



**Scotia Capital
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Investment Community Presentations section

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Introduction – Slide 1

Thank you, Kevin. It's a real pleasure to be here at the fifth annual Financial Summit to talk about the Scotiabank story.

At the outset, I would like to congratulate you and your colleagues in Scotia Capital for their recent successes.

- named Best Investment Bank in Canada by Global Finance magazine;
- named Best Debt House in Canada by Euromoney magazine; and
- for the second year in a row – Best Corporate & Institutional Internet Bank in Canada by Global Finance.

Overall, the Scotiabank Group is having a very satisfying year so far – and we're on track to meet all of our financial targets – including a record earnings performance and very high return on equity. We've been able to earn through the effects of a stronger Canadian dollar, and our credit performance has been steadily improving. As well, we are meeting many of our other non-financial goals.

We have some challenges – margins are being squeezed right across the system in Canada, and corporate lending volumes are taking longer than expected to recover – but we are confident that we have the right people and the right strategies to maintain our long record of growth.

Introduction – Slide 1 (cont'd)

What I want to do today is talk about our record of success – our core strengths – and then address our key challenge – continued growth. We believe we are in a strong position to achieve growth across each our three main businesses.

Our Goal – Slide 2

Let me begin with our goal. We are focused on our “one team, one goal” philosophy that underscores everything we do. It’s part of our culture to work together across businesses for the success of the Bank as a whole.

Our goal – simply put - is to be “the best Canadian-based international financial services company.”

Record of consistent earnings growth – Slide 3

We know that you – our shareholders – value steady, consistent earnings growth. We have delivered consistent results - not just for one quarter, or one year – but over the past decade. Over the past 10 years, earnings have grown at more than 13% annually, and we're on track to continue that growth again this year. Year to date earnings are up 22%.

Strong record of dividend growth – Slide 4

Our record of consistent earnings growth has been matched by our record of consistent dividend growth. Dividends have increased by more than 14% a year over the past 10 years. They have doubled over the past four years – and are up 31% this year.

We view dividend growth as one of the best ways to reward our long-term shareholders.

Superior Returns in Canada – Slide 5

Our shareholders have also been rewarded with excellent overall returns, thanks to our consistent dividend increases and the strong appreciation of our share price.

In fact, our returns have been the highest of the major Canadian banks – for almost any period – three years, five years, 10 years, even 15 years.

Core Strengths – Slide 6

This success has – and will continue to result from building on our core strengths. You’ve heard them before, but they are worth repeating – they’re the foundation that will support our growth efforts.

First, we have strong sales and customer service capabilities. Our Canadian branches are now sales driven, and we have restructured our operations to reflect and support this sales emphasis. It is supported by our industry-leading customer service. As you’ll see in a moment, we are leveraging this expertise by rolling out many of these best practices in our international operations.

Second, risk management. Our corporate credit quality has improved significantly, and we have put new practices in place to better manage our exposures. And of course, we are very conscious of reputational risk, and have put processes in place - such as our Reputational Risk committee - to review all significant transactions. However, this risk is best managed through a culture of integrity – an uncompromising commitment by the whole organization.

Third, expense management. Our productivity ratio is the best among our peer group, thanks to our unwavering focus on managing costs. We are constantly looking for ways to do more with less. We intend to maintain our leadership in this area.

Core Strengths – Slide 6 (cont'd)

Fourth, we have a great team of people, and employee morale has never been higher. In fact, in this year's employee survey, 85% of our employees rated Scotiabank as a great place to work – up from last year's very high rating. As we've said before, satisfied employees will provide great service, a key differentiator in the battle to win and keep customers.

We also have strong execution capabilities – putting our strategies into action – and we have proven those execution capabilities time and time again.

Finally, diversification. We have an excellent mix of three strong growth platforms.

Three Strong, Diversified Growth Platforms – Slide 7

There's no question that diversification has been – and will continue to be – extremely important for us and for our future growth.

We have three excellent businesses, each of which can provide earnings growth.

Domestic Banking – our Canadian retail, commercial and wealth management businesses, contributed 43% of earnings in the first three quarters of 2004.

