Scotiabank

Investor Presentation
Second Quarter, 2006

May 29, 2006

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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. 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 59 of the Bank's 2005 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.

The "Outlook" section that follows 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.

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Overview

Rick Waugh
President & Chief Executive Officer

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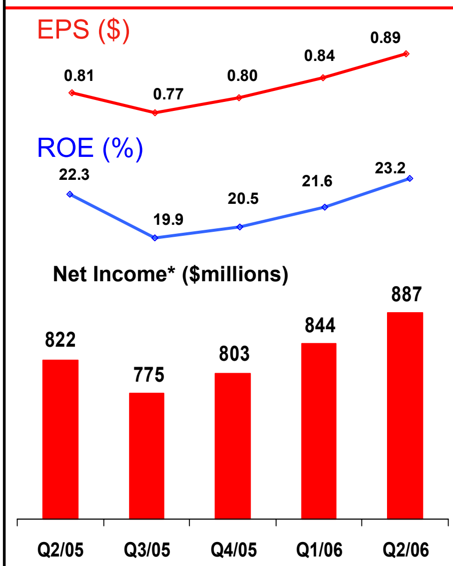
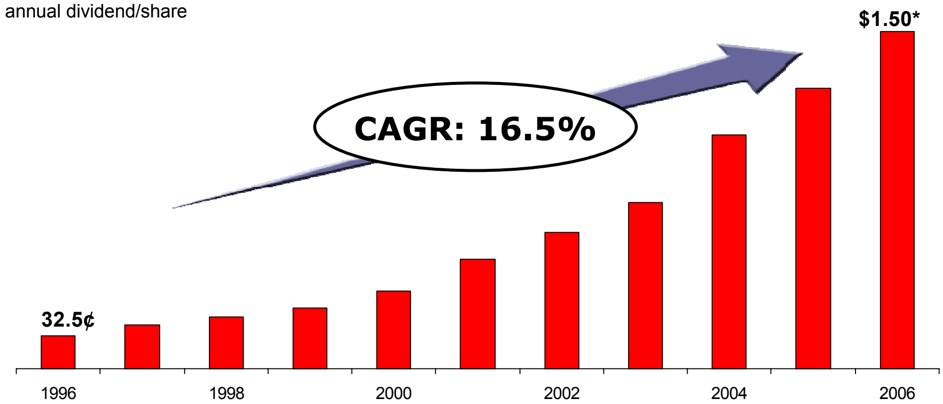
Earnings growth



- **Record results**
  - EPS: $0.89 vs. $0.81 in Q2/05
  - ROE: 23.2% vs. 22.3% in Q2/05
- **Volume growth across all businesses**
- **Margin stable qtr/qtr**
- **Stable credit quality**
- **Strong capital position**

* Net income available to common shareholders

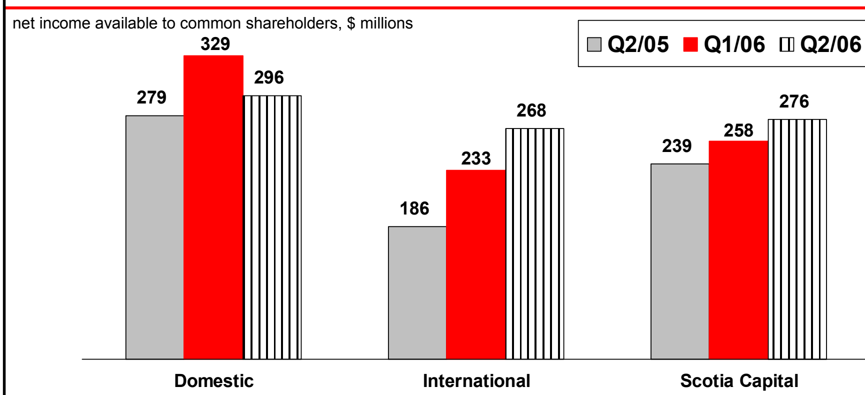
Dividend growth



- 3 cent or 8% dividend increase effective Q3/06
- 14% increase in 2006

* based on current rate

Solid contribution from all 3 businesses



- **Domestic:** Substantial year-over-year volume and market share increases in residential mortgages and personal deposits as well as strong results in wealth management.
- **International:** Strong growth in Mexico and continued solid performance in the Caribbean & Central America bolstered by low credit losses and acquisitions.
- **Scotia Capital:** Record results benefited from continued stable credit environment and a strong performance in derivatives, foreign exchange and precious metals.

