



## Investor Presentation Third Quarter, 2005

July 31, 2005

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## Forward-looking statements

*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 our objectives, strategies, expected financial results (including those in the area of risk management), and our outlook for our businesses and for the Canadian, U.S. and global economies. Forward-looking statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "intent," "estimate," "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; the accuracy and completeness of information the Bank receives on customers and counterparties; the timely development and introduction of new products and services; the Bank's ability to complete and integrate acquisitions; 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; judicial and regulatory proceedings; acts of God, such as earthquakes; the possible impact of international conflicts and other developments, including terrorist acts and war on terrorism; 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.*

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## Third Quarter Overview

Rick Waugh  
President & Chief Executive Officer

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## Performance highlights

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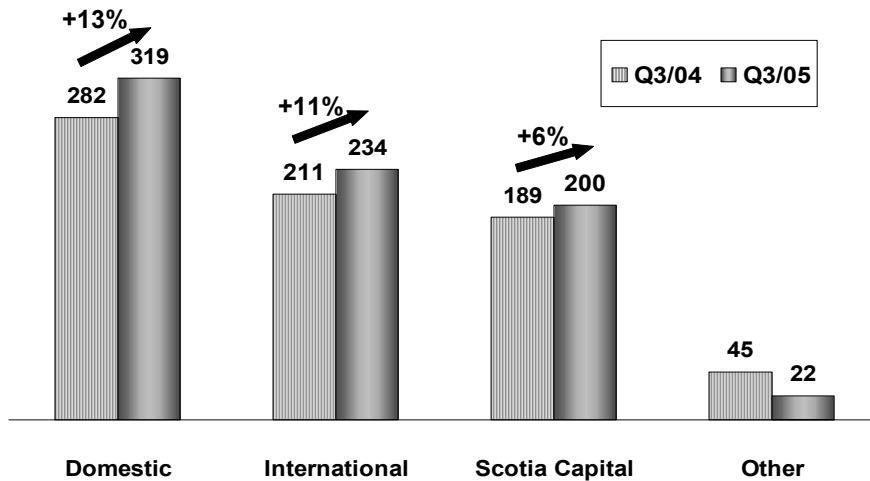
- **Solid results**
  - EPS: \$0.77 vs. \$0.71 last year
  - YTD EPS up 10% vs. 2004
  - YTD ROE: 21.0%
  
- **Earnings well diversified across business lines**
  
- **Strong capital ratios**
  - Tangible Common Equity (TCE): 9.3%

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## Growth across major business lines

net income available to common shareholders, \$ millions



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## Exceeding 2005 performance targets

	<u>Q3/05 YTD</u>		<u>Target</u>
ROE	21.0%	vs.	17-20%
EPS Growth	10.3%	vs.	5-10%
Productivity	55.9%	vs.	<58%

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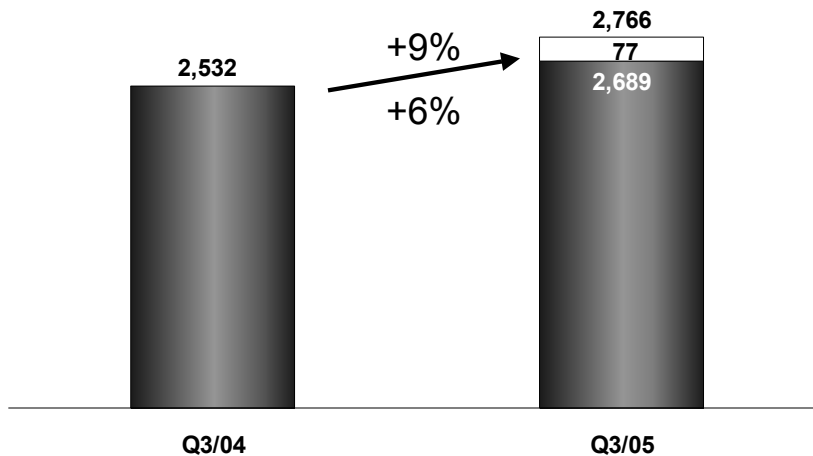
## Performance Review