Scotia Capital – our capital markets and wholesale lending group, accounted for 29% of earnings.

International – our retail, commercial and wealth management businesses outside Canada, contributed 28% of earnings year to date.

And, in fact, if we combine our Domestic and International businesses, about 70% of our net income came from personal and commercial customers, geographically dispersed in many markets – which provides us with a solid, broad base of earnings.

Achieving Sustainable Growth – Slide 8

With that overview in mind, I'd like to turn now to what I believe is the number one challenge facing companies today – achieving profitable and **sustainable** growth. To be successful, we must serve all of our stakeholders – shareholders, customers, employees and communities.

We will not pursue growth at all costs for a short-term or one-time gain - there is a very clear need to balance short-term and long-term objectives. We believe that we can achieve sustainable earnings growth by focusing on three overarching strategies:

1. First, we will build our customer base – making customer relationships deeper and more profitable - and also acquiring new customers.
2. Second, we will continue to leverage our core strengths – sharing best practices across the group – “one team, one goal” - a unique opportunity, particularly for our international operations; and
3. Third, we will optimize our use of capital. We have a very strong capital base, and we intend to deploy this capital in a disciplined way to fund organic growth and make acquisitions.

We are focused on long-term earnings and dividend growth to continue to drive total shareholder return.

1. Building Customer Base – Slide 9

Let's look first at how we will build our customer base. We will do this, first, by making existing customer relationships deeper and more profitable, and second, with more aggressive initiatives to acquire new customers in each of our businesses.

Domestic – Deepen high value relationships – Slide 10

In Domestic, we have made significant progress in creating a culture focused on building strong relationships, and we are increasing our share of our customers' business. We are building on the strength of our lending relationship, where we have an industry-leading 50% share of our customers' total borrowings.

An integral part of the transformation has been the introduction of customer segmentation. We analyzed our base of 6.6 million retail customers and divided them into three segments - mass market, affluent and small business. The largest segment - mass market – was further divided into assigned and unassigned customers, based on profitability, loyalty and strength of relationship.

We currently have 1.3 million Assigned customers. As a group, they are very profitable. While this segment represents only 20% of our total customer base, they account for 60% of total balances and more than 90% of total profit. This group is also very loyal – with a retention rate of 99% - and are most likely to expand their relationship with us if we do a good job of determining their needs and providing the right solutions.

They are proactively contacted by an assigned financial advisor, with our biggest opportunity being the growth of savings and investment balances.

Domestic – Deepen high value relationships – Slide 10 (cont'd)

We have also identified a significant portion of existing unassigned customers who have the potential to generate higher levels of profitability. And we are leveraging our customer segmentation skills by applying them in other parts of the domestic bank – Wealth Management, Small Business and Commercial.

In addition to our work on customer segmentation, we have made significant strides over the last five years to improve the capacity and productivity of our sales force. For example, we have doubled the selling time of our sales staff by removing non-sales activities. This is equivalent to doubling our sales force, but without increasing the number of people.

As well, we are refining our approach to relationship management, matching the customers with the highest value or potential with our best sales officers.

Domestic – Acquiring new customers – Accelerating Household

Penetration – Slide 11

In addition to deepening our customer relationships, we also have a significant opportunity – in fact, the largest opportunity of our peer group - to acquire new customers. Our household penetration - the number of customers that deal with us - is below that of our peer group. We are moving aggressively to increase this penetration, and we are very excited by this potential, given our leading customer satisfaction, combined with our proven execution capabilities.

First, we are leveraging our significant branch infrastructure. The key to successful retail banking is maximizing our distribution capabilities.

Branch location continues to be a very important consideration in choosing a bank – it's where 75% of new accounts are opened. We are rigorously adjusting the mix of frontline sales staff, as well as branch formats. We are also reviewing priority markets and developing local marketing campaigns. All of this is designed to drive greater customer acquisition via our branch network.

