



Investor Presentation Third Quarter, 2007

August 28, 2007

1



Scotiabank

Caution Regarding Forward-Looking Statements

This document includes forward-looking statements which 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. These statements 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. Forward-looking 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. The Bank cautions readers not to place undue reliance on these statements, as a number of important factors 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; the effect of changes in monetary policy; legislative and regulatory developments in Canada and elsewhere; operational and reputational risks; 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; consolidation in the Canadian financial services sector; changes in tax laws; 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 53 of the Bank's 2006 Annual Report.

The Bank cautions that the foregoing 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 foregoing 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 behalf of the Bank.

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.

2



Overview

Rick Waugh
President & Chief Executive Officer

3



Strong Financial Performance

	Q3/07	Yr/Yr	Qtr/Qtr
Net Income (\$ millions)	\$1,032	+10%	(1)%
EPS	\$1.02	+10%*	(1)%
ROE	22.7%	(0.1)%	(0.7)%
Productivity Ratio	53.0%	0.8% Improvement	0.8%

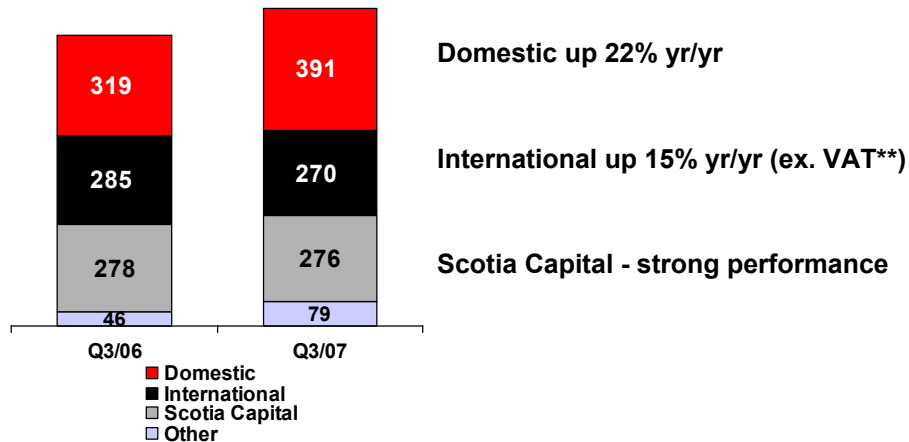
* 16% excluding VAT recovery in Q3/06

4



Benefiting From Diversification

Net Income*
(\$ millions)



*available to common shareholders

**\$51MM VAT recovery in Q3/06

5



Highlights

■ Domestic

- Expanding distribution – branches, sales people
- Growing Wealth franchise
 - #5 in industry for YTD net sales of long-term funds
- Market share gains in key products

■ International

- Investing for organic growth
 - expanding distribution
 - product initiatives – e.g. credit cards, small business
- Making on-strategy accretive acquisitions

■ Scotia Capital

- Growing, yet maintaining credit & market risk discipline
- Leveraging strengths in corporate relationships– lending, energy, derivatives, NAFTA

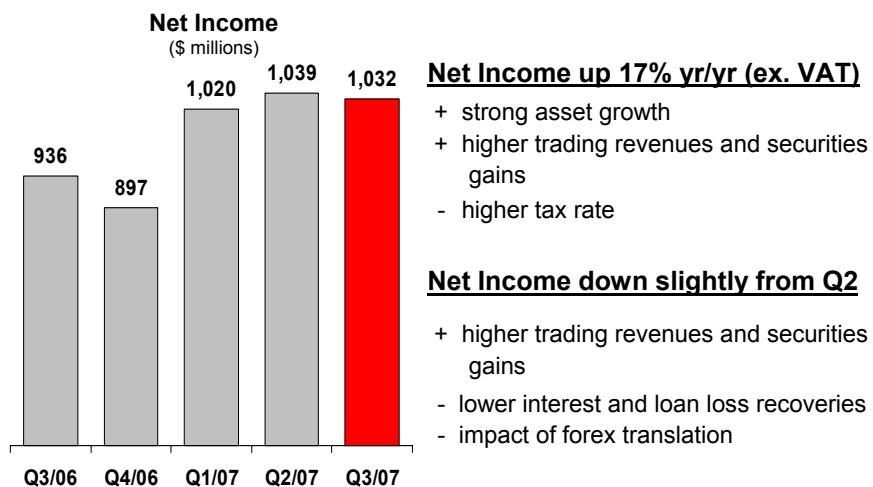
6

Performance Review

Luc Vanneste

Executive Vice-President &
Chief Financial Officer

Strong Quarter





Earning Through Forex Headwinds

Impact (\$ millions)	Qtr/Qtr	Yr/Yr
Revenues	(101)	(47)
Non-interest expenses	34	15
Net income	(50)	(23)
Earnings per share (diluted)	(5) cents	(2) cents

