



## Investor Presentation First Quarter, 2008

March 4, 2008

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## 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."*

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*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" section in this document is based on the Bank's views and the actual outcome is uncertain. Readers should consider the above-noted factors when reviewing this section.*

*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

## Q1/08 Results

	Q1/08	Change	
		Yr/Yr	Qtr/Qtr
Net income (\$mm)	\$835	(18)%	(12)%
EPS	\$0.82	(19)%	(14)%
ROE	18.3%	(380) bp	(270) bp
Productivity ratio	56.5%	290 bp	210 bp



## **Volatile Capital Markets ... Core Franchises Remain Strong**

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### **▪ challenging conditions in capital markets**

- widening credit spreads
- continued weak trading results
- Q1/08 write-downs/reserves of \$238 million (pre-tax), \$0.17/share

### **▪ strong core franchises**

- solid market share gains in Domestic
- good organic growth & benefit of acquisitions in International
- high quality loan growth in Scotia Capital

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## **Performance Review**

Luc Vanneste

Executive Vice-President &  
Chief Financial Officer

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## Q1/08 - Items of Note

	Net Income		EPS	
Reported	\$835 million		\$0.82	
	Pre-tax (\$MM)	After-tax (\$MM)	EPS	Financial statement line
CDOs	(68)	(56)	(0.06)	Securities gains (52) & Other Other income (16)
SIVs	(46)	(31)	(0.03)	Securities gains
ABCP	(44)	(30)	(0.03)	Securities gains (39) & Trading (5)
Monoline reserve	(80)	(54)	(0.05)	Trading
<b>Total</b>	<b>(238)</b>	<b>(171)</b>	<b>\$(0.17)</b>	

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## Impact of Forex Translation

Impact (\$MM)	Yr/Yr	Qtr/Qtr
Revenues	(186)	(21)
Non-interest expenses	91	10
<b>Net income</b>	<b>(56)</b>	<b>(6)</b>
<b>Earnings per share (diluted)</b>	<b>(6) cents</b>	<b>(1) cent</b>

Average exchange rate	Q1/08	Q4/07	Q1/07
\$US/\$CAD	1.01	0.98	0.87
Mexican peso/\$CAD	10.99	10.79	9.48

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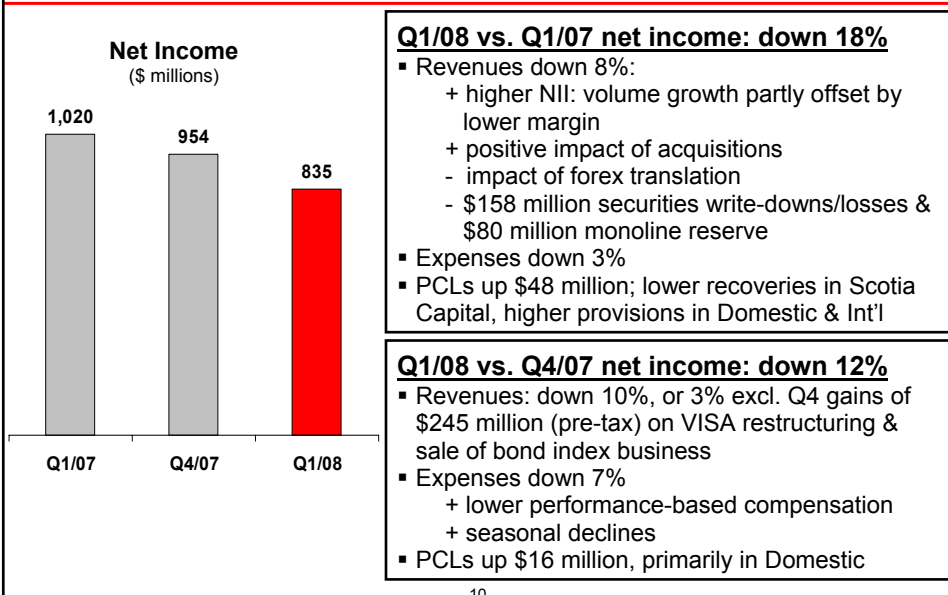
## Scotiabank Mexico Lower Contribution in Q1

