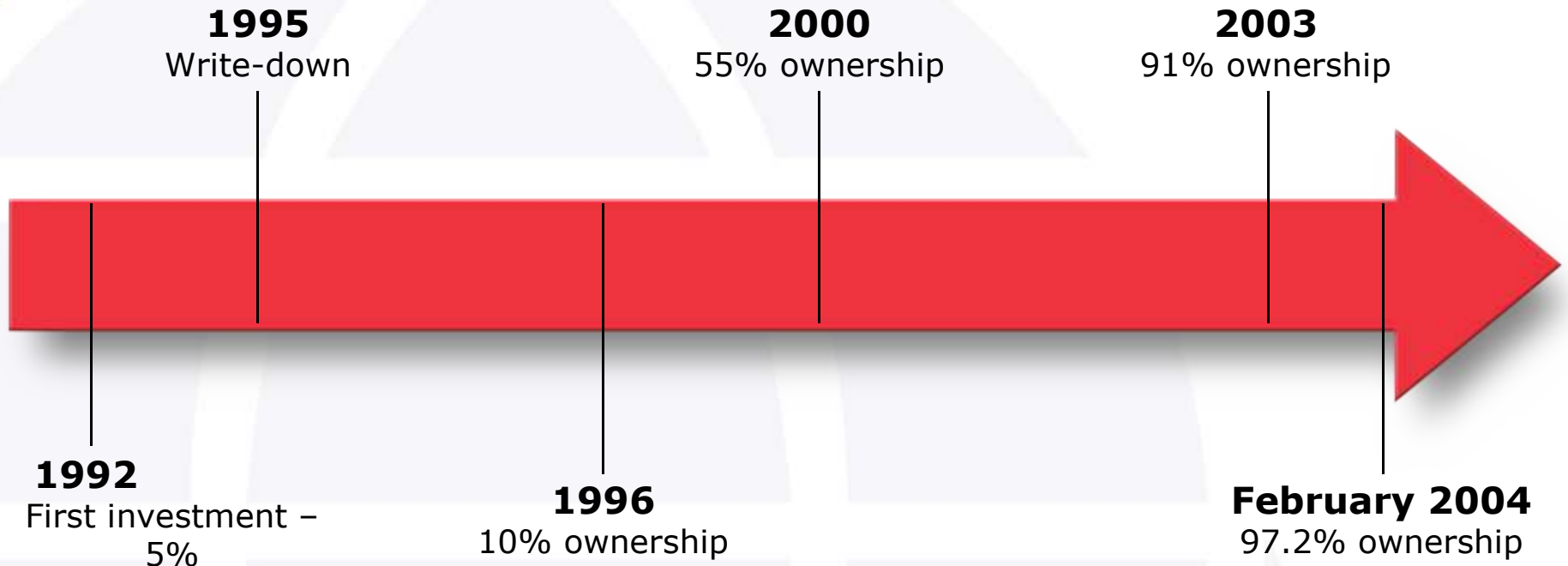




# Scotiabank

Anatol von Hahn

# History of Scotiabank's Investment



# Hot Off The Press

## The Best at Customer Service...

### 2004 MERC Survey results

**En el pódium**

▲ Si la premiación EMS (Estándar Merc de Satisfacción) fuera una justa olímpica, éste sería el medallero:

Banco	Oro	Plata	Bronce	Total
 Scotiabank Inverlat	2	3	1	6
 American Express	2	1	0	3
 Inbursa	1	1	1	3
 Banorte	1	0	1	2
 HSBC	0	1	0	1
 Banamex	0	0	2	2
 Bancomer	0	0	1	1

Fuente: Merc. Analistas de Mercados.

Source: El Economista, Sept. 29, 2004

# Agenda

- Market overview
- Core strengths and our business today
- Growth initiatives



## Demographics

---







Total population (millions)	104
Population under 25 years	53%

## Economics

---

GDP (2003 – US\$Bn)	\$623
Estimated GDP (2004 – real growth)	3.9%
Exchange rate (Aug 2004 – MXP vs. \$US)	11.4

# Market Overview

	Branches	ATMs	Number of Staff
 <b>Scotiabank Inverlat</b> GRUPO FINANCIERO	420	1,017	6,700
 <b>Bancomer</b>	1,653	3,989	24,700
 <b>Banamex</b>	1,350	4,674	27,970
 <b>Santander Serfin</b>	920	1,836	10,500
 <b>BANORTE</b>	1,025	2,546	13,700
<b>HSBC</b> 	1,318	4,459	16,800

# Market Share –Performing Loans

June 30, 2004

Share of  
Performing Loans

**Scotiabank Inverlat**

**8%**

BBVA

25%

Banamex – Citibank

20%

Santander – Serfin

12%

Banorte – Bancrecer

11%

Bital – HSBC

8%

Others

16%

Total

100%

# Market Share – Deposits

June 30, 2004

Share of Deposits

**Scotiabank Inverlat**

**6%**

BBVA

30%

Banamex – Citibank

22%

Santander – Serfin

13%

Banorte – Bancrecer

8%

Bital – HSBC

12%

Others

9%

Total

100%



# Return on Equity

June 30, 2004

ROE

**Scotiabank Inverlat**

**22%**

BBVA

12%

Banamex – Citibank

4%

Santander – Serfin

19%

Banorte – Bancrecer

15%

Bital – HSBC

18%

Mexican GAAP. Inflation adjusted

# Capitalization

June 30, 2004	Tier 1 and Tier 2
<b>Scotiabank Inverlat</b>	<b>16%</b>
BBVA	17%
Banamex – Citibank	11%
Santander – Serfin	11%
Banorte – Bancrecer	15%
Bital – HSBC	15%

Mexican GAAP. Inflation adjusted

# Agenda

- Market overview
- Core strengths and our business today
- Growth initiatives

# Core Strength: Established Franchise

- 1,000,000+ customers
  - Concentrated in higher value segments
- Branches in the top 100 markets
- Multiple delivery channels
  - Branch and ATM Network
  - Telephone Banking
  - Internet Banking

# Core Strengths:

## Strong Local Leadership and Central Support

- Seasoned local team leveraging Scotiabank expertise
  - Sales and service
  - Shared services
  - Credit risk management
  - Auto finance
  - Marketing / brand management

# National Distribution Network is Driving...

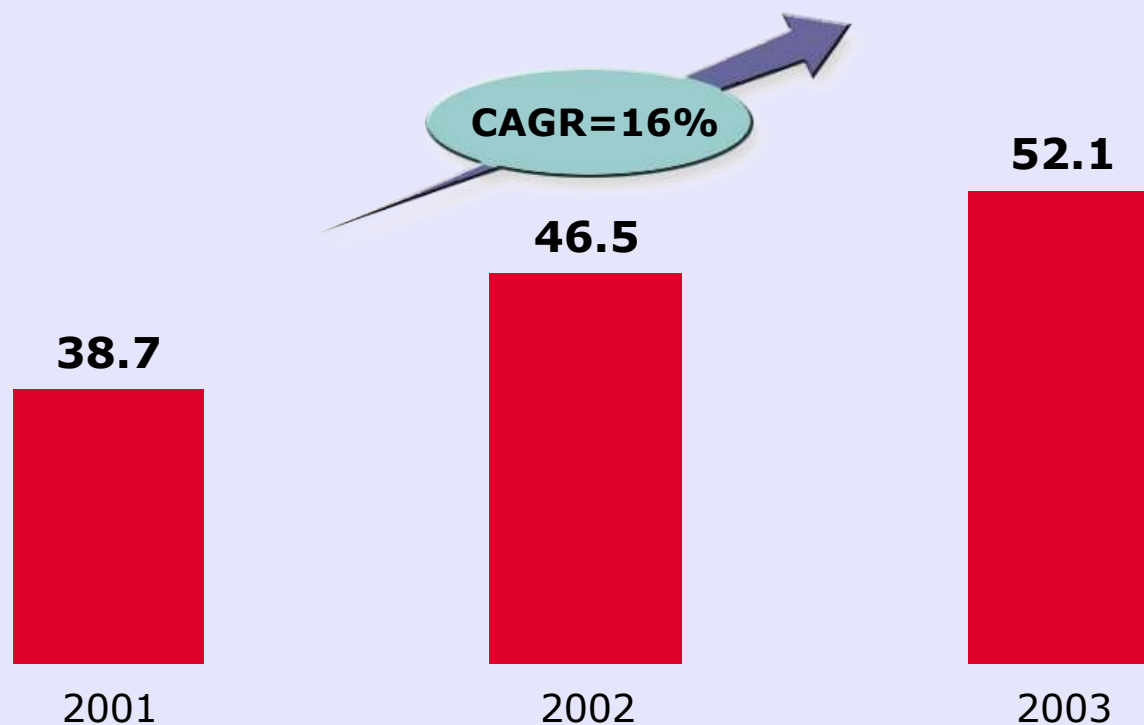


- 6 regions
- 420 branches
- 6,700 employees
- 1,000+ ATMs
- Contact Centres in Mexico and Monterrey