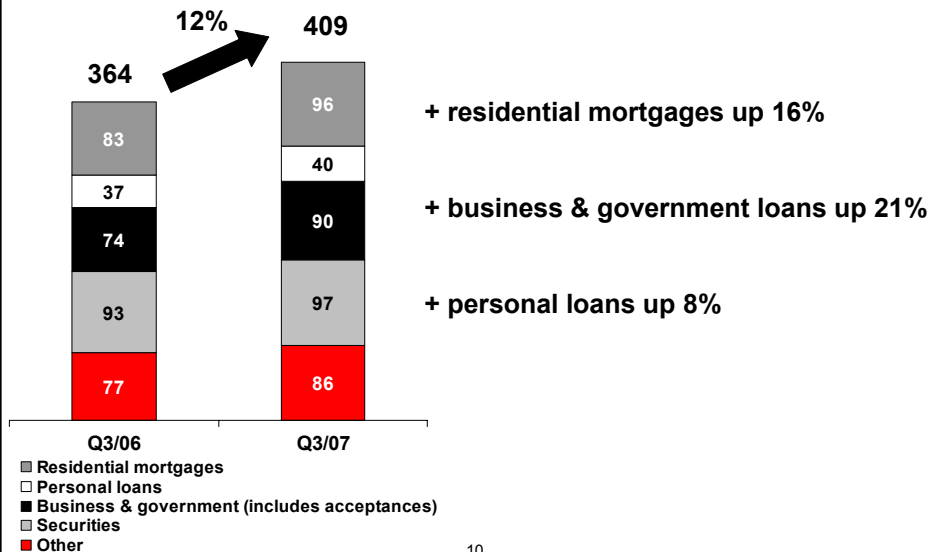
Average exchange rate	Q3/07	Q2/07	Q3/06
\$US/\$CAD	0.93	0.86	0.89
Mexican peso/\$CAD	10.07	9.63	9.90

9



Strong Asset Growth

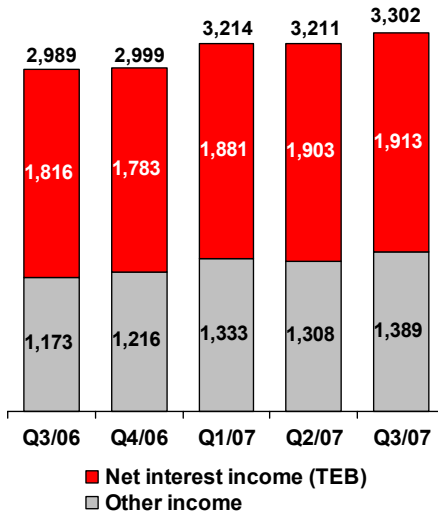
average balances, \$ billions



10

Good Revenue Growth

Revenues (TEB)
(\$ millions)



Revenues up 11% yr/yr

- + higher net interest income
- + higher trading revenues and securities gains
- + higher transaction-based revenues

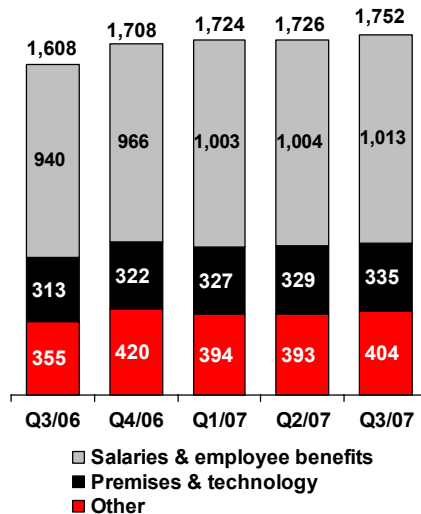
Revenues up 3% qtr/qtr

- + loan growth
- + higher trading revenues and securities gains
- impact of forex translation
- lower securitization revenues