Domestic – Acquiring new customers – Accelerating Household Penetration – Slide 11 (cont'd)

Distribution is also about utilizing more indirect channels. For example, we have alliances with 20 small business organizations. We are also the market leader in indirect auto lending. As well, we have a specialized mortgage sales force and are working with mortgage brokers. We are the only bank that consistently brings mortgage customers originated outside the branch into the branch with formalized closing process, creating another touchpoint to discuss client needs. Another example of using indirect channels is our recent initiative to sell third-party mutual funds, which is driving meaningful sales gains. So far this year, 50% of mutual fund net sales have come from our Partners portfolio of third-party funds.

Finally, we are driving customer growth by increasing our mass media investment in television, direct mail and print. We are specifically targeting customer segments that are inclined to switch financial institutions, have significant borrowing needs and are establishing their investment relationships. This media campaign will also increase brand awareness.

Domestic – Wealth Management – Building Customer Base – Slide

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We also have a significant opportunity to build our Wealth Management customer base, as we have a smaller market share than our peer group – and we recognize that we need to do something about it. Again, we will focus on distribution and finding new ways to add to our customer base.

We are improving the referral process from other parts of the Bank, particularly retail and commercial. We have added wealth management customers to our data warehouse, and this is helping us identify good referral candidates.

We also plan to leverage our market-leading position in the foundation and philanthropic business, focusing on asset management.

As well, research indicates that developing a financial plan for clients is critical to building loyalty and share of wallet. Working with retail banking, we are developing an enterprise-wide financial planning strategy.

Domestic – Wealth Management – Building Customer Base – Slide 12 (cont'd)

In ScotiaMcLeod, we will be expanding our sales force of investment executives by up to 20% over the next three years. As well, we are launching a new Premium service for high net worth McLeod clients, providing benefits such as priority service support, enhanced financial planning, and preferred rates on private banking. This will build on the training we have been doing over the past few years to help advisors offer full financial solutions for their clients.

Finally, as I noted earlier, we will explore making greater use of alternative delivery channels and third-party sources.

Scotia Capital – Cross-sell Success in Canada – Slide 13

Turning now to Scotia Capital, we are focused on deepening relationships with our core client base. We have a dedicated relationship management team in Canada that serves our 275 largest clients.

This focus on relationships has translated into success in increasing cross-sell of our extensive product range. For our Canadian clients, we have increased the overall return on equity from 26% to 39%. This was driven to a large extent by selling additional products and services, increasing the non-lending return from 13% to 20%.

Scotia Capital – Increase cross-sell to U.S. Clients – Slide 14

In the U.S., our focus is to achieve similar results with our niche strategy. We have a solid client base, with 30-year relationships with many of our 650 focus clients, most of which are Fortune 1000 companies.

We are seeing some positive results. Over the past two years, the total return for all clients has improved by 600 basis points to 13.6%. For our core clients, total return has shown an even greater 730 basis point increase.

This is also reflected in our revenue mix. Non-lending revenues have increased to 32% of total revenues in the U.S. for the past 12 months, up from 26% in the previous 12-month period.

Scotia Capital – acquiring new customers – Slide 15

We have also begun focusing on selective new client acquisition - taking a very disciplined approach to profitability and returns. In fact, all clients must meet our minimum hurdle return of 15% immediately or in a very short time period. We have had success in 2004, adding 70 new investment-grade clients in the U.S.

And, while we have experienced significant paydowns on some loans, we are encouraged by the fact that clients are not cancelling their credit lines. We are also capitalizing on the growing demand for derivative products, including structured products and credit default swaps. We are targeting investing clients, such as pension funds and hedge funds, as well as our traditional corporate and institutional client base.

We are at the tail end of winding down our exit portfolio – which represented client relationships that did not meet our return hurdles. This process is almost complete – and we have substantially reduced the number of these accounts – but we have done so in a carefully managed way.

International – Deepen customer relationships – Slide 16

Finally, turning to International Banking, we are looking to improve our share of wallet by offering a broader range of products and services.

For example, we are taking our very successful ScotiaLine VISA product and rolling it out across the Caribbean and Mexico in 2005. STEP, our umbrella “credit for life” product, will also be launched.

As well, we are aggressively marketing our credit card offerings to our current customers.

In terms of services, we are introducing many new insurance products, such as auto and life, in the Caribbean – and expanding our wealth management offering – including asset management, and a lineup of mutual funds

We are also adding customers from Mexico and Chile to our data warehouse, in order to expand our customer segmentation capabilities. This will allow us to identify high-value customers in these countries so that we can better focus our proactive call programs.