# Strong Growth in Loans...

(MXP Billions)

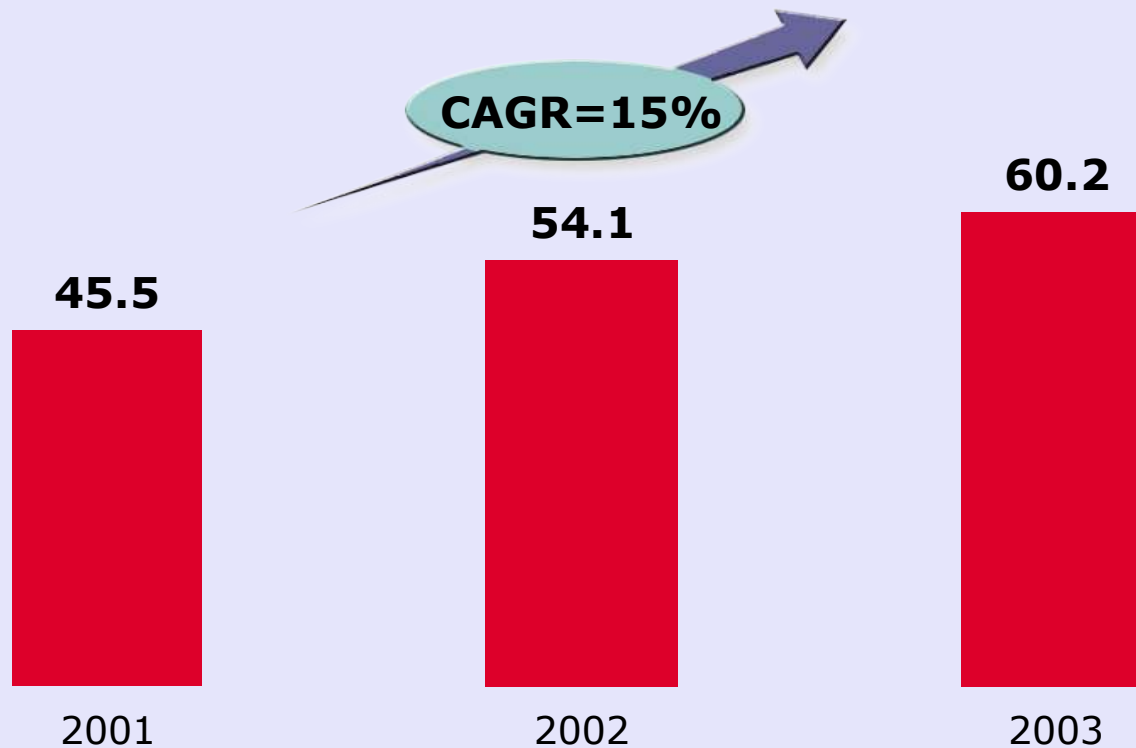
## Performing Loans



# More Low Cost Deposits...

(MXP Billions)

