



**Investor Presentation
First Quarter, 2005**

January 31, 2005

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First Quarter Overview

Rick Waugh
President & Chief Executive Officer

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Performance highlights

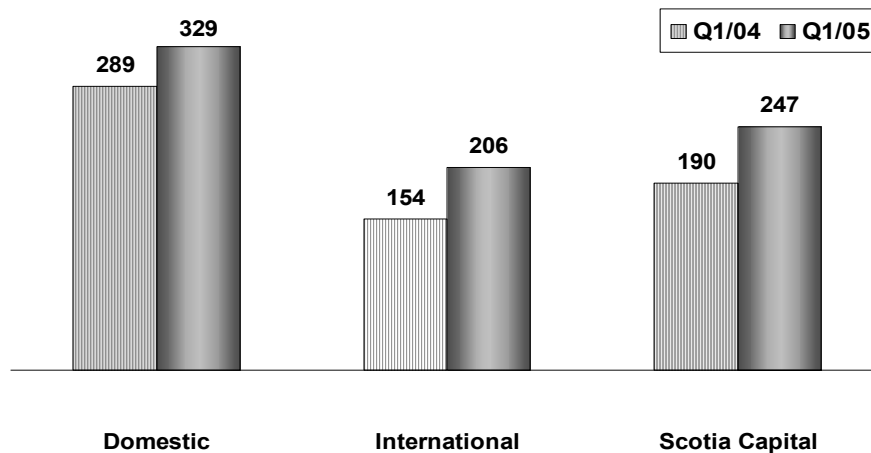
- **Record earnings**
 - EPS: \$0.77 vs. \$0.67 last year
 - ROE: 21.0% vs. 19.4% last year
- **Earnings well diversified across business lines**
- **Improving credit quality**
 - net impaired loans down \$725 mm vs. last year
 - specific provisions \$74 mm this quarter
- **Strong capital ratios**
 - Tangible Common Equity (TCE): 9.5%

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Growth across major business lines

net income available to common
shareholders, \$ millions



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2005 performance targets

	<u>Q1/05</u>		<u>Target</u>
ROE	21.0%	vs.	17-20%
EPS Growth	15%	vs.	5-10%
Productivity	55.7%	vs.	<58%

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Performance Review

Sabi Marwah
Senior Executive Vice-President &
Chief Financial Officer

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Solid underlying revenue growth

\$ millions			<u>Change</u>	
	<u>Q1/05</u>	<u>Q1/04</u>	<u>\$</u>	<u>%</u>
Reported	2,538	2,468	70	3
Less:				
Impact of stronger Canadian \$	(69)			
New CICA standard-loss on impaired loan	(23)			
Premium on preferred shares redeemed		(15)		
Impact of VIEs	-			
Underlying	2,630	2,483	147	6
Other income	1,162	1,040	122	12
Net interest income	1,468	1,443	25	2

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Continued pressure on margins

	<u>Q1/05</u>	<u>vs. Q4/04</u>	<u>vs. Q1/04</u>
Net interest margin	2.00%	(6) bps	(11) bps
Canadian currency (ex AcG 13)		(3)	(7)
Foreign currency (ex AcG 13)		-	1
AcG 13 / VIEs		(3)	(5)
		(6) bps	(11) bps

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Other income – good growth

\$ millions

<u>Change Q1/05 vs. Q4/04</u>			<u>Change Q1/05 vs. Q1/04</u>	
<u>\$</u>	<u>%</u>		<u>\$</u>	<u>%</u>
126	13	Underlying	97	9
(11)		Impact of stronger Canadian dollar	(26)	
115	12	Reported	71	7
92		Trading revenues	58	
28		Retail brokerage	17	
7		Deposit & payment services	13	
34		Underwriting fees & other	13	
(7)		Securitization revenues	(9)	
8		Securities' gains	(8)	
(7)		Credit fees	(10)	
(40)		Other	(3)	