Meeting our 2006 financial performance objectives

	2006 YTD		Objective
ROE	22.3%	vs.	18-22%
EPS Growth	9.5%	vs.	5-10%
Productivity	55.2	vs.	<58%

Performance Review

Luc Vanneste
Executive Vice-President &
Chief Financial Officer

Q2/06 Items of note

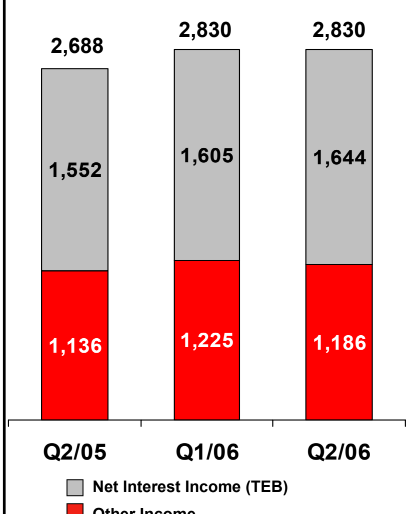
EPS Impact (cents)

	Change Qtr/Qtr	Change Year/Year
Credit losses	3	-
Lower tax rate	3	4
Stock-based compensation	2	-
Securities gains	1	(2)
Trading	(5)	2
Foreign currency translation	(1)	(5)
Shorter quarter	(3)	-
	-	(1)
Other Growth	5	9
Change	**5 cents**	**8 cents**

- **Lower tax rate:** due mainly to higher earnings in lower tax jurisdictions
- **Trading:** revenues decreased from record levels in Q1/06
- **Forex Translation:** foreign currency earnings reduced by stronger Canadian $

Broad-based revenue growth year over year

$ millions, TEB

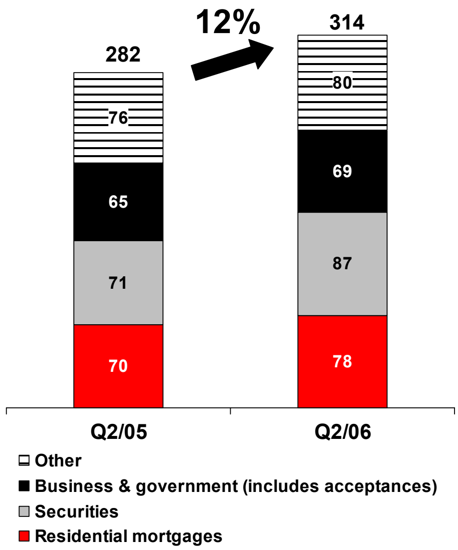


Net interest income: up 6% yr/yr
- 12% average asset growth
- Net interest margin down 10 bps

Other income: up $50 mm, 4% yr/yr
- Higher wealth mgmt revenues: $32 mm
- Higher card and activity-based banking revenues: $30 mm
- Strong trading results: $32 mm
- Lower securities gains: ($26) mm, Shinsei: $48 mm vs $118 mm in Q2/05
- Lower securitization revenues due to narrowed spreads: ($12) mm

