



## **Investor Presentation Third Quarter 2002**

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## **Third Quarter Performance Review**

Peter Godsoe  
Chairman & C.E.O.

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## Performance highlights

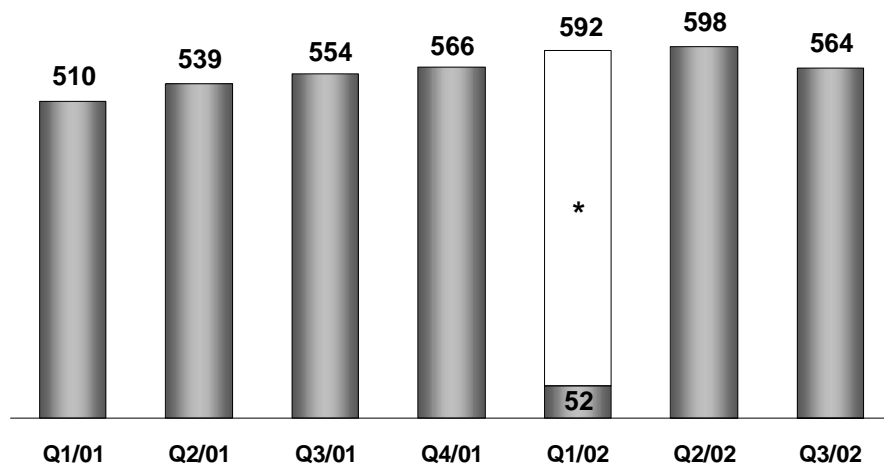
- **Solid earnings**
  - Net income of \$564 million, up 2% from Q3/01
  - EPS: \$1.05 vs. \$1.04
  - ROE: 16.2% vs. 17.3%
- **Continued difficult U.S. credit environment**
  - Net impaired loans: up \$504 million from Q2/02
  - Specific provisions: \$400 million; up \$50 million from Q2/02
- **Strong domestic and international earnings**
- **Excellent capital ratios**
  - Tier 1: 9.8%

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## Solid earnings despite challenging credit environment

Net Income, \$ millions



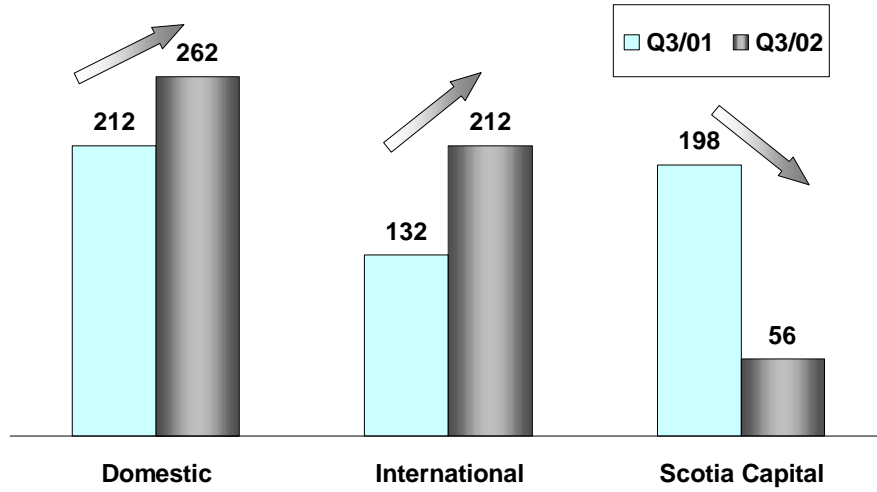
\* charges for Argentina (\$540MM)

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## Strong Domestic and International offset by weakness in U.S. lending

Net income, \$ millions



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## Argentina update

- No impact on Q3/02 earnings
- In final stages of transaction to exit Quilmes – minimal financial impact

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## Still on track to meet 2002 targets