International – Acquiring New Customers – Slide 17

In terms of new customer acquisition in International, we are pursuing both organic growth and portfolio acquisitions.

In the Caribbean, for example, we are aggressively marketing our credit card products beyond our existing customer base. We are also planning to introduce loyalty cards with selected partners to attract new customers.

We have also purchased retail credit card and loan portfolios in the Bahamas, Jamaica and Mexico. As well, we acquired branches and customers as part of our recent acquisition in the Dominican Republic that will see our market share increase significantly – and we are looking at several other opportunities, which I'll come back to in a moment.

In Mexico, we are focused on growing our mortgage and auto loan portfolios – two areas where we can draw on considerable Canadian expertise in adjudication, product design and administration.

We have had great success building market share. In fact, over the past year and a half, Inverlat has done nearly one-third of all bank-financed mortgage and auto loans in Mexico.

In addition, we purchased a portfolio of auto loans from a major North American car manufacturer last year.

2. Leverage Core Strengths – Slide 18

Now let's turn to our second growth driver - leveraging our core strengths in each of our core businesses.

International - Leverage Sales and Service Expertise – Slide 19

One of our key initiatives is to export our best practices in sales and service to our international operations. We are taking our Canadian model, adjusting for local markets and demographics, and rolling it out in a phased approach throughout the Caribbean, Latin America and Mexico.

The model incorporates:

- sales focus, with coaching, training and support;
- contact management software on branch desktops – to assist our frontline staff;
- customer segmentation to concentrate on high-value customers;
- well-defined customer satisfaction metrics; and
- a data warehouse to support marketing efforts.

Our current sales targets in the Caribbean have been increased by more than one-third from current levels, an indication of the success we expect.

As well, this approach will allow us to focus our resources more effectively - particularly on our high-value customers – just as we are successfully doing in Canada.

International - recognition for service excellence – Slide 20

Our customer focus, particularly our emphasis on providing great service, has contributed to the recognition we have received in a number of countries with various media and industry awards.

For example, in Mexico, we received Best Bank and Best Customer Service awards in 2003.

In the Dominican Republic, we were named Best Bank in 2003.

And in Jamaica we were Bank of the Year.

International - leverage Productivity Leadership – Slide 21

Closely linked to our sales and service efforts are our efforts to improve efficiency, and we have a number of initiatives under way in International.

For example, we are expanding our electronic delivery channels in the region, particularly ABMs and the Internet, allowing us to provide more cost-effective customer service. For example, the number of ABMs in the Caribbean has grown by 20% over the past 12 months. Over the same period, call volumes in the Caribbean have more than doubled to 2.7 million calls. Volumes in Mexico have increased from 500 thousand to one million calls per month. In Internet banking, we are adding 2,000 customers per month in the Caribbean.

We are also consolidating our data centres, taking advantage of declining telecommunications costs. We have moved from 16 centres three years ago to eight today, and we plan to be down to two in 18 months.

As well, we are taking our Canadian shared services platform and rolling it out in both the Caribbean and Mexico, taking non-sales activities out of the branches and centralizing them. This creates greater efficiencies by streamlining processes and eliminating duplication of work. It also allows us to handle higher volumes without adding costs.

International - leverage Productivity Leadership – Slide 21 (cont'd)

We have also improved our productivity ratio in Inverlat, from 80% three years ago to the high 60s today, and it will go lower in the future.

Scotia Capital – leverage capabilities – Slide 22

We are also leveraging our core competencies in Scotia Capital, especially in the area of wholesale banking.

We are working towards a NAFTA model for corporate banking - sharing information about our customers in Canada, U.S. and Mexico – and using our collective expertise and presence in all three locations, to meet our customers' needs and get more of their business. And we are achieving results.

As well, we are bringing Scotia Capital's product capabilities to new markets. For example, we are using our derivatives, fixed income and M&A expertise in New York and Toronto to meet the expanding demand for such services in Mexico.

We are also launching a major initiative that will integrate our Domestic and International cash management and trade finance businesses to provide top-tier global working capital and payment efficiency to our 500 global customers.