11

Expenses Well Controlled

Non-Interest Expenses
(\$ millions)



Expenses up 6% yr/yr (ex. VAT)

- + business growth initiatives
- + higher performance-based compensation

Expenses up 2% qtr/qtr

- + longer quarter
- + higher performance-based compensation
- impact of forex translation
- lower stock-based compensation

12



Positive Operating Leverage

	<u>Year-to-Date</u>
Domestic	5%
International (ex. VAT)	4%
Scotia Capital	-
All Bank (ex. VAT)	4%

13



Effective Capital Management

	<u>YTD 2007</u>
Strong internally generated capital	\$1.8 billion
Robust growth in RWA	12%
Increasing share buybacks	\$629 million
Dividend payout ratio - maintaining 35-45% target range	42%
Strong TCE ratio	7.7%

14

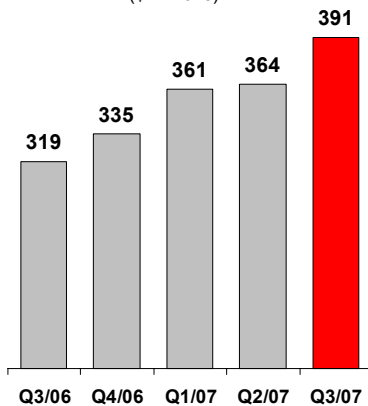
Domestic Banking

Chris Hodgson

Executive Vice President
Domestic Personal Banking

Domestic Banking Strong Performance

Net Income*
(\$ millions)



Net income up 22% yr/yr

- + revenues up 9%
- expenses up 1%
 - business growth initiatives
 - partly offset by lower pension and benefits costs
- higher PCLs in line with loan growth

Net Income up 7% qtr/qtr

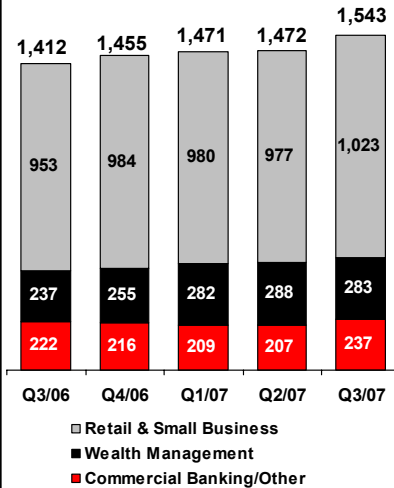
- + strong volume growth
- + longer quarter

* available to common shareholders



Domestic Banking Good Revenue Growth

Revenues (TEB)
(\$ millions)



Revenues up 9% yr/yr

Retail & Small Business +7%

- + strong asset and deposit growth
- lower margin mainly due to change in mix and higher funding costs

Wealth Management + 19%

- + retail brokerage up 15%
- + mutual funds fees up 34%
- + Private Client Group up 12%

Commercial + 7%

- + strong loan and deposit growth

Revenues up 5% qtr/qtr

- + longer quarter
- + asset and deposit growth

17



International Banking

Rob Pitfield

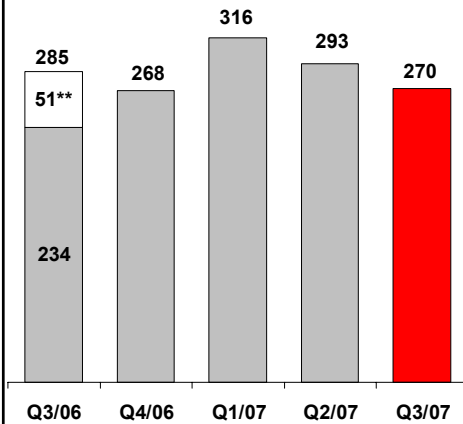
Executive Vice President
International Banking

18



International Banking Solid Operating Performance

Net Income*
(\$ millions)



Net income up 15% yr/yr (ex. VAT)

- + revenues up 13%
- expenses up 6%
 - business growth initiatives
 - normal salary increases
- higher tax rate

Net income down 8% qtr/qtr

- + higher retail volumes in Caribbean, Mexico and Peru
- MTM writedown in securities portfolio
- impact of forex translation
- higher tax rate

