



## Investor Presentation First Quarter, 2009

March 3, 2009

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## 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," "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; 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 2008 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).*

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## Overview

Rick Waugh  
President & Chief Executive Officer

## Solid Performance in a Challenging Environment

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### ▪ Challenging environment

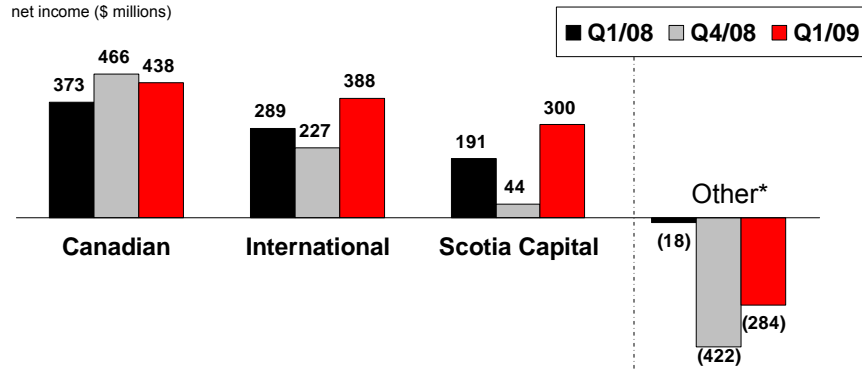
- ongoing volatility in global financial markets
- major economies in deepening recession

### ▪ Solid performance

- + good core growth across all businesses
- + contribution from acquisitions
- + excellent capital markets performance despite securities write-downs
- + higher capital ratios
- + dividend maintained
- higher PCLs, funding and capital costs



## Strong Core Earnings in Three Main Businesses



Year over year

- Canadian Banking:** Strong deposit & asset growth, higher PCLs
- International:** Solid growth, positive impact of acquisitions & FX, higher PCLs
- Scotia Capital:** Record revenues in some capital market businesses, low loan losses
- Other:** Increased funding costs, securities write-downs

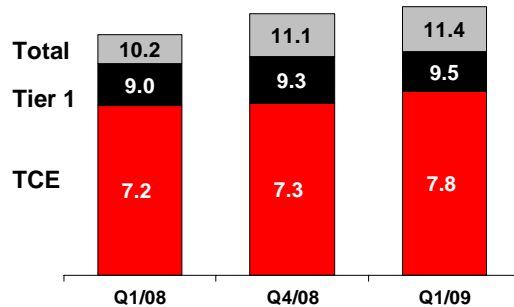
\* includes Group Treasury and other corporate items, which are not allocated to a business line

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## Higher Capital Ratios

### Capital ratios (%)



- Raised \$2.5 billion of capital in Q1
- Further capacity to raise innovative capital
- Lower risk-weighted assets
- High quality of capital

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## Performance Review

Luc Vanneste

Executive Vice-President &  
Chief Financial Officer

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## Solid Quarter

	Q1/09 Reported	Qtr/Qtr	Yr/Yr
Net income (\$MM)	\$842	100%+	1%
EPS	\$0.80	100%+	(2)%
ROE	16.9%	1090 bp	(140) bp
Productivity ratio	58.7%	(1650) bp	220 bp

### Quarter over quarter

- |   |                                  |
|---|----------------------------------|
| + Significantly lower write-downs in Q1 | - Increased PCLs                 |
| + Higher investment banking fees        | - Lower margin                   |
| + Increased trading revenues            | - Higher performance based comp. |
| + Positive impact of forex              |                                  |

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## Items of Note in Q1/09

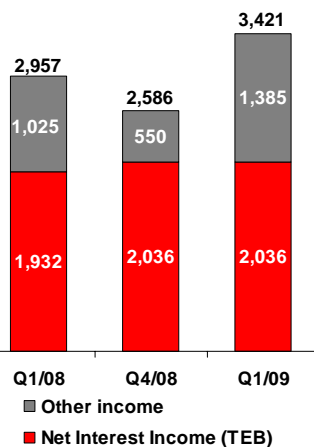
Gain/(Loss)	Pre-tax (\$MM)	After-Tax (\$MM)	
AFS securities write-downs	(236)	(160)	<b>Other:</b> Securities gains
Underlying Gains	116	98	
<b>Net AFS securities write-downs</b>	<b>(120)</b>	<b>(62)</b>	<b>Other:</b> Securities gains
CDOs write-down	(43)	(24)	<b>SC:</b> Securities gains (24) Other/Other Income (19)
<b>Total</b>	<b>(163)</b>	<b>(86)</b>	
<b>EPS Impact</b>		<b>(9) cents</b>	