## Demand and Term Deposits

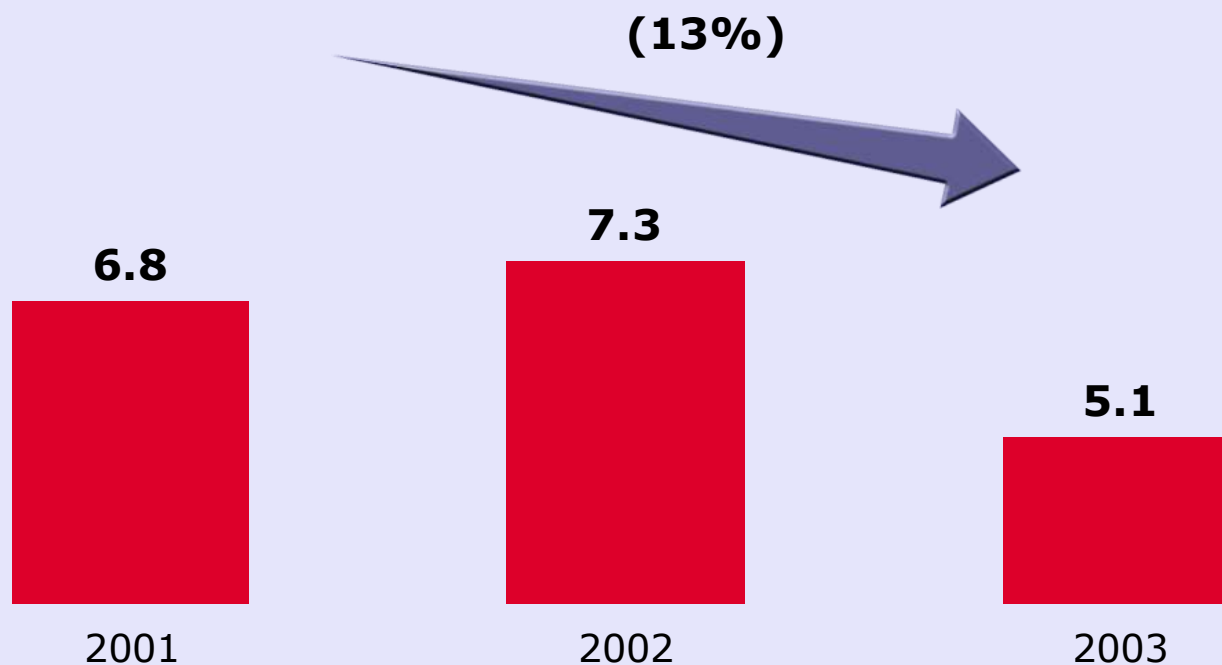




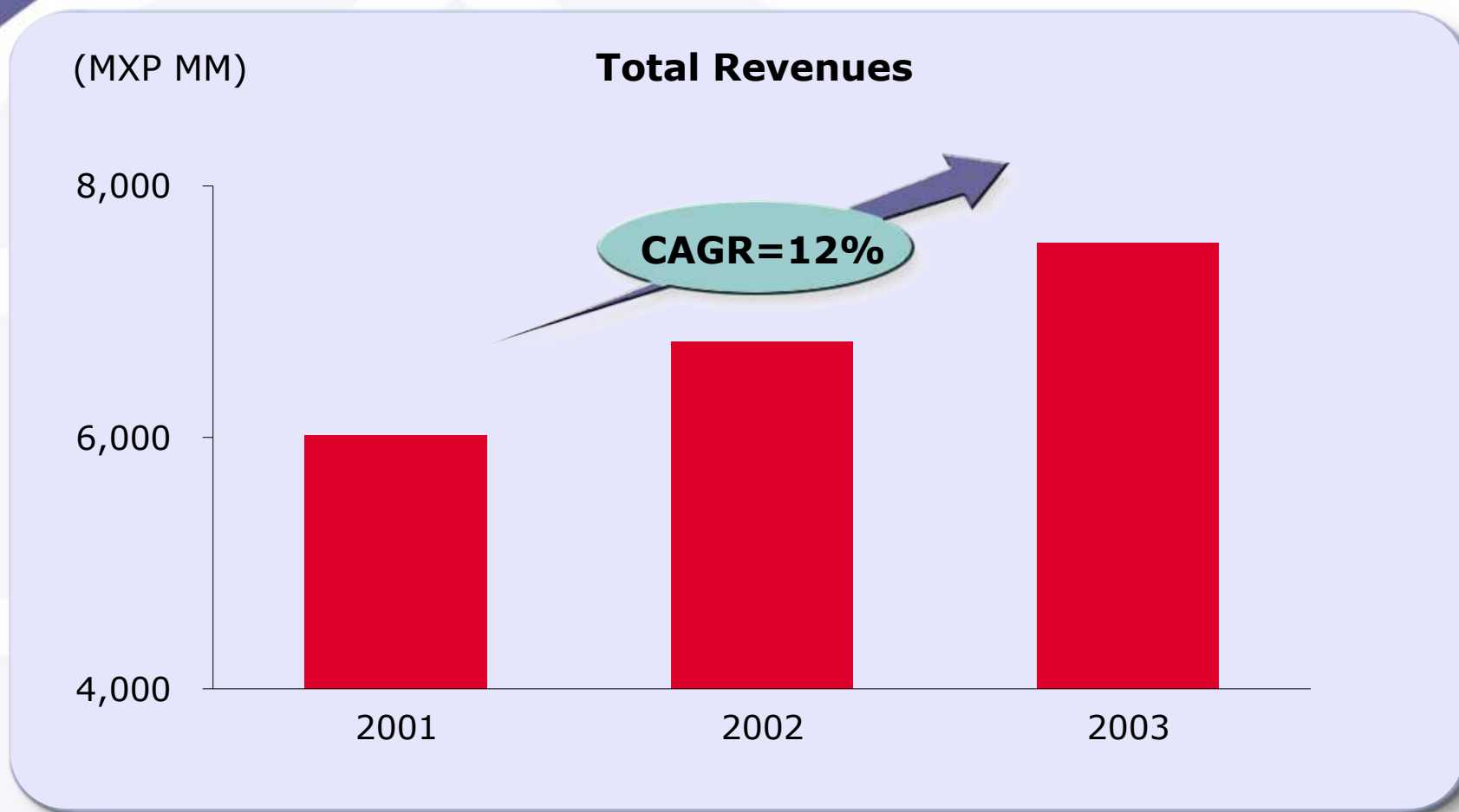
# Less High Cost Deposits...

(MXP Billions)

## Wholesale Deposits



# ...and Higher Revenue



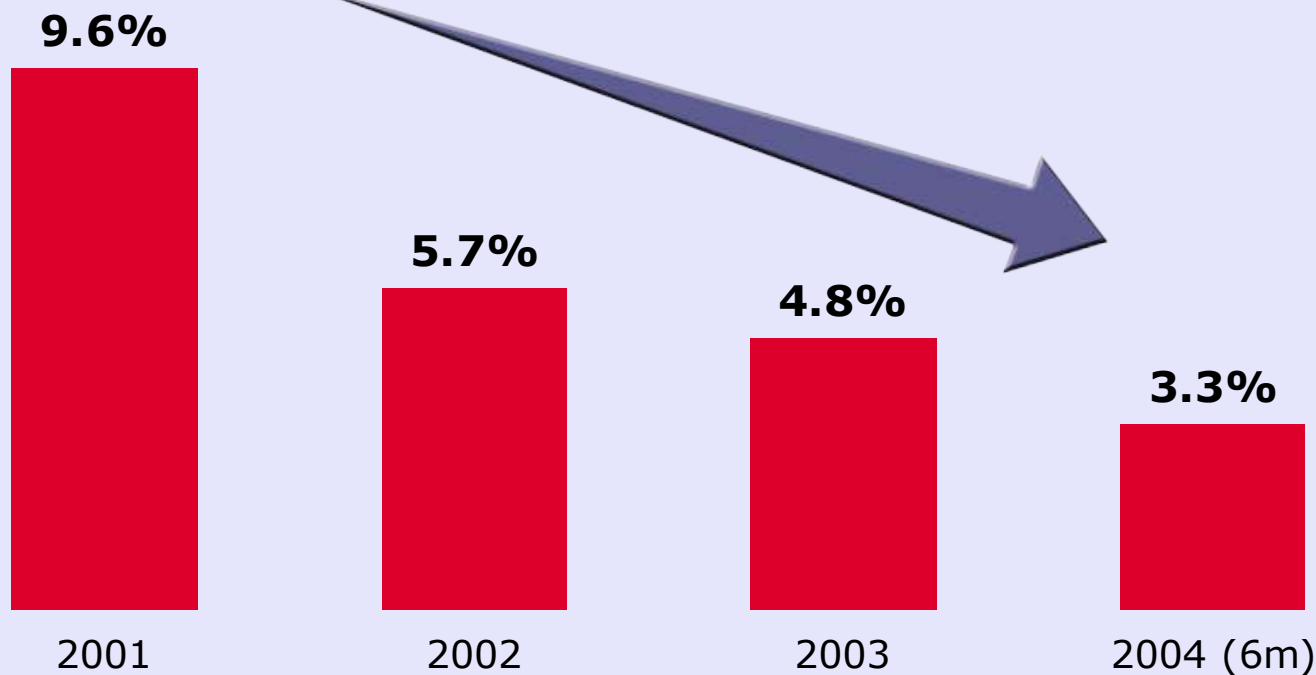
# Improving Operating Efficiency...