	<u>Q3/02</u>	<u>2002 YTD</u>		<u>Target</u>
<b>ROE</b>	16.2%	16.8%*	vs.	15-17%
<b>EPS Growth</b>	1%	9%*	vs.	7-12%
<b>Productivity</b>	51.1%	54.0%	vs.	<58%
<b>Tier 1</b>	9.8%	9.8%	vs.	8%+

\* excluding Q1/02 charges relating to Argentina

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## Performance Review

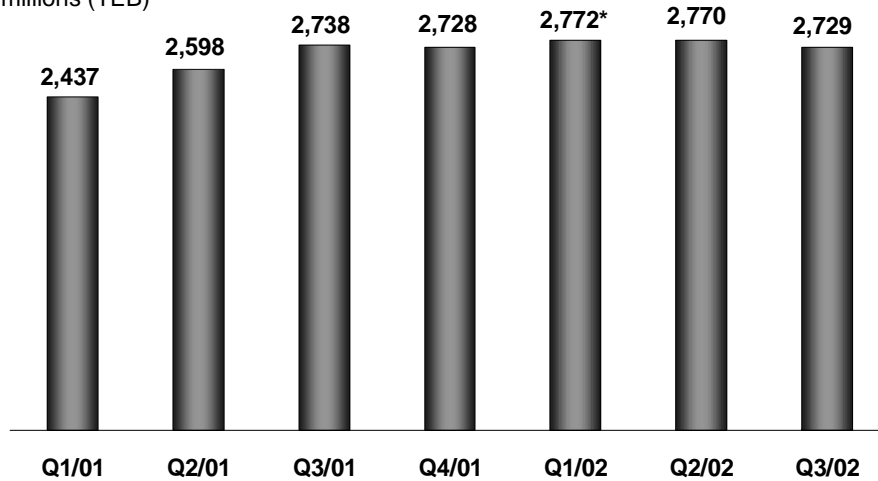
Sabi Marwah  
Senior Executive Vice-President &  
Chief Financial Officer

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## Steady trend in top-line revenue

\$ millions (TEB)



\* excluding Argentina charge of \$107 million

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## Margin holding up

	Q3/02	Decrease	
		vs. Q2/02	vs. Q3/01
<b>Net interest margin</b>	<b>2.33%</b>	<b>(1) bps</b>	<b>(10) bps</b>
Lower Latin America spreads		(4)	(11)
Canadian \$ spreads		1	(2)
Other		2	3
		<b>(1) bps</b>	<b>(10) bps</b>

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## Relatively stable other income

\$ millions

<u>Q3/02</u>	<u>Q2/02</u>	<u>change</u>		<u>Q3/02</u>	<u>Q3/01</u>	<u>change</u>
<b>996</b>	<b>1,058</b>	<b>(6)%</b>	<b>Reported</b>	<b>996</b>	<b>1,054</b>	<b>(6)%</b>
105	102		Security gains	105	7	
95	114		Trading revenue	95	135	
-	16		Tax settlement	-	82	
3	14		Quilmes	3	57	
<b>793</b>	<b>812</b>	<b>(2)%</b>	<b>Underlying</b>	<b>793</b>	<b>773</b>	<b>3%</b>

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## Continuing focus on expense control

