio under Basel III achieved as at Q3/12
- Recently announced \$1.5 billion common equity issuance to fund acquisition of ING DIRECT

(1) Presented under CGAAP

Overview of ING Direct Canada

- **Established in 1997**
 - 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

Strategic Rationale and Business Model

- **\$30 billion retail deposit base**
 - Provides increased stability and diversification of funding sources
 - Provides cost-effective funding for future asset growth
 - Increases deposit market share by 2.5%
- **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
- **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

Impact on Scotiabank

- **Purchase Price**

- \$3.126 billion in cash
- Net investment of approximately \$1.9 billion after deducting ING Direct Canada's excess capital
- 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

- **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

Outlook: Anticipate Achieving Full Year 2012 Targets

Metric	2012 Target	Q3/12 YTD Actual ²
EPS Growth	5-10% ¹	4%
ROE	15-18%	18.0%
Productivity Ratio	<58%	54.1%
Capital	Maintain strong ratios	TCE: 10.2% Tier 1: 12.6%

(1) Based on 2011 EPS excluding \$286 million of acquisition-related gains reported in Q2/11

(2) Excluding real estate gains in 2012

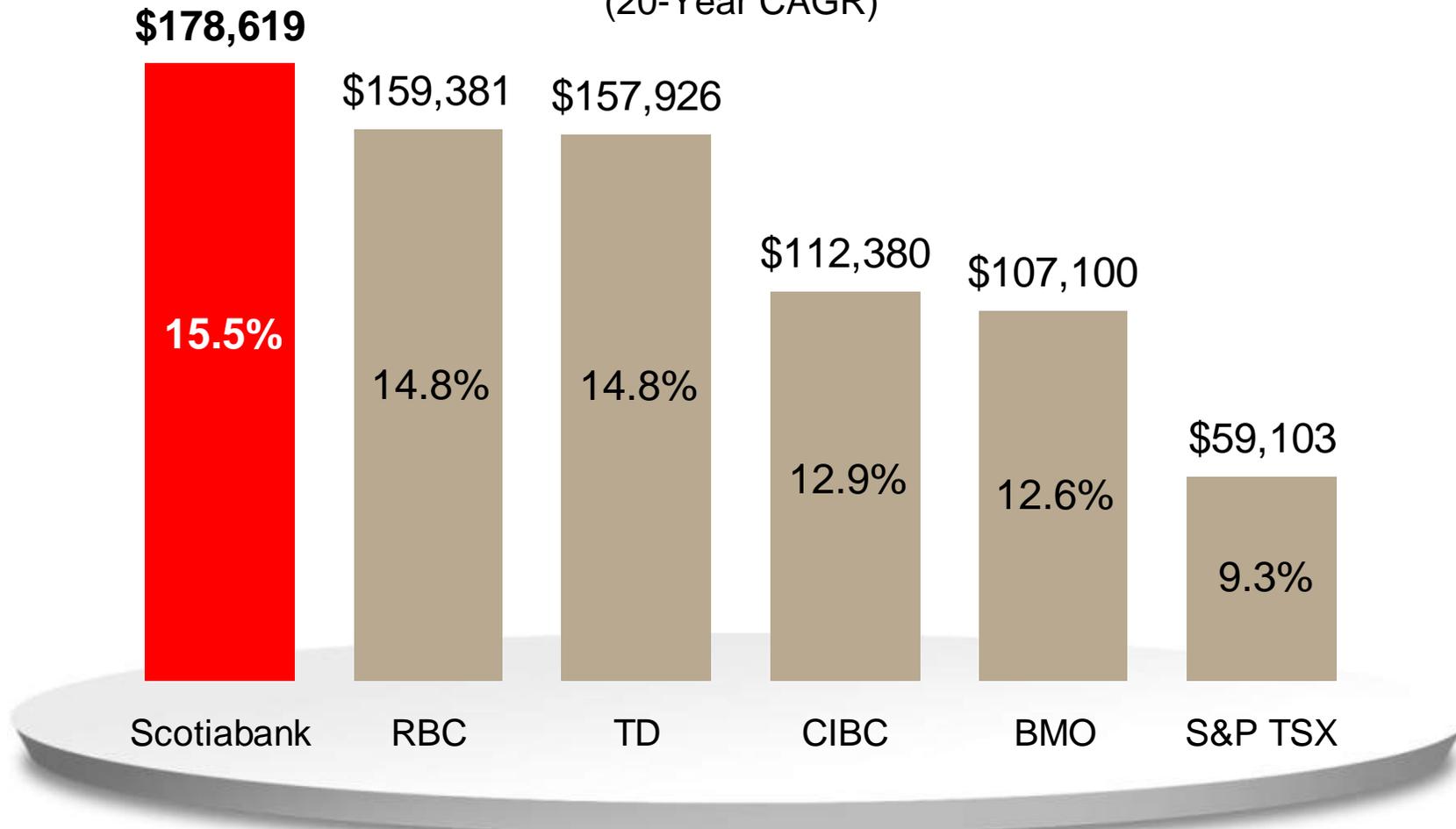
Why Invest in Scotiabank?

- **A unique, straightforward and successful bank model**
 - Four diversified growth platforms; each provides sustainable and profitable revenue growth
- **Track record of delivering consistent earnings and dividend growth**
- **Execution capabilities**
- **Well positioned for growth**

Above average returns, with below average risk

Superior Long-Term Total Shareholder Returns¹

What investing \$10,000 twenty years ago would be worth today?
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Q&A

Investor Relations Contact Information

Peter Slan

Senior Vice-President 416-933-1273 peter.slan@scotiabank.com

Mark Michalski

Director 416-866-6905 mark.michalski@scotiabank.com

Jason Chan

Director 416-866-4294 jasont.chan@scotiabank.com

For further information please visit:
www.scotiabank.com/investorrelations