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Moderate rise in expenses

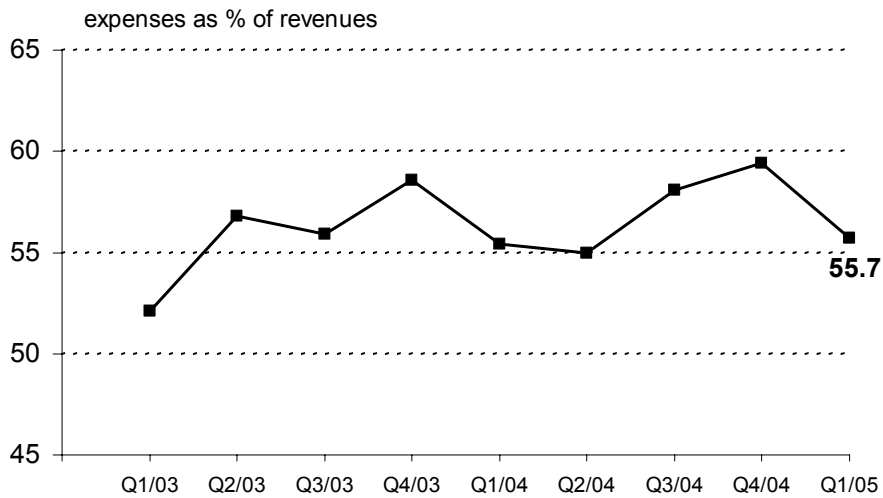
\$ millions

<u>Change Q1/05 vs. Q4/04</u>			<u>Change Q1/05 vs. Q1/04</u>	
<u>\$</u>	<u>%</u>		<u>\$</u>	<u>%</u>
10	1	Underlying	80	6
(14)		Impact of stronger Canadian dollar	(29)	
(4)	-	Reported	51	4
56		Performance/stock-based compensation	45	
(6)		Professional fees	13	
(54)		Other	(7)	

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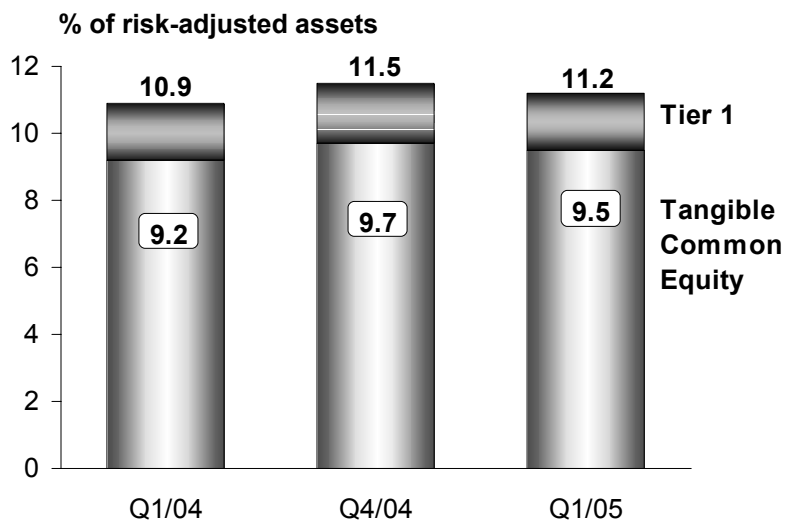
Strong productivity



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Very strong capital ratios



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Increase in unrealized securities' gains

\$ millions

	Q1/05	Q4/04	Q1/04
- Emerging Market Debt	575	507	554
- Fixed Income	45	39	67
- Equities	554	502	536
	1,174	1,048	1,157

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Change in CICA accounting standards Reclassification of liabilities & equity and Deconsolidation of VIEs

\$ millions

	Change	
	Q1/05	Q1/04
Balance Sheet		
Deposits	1,500	-
Subordinated debt & capital instruments	750	2,250
Non-controlling interest	(2,000)	(2,000)
Preferred shares	(250)	(250)
Net Impact	Nil	Nil
Income Statement		
Interest expense	37	52
Provision for income taxes	(2)	(2)
Non-controlling interest	(33)	(34)
Preferred dividends	(2)	(16)
Net Impact	Nil	Nil

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New CICA accounting standards Consolidation of VIEs