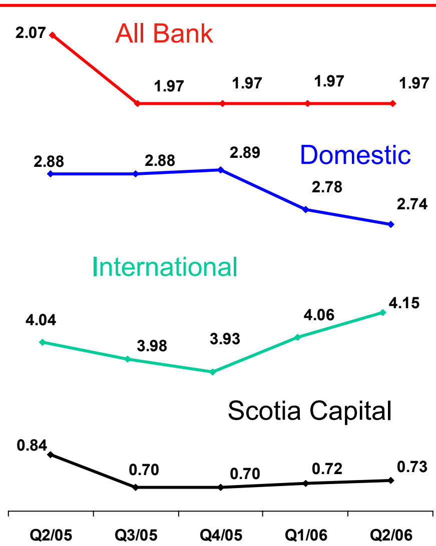
Strong asset growth

average earning assets (incl. acceptances), $ billions



- **Residential mortgages up 11%**
- **Securities up 22%**
  - trading: $9 billion
  - purchased asset-backed securities: $6 billion
- **Business & government up 5%**
- **Other up 7%**

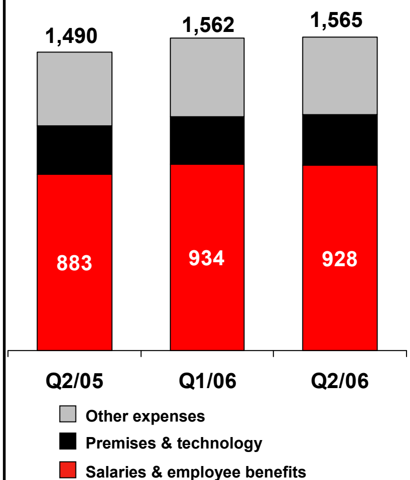
All-Bank margin stable



- **All-Bank margin stable qtr/qtr**
- **Interest rate gap has been well managed**
- **Margin pressures remain**
- **Opportunity to leverage strong asset growth**

Expenses well controlled

$ millions



Expenses up 5% or $75 mm yr/yr

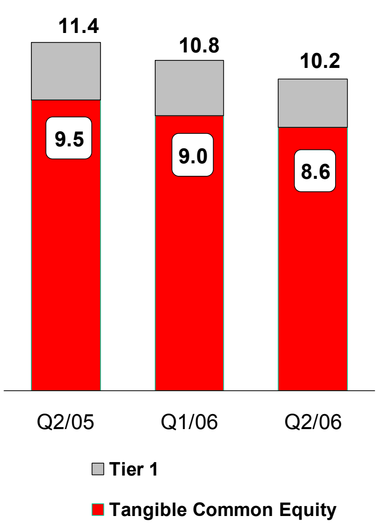
- Salaries up mainly due to acquisitions: $25 mm
- Higher benefit costs: $19 mm
- Higher premises, technology and communication costs: $17 mm
- Lower business and capital taxes: ($19) mm
- Other expenses up, partly due to acquisitions: $33 mm

Expenses flat qtr/qtr

- Higher performance-based compensation in Scotiabank Mexico reflecting finalization of year-end payouts in Q1/06: $21 mm
- Higher payroll taxes, full quarter impact of EI and CPP: $11 mm
- Lower stock-based compensation: ($35) mm

Strong capital ratios

% of risk-weighted assets



Tier 1 decline of 60 bps vs. Q1 due to:

- Risk weighted assets (RWA) growth: (63) bps
  - $11 billion increase in RWA split evenly between organic growth & acquisitions
- Increased goodwill: (8) bps
- Retained earnings growth: 11 bps
- Higher minority interest: 4 bps (mainly Peru)

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High level of unrealized securities' gains

$ millions

	Q2/06	Q1/06	Q2/05
Fixed Income	(158)	(46)	28
Emerging Market Debt	534	598	540
Equities	519	538	420
	895	**1,090**	**988**

Qtr/Qtr decline of $195 mm due to:

- Fixed income down $112 mm
  - market value declined due to rising interest rates
- EM debt down $64 mm
  - decrease in value of Mexican government bonds due to higher interest rates
- Equities down $19 million
  - realized gain of $48 mm on Shinsei investment, offset by price increases