Luc Vanneste  
Executive Vice-President &  
Chief Financial Officer

## Solid year-over-year revenue growth

\$ millions (TEB)

□ Impact of Stronger Canadian dollar  
■ Reported Revenue





## Core margin remains unchanged

	<u>Q3/05</u>	<u>vs. Q2/05</u>	<u>vs. Q3/04</u>
<b>Net interest margin</b>	<b>1.97%</b>	<b>(10) bps</b>	<b>(12) bps</b>
Canadian \$ loans & deposits		-	(7)
Lower dividends		(7)	(1)
AcG 13 / Other		(3)	(4)
		<b>(10) bps</b>	<b>(12) bps</b>

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## Other income Broad-based growth vs. Q3/04

<u>Change Q3/05 vs. Q2/05</u>			<u>Change Q3/05 vs. Q3/04</u>	
\$	%		\$	%
(14)	(1)	<b>Underlying</b>	131	13
6		Impact of Canadian dollar	(38)	
<b>(8)</b>	<b>(1)</b>	<b>Reported</b>	<b>93</b>	<b>9</b>
8		Trading revenues	32	
(9)		Retail brokerage	21	
16		Deposit & Payment services	15	
10		Card revenues	8	
3		Mutual funds	7	
1		Securitized revenues	4	
(25)		Securities' gains	3	
5		Credit fees	(10)	
(8)		Underwriting fees & other	(2)	
(9)		Other	15	
<b>(8)</b>	<b>(1)</b>		<b>93</b>	<b>9</b>

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## Expenses well controlled

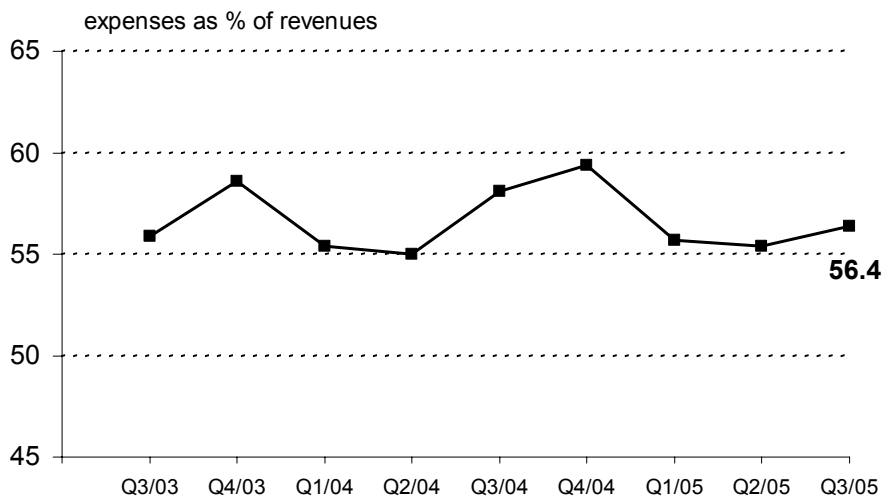
\$ millions

<u>Change Q3/05 vs. Q2/05</u>			<u>Change Q3/05 vs. Q3/04</u>		
\$	%		\$	%	
<b>9</b>	<b>1</b>	<b>Underlying</b>	<b>51</b>	<b>3</b>	
14		Impact of new subsidiaries	14		
4		Impact of Canadian dollar	(20)		
<b>27</b>	<b>2</b>	<b>Reported</b>	<b>45</b>	<b>3</b>	
5		Professional fees / legal expenses	17		
6		Advertising and promotion	8		
3		Premises & technology	5		
(9)		Salaries & employee benefits	(1)		
8		Appraisal & acquisition fees	(7)		
14		Other	23		
<b>27</b>	<b>2</b>		<b>45</b>	<b>3</b>	

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## Industry-leading productivity