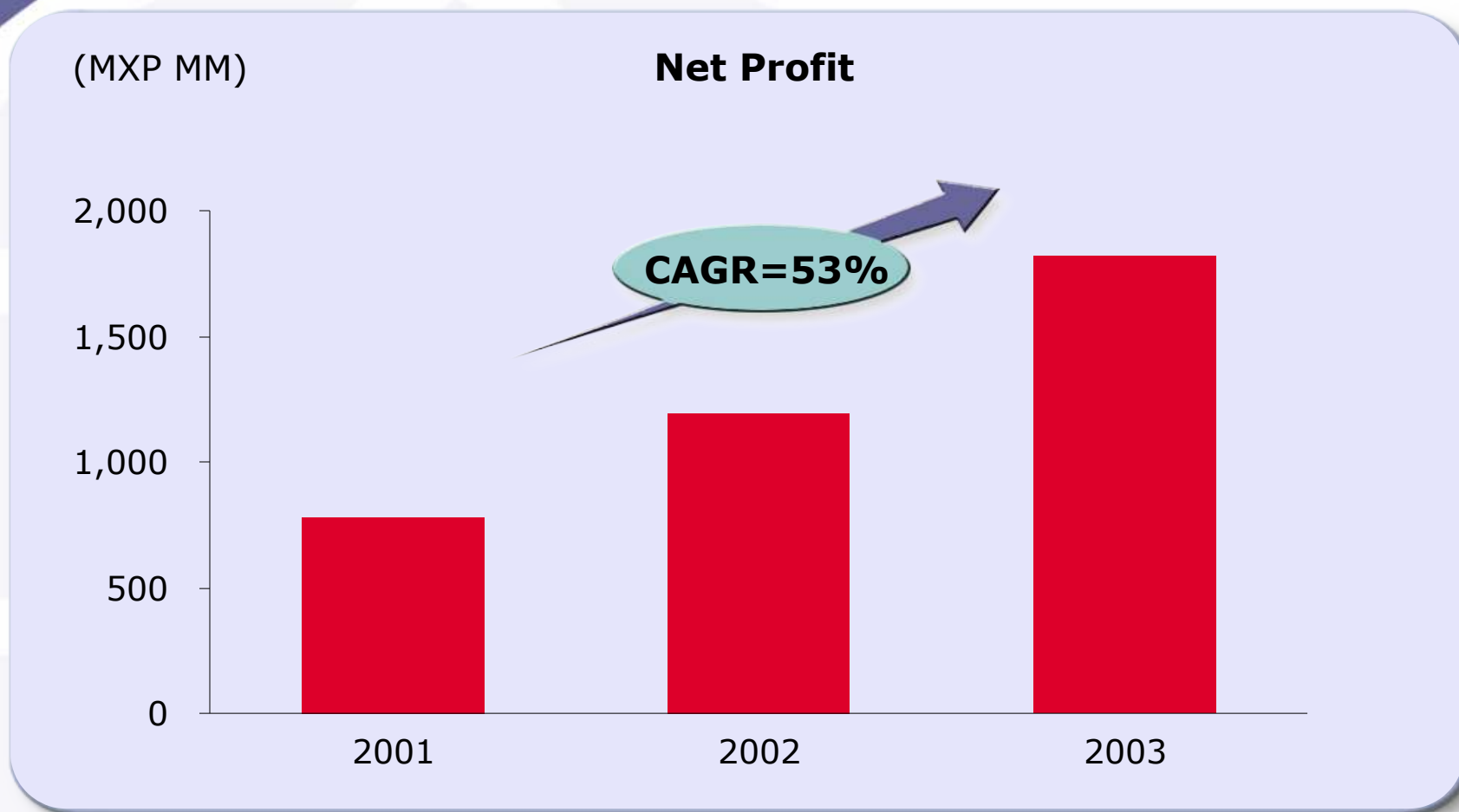
Mexican GAAP. Inflation adjusted

# ...and Risk Control

## Percentage Non-Performing / Total Loans



# ...Are Driving Profits and ROE



# Agenda

- Market overview
- Core strengths and our business today
- Growth initiatives (*Pablo Aspe & Felipe de Yturbe*)
  - Sales & Service
  - Complementary business
  - Efficiency platform
  - Acquisitions

# Four Strategic Initiatives

Driving sustained, profitable growth



Sales & Service



Complementary  
Businesses



Efficiency  
Platform



Acquisitions

# Two Strong Business Lines

## Personal, Commercial and Wealth

---

- Maintain leadership
- Expand customer base

## Wholesale and Treasury

---

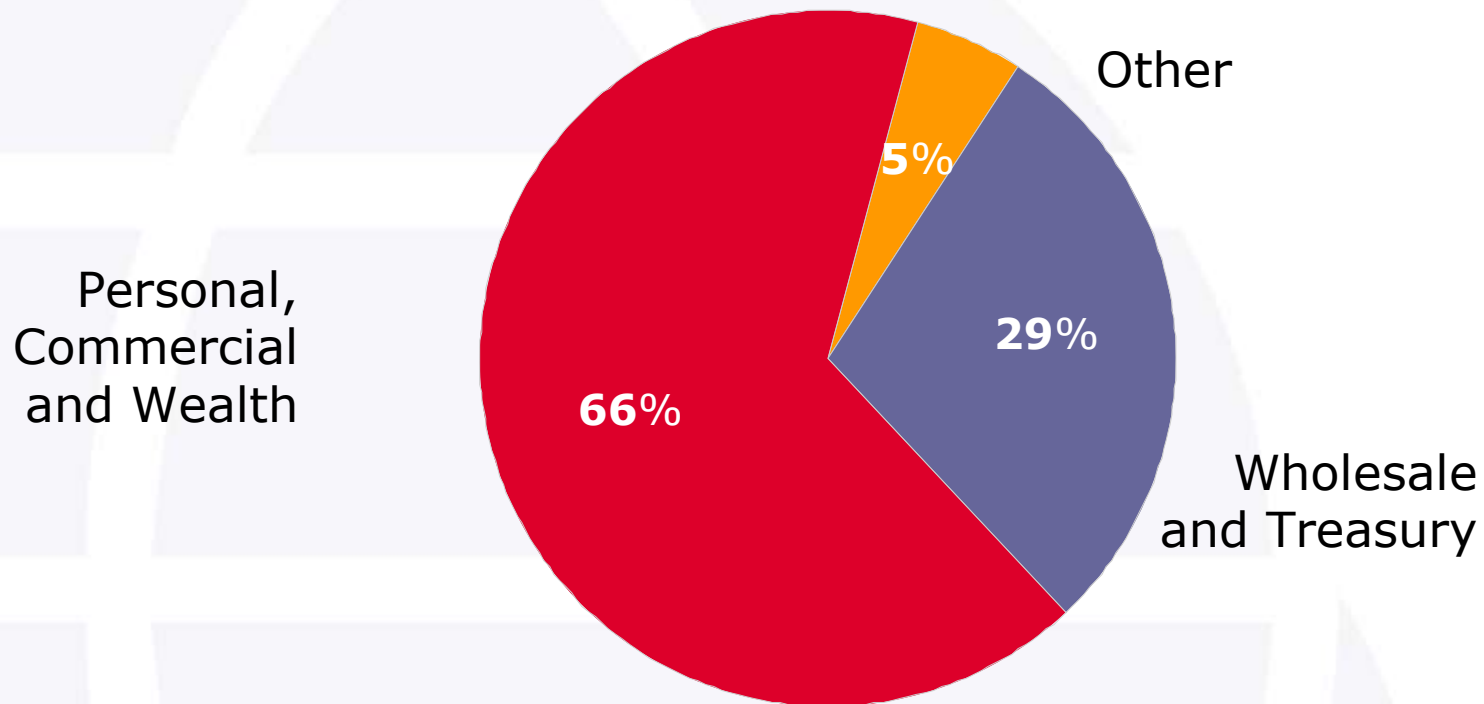
- Focus on profitable relationships
- Maximize risk-reward equation



# Organic Growth

## Diversified Revenue Base

**% of Total Revenue**



# Two Strong Business Lines

## Personal, Commercial and Wealth

---

- Maintain leadership
- Expand customer base

## Wholesale and Treasury

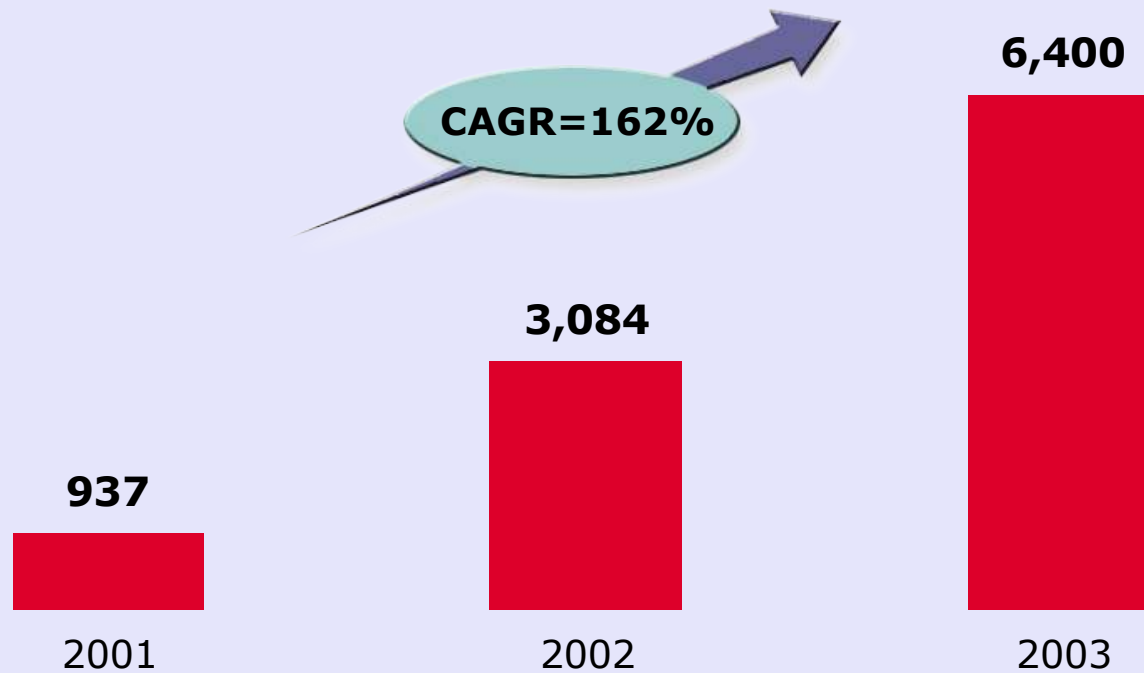
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- Focus on profitable relationships
- Maximize risk-reward equation