(\$ millions)	Q1/08	Q4/07	Q/Q	Comments
Contribution (Mexican GAAP)	\$117	\$128	\$(11)	• Growth in retail assets more than offset by higher PCLs & lower government lending
<b>Canadian GAAP adjustments</b>	<b>\$(49)</b>	<b>\$(19)</b>	<b>\$(30)</b>	•Q1 includes write-down of future tax asset •Q4 includes VISA gain
<b>Contribution to BNS</b>	<b>\$68</b>	<b>\$109</b>	<b>\$(41)</b>	

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## Financial Performance Overview

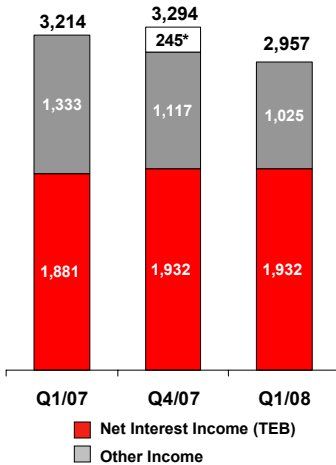


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## Revenue – Solid Trends in Core Businesses

**Revenues (TEB)**  
(\$ millions)



**Q1/08 vs. Q1/07 revenues: down 8%**

- NII up 3% on strong volume gains in all businesses, partly offset by negative forex translation & MTM losses
- Other income down 23%, as higher wealth management revenues were more than offset by:
  - securities write-downs
  - lower trading revenues

**Q1/08 vs. Q4/07 revenues: down 10%**

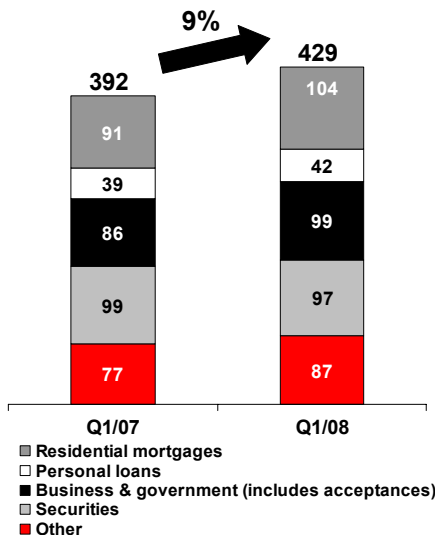
- NII unchanged, as very strong asset growth was offset by lower tax-exempt dividend income
- Other income down 25% due mainly to:
  - Q4 gains – Visa, bond index business
  - higher write-downs of non-trading securities
  - lower gains on sale of non-trading securities