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## Higher unrealized securities' gains

\$ millions

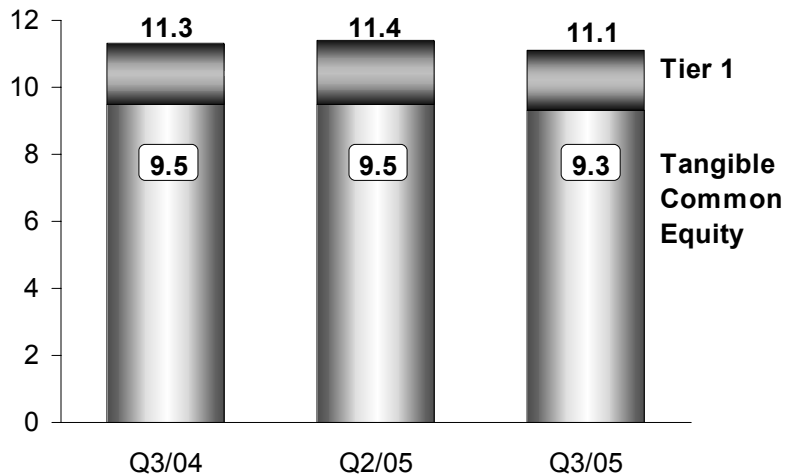
	Q3/05	Q2/05	Q3/04
- Emerging Market Debt	579	540	451
- Fixed Income	1	28	(2)
- Equities	504	420	438
	<b>1,084</b>	<b>988</b>	<b>887</b>

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## Very strong capital ratios

% of risk-adjusted assets



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## Business Line Results

## Business line net income summary

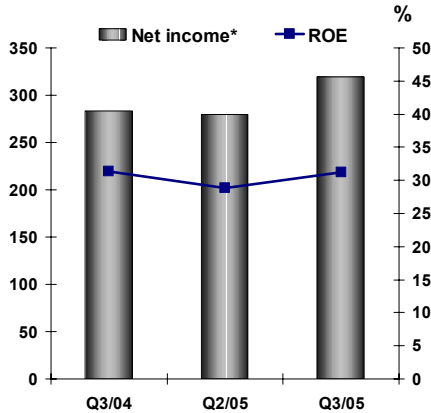
net income available to common  
shareholders, \$ millions

	<u>Q3/05</u>	<u>Q2/05</u>	<u>Q3/04</u>
Domestic	319	279	282
International	234	186	211
Scotia Capital	200	239	189
Other	22	118	45
<b>Total</b>	<b>775</b>	<b>822</b>	<b>727</b>



## Domestic Banking

\$ millions



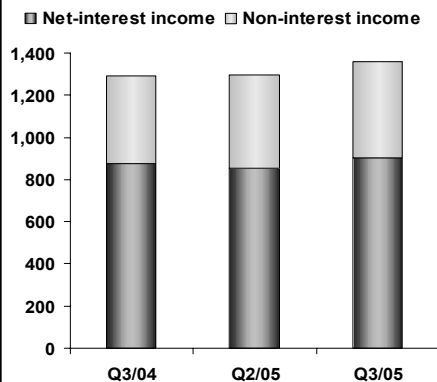
- **Net income of \$319 million**
  - up 13% yr/yr, 14% qtr/qtr
- **ROE of 31.2%**
- **Revenues up 5% yr/yr and qtr/qtr**
- **Expenses well controlled**
  - 2% increase yr/yr
  - 1% increase qtr/qtr
- **Credit quality remains strong**
  - lower provisions yr/yr, qtr/qtr
  - improvement in commercial

\* net income available to common shareholders

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## Domestic – strong retail asset growth

\$ millions



### Year/Year

- **Strong retail asset growth**
- **Retail market share gains: 13 bps**
- **Higher fees in several areas:**
  - full-service brokerage
  - mutual funds
  - cards