# Personal Banking Strong Growth

(MXP MM)

## Consumer Loans

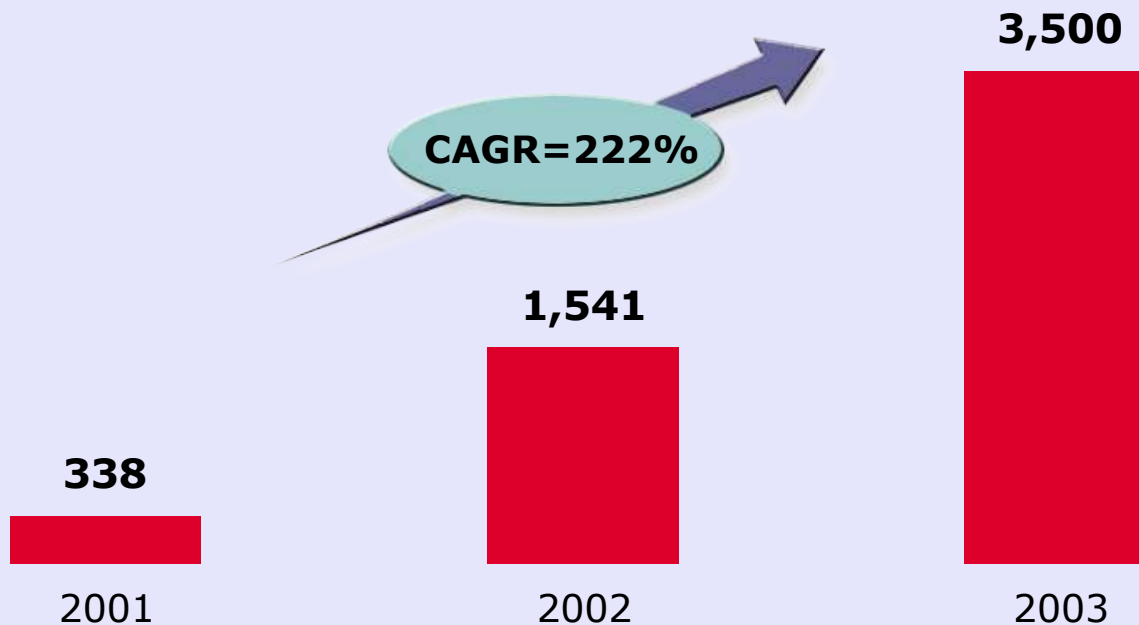


Mexican Fiscal year  
Annual average balances  
Consumer loans includes Ford Credit Mexico

# Personal Banking Strong Growth

(MXP MM)

## Mortgages

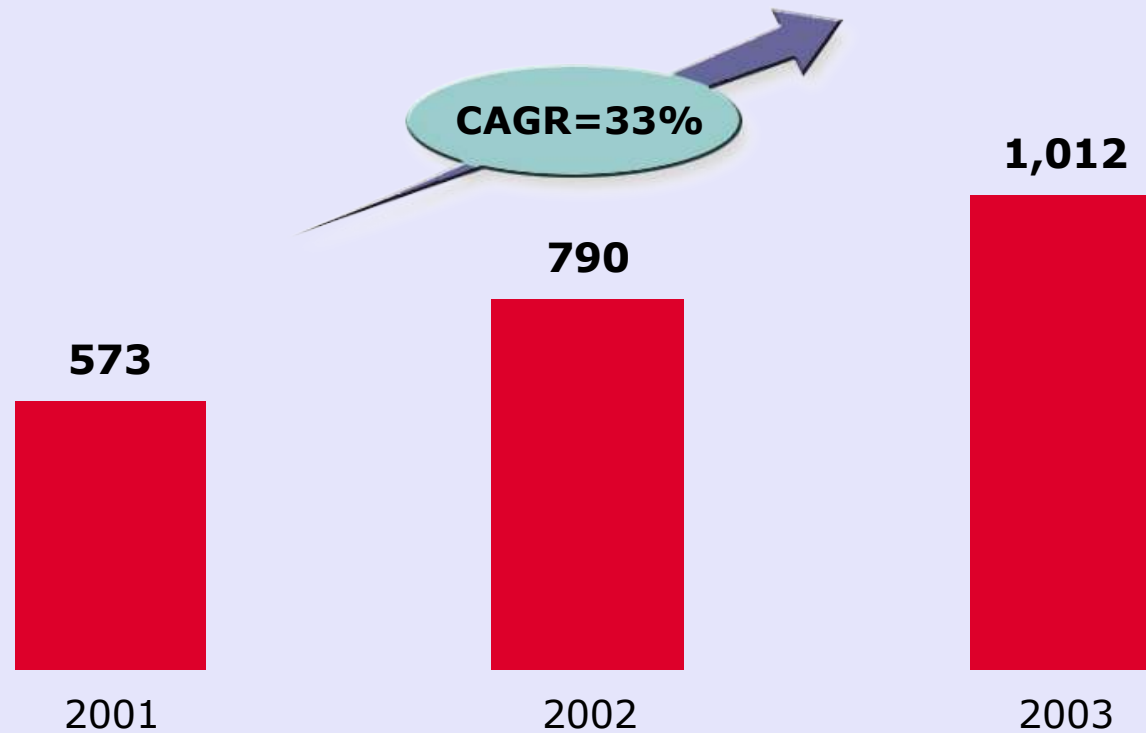


Mexican Fiscal year  
Annual average balances

# Personal Banking Strong Growth

(MXP MM)