\*Gains on VISA & sale of bond index business



## Strong Asset Growth Continues

average balances, \$ billions



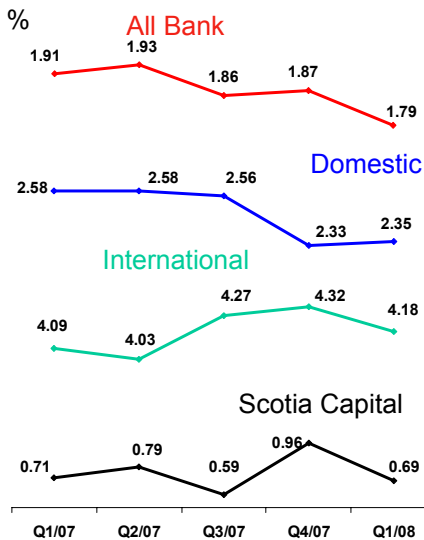
+ residential mortgages up 14%

+ personal loans up 9%

+ business & gov't loans up 15%



## All-Bank Net Interest Margin



**All-Bank margin: (8) bps qtr/qtr**

**Domestic margin: +2 bps qtr/qtr**

+ lower wholesale funding costs  
+ higher prime-BA spreads

**International margin: (14) bps qtr/qtr**

- lower margins in Latin America, Mexico

**Scotia Capital margin: (27) bps qtr/qtr**

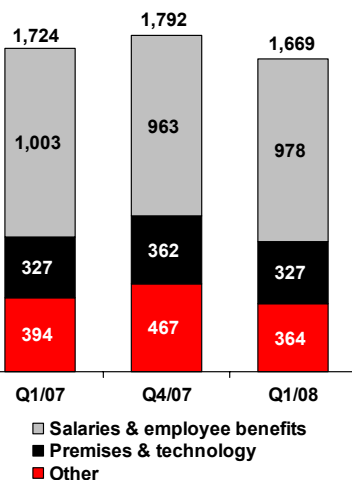
- large tax-exempt dividends from transaction in Q4  
+ wider spreads on short term loans

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## Expenses Well Controlled

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



**Q1/08 vs. Q1/07 expenses: down 3%**

+ lower performance & stock-based compensation  
+ lower advertising & business taxes  
- higher salaries from ongoing growth initiatives/branch openings & annual increases

**Q1/08 vs. Q4/07 expenses: down 7%**

+ lower performance-based compensation  
+ lower spending on technology projects, advertising, legal fees, & business taxes  
+ timing of expenses in other categories  
- partly offset by higher salaries due to acquisitions

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## Domestic Banking

Chris Hodgson

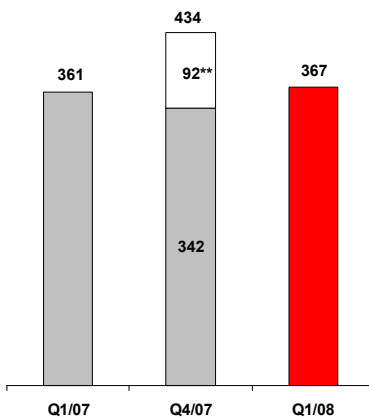
Executive Vice-President  
Domestic Personal Banking

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## Domestic Banking Solid Operating Performance

Net Income\*  
(\$ millions)



### Q1/08 vs. Q1/07 net income: up 2%

- + revenues up 3%
  - strong asset growth partly offset by margin compression due to higher funding costs
- expenses up 2%
  - costs related to acquisitions
  - growth initiative spending
- moderately higher PCLs due to portfolio growth

### Q1/08 vs. Q4/07 net income: down 16%

- + net income up 7% ex. VISA gain
  - revenues unchanged ex. VISA gain
- + expenses down 4% due to higher Q4 project spending such as advertising & seasonality
- higher PCLs due to portfolio growth & higher auto lending provisions from TLC acquisition

\*available to common shareholders

\*\*VISA gain

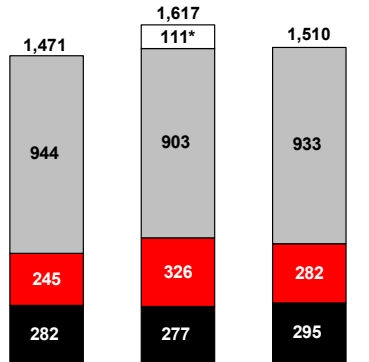
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## Domestic Banking Strong Asset Growth Helping Revenue

revenues (TEB), \$ millions



### Q1/08 vs. Q1/07 revenues: up 3%

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

- + strong asset & deposit growth
- margin compression due to higher funding costs

#### **Commercial Banking**

- + strong organic asset growth
- + positive impact of Travelers Leasing

#### **Wealth Management**

- + Private Client Group +18%
- + Mutual funds +15%
- Full service brokerage -11%

Q1/07      Q4/07      Q1/08  
 □ Retail & Small Business  
 ■ Commercial Banking/Other  
 ■ Wealth Management

### Q1/08 vs. Q4/07 revenues: down 7%

- revenues unchanged ex. Q4 VISA gain

\*VISA gain



## Strong Market Share Gains

### Year-over-Year Increase

<b>Residential Mortgages</b>	+18 basis points
<b>Personal Term Deposits</b>	+95 basis points
<b>Total Personal Deposits</b>	+56 basis points
<b>Mutual Funds</b>	+24 basis points