*available to common shareholders

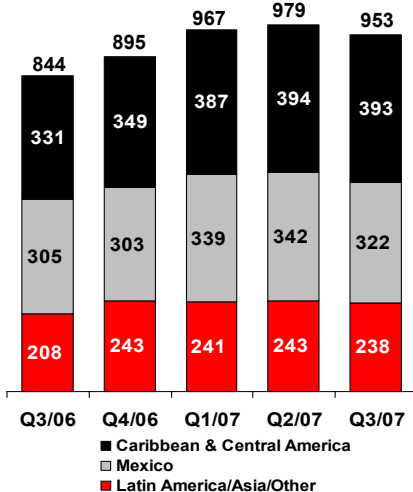
**VAT recovery in Mexico

19



International Banking Good Revenue Growth

Revenues (TEB)
(\$ millions)



Revenues up 13% yr/yr

C&CA up 19%

- + strong asset and deposit growth
- + higher fee revenues
- + impact of acquisitions

Mexico up 6%

- + strong retail loan growth
- + higher card, mutual fund fees
- lower trading revenues

LatAm/Asia/Other up 14%

- + higher loan volumes in Peru/Chile
- MTM writedown in securities portfolio

Revenues down 3% qtr/qtr

- + higher retail loan volumes
- MTM writedown
- impact of forex translation

20

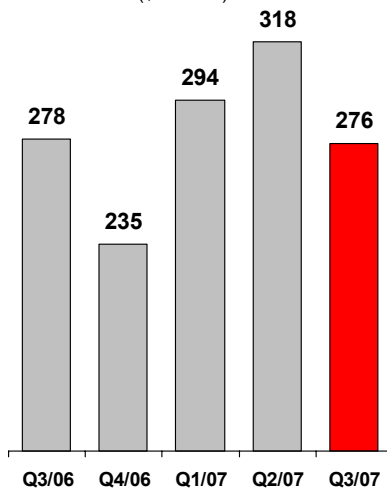
Scotia Capital

Steve McDonald

Co-Head
Scotia Capital

Scotia Capital Strong Quarter

Net Income*
(\$ millions)



* available to common shareholders

Net income flat yr/yr

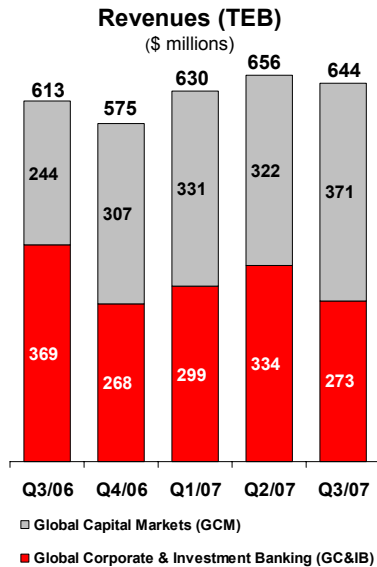
- + revenues up 5%
 - higher interest recoveries and securities gains in Q3/06
 - strong underlying growth
- expenses up 15%
 - higher performance-based compensation
 - higher technology costs
- lower loan loss recoveries

Net income down 13% qtr/qtr

- + higher trading, M&A revenues
- significantly lower interest and loan loss recoveries



Scotia Capital Higher Trading Revenues



Revenues up 5% yr/yr

GCM

- + higher trading, including record derivatives revenues

GC&IB

- + stronger M&A advisory fees
- + good lending growth
- lower interest recoveries & securities gains

Revenues down 2% qtr/qtr

- + underlying revenues up:
 - higher trading
 - higher M&A advisory
 - wider loan spreads
- lower interest recoveries

23



Risk Review

Brian Porter

Chief Risk Officer

24

Risk Overview

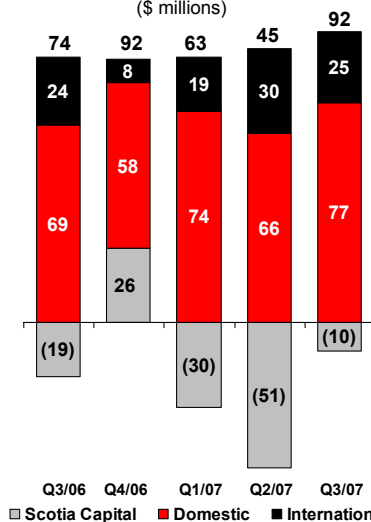
- **Stable credit quality**
 - underlying credit losses stable
 - net impaired loans flat
- **Some increase in VaR**
 - market risk well controlled
- **Asset classes of current focus**
- **Credit portfolios well positioned**