\$ millions

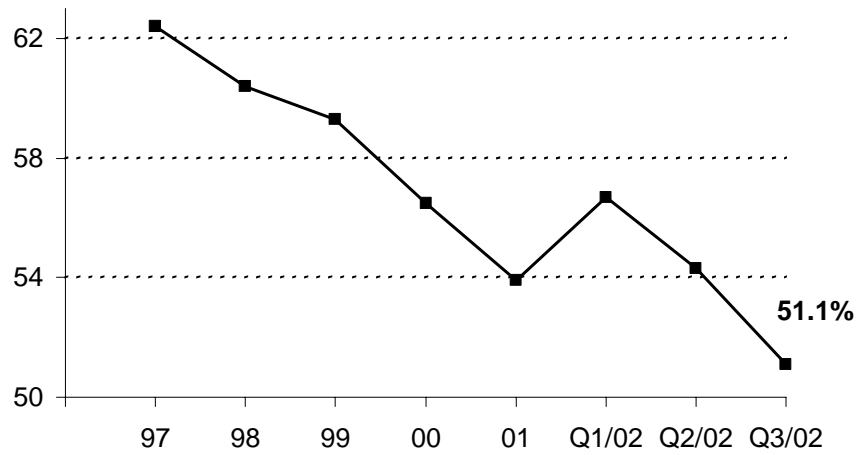
<u>Q3/02 vs. Q2/02</u>			<u>Q3/02 vs. Q3/01</u>	
<b>(110)</b>	<b>(7)%</b>	<b>Change in expenses</b>	<b>(123)</b>	<b>(8)%</b>
(25)	(2)%	Performance-based compensation	(6)	(1)%
(52)	(3)%	Stock-based compensation	(61)	(4)%
(11)	(1)%	Quilmes (devaluation)	(49)	(3)%
<b>(22)</b>	<b>(1)%</b>	<b>Change in base expenses</b>	<b>(7)</b>	<b>0%</b>

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## Productivity improvement

expenses as % of revenues

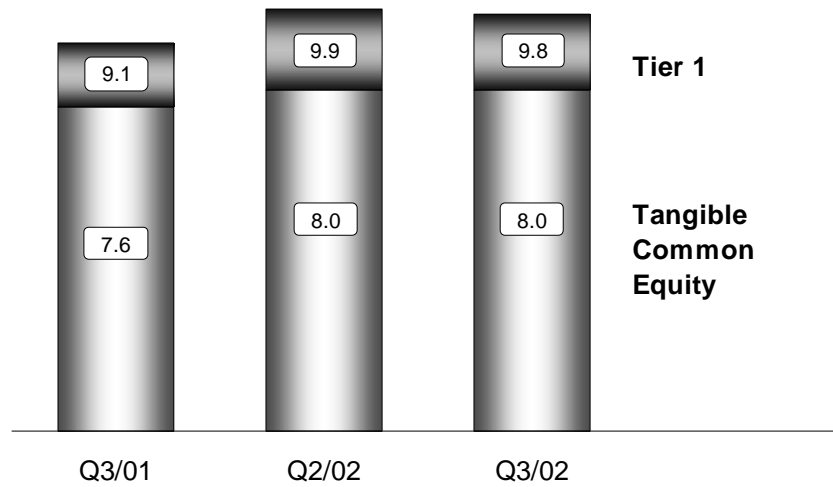


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## Capital ratios – best in the industry

% of risk-weighted assets



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## Lower reserves

\$ billions

	Q3/02	Q2/02
General Provision	1.5	1.5
Security Surplus (Deficit)		
- Emerging Market Debt	0.1	0.5
- Equity	(0.2)	0.1
- Fixed Income	-	-
	(0.1)	0.6
<b>Total</b>	<b>1.4</b>	<b>2.1</b>

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## Business Line Results

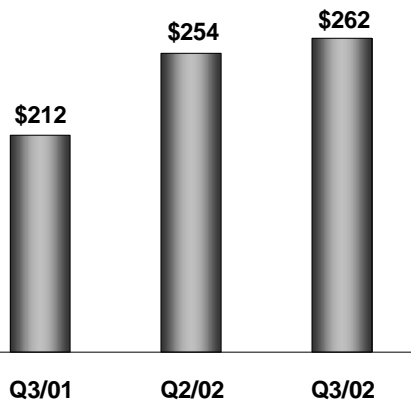
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## Domestic – another strong quarter

Net income, \$ millions



- **Net income: +24% yr/yr**
- **Good asset growth**
  - mortgages up 11%
  - revolving credit up 20%
- **Strong retail credit quality**
- **Expenses tightly controlled**
  - up 3% yr/yr