<u>Balance Sheet, \$ billions</u>		<u>Change Q1/05</u>
Assets		
	Investment securities	5
	Personal & credit card loans	3
	Total	8
Liabilities	Other liabilities	8
 <u>Income Statement, \$ millions</u>		 <u>Q1/05</u>
	Interest income	50
	Interest expense	(48)
	Net interest income	2
	Other income	(2)
	Net Impact	Nil

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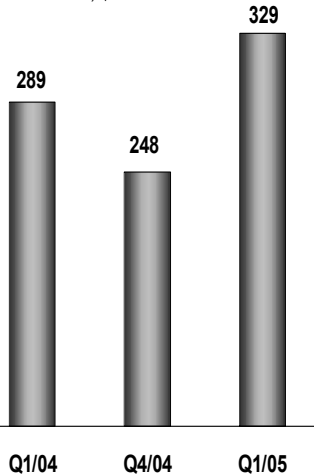
Business Line Results

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Domestic – continued asset growth, expenses well controlled

net income available to common shareholders, \$ millions



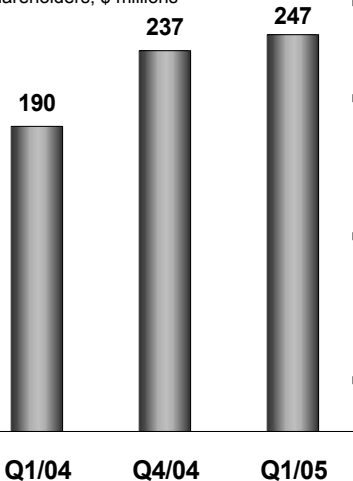
- **Net income:**
 - up 14% yr/yr, 33% qtr/qtr
- **Revenue up 4% yr/yr**
- **Good retail asset growth yr/yr**
 - residential mortgages up 16%
 - revolving credit up 17%
 - core deposits up 13%
- **Lower interest margin yr/yr**
- **Expenses down qtr/qtr**
 - lower performance and stock-based compensation, severance and advertising
- **Provisions down \$16 mm yr/yr**

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Scotia Capital – record trading results, good credit quality

net income available to common shareholders, \$ millions



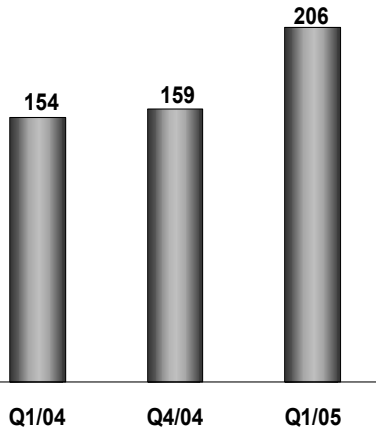
- **Net income**
 - up 30% yr/yr, 4% qtr/qtr
- **Low provisions**
 - net recovery of \$9 mm vs. \$25 mm Q4/04, net provisions of \$71 mm Q1/04
- **Revenue down 3% yr/yr, up 14% qtr/qtr**
 - higher revenues in several areas
 - lower lending volumes
- **Expenses up 8% yr/yr, 29% qtr/qtr**
 - higher performance-based compensation

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International – improved credit quality, strong retail loan growth

net income available to common shareholders, \$ millions



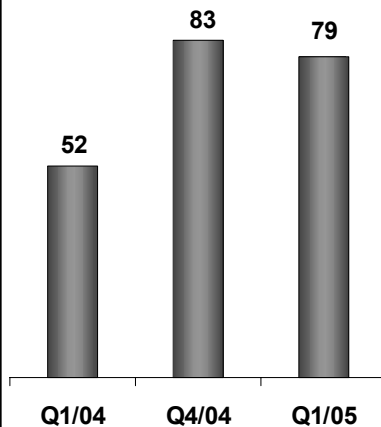
- **Net income**
 - up 34% yr/yr, 30% qtr/qtr
 - foreign currency translation reduced net income by \$17 mm yr/yr
- **Caribbean**
 - growth in retail lending volumes
 - lower provisions qtr/qtr
 - higher insurance, foreign exchange and credit card revenues
- **Latin America**
 - Inverlat & Chile up yr/yr
- **Asia**
 - net income up yr/yr

