

Comfort with the Scotiabank Group

CANADIAN BANKING SYSTEM

Scotiabank is a domestic bank and is authorized under the Bank Act to accept deposits which may be eligible for deposit insurance provided by the Canada Deposit and Insurance Corporation.

Scotiabank is federally regulated and chartered pursuant to the Bank Act. The Bank Act recognizes and governs two distinct types of banks, Schedule I and Schedule II. As a Schedule I bank, Scotiabank's shares are widely held with no shareholder permitted to own more than 10 per cent of the bank's shares.

Scotiabank is regulated by the Office of the Superintendent of Financial Institutions (OSFI), a branch of the federal government that regulates the financial condition of all the banks operating in Canada.

CANADIAN DEPOSIT INSURANCE CORPORATION (CDIC)

Scotiabank operates seven active Canada Deposit Insurance Corporation (CDIC) member institutions each of which offers separate CDIC coverage. CDIC is a federal Crown corporation created by Parliament which insures Canadians' savings in case their bank or other CDIC member institution fails or goes bankrupt. CDIC is NOT a bank. CDIC is NOT a private insurance company. The CDIC insures your deposits with the Scotiabank Group and its member institutions from \$1 to \$100,000. Insurable deposits include:

- Savings and chequing accounts
- Term deposits, such as guaranteed investment certificates (GICs)
- Money orders and drafts
- Certified drafts and cheques
- Traveller's cheques issued by members

To be eligible for deposit insurance protection, your deposit must be payable in Canada, in Canadian currency. Term deposits must be repayable no later than five years after the date of deposit. Scotiabank members of CDIC are:

The Bank of Nova Scotia

Scotia Mortgage Corporation

Montreal Trust Company of Canada

National Trust Company

The Bank of Nova Scotia Trust Company

Dundee Bank

Maple Trust Company

SCOTIA CAPITAL INC AND SCOTIAMCLEOD THE INVESTMENT DEALER

ScotiaMcLeod is a division of Scotia Capital Inc, a member of the Scotiabank Group. ScotiaMcLeod full service brokerage is regulated by the Investment Industry Regulatory Organization of Canada (IIROC). IIROC is a national self-regulatory organization which oversees all investment dealers and trading activity on debt and equity marketplaces in Canada. IIROC sets high quality regulatory and investment standards, protects investors and strengthens market integrity while maintaining efficient and competitive capital markets.

As a member of IIROC, Scotia Capital and ScotiaMcLeod are members of the Canadian Investor Protection Fund (CIPF). The CIPF is a fund supported by its membership of approximately 200 investment dealers across Canada. Its purpose is to protect clients of Members against losses resulting from the insolvency of a member. The CIPF provides coverage equal to \$1 million for losses of securities, commodity and futures contracts, segregated insurance funds and cash. Accounts covered under CIPF include General Accounts where the interest of a client is held in an account of a personal holding company, or that is held jointly on a shared ownership basis, and Separate Accounts which include:

- Registered Retirement Plans
- Registered Education Savings Plans
- Testamentary Trusts
- Inter-vivos Trusts and Trusts Imposed by Law
- Guardians, Custodians, Conservators, Committees etc.
- Personal Holding Corporations
- Partnerships
- Unincorporated Associations or Organizations

The CIPF does not provide coverage for securities you may have purchased, where the issuing company has gone bankrupt. If you own a GIC or a Mutual Fund that is being held with a CIPF member (ScotiaMcLeod) you have coverage equal to \$1,000,000. In addition, investments in accounts of CIPF members that are fully paid for, are segregated and held in trust for the client, meaning the Member cannot use them in the conduct of its business without the express consent of the customer.

PROVINCIAL SECURITIES REGULATORY BODIES

As a division of Scotia Capital, ScotiaMcLeod is a registered dealer with all the provincial securities regulatory bodies. These entities provide protection to investors from unfair, improper or fraudulent practices and work to foster confidence in fair and efficient capital markets.