Domestic market share figures as at December 2007



## Domestic 2008 Priorities

- **Drive sustainable revenue growth**
  - **Leverage acquisitions & partnerships to acquire new customers**
    - Expanding product offers at Dundee Bank
    - Re-branded Travelers Leasing as "Scotia Dealer Advantage"
    - Western Union relationship
  - **Build on strong momentum in wealth management**
    - Success in long term fund sales
    - Introduced new mutual funds: Scotia Global Climate Change Fund & ScotiaFunds Advisor Class
- **Expand sales and distribution capacity**
  - Opened 2 new branches in Q1, plan to open 15-20 in 2008
  - Added new front line staff in retail, small business & wealth management
  - Multi cultural banking unit

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## International Banking

Rob Pitfield

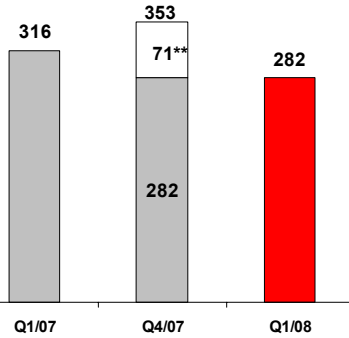
Executive Vice-President  
International Banking

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## International Banking Solid Organic Growth & Acquisitions

**Net Income\***  
(\$ millions)



\* available to common shareholders  
\*\*VISA gain

**Q1/08 vs. Q1/07 net income: down 11%**

- + revenues up 8% from strong organic volume growth, acquisitions & higher securities gains, partly offset by forex & MTM write-downs
- expenses up 1%
  - higher compensation & acquisitions
  - mostly offset by forex
- higher tax rate & PCLs in Mexico

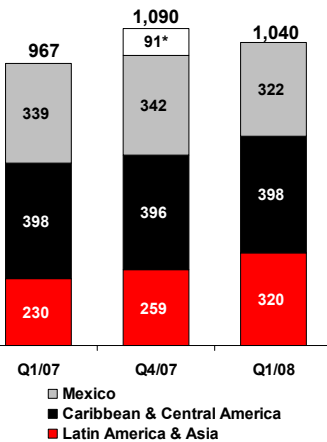
**Q1/08 vs. Q4/07 net income: down 20%**

- Net income flat ex. VISA gain
- revenues down 5% (up 4% ex. VISA gain)
- + expenses down 3%
  - expense recoveries in Latin America
  - lower advertising & premises
  - partly offset by higher compensation & benefits
- higher tax rate & PCLs in Mexico



## International Banking Solid Core Revenue Growth

revenues (TEB), \$ millions



\*VISA gain

**Q1/08 vs. Q1/07 revenues: up 8%**

- **Mexico**
  - + volume growth & commercial banking fees
  - negative forex translation
- **Caribbean & Central America**
  - + volume growth & margin expansion
  - negative forex translation
- **Latin America & Asia**
  - + acquisitions & strong volume growth
  - + higher securities gains
  - MTM write-downs & negative forex translation

**Q1/08 vs. Q4/07 revenues: up 4% ex VISA**

- **Mexico**
  - + retail volume growth
  - lower commercial spreads, forex & Q4 VISA gain
- **Caribbean & Central America**
  - + volume growth
  - margin compression & Q4 VISA gain
- **Latin America & Asia**
  - + acquisitions & higher securities gains
  - MTM write-downs & Q4 VISA gain



## International 2008 Priorities

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- **Drive sustainable revenue growth**
  - Target new segments - consumer finance, affluent, small business
  - Expand distribution network
    - Add 90-100 new branches
    - Increase use of alternate channels
- **Sustain focus on Mexico**
- **Pursue additional acquisition opportunities**
  - P&C banking, insurance, wealth management, consumer finance