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Scotiabank Inverlat – another strong quarter

contribution, \$ millions



- **Contribution of \$79 mm**
- **Underlying revenues up 11% yr/yr**
 - growth in retail & commercial lending
 - higher margins
- **Expenses well controlled**

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Risk Review

Warren Walker
Executive Vice-President
Global Credit Risk Management

Credit risk overview

- **Lower gross impaired loans: \$2.0 B**
 - down \$172 mm vs. Q4/04
- **Lower net impaired loans: \$762 mm** (after specific allowance)
 - down \$117 mm vs. Q4/04
 - down \$725 mm vs. Q1/04
- **Lower specific provisions: \$74 mm**
 - down \$16mm vs. Q4/04
 - down \$96mm vs. Q1/04



Negative net formations this quarter

\$ millions

Domestic

- Retail	75
- Commercial	10

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International

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Scotia Capital

- U.S.	(156)*
- Other	(1)

(157)

Total

(60)

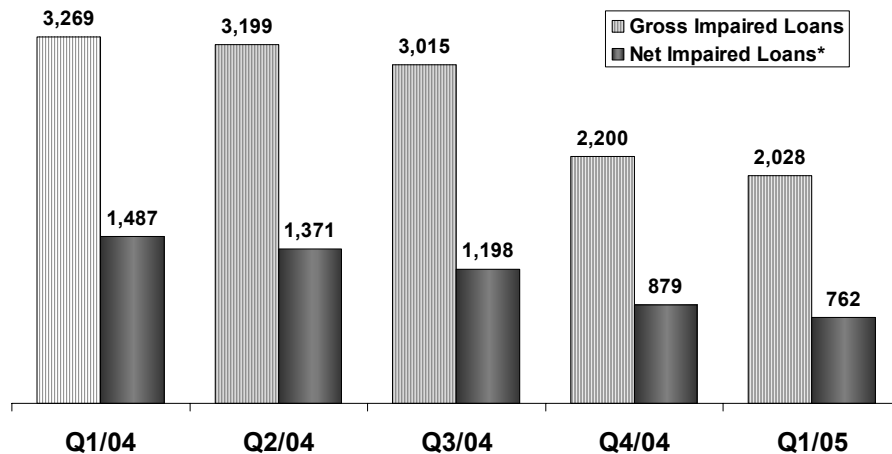
* Includes \$103 mm transfer to Other Assets as a result of the new CICA accounting standard effective November 1, 2004

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Continuing positive trend in impaired loans

\$ millions



* after specific allowance

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Lower specific provisions

\$ millions

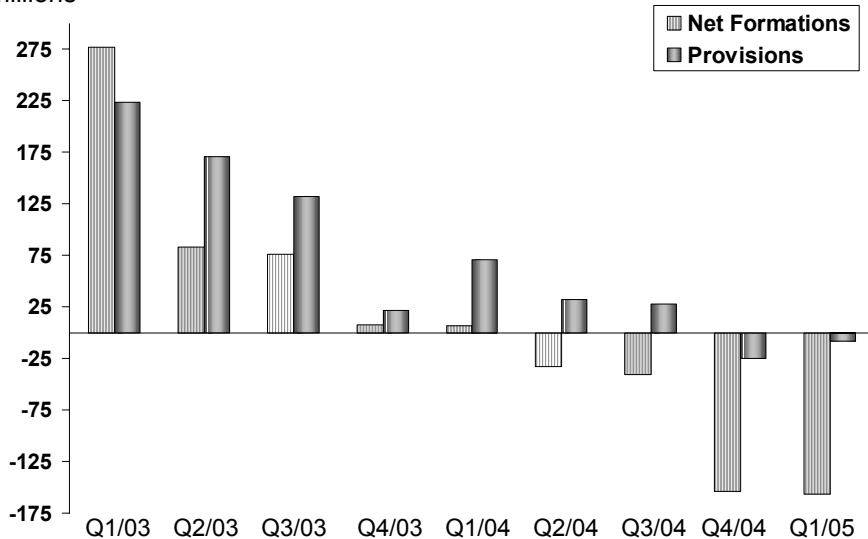
	<u>Q1/05</u>	<u>Q4/04</u>	<u>Q1/04</u>
Domestic:	76	74	92
International:	7	43	7
Scotia Capital:			
- Canada	(1)	(20)	18
- U.S.	(19)	(10)	26
- Europe	11	5	27
	(9)	(25)	71
Other	-	(2)	-
Total	74	90	170