### Qtr/Qtr

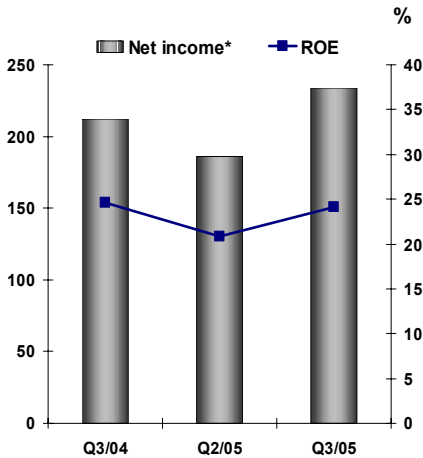
- **Revenue up 5%**
- **3 more days in quarter**
- **Retail asset growth**

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## International – strong asset growth

\$ millions



- **Net income of \$234 million**
  - up 11% yr/yr, 26% qtr/qtr
  - up 21% yr/yr, excluding forex translation
- **ROE of 24.1%**
- **Caribbean & Central America**
  - strong retail asset growth
- **Latin America**
  - net income up yr/yr
  - strong results at Scotiabank Inverlat

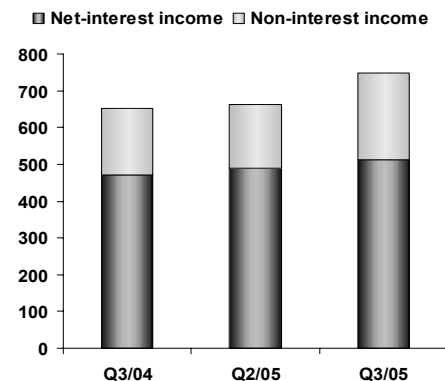
\* net income available to common shareholders

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## International - revenues trending higher

\$ millions



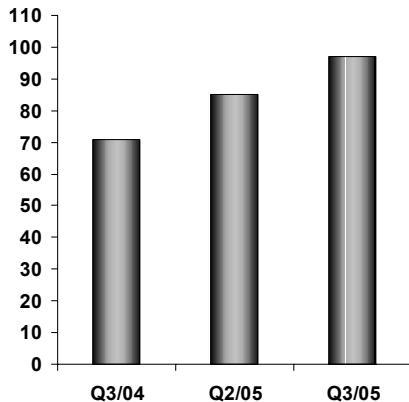
- **Total revenues up**
  - up 15% yr/yr - 21% excluding forex translation
- **Net Interest Income**
  - up 14% yr/yr excluding forex translation
  - higher margin and volumes in Inverlat
  - strong underlying growth in retail assets and deposits
- **Other Income**
  - up 31% yr/yr, 36% qtr/qtr:
    - higher Inverlat revenues
    - higher gains from bond sales

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## Scotiabank Inverlat – another strong quarter

contribution, \$ millions



- **Contribution of \$97 million**
  - up 36% yr/yr
- **ROE of 29%**
- **Underlying revenues up 30% yr/yr**
  - growth in retail & commercial lending
  - higher margins and retail banking fees
  - partly offset by lower trading revenues
- **Improving productivity ratio**
  - 62% vs. 69% in Q3/04

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## Consolidation of Banco de Comercio in El Salvador

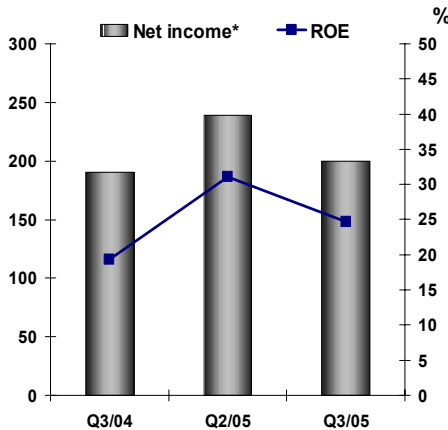
- **\$1.4 billion in assets**
- **1,700 employees**
- **Distribution network**
  - 47 branches
  - 80+ ABMs
  - 18 remittance branches in the U.S.
- **Combined market share: 17%+**