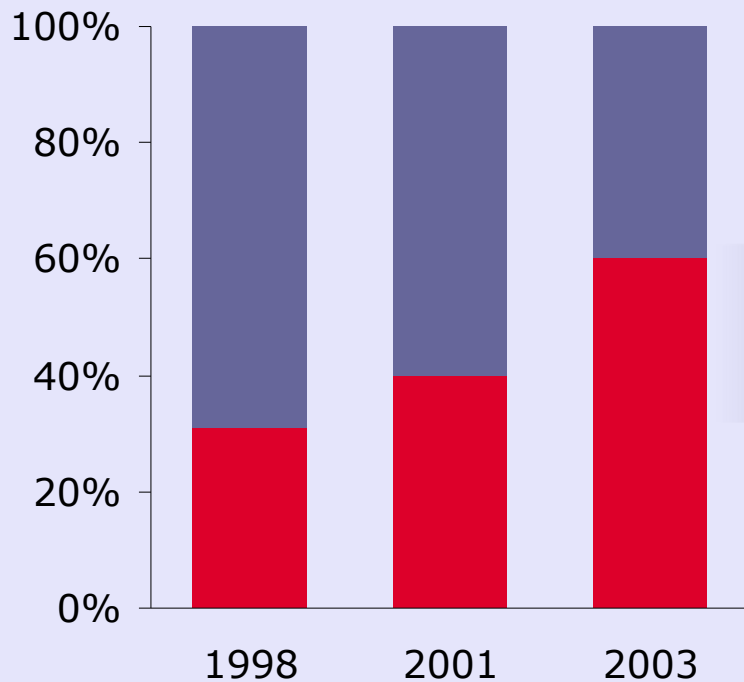
## Credit Cards



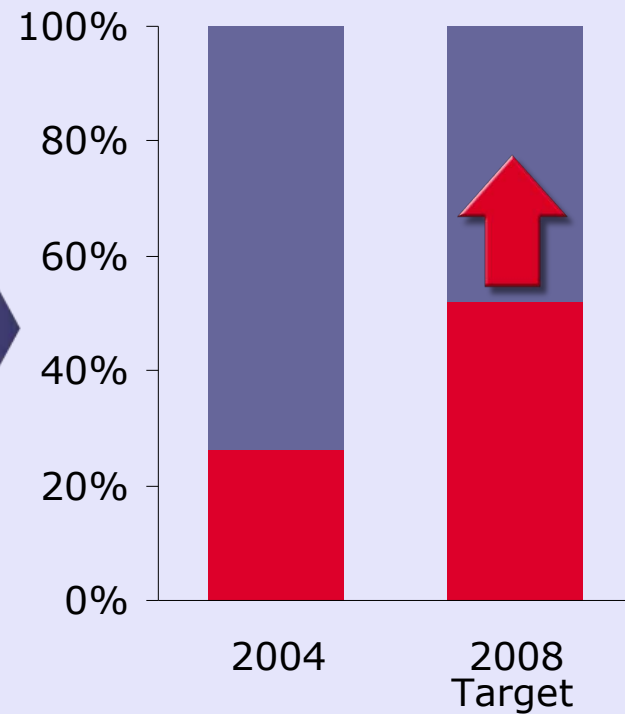
Mexican Fiscal year  
Annual average balances

# Personal Banking The Opportunity

## Domestic Experience



## Mexico



■ Non-Sales Activity<sup>1</sup> ■ Selling

<sup>1</sup>Non-Sales Activity include service, administration and sales management

# Personal Banking

## New Approach to Sales & Service

### Four Cornerstones

- Day to day banking
- Borrowing
  - Mortgages
  - Car Loans
- Investments
  - Mutual funds
- Protection
  - Credit related
  - Non-credit related



### Sales Management Standards

- Sales activities
  - Kick-off's
  - Sales meetings
  - Coaching
- Measurement

# Personal Banking

## Initiatives to Drive Future Growth

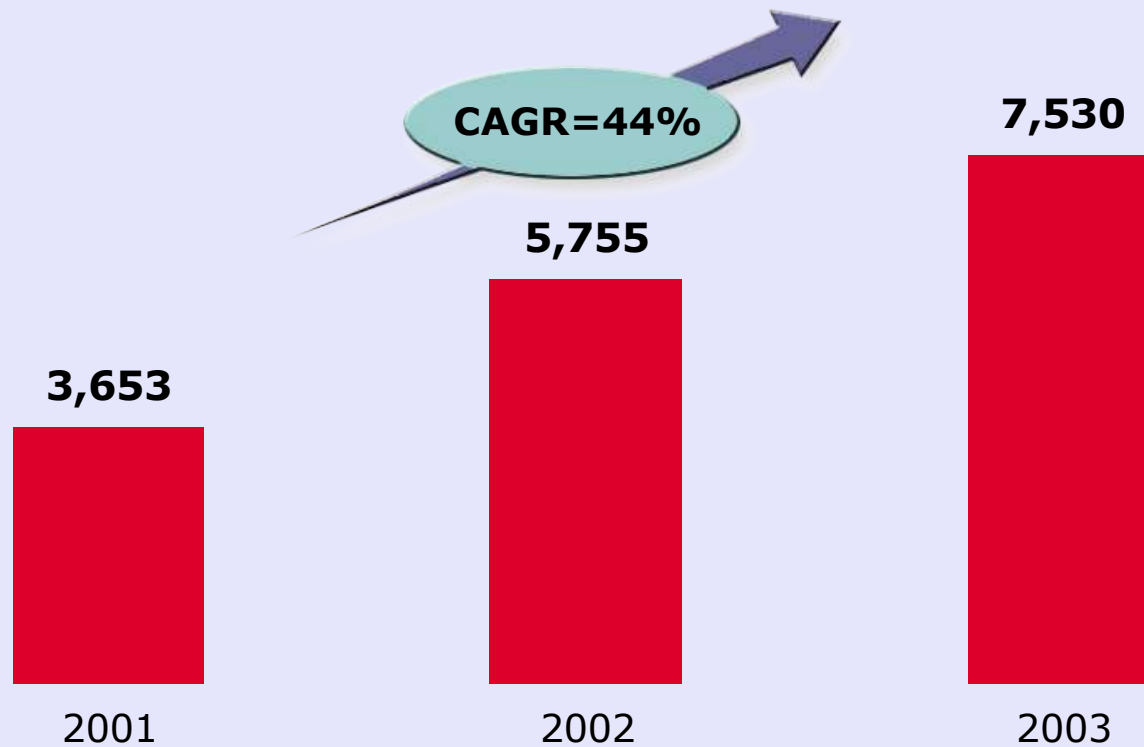
- Leverage data warehouse
- Assign high value customers
- Build awareness



# Commercial Banking Growth

(MXP MM)

## Commercial Loans



# Commercial Banking Initiatives

- Increase capacity:
  - Centralized and disciplined credit adjudication
  - Credit process reengineering and new system solution
- Focus segments:
  - Small Business
  - Government funded programs

Grow current volumes threefold in the next 3 years

# Wealth Management

- Enhance distribution
  - Private Banking and brokerages in Bank Branches
  - 29 locations up & running ...expanding to 50
- Focus on mutual funds
  - 4 new funds in 2004
  - Increase third party distribution
  - Leverage Bank Branch network
- Sales and Service
- Leverage ScotiaMcLeod expertise

# Summary

## Personal, Commercial & Wealth

- High potential market
- Strong track record
- Future growth through additional sales capacity

# Two Strong Business Lines

## Personal, Commercial and Wealth

---

- Maintain leadership
- Expand customer base

## Wholesale and Treasury

---

- Focus on profitable relationships
- Maximize risk-reward equation

# Wholesale and Treasury

## Corporate and Investment Banking

- Rapidly growing local (peso) market
- A new customer approach
  - Relationship Managers
  - Product Specialists
- Industry Focus
- Joining forces with ScotiaCapital