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## Domestic – business highlights

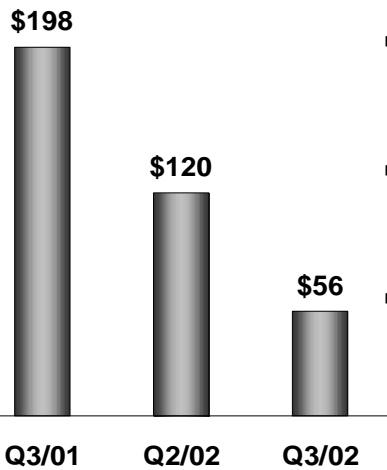
- **Increased market share** year-over-year
  - mortgages +28 bps
  - personal loans +29 bps
  - mutual funds +24 bps
- **Approved 60% more financing** for small business vs. Q3/01
- **Successful integration of Charles Schwab Canada** into Scotia McLeod Direct Investing (SMDI)

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## Scotia Capital – difficult credit conditions

Net income, \$ millions



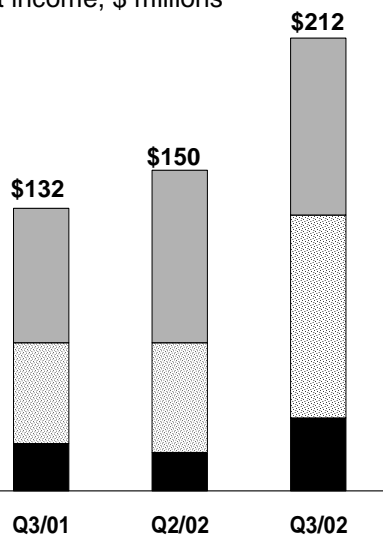
- **Revenues down 8% yr/yr**
  - lower trading revenue
- **Increased provisions**
  - mainly telecom
- **Expenses tightly controlled**
  - down 9% yr/yr

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## International – good earnings

Net income, \$ millions



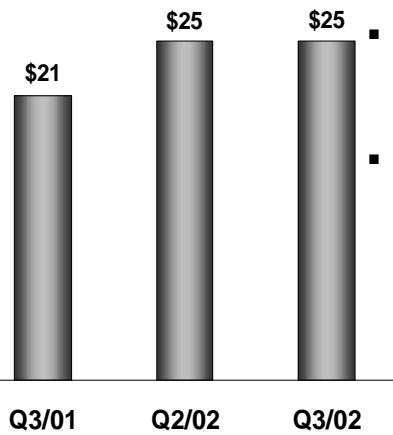
- **Caribbean**
  - another strong quarter
- **Latin America**
  - Inverlat: continued good earnings
  - higher Brady bond revenues
- **Asia**
  - lower loan loss provisions

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## Mexico – good momentum

BNS share of Inverlat earnings, \$ millions



- **Earnings momentum**

- ▶ up 19% yr/yr

- **Strong lending & deposit growth**

- ▶ retail lending +25%

- ▶ commercial/corporate loans +18%

- ▶ personal chequing deposits +30%



## Risk Review

John Crean  
Senior Executive Vice-President  
Global Risk Management

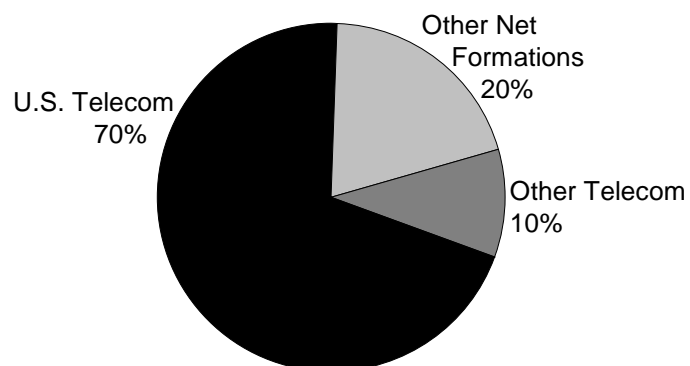
## Risk overview

- **Credit condition in the U.S. more difficult than expected**
- **Net impaired loans up \$568 million (ex. Argentina)**
  - mainly telecom
- **Specific provisions of \$400 million**
  - increase of \$50 million vs. Q2/02