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Business Line Results

Domestic Banking
Solid performance

$ millions

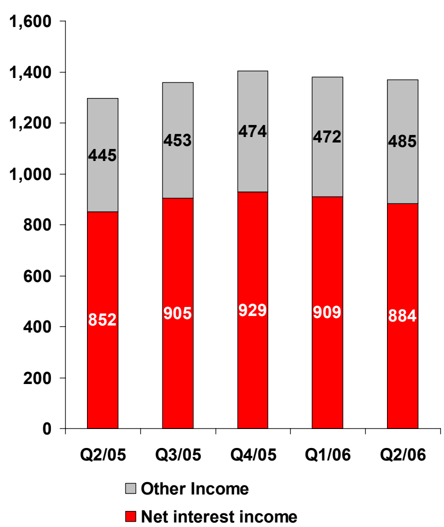
		Change vs. Q2/05	Change vs. Q1/06
Total revenue	1,369	5%	(1)%
Provision for credit losses	88	32%	36%
Non-interest expenses	845	3%	1%
Net Income available to common shareholders	**296**	**6%**	**(10)%**
Return on Equity	27%		
Average assets ($B)	132	9%	2%

Year/Year: Net income up 6%
- 5% revenue growth partly offset by higher expenses and provisions

Quarter/Quarter: Net income down 10%
- earnings impacted by shorter quarter and higher provisions in the commercial portfolio

Domestic Banking
Steady revenue

$ millions



Year/Year: up 5%
- 10% growth in retail assets
  - 10% growth in mortgages
  - 11% growth in lines of credit
- 12% growth in business deposits
- Margin down 14 bps due to impact of rising rates
- Wealth mgmt. revenues up 14%

Quarter/Quarter: down 1%
- Slight decline mainly due to shorter quarter

Domestic Banking
Market share growth

<u>Year /Year</u>

Residential Mortgages: +120 basis points*
3rd in market share

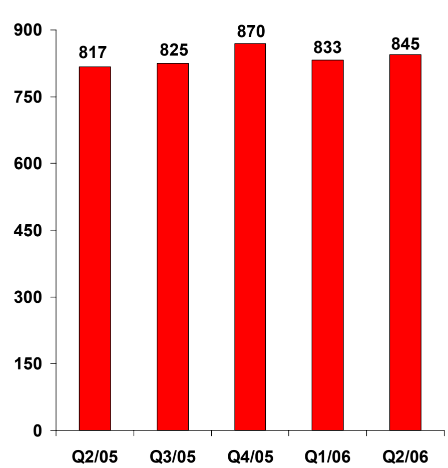
Personal Deposits: +34 basis points*
3rd in market share

* Impact of Maple Trust & National Bank of Greece acquisitions:
  - residential mortgages: 117 basis points
  - personal deposits: 17 basis points

Domestic Banking
Expenses well controlled

$ millions

Total Non-Interest Expenses



<u>Year/Year: up 3%</u>
- Higher salaries & benefits
- Higher technology and marketing expenses
- Increased appraisal and acquisition fees
- Partly offset by lower business and capital taxes

<u>Quarter/Quarter: up 1%</u>
- Higher benefit, technology, premises and marketing costs
- Partly offset by lower stock-based compensation

International Banking
A strong performance

$ millions

		Change vs. Q2/05	Change vs. Q1/06
Total revenue	762	15%	2%
Provision for credit losses	1	(95)%	(96)%
Non-interest expenses	443	13%	(2)%
Net Income available to common shareholders	**268**	**44%**	**15%**
Return on Equity	26%		
Average assets ($B)	54	8%	3%

