



**Investor Presentation
Second Quarter 2001**

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Overview of Q2/01 Results

Peter Godsoe
Chairman & C.E.O.

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Q2/01 Performance Highlights

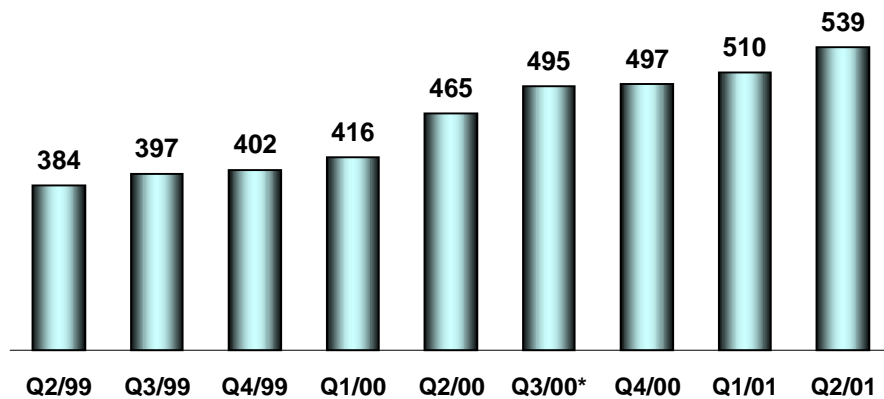
- **Excellent earnings growth**
 - EPS up 16% year-over-year
 - ROE 17.9% vs. 17.7%
- **First full quarter of Inverlat**
 - added \$17 million to net income (3 cents/share)
- **Improved productivity: 53.7% vs. 58.0% last year**
- **Lower net impaired loans**
 - down \$388 million from Q1/01
- **\$100 million addition to general provision**
- **Strong capital ratios and reserves**

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Record of consistent earnings growth

Net Income, \$ millions



* excludes unusual items

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Exceeded targets

	<u>Q2/01</u>	<u>2001 YTD</u>		<u>Target</u>
ROE	17.9%	17.4%	vs.	16-18%
EPS Growth	16%	19%	vs.	12-15%
Productivity	53.7%	52.7%	vs.	<60%
Tier 1	9.0%	9.0%	vs.	7.5%+

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Performance Review

Sabi Marwah
Executive Vice-President &
Chief Financial Officer

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Strong earnings

\$ millions

Reported net income			539
Adjustments:	<u>Pre-tax</u>	<u>After-tax</u>	
Addition to General Provision	100	59	
Lower SAR* expense	(40)	(24)	
Excess security gains	<u>(40)</u>	<u>(24)</u>	
	20	11	11
Adjusted net income			550

* Stock Appreciation Rights

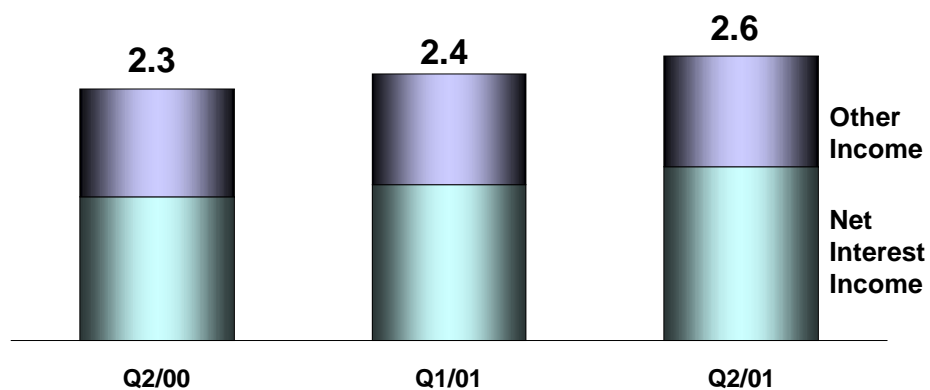
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Good top line revenue growth

\$ billions (TEB)

Revenue up 13%
Net Interest Income up 21%



Q2/01 includes Inverlat's revenues of \$222 million

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Improved margins

	Q2/01	Increase	
		vs. Q1/01	vs. Q2/00
Net interest margin	2.34%	+11 bps	+9 bps
Increase due to:			
Inverlat		8	8
Other		3	1
		11 bps	9 bps

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Underlying Other Income maintained

\$ millions	Q2/01	Q2/00	Change	
			\$	%
▪ Reported	1,014	988	26	3%
Less:				
Gain on sale of securities	(109)	(147)	38	
Inverlat	(73)	-	(73)	
Stock transfer business sold in Q3/00	-	(20)	20	
▪ Underlying	832	821	11	1%
▪ Comprised of:				
Underwriting & other commissions			35	52%
Deposit & payment services			12	8
Credit fees			10	7
Retail & discount brokerage			(40)	(32)
Trading & other investment banking			(7)	(5)
Other			1	1
			11	1%