25

Underlying Credit Losses Stable

Specific Provision for Credit Losses

(\$ millions)

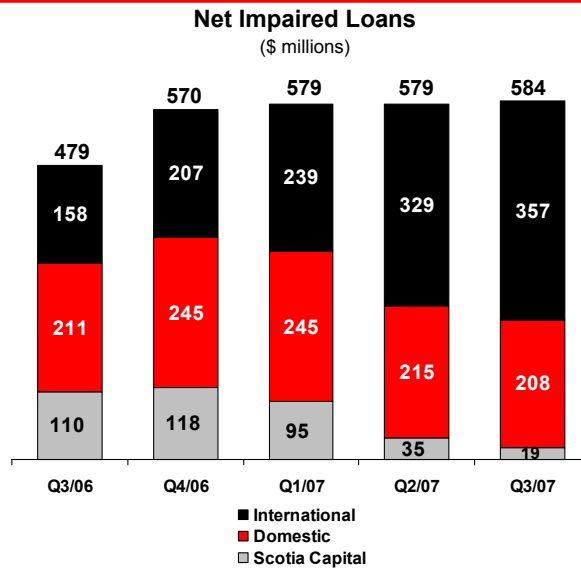


Specific provision + \$47MM qtr/qtr

- + lower recoveries in Scotia Capital
- + increase in Domestic due mainly to Commercial provision reversals in Q2/07

26

Net Impaired Loans Flat



27

Some Increase in VaR

Average 1 day VaR, \$ millions

<u>Risk Factor</u>	<u>Q3/07</u>	<u>Q2/07</u>	<u>Q3/06</u>
Interest rate	9.0	7.2	7.2
Equities	8.7	5.2	6.2
Foreign exchange & Commodities	3.3	2.7	2.1
Diversification	(5.4)	(3.8)	(6.3)
All-Bank VaR	15.6	11.3	9.2

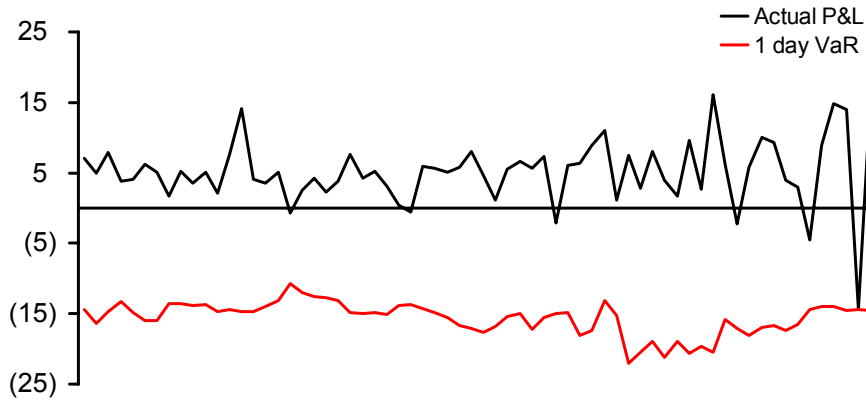
28



Trading Results Within 1 Day VaR

(\$ millions)

May 1, 2007 to July 31, 2007



▪ Q3/07: Average 1 day VaR: \$15.6 vs. \$11.3 in Q2/07

29



Asset Classes of Current Focus

Canadian non-Scotia ABCP conduits	<ul style="list-style-type: none"> • no holdings in Scotia Money Market Funds • liquidity backup exposure - not significant • holdings in the bank - not significant
U.S. sub-prime exposure	<ul style="list-style-type: none"> • no direct exposure • indirect exposure - not significant
LBO underwriting commitments	<ul style="list-style-type: none"> • 0.2% of total assets
Hedge fund counterparties	<ul style="list-style-type: none"> • transactions collateralized • no credit issues with counterparties

30

Credit Portfolios Well Positioned

- **Enhanced underwriting and execution standards**
- **Lower single name hold limits, greater diversification**
- **Better mix of assets – higher % of retail loans**
- **Proactive management of portfolios**
 - improved pricing and returns through Loan Portfolio Management
 - portfolio management through loan sales, credit protection