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## Scotia Capital

Stephen McDonald

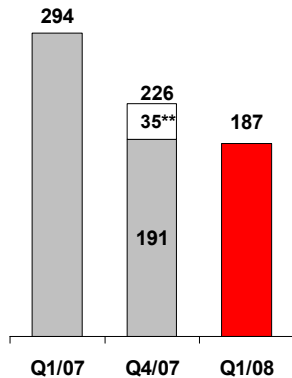
Co-Head  
Scotia Capital

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## Scotia Capital Challenging Market Conditions

**Net Income\***  
(\$ millions)



\*available to common shareholders  
\*\*gain on sale of bond index business

### Q1/08 vs. Q1/07 net income: down 36%

- revenues 36% lower
  - reserves/write-downs of \$122 million
  - lower derivative & equity trading
  - lower interest recoveries
- + partly offset by record foreign exchange & strong fixed income trading
- + expenses improved by 26%
  - + lower performance-based compensation
- lower loan loss recoveries vs. high level in Q1/07

### Q1/08 vs. Q4/07 net income: down 17%

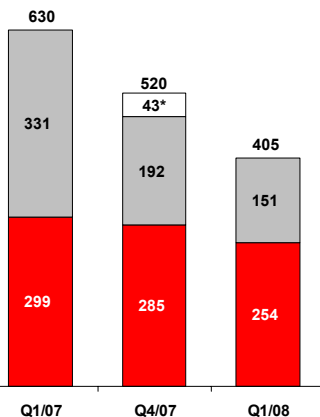
- revenues 22% lower
  - lower tax-exempt dividend income
  - gain on sale of bond index business in Q4
- + expenses 15% better
  - + lower performance-based compensation

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## Scotia Capital Difficult Environment for Capital Markets Revenue

revenues (TEB), \$ millions



□ Global Capital Markets (GCM)  
■ Global Corporate & Investment Banking (GC&IB)

\*gain on sale of bond index business

### Q1/08 vs. Q1/07 revenues: down 36%

- revenues down 16% ex. reserve/write-downs
- Global Capital Markets**
  - \$80 million single monoline counter party reserve
  - \$42 million in structured credit write-downs
  - weaker equity & credit derivative trading
- + record foreign exchange trading & strong fixed income trading
- Global Corp. & Investment Banking**
  - lower interest recoveries
  - lower credit & advisory fees
- + partly offset by higher loan volumes & spreads

### Q1/08 vs. Q4/07 revenues: down 22%

- lower tax-exempt dividend income & equity trading
- gain on sale of bond index business in Q4
- lower securities gains in the U.S. & Europe
- + partly offset by record foreign exchange trading & strong fixed income trading

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## Scotia Capital 2008 Priorities

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- **Drive sustainable revenue growth**
  - Leverage **NAFTA capabilities**
  - Expand client coverage globally in selected industries
    - e.g. **energy, mining**
  - Increase presence in **infrastructure finance**
  
- **Capitalize on market opportunities**
  
- **Maintain prudent risk management**

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## Risk Review

Brian Porter

Executive Vice-President &  
Chief Risk Officer

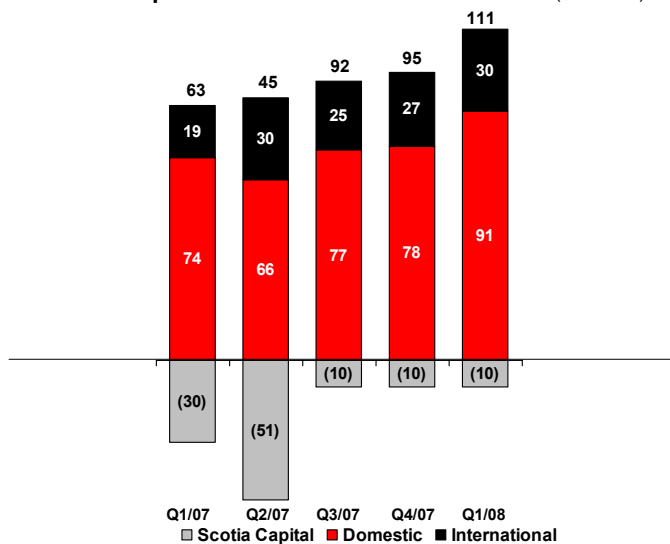
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## Risk Overview