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## Good Revenue Growth

Revenues (TEB)  
(\$ millions)



### Q1/09 vs. Q4/08 revenues: up 32%

- **net interest income unchanged**
  - + forex, full quarter impact of Q4/08 asset growth
  - + ALM hedging loss in Q4/08
  - lower margin
- **other income up 100%+**
  - + Q1/09 write-downs significantly lower than Q4/08
  - + strong broad-based trading revenues, net of derivatives trading loss & excellent investment banking revenues
  - + forex, acquisitions & higher securitization revenues
  - lower wealth management revenues

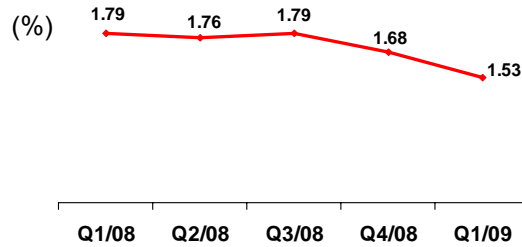
### Q1/09 vs. Q1/08 revenues: up 16%

- **net interest income up 5%**
  - + forex, acquisitions, & strong broad-based asset growth
  - lower margin including increased liquidity premiums
- **other income up 35%**
  - + strong broad-based trading revenues, net of derivative trading loss, & excellent investment banking revenues
  - + widespread increase in transaction-driven revenues
  - + forex, acquisitions & higher securitization revenues
  - lower wealth management revenues

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## Lower Net Interest Margin



### All-Bank: (15) bps qtr/qtr

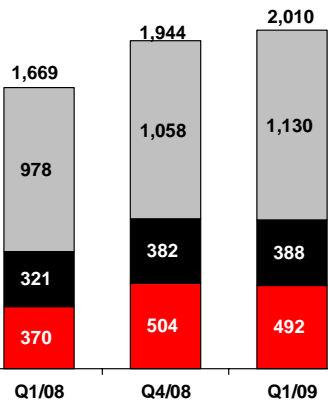
- competitive pricing pressures on deposits
- decreased tax-exempt dividend income
- significant decline in interest rates
- + wider spreads in corporate banking
- + ALM hedging loss in Q4/08

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## Expenses Well Managed

### Non-interest expenses (\$ millions)



- Salaries & employee benefits
- Premises & technology
- Other

### Q1/09 vs. Q4/08 expenses: up 3%

- higher performance based compensation due to increased capital markets revenues
- negative impact of forex
- increased business & capital taxes
- + lower advertising & travel expenses

### Q1/09 vs. Q1/08 expenses: up 20%

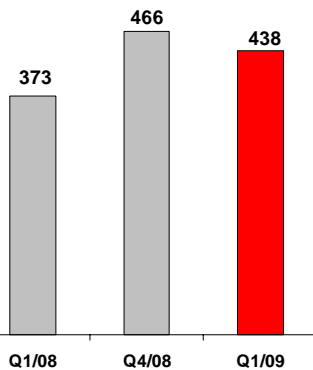
- expenses up 7% excluding FX, acquisitions & higher performance-based compensation
- higher salaries & premises, driven by growth initiatives, including branch expansion
- higher business taxes
- + lower stock-based compensation

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## Canadian Banking Solid Quarter

Net Income  
(\$ millions)



### Q1/09 vs. Q4/08 net income: down 6%

- revenues down 1%
  - lower margin due to competitive pricing pressures on deposits & higher liquidity costs
  - + strong deposit growth
- + expenses down 1%
  - + seasonally lower initiative & discretionary spending
- provisions up \$48MM