- **Much improved credit quality**
- **Corporate/commercial portfolio: 77% investment grade**

Outlook

Rick Waugh
President & Chief Executive Officer

Positive Outlook

- **Maintain strong capital position and liquidity**
- **Benefiting from diversified business platforms**
- **Continue to invest for future growth**
 - organic growth
 - acquisitions
- **On track to meet 2007 objectives**

Q & A



Appendix

35



Good Underlying Growth

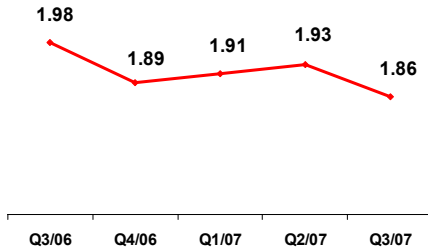
	<u>EPS Impact (cents)</u>	
	<u>Qtr/Qtr</u>	<u>Yr/Yr</u>
Trading revenues	4	8
Securities gains	3	2
Longer quarter (3 days)	2	-
Higher tax rate	(1)	(2)
Interest recoveries	(3)	(1)
Provisions for credit losses	(5)	(1)
VAT Recovery	-	(5)
Forex	(5)	(2)
	<hr/>	<hr/>
	(5)	(1)
Business growth	4	10
Change in reported EPS	(1) cent	9 cents

36

All-Bank Margin

All-bank margin: - 12 bp yr/yr

Net interest margin (%)



- Lower interest recoveries in Scotia Capital

- Change in asset mix

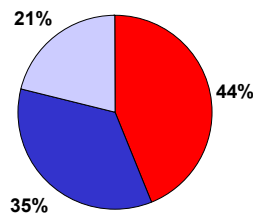
- very strong growth in Canadian mortgage portfolio; higher proportion of retail loans
- higher levels of low-yielding trading assets, driven by client activity

- Higher funding costs

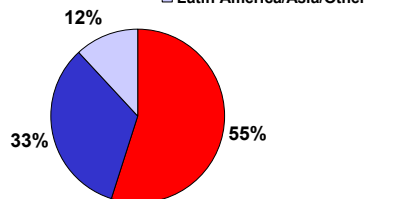
37

International Banking Changing Regional Mix

2007 YTD
Net Income* - \$879 million



2006 YTD
Net Income* - \$786 million



* available to common shareholders

38



Scotiabank Mexico Earnings Contribution

(\$ millions)	Q3/07	Q2/07	Q3/06
Net income in pesos, excluding inflation accounting	927	1,084	1,487
MXP/CAD exchange rate	10.1	9.6	9.9
Net income in CAD, excluding inflation accounting	\$92	\$113	\$151
BNS' share (97%)	\$89	\$110	\$147
Canadian GAAP and acquisition adjustments	\$11	\$1	\$13
Scotiabank Mexico contribution in CAD	\$100	\$111	\$160
Excl. VAT			\$109



Diversification: Higher % of Retail Loans

Loans and Acceptances by type of borrower



Loans and Acceptances by geography





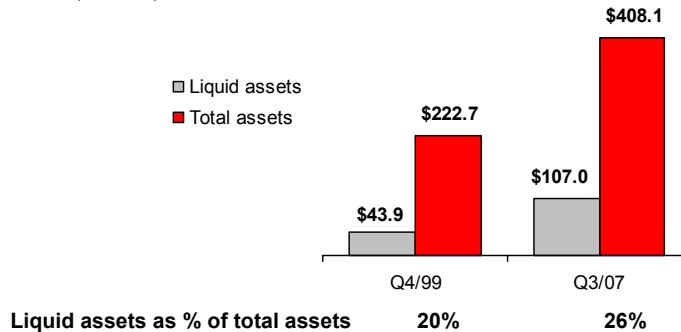
Stronger Balance Sheet

Stronger capital ratio

	Q4/99	Q3/07
Tier 1 capital ratio	8.1%	9.7%

Higher level of liquidity

(\$ billions)



41



Moderate Net Impaired Loan Formations

(Q3/07, \$ millions)

Domestic

- Retail	77	
- Commercial	1	78

Domestic Retail: formations reflect growing portfolio size; underlying credit trends remain strong

Domestic Commercial: stable credit quality

International

- Mexico	48	
- Caribbean & Central America	16	
- Latin America & Asia	29	93

International: formations primarily in retail portfolios across division, largely mirroring underlying asset growth