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## Scotia Capital – steady revenues, lower loan loss recoveries

\$ millions



- **Net income of \$200 million**
  - up 6% yr/yr, down 16% qtr/qtr
- **ROE of 24.7%**
- **Lower loan loss recoveries qtr/qtr**
  - net provision of \$2 million vs. net recovery of \$57 million
- **Revenue down 2% yr/yr, 7% qtr/qtr**
- **Expenses down yr/yr and qtr/qtr**
  - lower performance-based compensation

\* net income available to common shareholders

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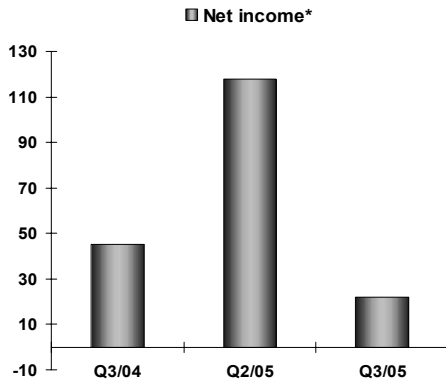
## Acquisition of Waterous & Co.

- **Leading global energy advisory firm**
- **Advised 24 of the world's 30 largest private sector oil & gas companies over past three years**
- **Involved in more than US \$15 billion in transactions since 2002**
- **Synergies**
  - expanded client relationships
  - one-stop financing for M&A clients

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## Other

\$ millions



- **Net income of \$22 million**
- **Lower securities gains**
  - Q2/05 included Shinsei investment gain of \$118 million (pre-tax)
- **Q3/04 included \$50 million release of general allowance**

\* net income available to common shareholders

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## Risk Review

Warren Walker  
Executive Vice-President  
Global Risk Management



## Credit risk overview

- **Lower gross impaired loans: \$1.8 B**
  - down \$119 mm vs. Q2/05
- **Lower net impaired loans: \$573 mm** (after specific allowance)
  - down \$93 mm vs. Q2/05
  - down \$625 mm vs. Q3/04
- **Specific provisions: \$85 mm**
  - up \$50 mm vs. Q2/05
  - down \$15 mm vs. Q3/04
- **No change to the General Allowance**

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## Low net formations again this quarter

\$ millions

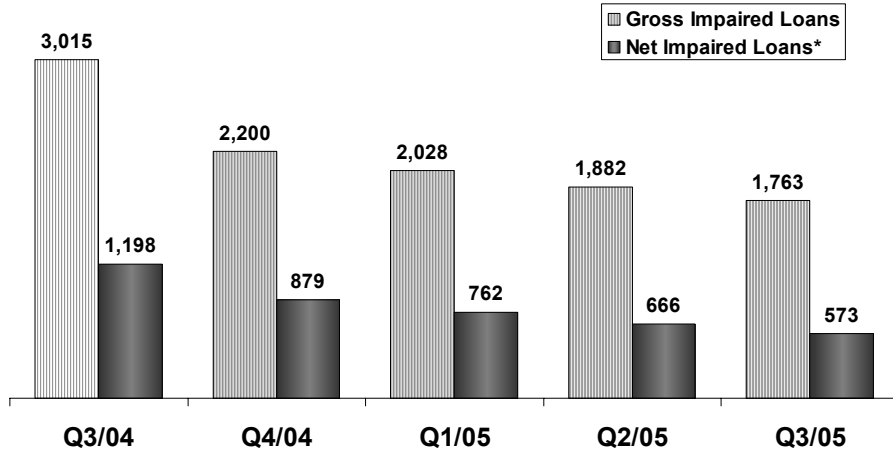
<b>Domestic</b>		
- Retail	50	
- Commercial	11	<b>61</b>
	<hr/>	
<b>International</b>		<b>9</b>
<b>Scotia Capital</b>		
- U.S.	(4)	
- Other	3	<b>(1)</b>
	<hr/>	
<b>Total</b>		<b>69</b>
		<hr/>