### Q1/09 vs. Q1/08 net income: up 18%

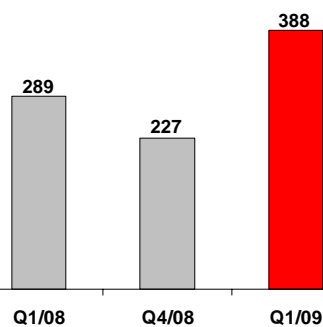
- + revenues up 13%
  - + strong asset & deposit growth
    - mortgages +11%, ScotiaLine +15%
    - personal term deposits +10%, cheq./savings +12%
  - + higher margin due to lower funding interest rates
- expenses up 5%
  - acquisitions & full yr. impact of '08 growth initiatives
- provisions up \$64MM

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## International Banking Record Quarter

Net Income  
(\$ millions)



### Q1/09 vs. Q4/08 net income: up 71%

- + revenues up 21%
  - + strong volume & transaction-driven growth
  - + positive impact of forex
  - + securities write-downs in Q4/08
  - lower margin
- expenses up only 2%
  - negative impact of forex
- provisions up \$26MM

### Q1/09 vs. Q1/08 net income: up 34%

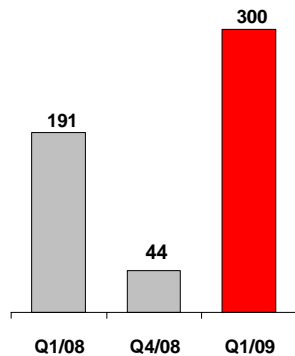
- + revenues up 36%
  - + forex & acquisitions
  - + organic volume growth, strong forex revenues & higher transaction-driven revenues
  - lower margin, higher securities gains in Q1/08
- expenses up 36%
  - expenses up 16% excl. forex & acquisitions
  - branch expansion & Q1/08 expense recoveries
- provisions up \$86MM

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## Scotia Capital Very Strong Net Income

**Net Income**  
(\$ millions)



**Q1/09 vs. Q4/08 net income: 100%+**

**+ revenues up 100%+**

- + significantly lower write-downs
- + higher corporate loan volumes, spreads & fees
- + excellent underlying capital markets revenues
- derivative trading losses & lower FX revenues

**- expenses up 17%**

- higher performance-based compensation

**+ provisions flat**

**Q1/09 vs. Q1/08 net income: up 57%**

**+ revenues up 74%**

- + broad based growth
- + lower write-downs

**- expenses up 52%**

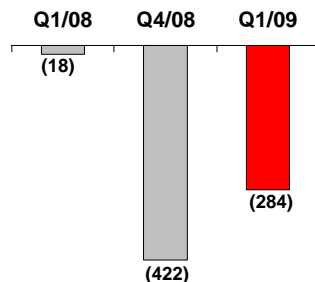
- higher performance-based compensation
- increased salaries, other personnel, technology & support costs

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## Other Segment\* Impacted by Funding Costs & Write-downs

**Net Income**  
(\$ millions)



**Q1/09 vs. Q4/08 net income**

- + higher securitization revenues
- + favourable change in FV of financial instruments used for ALM
- + lower net securities write-downs
- relatively higher funding costs compared to declining transfer pricing rates

**Q1/09 vs. Q1/08 net income**

- relatively higher funding costs compared to declining transfer pricing rates
- write-downs on AFS securities
- unfavourable change in FV of financial instruments used for ALM
- + higher securitization revenues

\* includes Group Treasury and other corporate items, which are not allocated to a business line

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## Available-for-Sale Securities Portfolio

Q1/09, \$ billions

	Fair Value	Unrealized Gains (Losses)	
<b>Government bonds</b>	<b>23.5</b>	<b>0.8</b>	
<b>Other Debt</b>			
<i>Auto-based securitization</i>	6.9	(0.3)	82% AAA
<i>Financial industry bonds</i>	6.5	(0.6)	98% investment grade
<i>Corporate bonds</i>	3.3	(0.3)	88% investment grade
<i>CDOs/CLOs</i>	<u>0.9</u>	<u>(0.7)</u>	Weighted Average: AA
<b>Total Other debt</b>	<b>17.6</b>	<b>(1.9)</b>	
<b>Equities</b>			
<i>Common</i>	2.5	(0.3)	
<i>Preferred</i>	<u>0.4</u>	<u>(0.2)</u>	
<b>Total Equities</b>	<b>2.9</b>	<b>(0.5)</b>	
<b>Total</b>	<b>44.0</b>	<b>(1.6)*</b>	