# Wholesale and Treasury NAFTA Capability



\$5,000,000,000

Short Term  
Corporate Bond

Lead Manager



DAIMLERCHRYSLER

\$2,500,000,000

Short Term  
Corporate Bond

Lead Manager



\$4,000,000,000

Short Term  
Corporate Bond

Distribution Group



\$4,000,000,000

Short Term  
Corporate Bond

Joint Lead Manager



US\$125,000,000

Senior Secured  
Mexican Peso Credit  
Facility

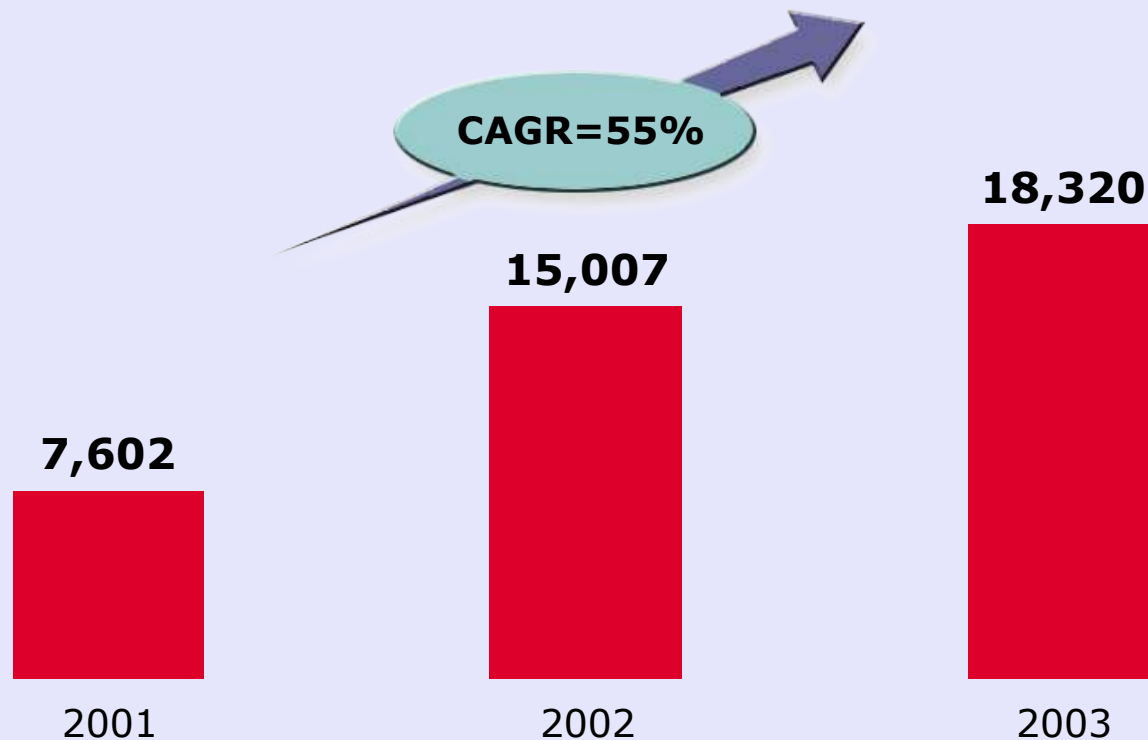
Joint Lead Arranger,  
Bookrunner and  
Syndication Agent



# Wholesale and Treasury Corporate and Government Banking

(MXP MM)

## Corporate & Government





# Wholesale and Treasury Syndicated Loan Market

## Consistent Improvement

**2002**

**2003**

**2004 (6m)**

Ranking

18

7

5

Volume (\$USB)

7

12

7

Lead Arranger/Arranger/Co-Arranger  
Source: (Loan Pricing Corporation - Reuters. July 2004)  
(Amounts in Billions of USD)

# Wholesale and Treasury Fixed Income Underwriting

Maintaining our ranking in 2004

2003	Short Term	Long Term
<b>Scotiabank Inverlat</b>	<b>1</b>	<b>3</b>
BBVA	2	1
ING	3	2
JP-Morgan / Chase	4	4
Banamex Citigroup	5	5

# Wholesale and Treasury Initiatives

- Deepen securitization product offering
- Leverage relationship with Scotia Capital
  - Institutional investors
  - Derivatives
- Increase trading on the longer side of the yield curve
- Develop secondary market for corporate paper
- Expand FX business: retail and commercial