This is a unique strength – one that allows us to take even greater advantage of our long experience and local capabilities in nearly 50 countries - something only a handful of other international banks can do.

Scotia Capital – leverage capabilities – Slide 22 (cont'd)

Not only do these cross-business line initiatives in retail sales and service, productivity and wholesale banking contribute to our growth, they also reinforce our “one team, one goal” philosophy.

3. Optimizing use of capital – Slide 23

Our third priority for achieving sustainable earnings growth is optimizing the use of capital.

Strong capital base to fund growth – Slide 24

We have a very strong capital base, with the highest tangible common equity ratio of our peer group, as we have very little goodwill on our balance sheet.

We are also generating a lot of capital internally – in fact, we expect to generate well over \$1.5 billion this year.

This capital strength gives us the ability to finance our growth initiatives – whether we are pursuing organic customer growth or making acquisitions. We have a disciplined capital allocation process, which I'll discuss in a moment.

In addition to funding business growth, we will continue to increase dividends in line with earnings growth. Our payout range is currently 35 to 45 %, and we are comfortable with that level.

We will also continue to buy back shares to offset dilution from options.

Acquisitions – Slide 25

As I said earlier, we will be disciplined in how we utilize our capital - all acquisitions are carefully evaluated in terms of their short and long-term risk and returns and strategic merit.

Looking specifically at our acquisition criteria, we have some guiding principles that we use. First, we look for ways that we can bring value to an acquisition – to leverage our core competitive strengths – to bring our knowledge and skills to bear - and to use our strong capital base for additional purchases and/or reduce funding costs.

Second, we look for ways to obtain value. We will pay fair value, but we believe that it's difficult to create significant shareholder value when you pay a large premium. We believe it's better to be patient and pay a reasonable price – especially if we feel that there is significant growth potential in a particular market or customer segment, or fills a void in our product line - as we did with National Trust, Montreal Trust and Inverlat.

We also look for value in markets that we feel offer above-average growth potential, with either favourable demographics or below-average banking penetration – such as Mexico and Central America. We favour in-market acquisitions – that is, in countries where we currently do business. This makes it easier to realize value through revenue and cost synergies.

Acquisitions – Slide 25 (cont'd)

Finally, we will be opportunistic. There are many possible reasons a bank or portfolio may become available – such as a distressed situation or a change in government policy – which don't happen according to a schedule. We look at many, many opportunities as they present themselves – and are willing to act if we believe the risk/return tradeoff is advantageous. For us, being opportunistic means being aware of all opportunities in our target markets and then exercising discipline in valuation and execution.

Growth Through Acquisitions – Slide 26

In looking at acquisitions we are focused on certain types of businesses or portfolios. We're primarily interested in personal and commercial. But we are also looking in the wealth management area – notably asset management, mutual funds and insurance - particularly in international markets such as Mexico and Latin America, where the bancassurance model can be successful.

In terms of geography, we are looking at acquisitions to bolster our international operations, primarily in our existing markets such as the Spanish-speaking Caribbean & Central America, as well as Mexico. Asia is another area of interest – in particular India, China and Malaysia. In Canada, we are looking at doing in-fill acquisitions, with a particular focus on Wealth Management.

The U.S. is a highly competitive market, with significant purchase premiums and a high degree of execution risk. We will continue to watch this market, but any acquisition must meet the criteria we have described.

Overall, we are blessed with many options to deploy our capital – and we are not dependent on any one market to do this.

The path to sustainable growth – Slide 27

In summary then, we believe that we can continue to deliver sustainable growth in a number of different ways.

First - we are committed to building our customer base - by deepening existing customer relationships as well as acquiring new customers.

Second - we will do this by leveraging our core strengths - our diversification, our superior sales and service capabilities and our continued focus on executing well - through a great team of employees.

And finally, we will grow by prudently managing our strong capital to fund both organic growth opportunities and acquisitions.

Delivering sustainable growth of earnings and dividends is the best way to deliver value for our shareholders – because this sustainable growth will, in turn, drive share price growth.

Thank you, and I would now be pleased to answer any questions.