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Expenses held basically flat

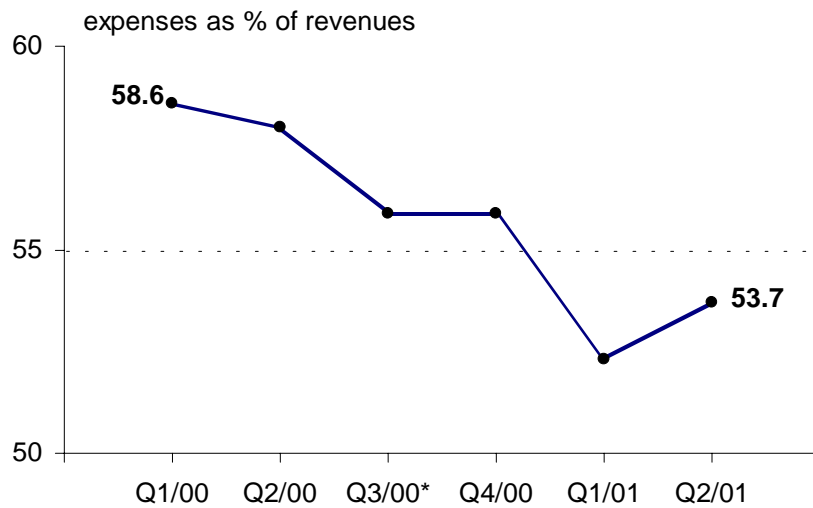
	Q2/01 vs.	
	Q1/01	Q2/00
Change in expenses	10.7%	4.7%
Less:		
- Inverlat	14.1	13.3
- performance-related	(2.8)	(4.2)
- writedown of property & equipment		(3.4)
- sale of stock transfer business/ Quebec branches		(2.1)
Base expenses	(0.6)	1.1

Q2/01 includes Inverlat's expenses of \$177 million

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Improved productivity



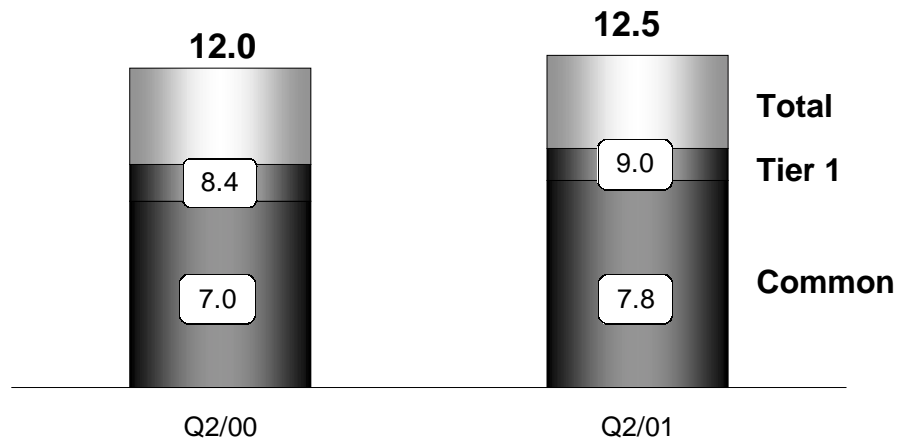
* excluding special items

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Stronger capital ratios

% of risk-adjusted assets



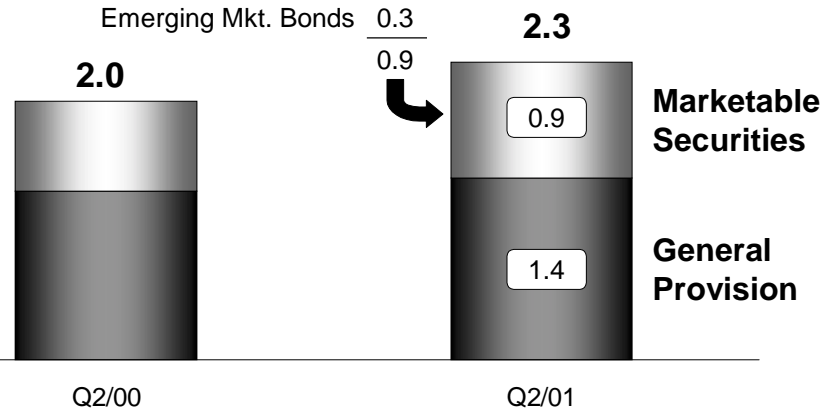
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Higher reserves