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## Net formations – mainly telecom

Scotia Capital - net formations: \$835 million

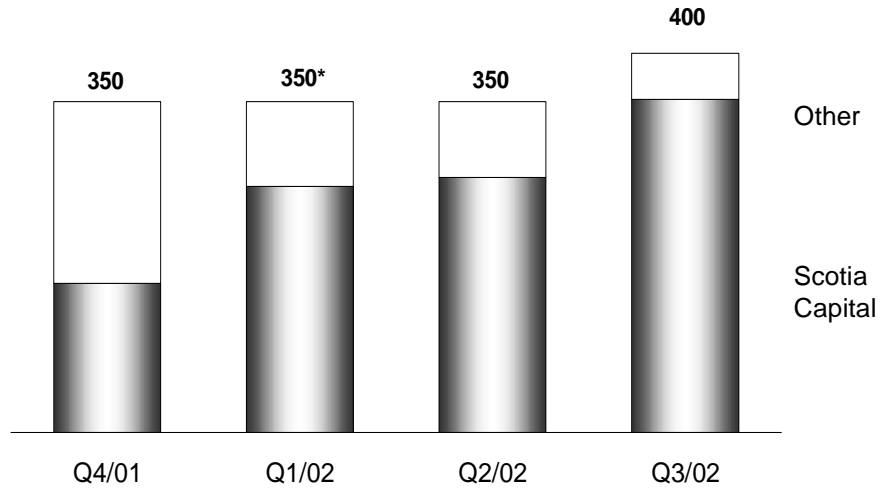


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## High levels of provisioning – mainly in Scotia Capital U.S.

Specific Provisions, \$ millions



\*excluding Argentina

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## Cable & telecom exposure

Loans & acceptances, \$ millions, July 31, 2002

Sector*	Investment Grade	Non-Investment Grade	Total
Cable operators	180	1,523	1,703
Regulated telephone	1,193	211	1,404
Unregulated telephone	42	387	429
Wireless	177	715	892
Long-haul fibre cable	-	108	108
CLECs	-	158	158
<b>Total</b>	<b>1,592</b>	<b>3,102</b>	<b>4,694</b>

**Impaired loans: gross \$756; net \$563**

\* no Paging exposure

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## Telecom – good coverage on higher-risk sectors

	Gross Loans & BAs (before write-offs)	Gross Impaired (before write-offs)		Write-offs, Provisions	Net Impaired	Reserve Coverage
	\$MM	\$MM	%	\$MM	\$MM	%
Unregulated telephone	540	181	33%	111	70	61%
Wireless	909	21	2%	17	4	81%
Long-haul fibre cable	320	266	83%	212	54	80%
CLECs	310	208	67%	152	56	73%
<b>Total</b>	<b>2,079</b>	<b>676</b>	<b>32%</b>	<b>492</b>	<b>184</b>	<b>73%</b>

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## Power & energy trading exposure

Loans & acceptances, \$ millions, July 31, 2002

Sector	Investment Grade	Non-Investment Grade	Total
Regulated Utilities	757	330	1,087
Independent Power Projects with PPAs*	343	376	719
Other Power Projects	320	878	1,198
Diversified Generation	206	696	902
<b>Total</b>	<b>1,626</b>	<b>2,280</b>	<b>3,906</b>

**Impaired loans: gross \$118; net \$85**

\* Power Purchase Agreements

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## Brazil exposure – limited to government bonds and trade finance