\* Excludes fair value of hedges of \$(0.2)B

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## Risk Review

Brian Porter

Group Head, Risk & Treasury

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## Q1/09 Risk Overview

- **Managing through challenging markets**
  - higher provision for credit losses
- **Credit portfolios better positioned than in previous downturns**
  - diversification, higher quality lending portfolios

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## Higher Provision for Credit Losses

Specific provisions, \$ millions

	<u>Q1/08</u>	<u>Q2/08</u>	<u>Q3/08</u>	<u>Q4/08</u>	<u>Q1/09</u>
Canadian P&C					
Retail	79	82	77	78	122
Commercial	<u>12</u>	<u>20</u>	<u>22</u>	<u>29</u>	<u>33</u>
	91	102	99	107	155
International P&C					
Retail	64	69	81	105	130
Commercial	<u>(34)</u>	<u>(9)</u>	<u>(25)</u>	<u>(15)</u>	<u>(14)</u>
	30	60	56	90	116
Scotia Capital	(10)	(9)	4	10	10
<b>Total</b>	<b>111</b>	<b>153</b>	<b>159</b>	<b>207</b>	<b>281</b>
PCL ratio (bps)	<b>18</b>	<b>24</b>	<b>23</b>	<b>29</b>	<b>37</b>

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## Gross Impaired Loan Formations

\$ millions

	Q4/08	Q1/09
<b>Canadian P&amp;C</b>		
- Retail	277	328
- Commercial	39	31
	<u>316</u>	<u>359</u>
<b>International P&amp;C</b>		
- Retail	215	336
- Commercial	78	142
	<u>293</u>	<u>478</u>
<b>Scotia Capital</b>		
- U.S.	6	60
- Canada & Other	-	-
	<u>6</u>	<u>60</u>
<b>Total</b>	<b>615</b>	<b>897</b>

**Retail:** higher formations in residential mortgages & auto-related portfolios

**Retail:** higher formations across division, reflecting increase in delinquencies and underlying growth

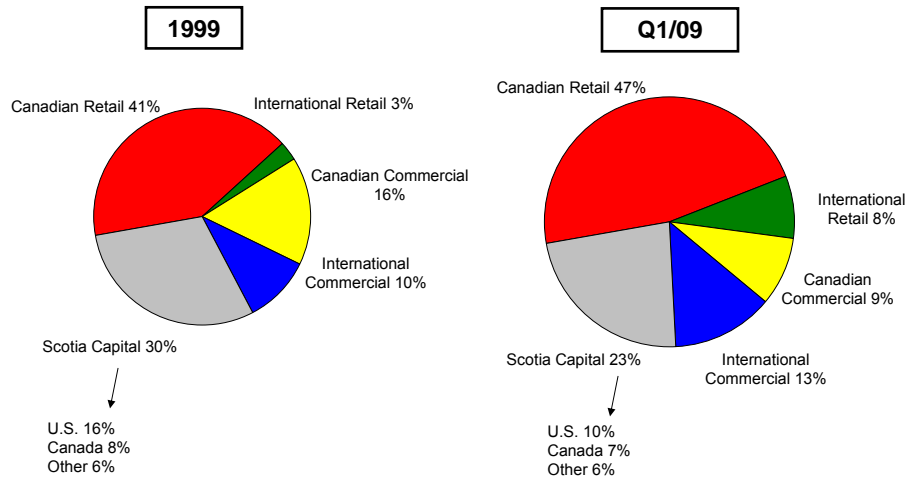
**Commercial:** classification of a number of accounts in Puerto Rico, Mexico & Chile

**Scotia Capital:** classification of two accounts in the U.S.

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## Diversified Lending Portfolios