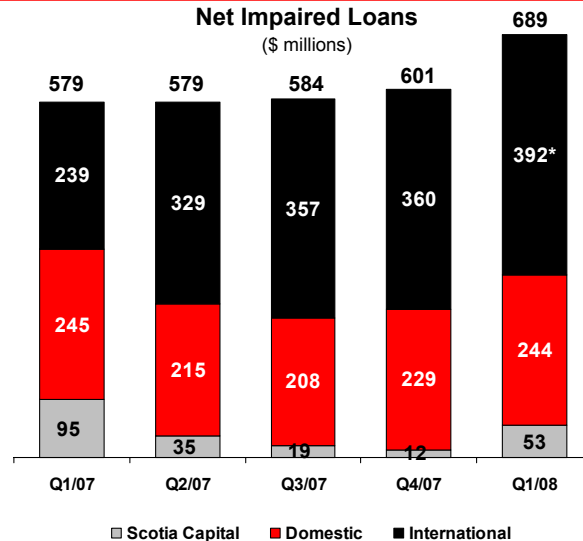
- Stable credit quality
- Update on areas of current focus
- U.S. exposure manageable and well contained
- Some increase in market risk

## Increase in Credit Losses Quarter over Quarter

Specific Provision for Credit Losses (\$ millions)



## Net Impaired Loans Stable



\* includes \$51 million addition from Desarrollo acquisition in Chile

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## Areas of Current Focus

<b>Monolines</b>	<ul style="list-style-type: none"> <li>➤ bought protection from one monoline on 3 AAA rated CDO tranches               <ul style="list-style-type: none"> <li>• no sub-prime mortgages</li> <li>• notional value: US\$937 million</li> <li>• \$161 million MTM at Q1/08 (\$80 million reserve)</li> </ul> </li> <li>➤ other direct exposures not material (&lt;\$50 million)</li> <li>➤ indirect exposure: US\$4.4 billion               <ul style="list-style-type: none"> <li>• high quality of underlying assets, minimal exposure (&lt;\$50 million) to sub-prime mortgages</li> </ul> </li> </ul>
<b>Montreal Accord ABCP</b>	<ul style="list-style-type: none"> <li>➤ fair value of holdings: \$144 million</li> <li>➤ Q1/08 write-downs ranged up to 30%, reflecting changes in underlying asset value</li> <li>➤ liquidity lines to conduits total \$65 million; drawdowns of \$46 million</li> </ul>
<b>CDOs and CLOs</b>	<ul style="list-style-type: none"> <li>➤ fair value of holdings: \$1.4 billion, including \$507 million acquired through purchase of Dundee Bank of Canada. Increased from last quarter due to SIV restructuring</li> <li>➤ 100% investment grade equivalent</li> <li>➤ no sub-prime exposure</li> </ul>
<b>Structured Investment Vehicles (SIVs)</b>	<ul style="list-style-type: none"> <li>➤ fair value of holdings: \$23 million</li> <li>➤ do not sponsor, manage or provide liquidity support to SIVs.</li> </ul>
<b>Hedge Fund Exposure</b>	<ul style="list-style-type: none"> <li>➤ majority of activity collateralized</li> <li>➤ no credit issues with counterparties</li> </ul>

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## U.S.<sup>(1)</sup> Exposure Manageable and Well Contained

- no direct exposure to credit cards, personal loans or sub-prime mortgages
- secured auto loans (GMAC): \$5.7 billion
  - bankruptcy remote/individually secured
  - internally modelled to investment grade (>92% AAA)
  - portfolio performing at or above expectations
- Corporate lending portfolios remain in good shape, asset quality strong