\$ billions

Govt/Corp bonds	0.3
Equities	0.3
Emerging Mkt. Bonds	0.3
Total	0.9



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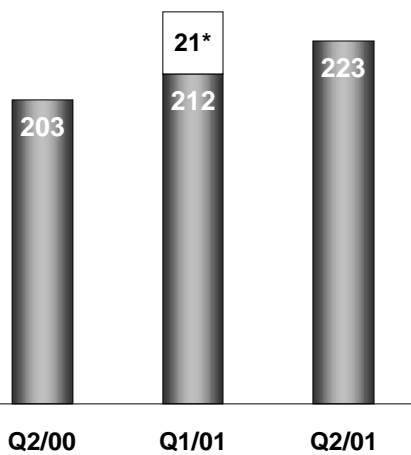
Business Line Results

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Domestic – Solid earnings trend

Net income, \$ millions



- Higher net interest profit
 - ▶ wider retail margin
 - ▶ solid personal lending growth
- Lower brokerage fees
- Expenses down 4.5% yr/yr
- Very good credit quality

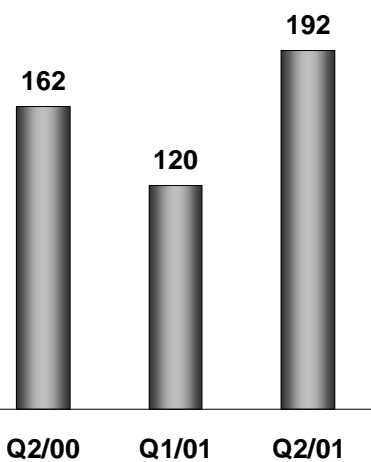
* gain on sale of Quebec branches

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Improved performance from Scotia Capital

Net income, \$ millions



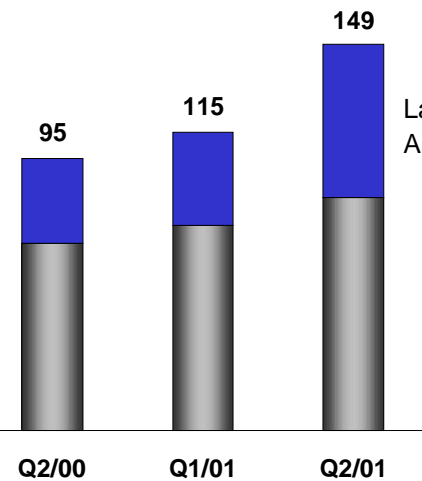
- Net income up 19% yr/yr
- Provision for credit losses down 48% versus Q1/01
- Revenues up 19% yr/yr
 - Global Trading +55%
 - Underwriting +52%
 - Lending +9%

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Rising International contribution

Net income, \$ millions



- Net income up 57% yr/yr
 - Caribbean up 23%
 - Asia up 32%
 - Latin America up 160%
 - Inverlat +\$17 million

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Mexico – High potential market

- **High growth economy**
 - increasing trade - NAFTA
 - GDP to surpass Canada by end of decade
- **Significant growth potential in financial services**
 - young population: 50% under 22
 - lending as a % of GDP - 15% vs. 72% in U.S.



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Risk Review

John Crean
Senior Executive Vice-President
Global Risk Management

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Risk Overview

- **Lower net impaired loans:** \$0.7 billion at April 30
 - down \$388 million from Q1/01
- **Aggressive provisioning**
 - \$250 million specifics in Q2/01
 - \$1.1 billion specific provisions estimate for 2001
 - of which \$650 million taken to date
- **Higher general provision**
 - added \$100 million in Q2/01
- **Improved coverage ratio**
 - 85% vs. 78% in Q1/01

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Impaired loan formations down in Q2/01

\$ millions

Scotia Capital	- loan sales	(502)
	- net new formations	371
		<hr/>
		(131)
Domestic		1
International		34
		<hr/>
Net formations		(96)

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Domestic & International – Credit quality stable

- **Domestic**
 - excellent retail
 - commercial in good shape

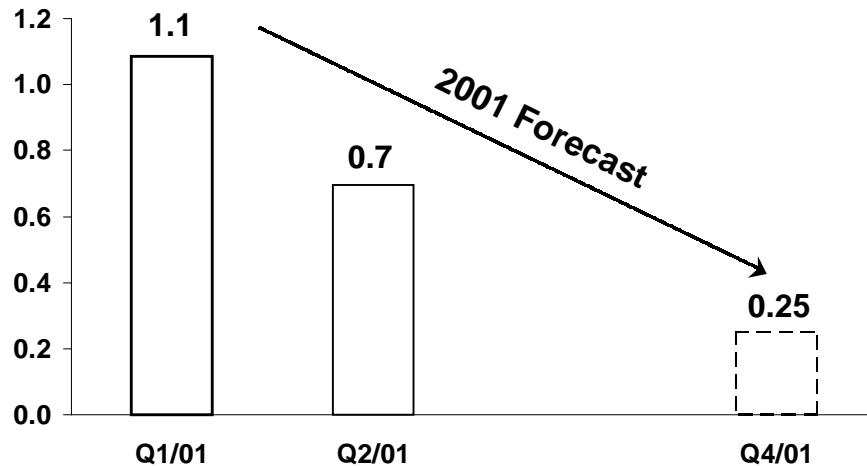
- **International**
 - Caribbean & Asia performing well
 - stabilized Latin American subsidiaries