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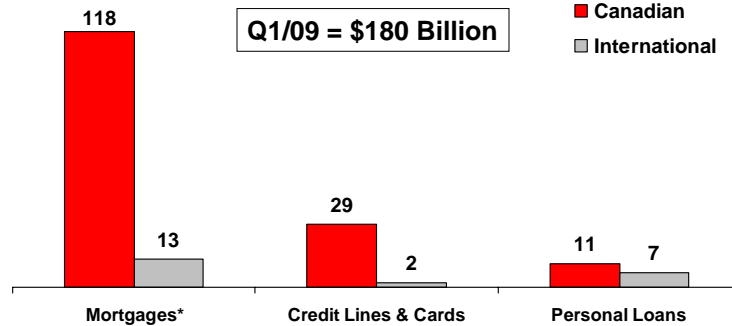
## All-Bank Retail Lending - Overview

### Diversified Product Mix

- Higher level of secured loans compared to 1990:
  - 90% secured, up from 83%
  - Mortgages now 73% of portfolio, up from 54%
- 53% of credit lines and cards secured
- Canadian mortgages: 41% insured, uninsured  
LTV % in mid-50s

### Actively Managing Portfolios

- Monitoring unsecured and auto lending
- Centralized credit exceptions
- Increased collection efforts
- Proactive support for customers with good credit history



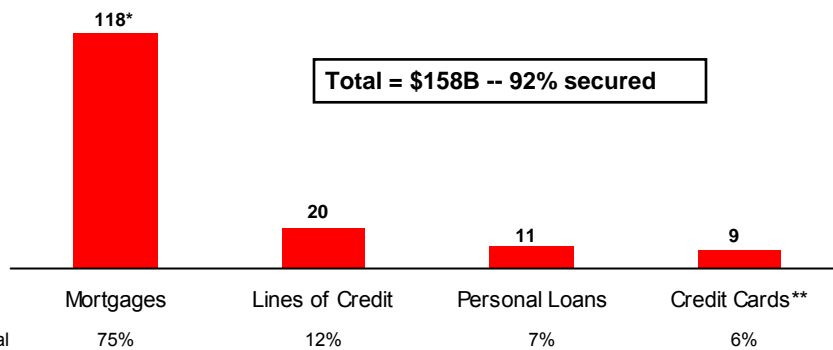
\* before securitizations

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## Canadian Retail Lending

(Outstandings at Q1/09, \$ billions)



PCL	Q1/08	Q1/09	Q1/08	Q1/09	Q1/08	Q1/09	Q1/08	Q1/09
\$mm	2	2	17	24	27	59	33	37
% of avg. loans (bps)	1	1	43	49	129	210	151	161

\* before securitizations

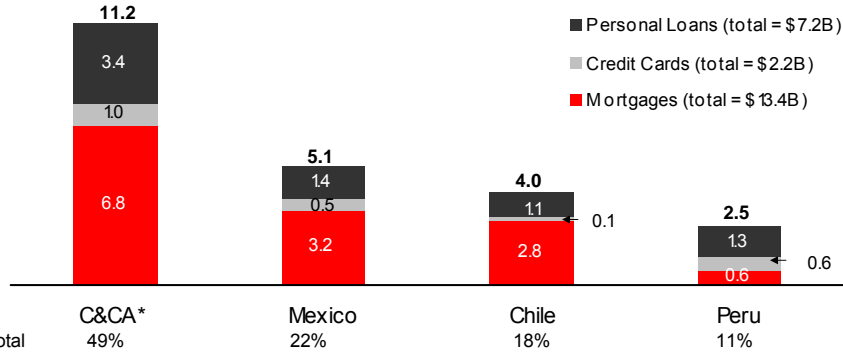
\*\* includes Scotialine VISA

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## International Retail Lending

(Outstandings at Q1/09, \$ billions)



PCL	Q1/08	Q1/09	Q1/08	Q1/09	Q1/08	Q1/09	Q1/08	Q1/09
\$mm	14	26	39	58	1	18	10	28
% of avg. loans (bps)	70	100	333	439	23	192	360	495

**Total Portfolio = \$23B -- 76% secured**

\* Caribbean and Central America

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## All-Bank - Corporate & Commercial Lending - More Diversified, Higher Quality