Year/Year: Net income up 44%

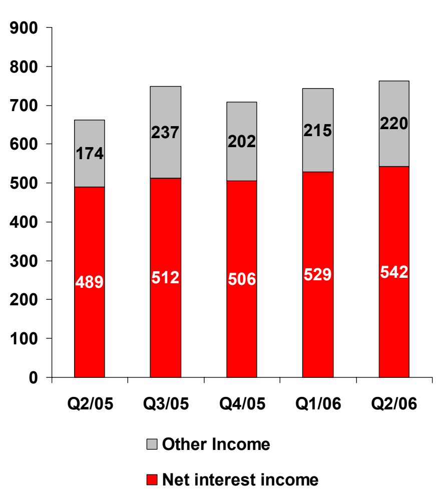
- strong year-over-year growth in Mexico, solid performance in Caribbean & Central America and low credit losses

Quarter/Quarter: Net income up 15%

- increased contribution from Caribbean and Central America, Peru and Chile offset by slightly lower contribution from Mexico

International Banking revenue

$ millions



Year/Year: up 15%

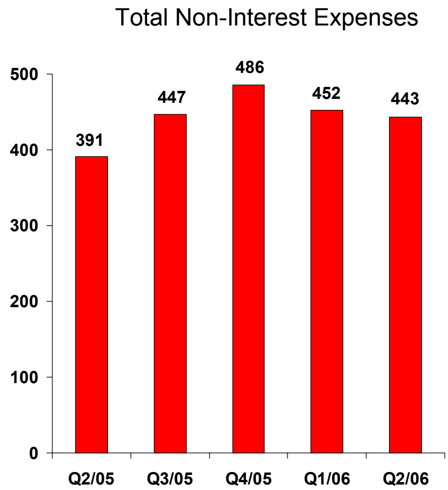
- Average assets up 8%
  - 22% underlying growth in retail loans
- Major contributors:
  - Peru, Scotiabank Mexico, Caribbean & Central America
- Impact of foreign currency translation: ($45) mm

Quarter/Quarter: up 2%

- Higher volumes
- Partly offset by impact of forex translation and shorter quarter

International Banking
Expenses impacted by acquisitions

$ millions



Year/Year: up 13%

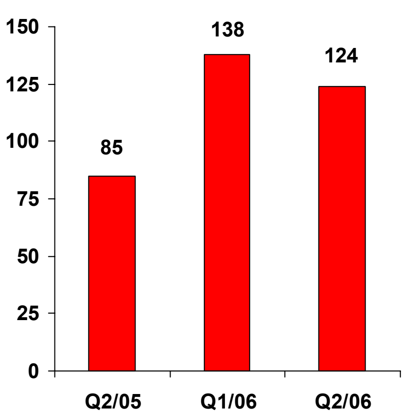
- El Salvador, Peru acquisitions
- Higher compensation expenses in Mexico, Jamaica and Puerto Rico
- Partly offset by impact of foreign currency translation: ($25) mm

Quarter/Quarter: down 2%

- Lower litigation, benefit expenses
- Partly offset by Peru acquisitions and higher performance-based compensation in Mexico from low level in Q1/06

Scotiabank Mexico

earnings contribution, $ millions



Year/Year contribution: up 46%

- Higher volumes in retail lending:
  - residential mortgages: 26%
  - personal lending: 14%
  - commercial lending: 14%
- Lower tax charge due to change in tax rates in Q2/05

Qtr/Qtr contribution: down 10%

- Lower securities gains and higher performance-based compensation
- Partly offset by strong volume growth in mortgages and retail loans

Scotia Capital – record net income

$ millions

		Change vs. Q2/05	Change vs. Q1/06
Total revenue	580	4%	(6)%
Provision for credit losses	(54)	(5)%	(100+)%
Non-interest expenses	253	(1)%	-
Net Income available to common shareholders	**276**	**16%**	**7%**
Return on Equity	35%		
Average assets ($B)	128	14%	12%