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Scotia Capital – positive trend in net formations and provisions

\$ millions

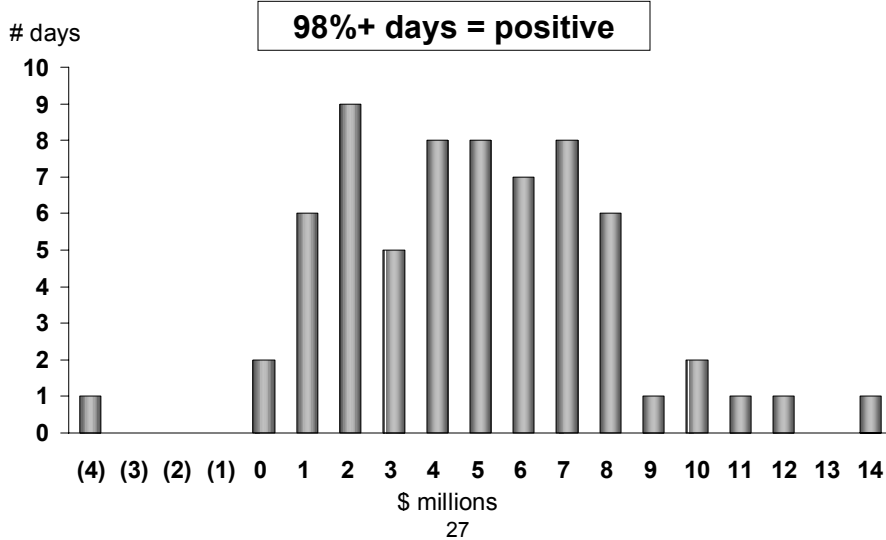


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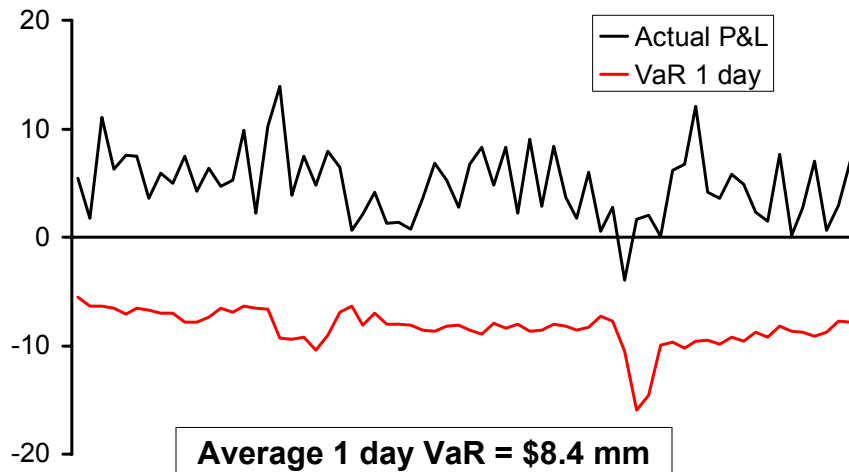
Low variability of trading revenue...

trading revenue, first quarter 2005



...reflecting moderate market risk

\$ millions, November 1, 2004 to January 31, 2005



Risk summary

- **Continued improving credit performance**
- **Market risk well contained**
- **Specific provisions for credit losses should be below 2004**
- **Possible future reduction in general allowance**

Outlook

Rick Waugh
President & Chief Executive Officer

- **Challenges remain**
 - strong Canadian dollar
 - low corporate loan demand
 - margin compression
- **Strength from diversification**
 - 3 strong growth platforms
- **Expect to meet 2005 performance targets**

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