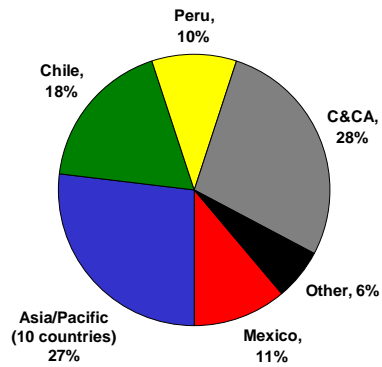
	Q4/99	Q1/09
▪ Corporate & commercial portfolios as % of total portfolio	56%	45% ↓
▪ U.S. portfolio as % of total portfolio	16%	10% ↓
▪ % corporate loans investment grade	50%	73% ↑

**Significant reduction in leveraged loans**

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## International Commercial Lending - Diversified by Geography & Industry



### Solid asset quality

- well secured
- historical PCL ratio 35 bps over past 18 years

### Industry exposure manageable

#### Hotels/Resorts

- \$1.8 billion exposure in the Caribbean; with LTV of 50%
- Write-offs < \$15 million over past two decades

#### Mining

- \$450 million exposure in Chile & Peru (economic fundamentals still good in these 2 countries)

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## Corporate and Commercial Lending - North America and Europe

<u>Focus Areas</u>	<u>Size</u>	<u>Well Diversified, Good Quality</u>
Auto*	\$5.6B	\$3B to dealers & floorplans (70% non-North American) \$1.2B to finance & leasing companies \$800 mm to parts companies at senior secured levels < \$200 mm to North American OEM's
Real Estate**	\$10B	Canada 73%, US 27% 51% residential, \$125 mm related to U.S. construction Focus on top-tier customers
Media***	\$4B	US 50%, Canada 39%, Europe 11% 29% publishing / directories, 24% broadcasting 57% rated Investment Grade Tightened lending criteria

**Total PCL- Q1/09: \$7mm; 2008: nominal**

\* OEM, Parts, Finance and Dealers

\*\* Residential, REIT, Retail and Office

\*\*\* Publishing and Broadcasting

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## 2009 Risk Outlook

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- **Challenging credit markets will continue**
- **Portfolios are better positioned relative to previous cycles**
- **Proactively managing risk**

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## Business Line Update

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### **Chris Hodgson**

Group Head, Canadian Banking

### **Rob Pitfield**

Group Head, International Banking

### **Stephen McDonald**

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

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## Canadian Banking Update

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- **Maintain positive operating leverage & earnings momentum**
- **Maintain focus on credit risk discipline**
- **Focus on key segments & products**
  - deposits & insurance
- **Fully leverage recent acquisitions/investments**
  - E\*TRADE, CI & Dundee Wealth

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## International Banking Update

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- **Focus on deposits & fee-based businesses**
- **Continue to seek cost & productivity improvements**
- **Very focused on credit risk management**

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## Scotia Capital Update

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- **Benefiting from changing competitive landscape**
- **Continuing to re-tool businesses**
- **Executing an integrated business model**
- **Continue to prudently manage risks**

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## Outlook

Rick Waugh  
President & Chief Executive Officer

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## Outlook

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- **Better positioned**

- portfolios in better shape vs. previous downturns
- disciplined risk and expense management
- strong capital



## Appendices



## Impact of Forex

Impact (\$ millions)	<u>Q1/09 vs.</u> <u>Q4/08</u>	<u>Q1/09 vs.</u> <u>Q1/08</u>
Net Interest Income (TEB)	56	146
Other Income	26	64
Non-interest expenses	(15)	(67)
<b>Net income</b>	<b>54</b>	<b>106</b>
<b>EPS (diluted)</b>	<b>5 cents</b>	<b>11 cents</b>

### Average Rates

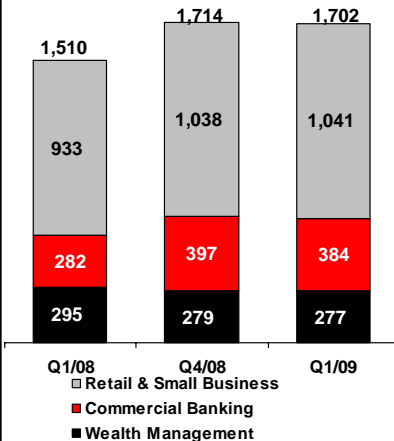
	<u>Q1/09</u>	<u>Q4/08</u>	<u>Q1/08</u>
\$US/\$CAD	0.82	0.91	1.01
Mexican peso/\$CAD	11.06	10.18	10.99
Peruvian new sol/\$CAD	2.56	2.73	3.03
Chilean peso/\$CAD	531.0	518.40	497.85