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## Continuing positive trend in impaired loans

\$ millions



\* after specific allowance

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## Lower specific provisions year over year

\$ millions

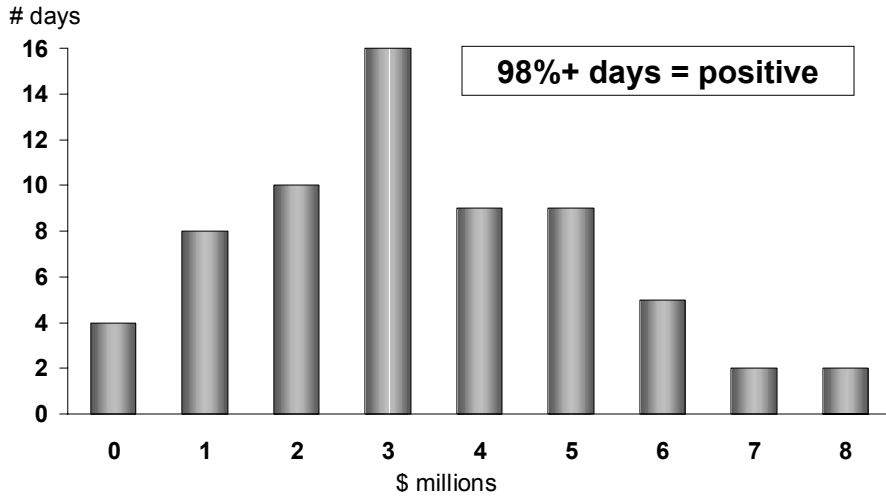
	<u>Q3/05</u>	<u>Q2/05</u>	<u>Q3/04</u>
<b>Domestic:</b>	63	66	70
<b>International:</b>	21	26	2
<b>Scotia Capital:</b>			
- Canada	(1)	-	(11)
- U.S.	1	(55)	20
- Europe	2	(2)	19
	2	(57)	28
<b>Other</b>	(1)	-	-
<b>Total</b>	<b>85</b>	<b>35</b>	<b>100</b>

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## Low variability of trading revenue

trading revenue, third quarter 2005

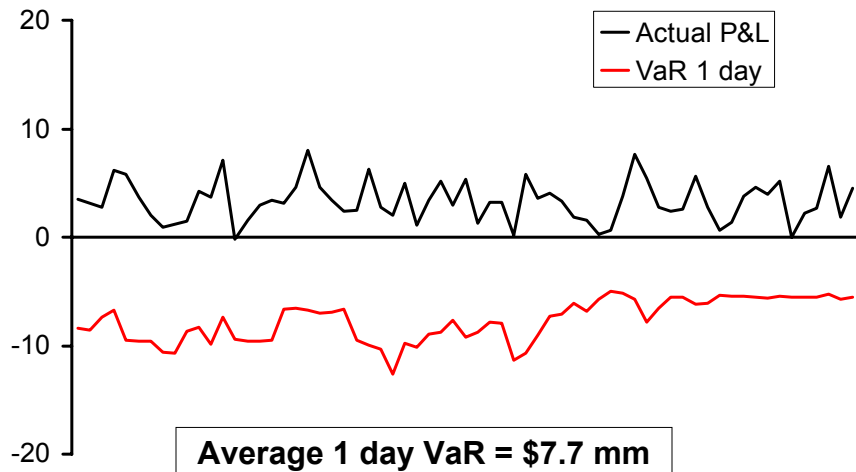


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## Low market risk

\$ millions, May 1, 2005 to July 31, 2005



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## Risk summary

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- **Stable credit quality**
- **Specific provisions for credit losses to be well below 2004**
- **Possible future reduction in general allowance**

## Outlook

Rick Waugh  
President & Chief Executive Officer

- **Solid quarter**
  - challenges remain
  
- **Strength from diversification**
  - 3 growth platforms
  
- **Strong capital position**
  - disciplined utilization for growth