Scotia Capital

- U.S.	(1)	
- Canada & Other	(23)	(24)

Scotia Capital: repayment on two accounts in Europe

Total 147

42



Trend in Net Impaired Loan Formations by Business

(\$ millions)	<u>Q3/06</u>	<u>Q4/06</u>	<u>Q1/07</u>	<u>Q2/07</u>	<u>Q3/07</u>
Domestic					
Retail	76	77	81	78	77
Commercial	<u>20</u>	<u>29</u>	<u>6</u>	<u>(20)</u>	<u>1</u>
	96	106	87	58	78
International					
Retail	52	70	74	87	94
Commercial	<u>(31)</u>	<u>(43)</u>	<u>(9)</u>	<u>41</u>	<u>(1)</u>
	21	27	65	128	93
Scotia Capital	<u>(98)</u>	<u>36</u>	<u>(75)</u>	<u>(121)</u>	<u>(24)</u>
	19	169	77	65	147

43



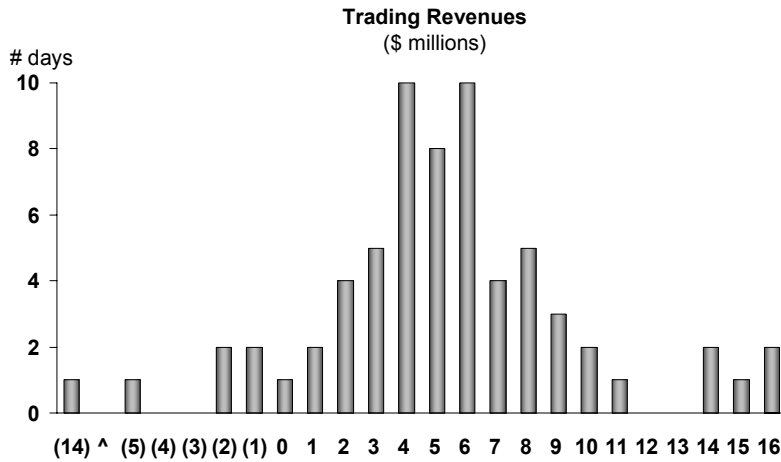
Market Risk – Trading Controls

- **Board-approved policies and limits**
- **Active, independent oversight** – risk management staff physically located on trade floors
- **Independent validation of models and market data** used for valuation
- **Valuation reserves** for risk concentrations, market illiquidity
- **Daily P&L analysis**
- **Regular stress-testing** of portfolios

44



Trading Revenue



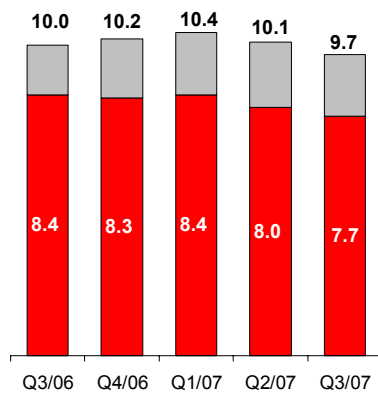
91% days had positive results in Q3/07 vs. 95% in Q2/07

45



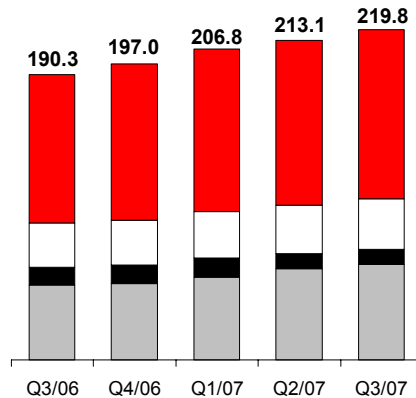
Strong Capital Ratios, Growth in Risk-Weighted Assets

% of Risk-Weighted Assets



■ Tier 1
 ■ Tangible Common Equity (TCE)

Risk-Weighted Assets
(\$ billions)



■ Loans & acceptances
 ■ Residential mortgages
 ■ Securities
 ■ Cash, Other assets & Off balance sheet

46



High Level of Unrealized Securities Gains

(\$ millions)	Q3/07	Q2/07	Q3/06
Emerging Market Debt	527	676	593
Fixed Income	(103)	(33)	(153)
Equities	536	565	457
	960	1,208	897