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## Canadian Banking Strong Volume Growth

Revenues (TEB)  
(\$ millions)



### Q1/09 vs. Q4/08 revenues: down 1%

- 8 bps decrease in margin
- + record deposit growth, +\$7.8B (6%), slowing asset growth (1% ex. CI)
- + stable Wealth Mgmt. revenues: acquisitions offset lower revenues relating to market conditions

### Q1/09 vs. Q1/08 revenues: up 13%

#### **Retail & Small Business**

- + strong asset & deposit growth
- + widespread growth in fee-based income

#### **Commercial Banking**

- + strong deposit & asset growth
- + higher margin, benefitting from re-pricing of loans

#### **Wealth Management**

- + acquisitions: E\*TRADE, stake in CI Financial
- lower mutual fund & full-service brokerage revenues given difficult market conditions

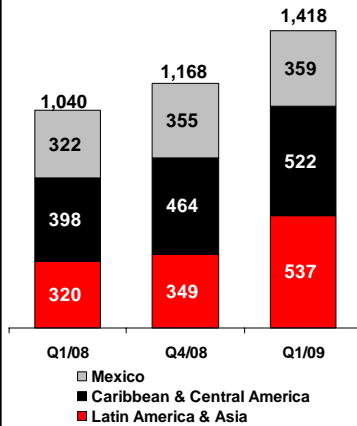
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## International Banking

### FX, Acquisitions, Business Growth Boost Revenues

Revenues (TEB)  
(\$ millions)



#### Q1/09 vs. Q4/08 revenues: up 21%

- **Mexico**
  - + strong forex revenues
  - negative impact of forex
- **Caribbean & Central America**
  - + forex, higher margin
  - + widespread growth in fee-based revenue
- **Latin America & Asia**
  - + broad-based loan growth, wider spreads in Asia
  - + \$120MM of write-downs in Q4

#### Q1/09 vs. Q1/08 revenues: up 36%

- **Mexico**
  - + volume growth, higher margin
  - + higher forex revenues, investment banking income
- **Caribbean & Central America**
  - + forex & acquisitions
  - + P&C volume growth, partly offset by lower NIM
- **Latin America & Asia**
  - + acquisitions in Peru & Chile, forex
  - + loan growth, forex revenues, & transaction-driven growth, partly offset by higher securities gains in Q1/08

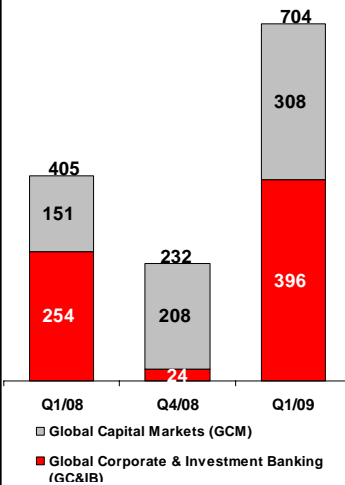
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## Scotia Capital

### Revenues: Best Quarter Since 2002

Revenues (TEB)  
(\$ millions)



#### Q1/09 vs. Q4/08 revenues: up 100%+

- + significantly lower write-downs
- Global Corporate & Investment Banking**
  - + good growth in lending volumes, spreads & higher loan origination fees
  - + record investment banking
  - + higher acceptance & credit fees
- Global Capital Markets**
  - + record quarter for fixed income & precious metals
  - + very strong institutional equity
  - derivative trading losses
  - very strong FX, down from record Q4