# Four Strategic Initiatives

Driving sustained, profitable growth



Sales & Service



Complementary  
Businesses



Efficiency  
Platform



Acquisitions

# Expanding Reach Through Alliances



- Access to a data base of 250,000 credit rated customers



- Affinity Card offered to former students

**SEDESA**

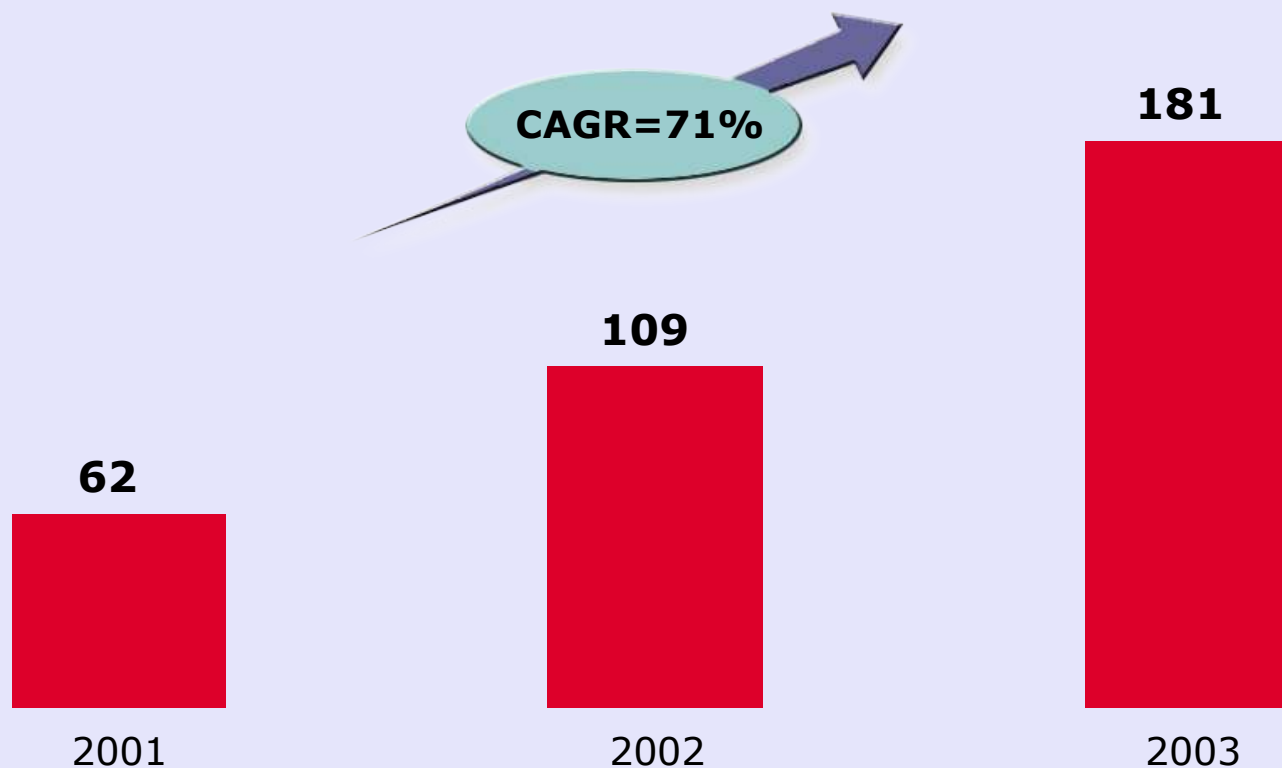
- Electronic expense voucher product

**LLOYD'S**

- Access to 100,000 customer base

# Growing Insurance

## Insurance Revenue (MXP MM)



# Insurance...Moving to Next Stage



# Four Strategic Initiatives

Driving sustained, profitable growth



Sales & Service



Complementary  
Businesses



Efficiency  
Platform



Acquisitions



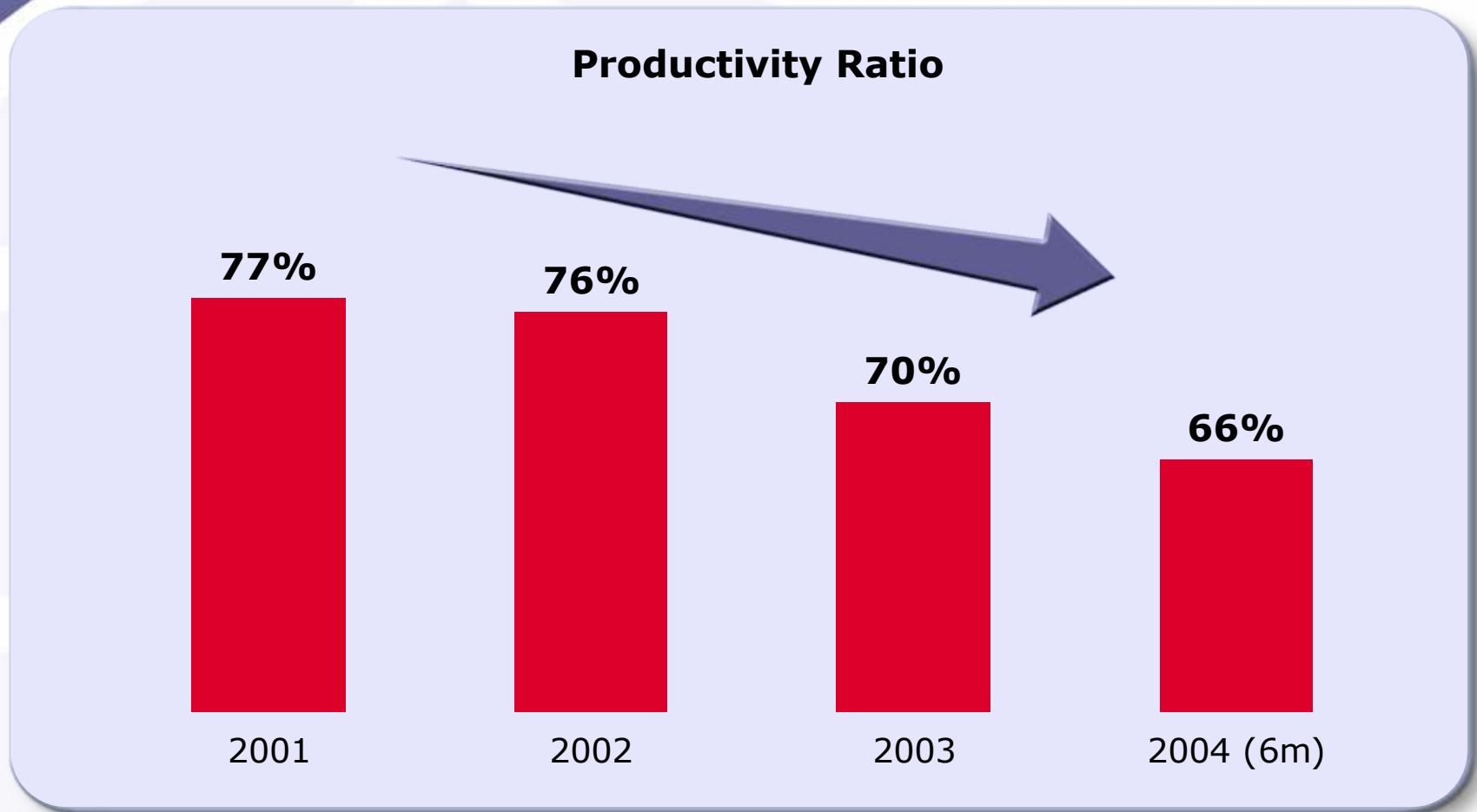
# Past Improvements

- Reduced staff from 11,000+ to 6,700
- Centralized back-office functions
- Process and organizational changes
- Developed alternate delivery channels

# Productivity Gains...

- Reduced retail credit approval time loans
  - 2002 – 2 days
  - 2004 – 2 hours
- Expanded alternate channels
  - 1 million calls per month at Call Centres
  - 1.5 million Internet transactions per month
  - 55% of all transactions non-branch

# Improved Operating Efficiency...



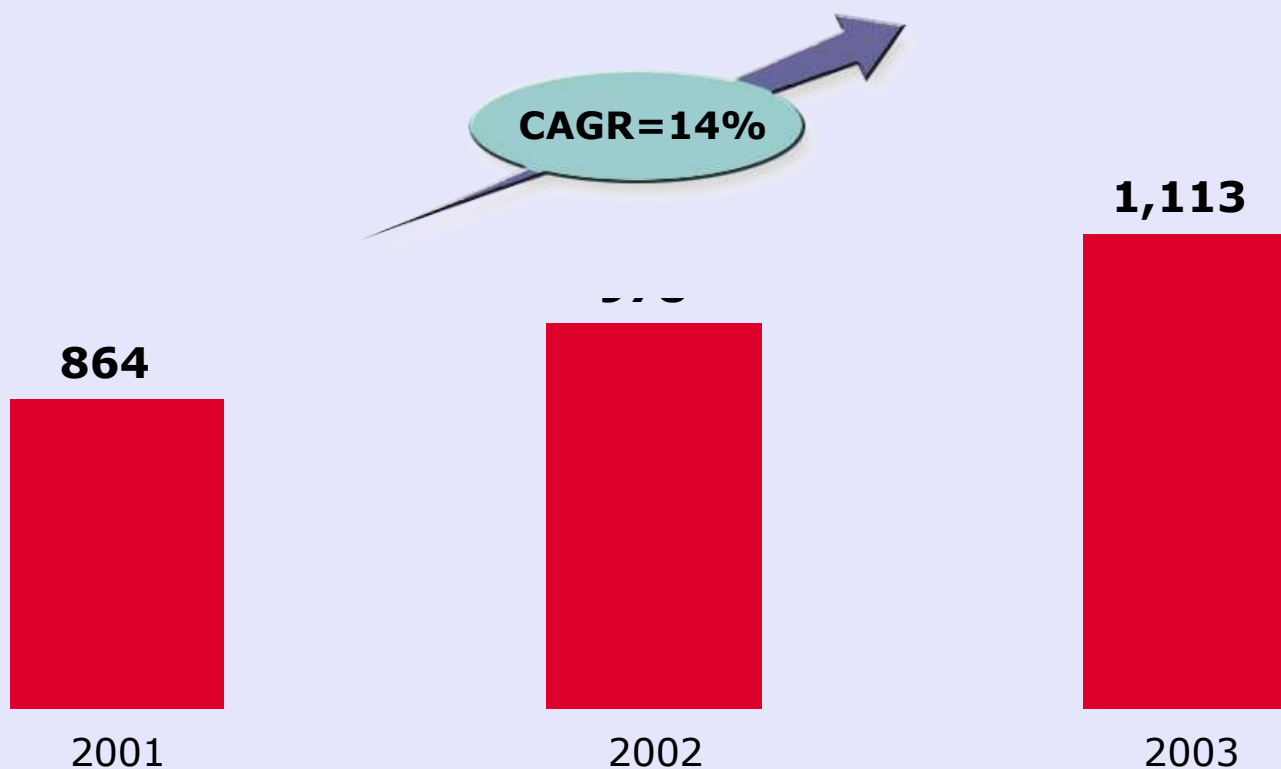
Mexican GAAP. Inflation adjusted

# ... and More to Come

- Leverage Scotiabank experience
  - Shared Services
  - International Banking Platform
  - Outsourcing
- Process Re-engineering Initiatives
- Divest non-core business activities
  - Merchant POS business
- Cost Busters!

# ...and Improve Effectiveness

## Gross Revenue per Employee (MXP M)



# Four Strategic Business Lines

Driving sustained, profitable growth



Sales & Service



Complementary  
Businesses



Efficiency  
Platform



Acquisitions

# Acquisitions — Priority Targets

- Bancassurance
- Car loan and credit card portfolios
- Large customer data bases

# Agenda

- Market overview
- Core strengths and our business today
- Growth initiatives



# Top Employer...

Rated amongst the top 50  
“great places to work” in Mexico (2004)



# A Market Leader...

**LATINFINANCE**

---

- Best Bank in Mexico (2003)



- Best Branch Customer Service



- 1<sup>st</sup> in customer satisfaction (2003)

# With An Ambitious Plan...

Organic growth

+

Acquisitions

=

**10%**  
market share  
in 5 years

# ...And On Track for 2007

## **Productivity Improvements**

- Improve productivity below 60%
  - Reduced from 77% to 66%



## **Credit Improvements**

- High credit standards
  - NPL/Total loans at 3.4%



## **Network Growth**

- Grow branch network by 50 to 100 branches
  - Adding 20 branches a year



## **Earnings Growth**

- Double operating earnings (in pesos)
  - 2002-2003 = +52%
  - 2003-Q2 2004 = +16%