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Lower net impaired loans in Q2 – On track to meet Q4/01 target

Net impaired loans, \$ billions



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Specific provisions by business line

\$ millions

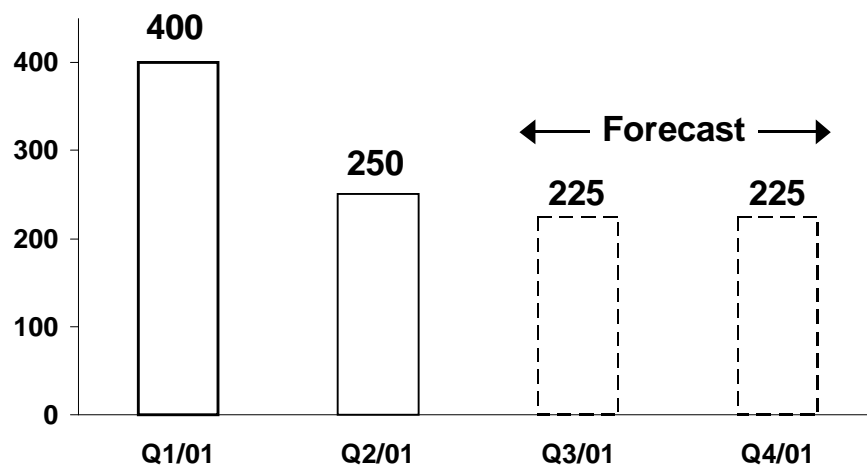
	<u>2000</u>	<u>2001E</u>
Scotia Capital	412	570
Domestic	168	175
International	185	180
	<hr/>	<hr/>
	765	925
Additional charge in Q1/01 (mainly for Scotia Capital)		175
		<hr/>
		1,100

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Specific provisions forecast for 2001

\$ millions



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Stable telecom & cable exposure

Loans & acceptances, \$ millions, April 30, 2001

<u>Sector</u>	<u>Investment Grade</u>	<u>Non-Investment Grade</u>	<u>Total</u>	<u>Total U.S. Exposure</u>
Cable Operators	373	1,133	1,506	616
Regulated Telephone	1,018		1,018	-
Unregulated telephone/wireless	677	1,142	1,819	948
Other communications	28	409	437	355
Total	2,096	2,684	4,780	1,919
Of which CLECs			148	98

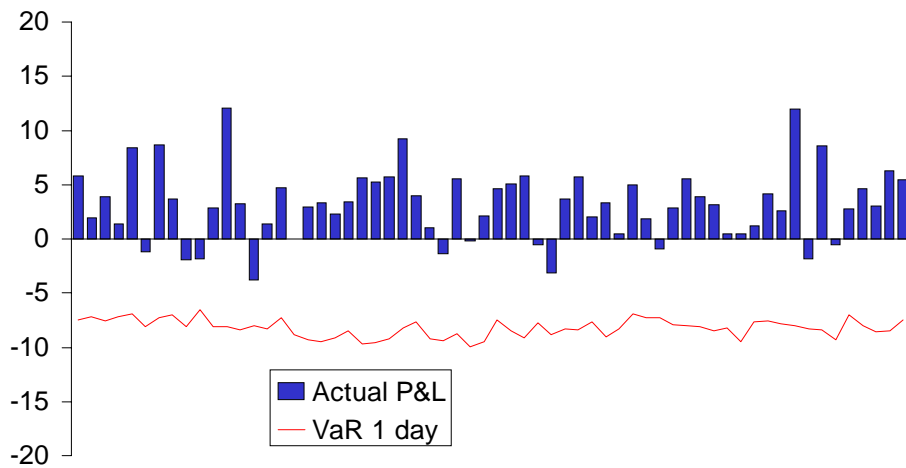
Total exposure down \$75 million from Q1/01
Net impaired loans: \$52 million

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Low trading risk

\$ millions, Feb 1, 2001 to April 30, 2001



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Risk Summary

- Proactively managing U.S. portfolio
- Other portfolios in good shape
- Expect impaired loans to decline for balance of year
- Low trading risk

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Summary

Peter Godsoe
Chairman & C.E.O.

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Summary

- **On track to achieve performance targets:**
 - earnings growth 12-15%
 - ROE 16-18%
 - expect another record year
- **Very good cost control**
- **Proactively managing U.S. credit portfolio**
- **Strong capital & reserves**

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