#### Q1/09 vs. Q1/08 revenues: up 74%

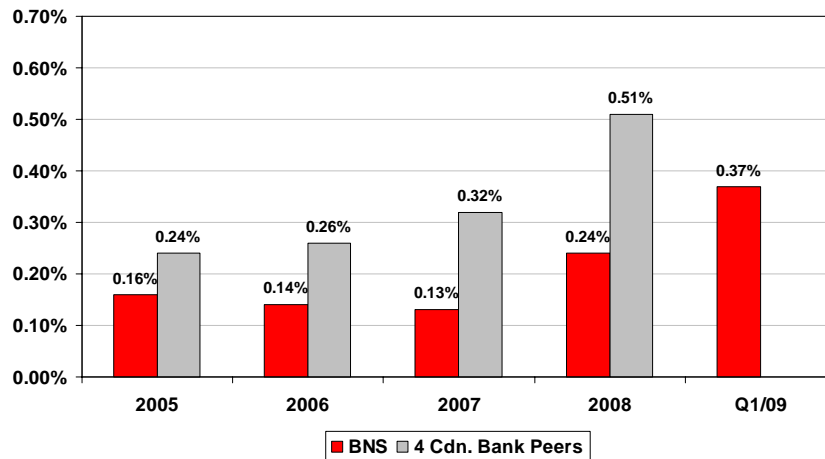
- + significantly higher corporate loan volumes, interest margins, loan origination & other credit fees
- + strong revenues across most other income categories
- + lower write-downs

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## Strong Relative PCL Performance

Specific Provisions as % of Average Loans and Acceptances



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## Gross Impaired Loans

Gross Impaired Loans, \$ millions

	<u>Q1/08</u>	<u>Q2/08</u>	<u>Q3/08</u>	<u>Q4/08</u>	<u>Q1/09</u>
Canadian P&C					
Retail	422	444	472	523	621
Commercial	<u>207</u>	<u>244</u>	<u>228</u>	<u>238</u>	<u>262</u>
	<b>629</b>	<b>688</b>	<b>700</b>	<b>761</b>	<b>883</b>
International P&C					
Retail	559	664	688	833	997
Commercial	<u>566</u>	<u>604</u>	<u>674</u>	<u>776</u>	<u>919</u>
	<b>1,125</b>	<b>1,268</b>	<b>1,362</b>	<b>1,609</b>	<b>1,916</b>
Scotia Capital	<b>88</b>	<b>56</b>	<b>101</b>	<b>124</b>	<b>186</b>
Total	<b>1,842</b>	<b>2,012</b>	<b>2,163</b>	<b>2,494</b>	<b>2,985</b>
Total GIL as % loans & acceptances	<b>0.70</b>	<b>0.74</b>	<b>0.76</b>	<b>0.82</b>	<b>0.97</b>

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## Bank-Sponsored Multi-Seller Conduits

(Q1/09, \$ billions)	Canadian Conduits	U.S. Conduit
Funded assets	3.4	7.3
Weighted-average: rating (equivalent) life (years)	AA- or higher 1.1	83% A or higher 1.3

- **Volumes down 12% vs. last quarter**
- **Assets mostly receivables**
  - Auto loans/leases: 45%; trade: 20%; credit cards/consumer: 7%;  
equipment loans: 10%; diversified ABS: 9%
- **No direct CDO or CLO exposure**

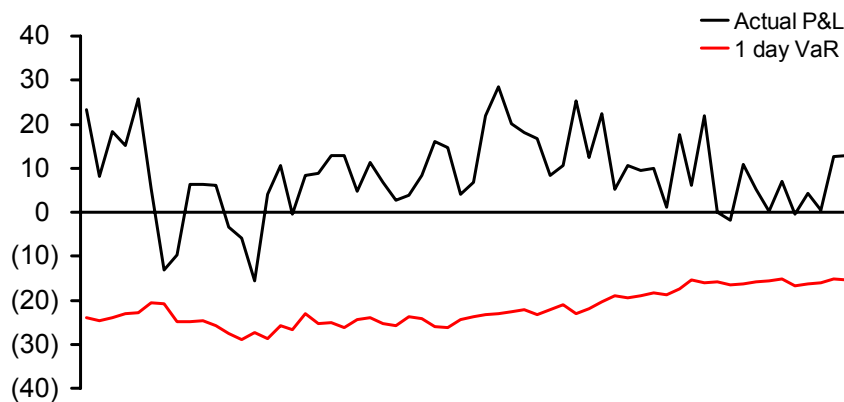
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## Trading Results Versus One-Day VaR

(\$ millions)

November 1, 2008 to January 31, 2009



▪ Average one-day VaR: \$21.7mm in Q1/09 vs \$20.1mm in Q4/08

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# Trading Revenue