COMMENTS FROM SCOTIA CAPITAL BANK ANALYST KEVIN CHOQUETTE

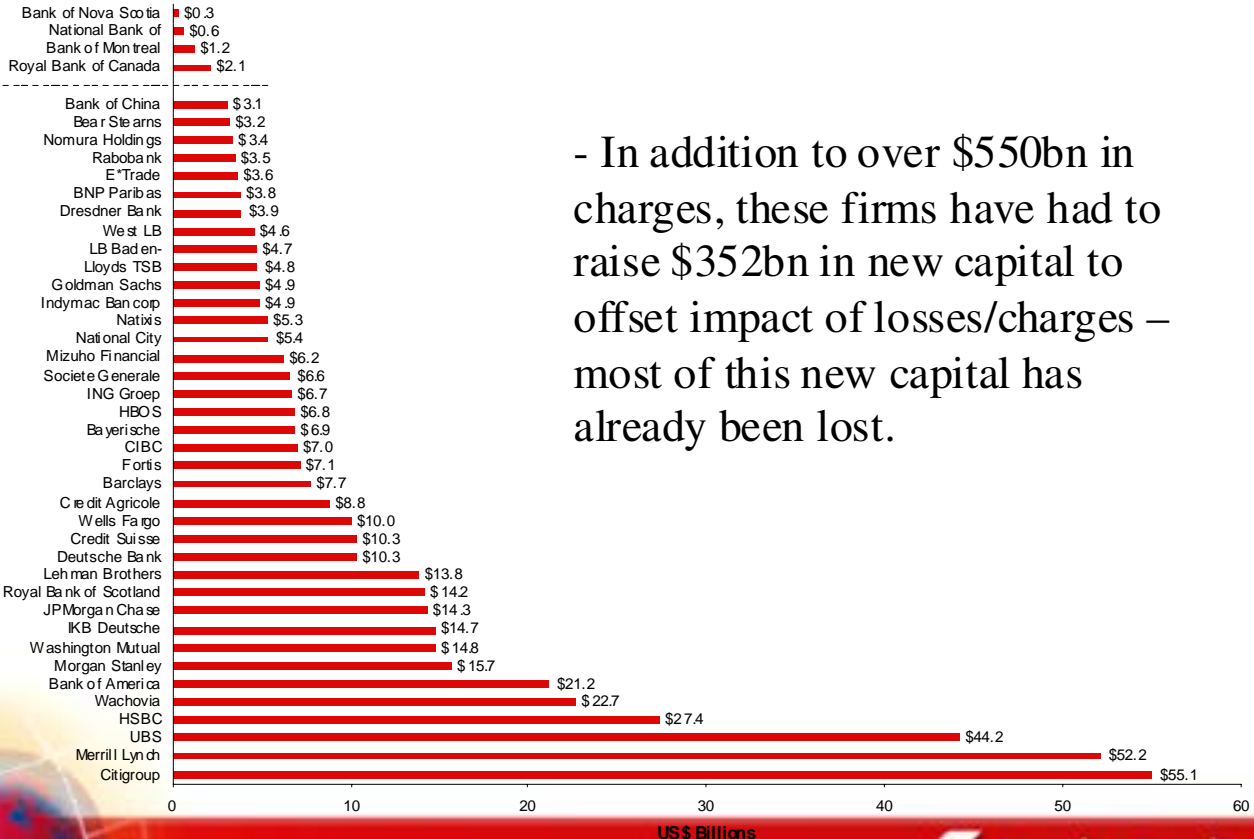
Excerpts from notes on the Canadian Banks from Scotia Capital Analyst Kevin Choquette: (Full report see Scotia Capital – Daily Edge – Industry Comment – Banks – dated September 9, 2008)