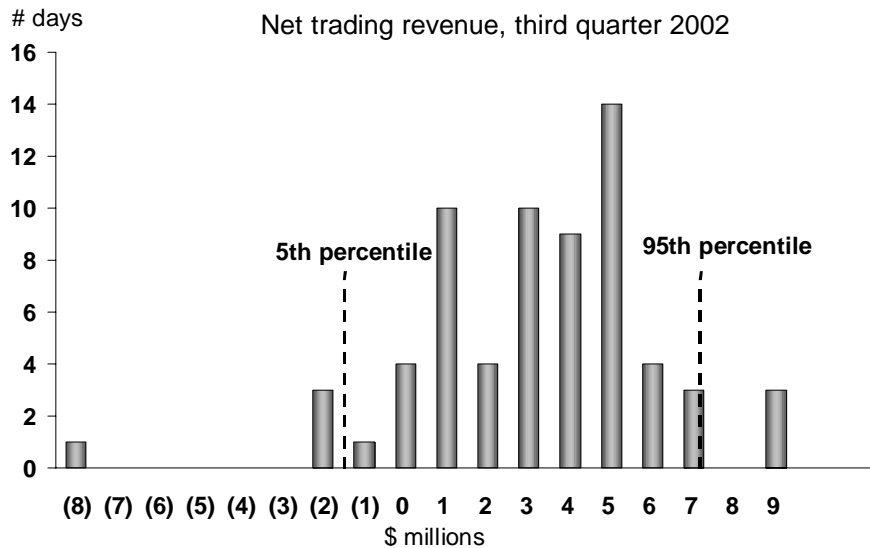
cross-border exposure, US\$ millions

	<u>Q3/02</u>	<u>Q2/02</u>
Government Bonds	323	323
Trade Finance	410	415
Corporate loans	29	34
<b>Total</b>	<b>762</b>	<b>772</b>

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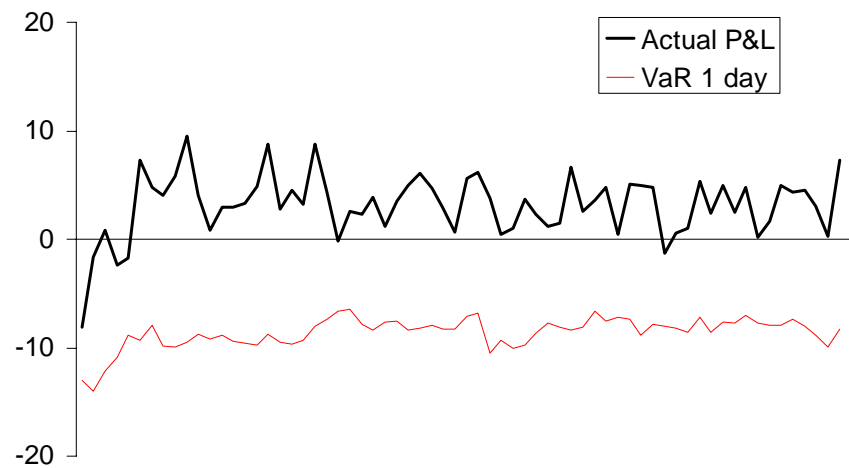
## Low variability of trading revenue...



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## ...reflecting moderate market risk

\$ millions, May 1, 2002 to July 31, 2002



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## Risk management summary

- **Credit quality**
  - strong credit quality in Domestic Retail
  - stable portfolios: Domestic Commercial and International (ex. Argentina)
- **Managing Scotia Capital U.S. closely**
- **U.S credit conditions** to remain **challenging** in the fourth quarter

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## Outlook

Peter Godsoe  
Chairman & C.E.O.

## Outlook

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- **Business outlook somewhat uncertain**
  - economic momentum in most markets remains positive
- **Managing credit portfolios remains the priority**
- **Expect to meet performance targets (ex. Argentina)**
  - EPS: 7-12%
  - ROE: 15-17%

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