Year/Year: Net income up 16%

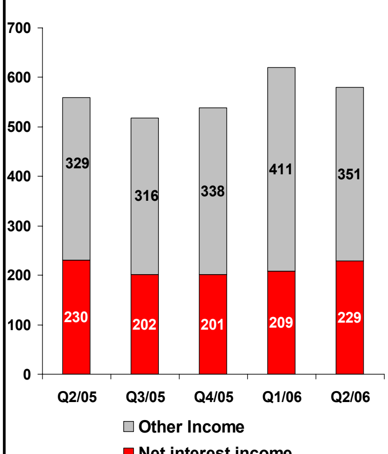
- revenues 4% higher, expenses down 1%, foreign currency translation impact of ($20) mm

Quarter/Quarter: Net income up 7%

- primarily due to increased net loan loss recoveries and strong trading, although lower than Q1/06 record levels

Scotia Capital revenue

$ millions



Year/Year: up 4%

- **Global Capital Markets:**
  - $9 B increase in trading securities
  - strong performance in precious metals and derivatives
- **Global Corporate & Investment Banking:**
  - $5 B increase in U.S. auto receivables
  - revenue down due mainly to sale of restructured asset in Q2/05 ($17) mm
- Impact of foreign currency translation: ($29) mm

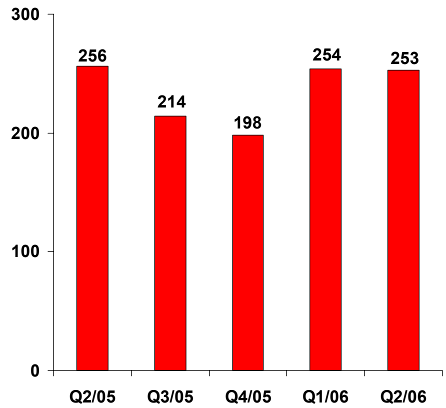
Quarter/Quarter: down 6%

- **Global Capital Markets:**
  - lower equity trading volumes
- **Global Corporate & Investment Banking:**
  - higher loan syndication fees and net interest income

Scotia Capital expenses

$ millions

Total Non-Interest Expenses



Year/Year: down 1%

- Lower performance-related compensation
- Partly offset by Waterous acquisition
- Impact of foreign currency translation: $6 mm

Quarter/Quarter: flat

- Lower salaries and stock-based compensation
- Higher professional fees and technology

Risk Review

Brian Porter
Chief Risk Officer

Credit quality remains stable

$ millions

	Q2/06	Q1/06	Q2/05
Specific Provisions:	35	75	35
Net Impaired Loans*:	579	659	666

- Specific provisions down $40 mm qtr/qtr and unchanged yr/yr
- Continued to benefit from recoveries and low levels of provisions
- Net impaired loans decreased $80 mm qtr/qtr and $87 mm yr/yr
- No change in General Allowance: $1,330 mm

* after specific allowance

Specific provisions

$ millions

	Q2/06	Q1/06	Q2/05
Domestic:	88	64	66
International:	1	27	26
Scotia Capital:			
- U.S.	(30)	(12)	(55)
- Other	(24)	(4)	(2)
	(54)	(16)	(57)
Total	**35**	**75**	**35**

- **Domestic:** Higher PCLs qtr/qtr and yr/yr due primarily to provisions taken against two accounts in the commercial portfolio. Retail credit quality remains solid.
- **International:** Provisions were favourably affected by retail and commercial reversals in the Caribbean & Central America.
- **Scotia Capital:** Higher net recoveries qtr/qtr and no new provisions in Q2/06.

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Net formations

$ millions

Domestic		
- Retail	73	
- Commercial	44	**117**
International		**9**
Scotia Capital		
- Canada	(1)	
- U.S.	(27)	
- Europe	(87)	**(115)**
Total		**11**

Domestic Retail: net formations of $73 mm reflect strong volume growth - underlying credit trends remain stable

Domestic Commercial: net formations of $44 mm, due in part to the classification of one account

International: net formations were $9 mm, with retail formations in the Caribbean and Latin America offset by commercial declassifications in Asia and the Caribbean

Scotia Capital: negative net classifications of $115 mm, due mainly to one account each in Europe and the U.S.