(1) excludes US territories

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## VaR by Risk Factor

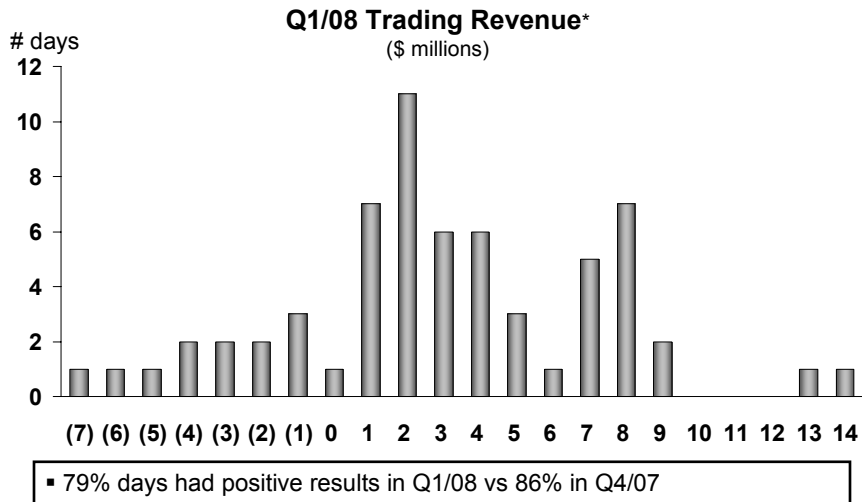
Average 1 day VaR, \$ millions

<u>Risk Factor</u>	<u>Q1/08</u>	<u>Q4/07</u>	<u>Q1/07</u>
Interest rate	13.8	9.2	7.2
Equities	4.5	6.1	3.6
Foreign exchange & Commodities	3.6	3.9	2.6
Diversification	(5.3)	(6.0)	(4.2)
All-Bank VaR	<b>16.6</b>	<b>13.2</b>	<b>9.2</b>

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# Trading Revenue



\* excludes \$80 million reserve taken against a monoline account

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## Outlook

Rick Waugh  
President & Chief Executive Officer

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## Outlook

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- Continuing to invest in three growth platforms
  - organic expansion
  - acquisitions
- Increased focus on cost control
- Expect stronger second half
- Maintaining 2008 financial objectives

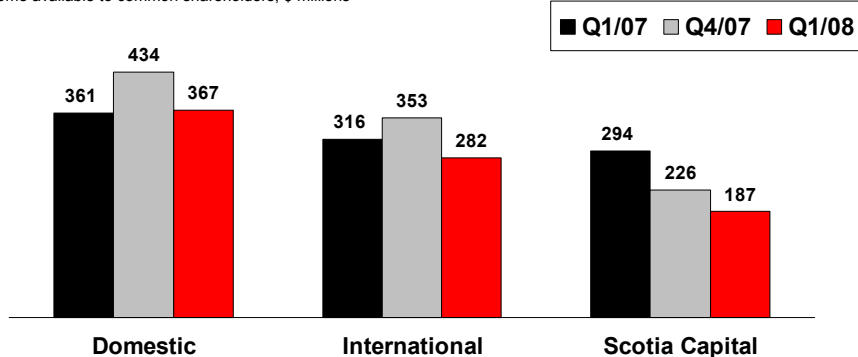


## Appendix



## Solid Core Growth Offset by Capital Markets Volatility

net income available to common shareholders, \$ millions



Year over year

**Domestic:** Strong asset & deposit growth, partly offset by margin compression

**International:** Strong organic volume growth & acquisitions more than offset by impact of foreign currency translation & higher taxes

**Scotia Capital:** Lower trading revenues & interest recoveries, partly offset by asset growth & lower performance related compensation

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## Impact of Forex Translation

### Q1/08 vs. Q1/07

Impact (\$MM)	Domestic	International	Scotia Capital	Other	Total
Revenues	(17)	(145)	(14)	(10)	(186)
Non-interest Expenses	1	72	18	-	91
<b>Net income</b>	<b>(11)</b>	<b>(39)</b>	<b>4</b>	<b>(10)</b>	<b>(56)</b>