- Third quarter operating earnings declined 8% year over year (YOY) which represented the third straight quarter of modest negative earnings momentum. YOY comps for the first three quarters of 2008 have been very difficult given weak capital markets environment, major appreciation of the Canadian dollar (impacts a third of bank earnings), and the decline in the retail net interest margin
- Write downs for Canadian banks have been modest and have been readily absorbed due to solid underlying operating earnings, high profitability with Return on Equity (ROE) in the 20% range
- “Sooner or later, though, value counts” (Warren Buffett) In terms of stock selection we continue to favour Royal Bank of Canada, Bank of Nova Scotia and Toronto Dominion Bank as core holdings, which we consider to be high-quality banks with the strongest operating platforms, and which consistently and continually reinvest in their businesses. These banks have the highest profitability, strongest balance sheets and growth prospects and we believe they will substantially outperform over the long term.
- High-quality balance sheets, strong funding and liquidity, high profitability, compelling valuation and the major structural advantages from our banking system and economy support our very bullish stance towards bank stocks.

Please see the attached slide which displays a compelling story about the stability of the Canadian banks during the past year of financial writedown's.

[Please click here to view the report on the stability of Canadian banks.](#)

Asset Value Drops Result in Writedowns



- In addition to over \$550bn in charges, these firms have had to raise \$352bn in new capital to offset impact of losses/charges – most of this new capital has already been lost.

Source: Bloomberg (as of 09/16/08)



Scotiabank Group

The author(s) of the report own(s) securities of the following companies.

Bank of Nova Scotia,

The supervisors of the Portfolio Advisory Group own securities of the following companies.

Bank of Nova Scotia,

Scotia Capital Restriction -- U.S. (American) **Bank of Nova Scotia**

The Fundamental Research Analyst/Associate, in his/her own account or in a related account, owns securities of the following issuer(s) under his/her coverage: **Bank of Nova Scotia, Royal Bank of Canada, Toronto-Dominion Bank**

The Head of Equity Research/Supervisory Analyst, in his/her own account or in a related account, owns securities of the following issuer(s): **Bank of Nova Scotia, Royal Bank of Canada, Toronto-Dominion Bank**

The Portfolio Strategist/Associate, in his/her own account or in a related account, owns securities of the following issuer(s): **Toronto-Dominion Bank**

The Quantitative Analyst/Associate, in his/her own account or in a related account, owns securities of the following issuer(s): **Royal Bank of Canada**

Scotia Capital Restriction **Bank of Nova Scotia**

Scotia Capital Inc. and its affiliates collectively beneficially own in excess of 1% of one or more classes of the issued and outstanding equity securities of the following issuer(s): **Royal Bank of Canada, Toronto-Dominion Bank**

The Bank of Nova Scotia ("the Bank") is the parent company of Scotia Capital Inc. ("SCI"). This Report includes comparative information regarding a substantial number of competitors of the Bank where such comparable information is known or ascertainable by SCI and in equal prominence to the information in respect of the Bank. **Bank of Nova Scotia**

Within the last 12 months, Scotia Capital Inc. has undertaken an underwriting liability with respect to equity securities of, or has provided advice for a fee with respect to, the following issuer(s): **Bank of Nova Scotia, Royal Bank of Canada, Toronto-Dominion Bank**

The information provided in this document was sourced from the following websites, articles and presentations:

www.cdic.ca

www.cipf.ca

www.iiroc.ca

www.osc.gov.on.ca

Scotia Capital Equity Research Daily Edge, Industry Comment – Banks – Banks Third Quarter Overview – Kevin Choquette, Managing Director, Banks & Diversified Financials

Third Quarter Presentation – Luc Vanneste, Executive Vice President & Chief Financial Officer, Bank of Nova Scotia

A suggested reading to supplement this report is the Bank Capital Instrument document created by Carolyn Tjart, formerly of the Portfolio Advisory Group, that describes how banks raise capital through the issuance of debt instruments.

[Please click here to view the Bank Capital Instruments report.](#)