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Trend in impaired loans

$ millions

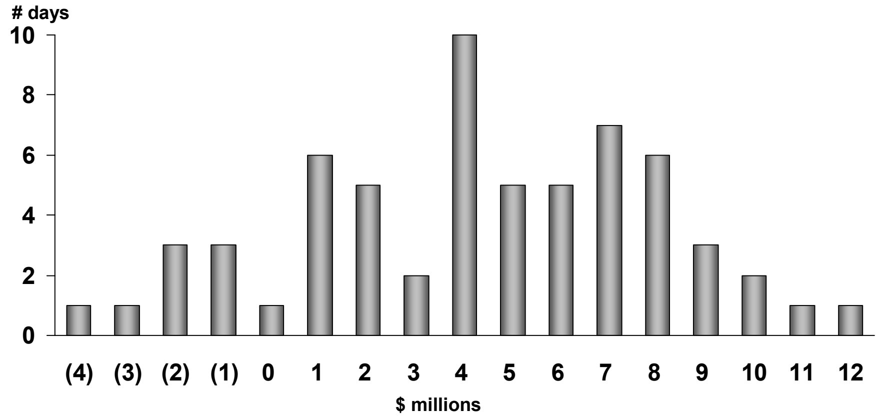
	Q2/06	Q2/05	Q2/04
Gross Impaired Loans:	1,955	1,882	3,199
Net Impaired Loans*:	579	666	1,371

- Q2/06: Gross impaired loans includes $324 mm of loans from acquisitions (Peru: $319 mm, National Bank of Greece: $4 mm, Maple Trust $1 mm); these amounts are fully provided for
- Gross impaired loans have decreased more than $1.2 billion since Q2/04
- Net impaired loans have decreased by almost $800 million since Q2/04

* after specific allowance

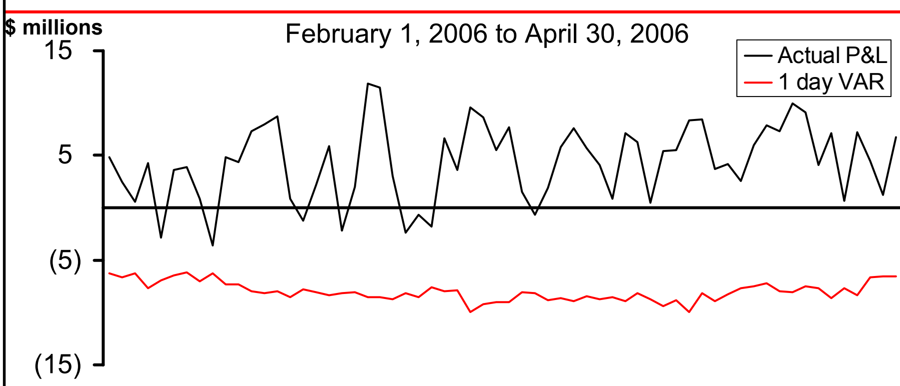
Trading revenue

trading revenue, second quarter 2006



- 87%+ days had positive results in Q2/06
- 8 days of trading losses in Q2/06 vs. 4 days in Q1/06

Market risk



- Average 1 day VAR: $8.0 mm, down $0.1 mm qtr/qtr, up $1.2 mm yr/yr
- Qtr/Qtr: higher commodities exposure; lower interest rate and equities exposures
- Yr/Yr: increased exposures in equities, forex and commodities
- No loss days exceeded the 1 day VAR

Outlook

Rick Waugh
President & Chief Executive Officer

Outlook

1. **Reached important milestones in Q2 – another record quarter**
   - #3 in market share in mortgages, personal deposits
   - finalized three acquisitions
   - pickup in corporate loan demand
2. **Some challenges remain**
   - stronger Canadian dollar
   - pressure on interest margins, but good leverage from recent asset growth when margins do widen
3. **Continue to use capital for acquisitions**
4. **Credit quality expected to remain stable**
5. **Expect to meet performance objectives**