### Q1/08 vs. Q4/07

Impact (\$MM)	Domestic	International	Scotia Capital	Other	Total
Revenues	(3)	(16)	(2)	-	(21)
Non-interest expenses	-	7	3	-	10
<b>Net income</b>	<b>(2)</b>	<b>(5)</b>	<b>1</b>	<b>-</b>	<b>(6)</b>

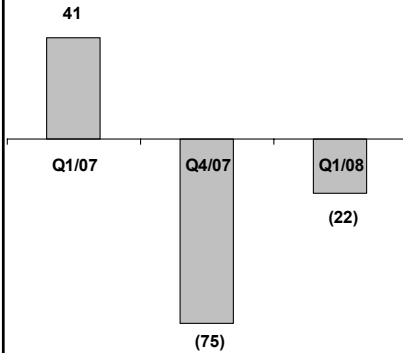
Average exchange rate	Q1/08	Q4/07	Q1/07
\$US/\$CAD	1.01	0.98	0.87
Mexican peso/\$CAD	10.99	10.79	9.48

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## Earnings in Other Segment

net income available to common shareholders, \$ millions



### Q1/08 vs. Q1/07 net income

- + higher securitization revenues
- + lower expenses
- negative impact of financial instruments
- \$46mm SIV & \$18mm CDO write-downs
- lower underlying securities gains

### Q1/08 vs. Q4/07 net income

- + lower taxes than Q4, which included a \$50mm tax charge
- + lower expenses
- + higher securitization revenues
- lower underlying securities gains

The Other category includes Group Treasury and other corporate items, which are not allocated to a business line

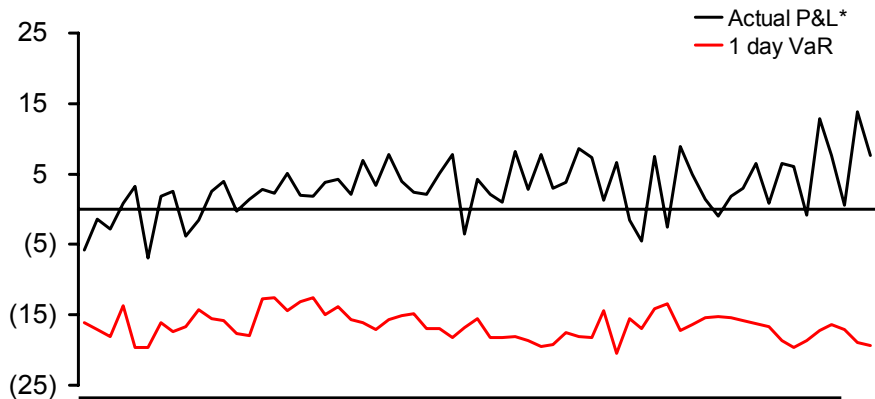
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## Trading Results Within 1 Day VaR

(\$ millions)

November 1, 2007 to January 31, 2008



\* excludes \$80 million reserve taken against a monoline account

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## Moderate Net Impaired Loan Formations

(Q1/08, \$ millions)

### Domestic

- Retail	116	
- Commercial	20	<b>136</b>

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

**Domestic Commercial:** stable credit quality

### International

- Mexico	41	
- Caribbean & Central America	10	
- Latin America & Asia	(4)	<b>47</b>

**International:** formations primarily in retail portfolios across division, largely mirroring underlying asset growth, partially offset by declassifications in commercial portfolios

### Scotia Capital

- Canada	30	
- U.S. & Other	3	<b>33</b>

**Scotia Capital:** classifications in Canada & the U.S., partially offset by repayments on a number of accounts in Canada, U.S. & Europe

**Total** **216**

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## High Level of Unrealized Securities Gains\*

(\$ millions)

	Q1/08	Q4/07	Q1/07
<b>Emerging Market Debt</b>	547	530	667
<b>Fixed Income</b>	89	(14)	(80)
<b>Equities</b>	259	456	574
	<b>895</b>	<b>972</b>	<b>1,161</b>

\*before related derivative and other hedge amounts

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