



**Investor Presentation
October 31, 2002**

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Overview of 2002 Results

Peter Godsoe
Chairman & C.E.O.

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2002 – performance highlights

Q4/02

- Diluted **EPS**: \$1.09 – up 4% vs. Q4/01
- **ROE**: 16.5% vs. 17.0% in Q4/01
- Deconsolidated **Quilmes** (Argentina): nil net income impact
- **Provision for credit losses**: \$429mm vs. \$350mm in Q4/01

2002

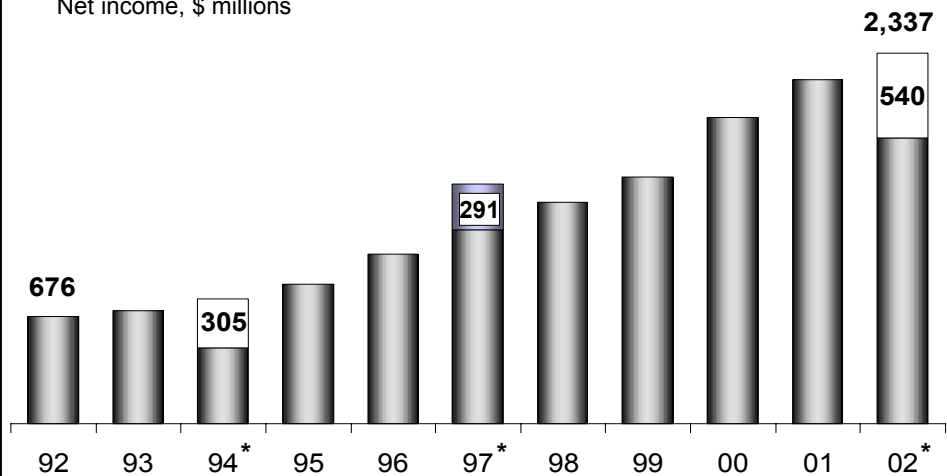
	<u>Reported</u>	<u>Ex. Argentina</u>
▪ Net income	\$1,797mm	\$2,337mm
> EPS	\$3.30	\$4.35
> ROE	13.0%	16.6%
▪ Excellent capital ratios		
> Tier 1: 9.9%; TCE: 8.3%		

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Consistent earnings growth

Net income, \$ millions



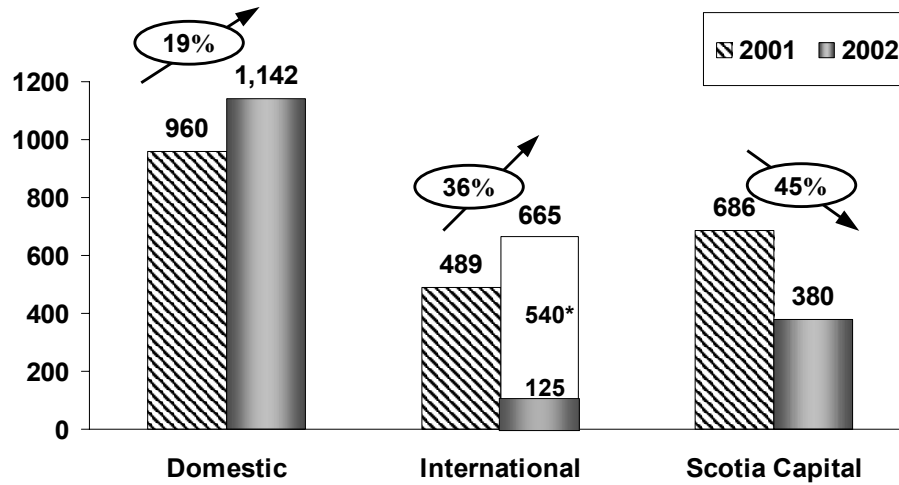
* 1994/1997 include unusual charges/credits; 2002 includes charges related to Argentina

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Domestic & International – solid results, challenges in Scotia Capital: U.S.

Net income, \$ millions



* charges related to Argentina

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Met or exceeded performance targets

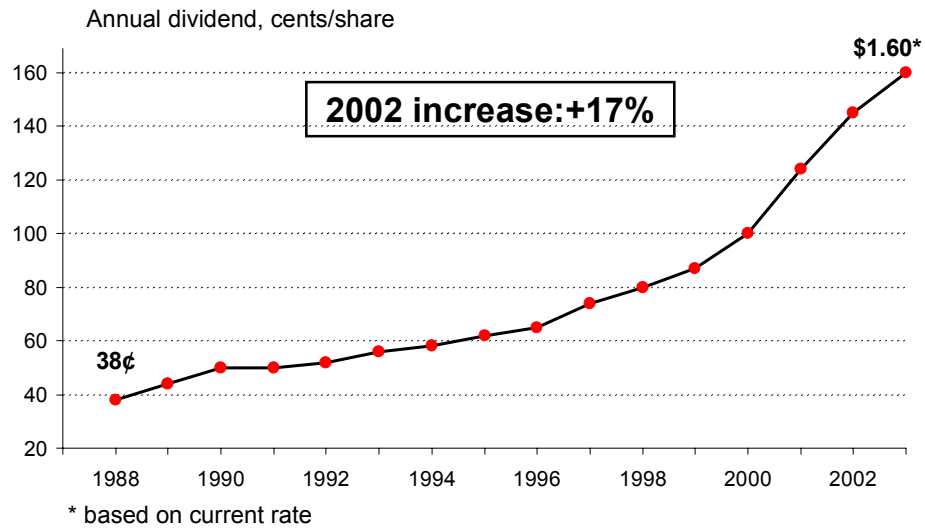
	<u>Q4/02</u>	<u>2002</u>		<u>Target</u>
ROE	16.5%	16.6%*	vs.	15-17%
EPS Growth	3.8%	7.4%*	vs.	7-12%
Productivity	57.4%	54.9%	vs.	<58%
Tier 1	9.9%	9.9%	vs.	8%+

* excluding Q1/02 charges relating to Argentina

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Consistent record of dividend growth – another increase this quarter



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Performance Review

Sabi Marwah
Senior Executive Vice-President &
Chief Financial Officer

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Large items in Q4/02

	Pre-tax (\$mm)	After-tax (\$mm)	EPS (\$) Impact
Gain on sale of merchant acquirer business	99	80	0.16
Investment tax credits			
- expenses: \$66mm			
- other income: \$4mm	70	40	0.08
Additional provisions – U.S. corporate	(125)	(77)	(0.15)

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Argentina: nil net income impact in Q4/02

\$ millions	Q4/02	Q1/02	2002
Provision for credit losses	46	(500)	(454)
Other income			
- Forex translation	4	-	4
- Loss on investment securities	-	(20)	(20)
- Other	-	(87)	(87)
Non-interest expenses			
- Loss on disposal of subsidiary operations	(237)	-	(237)
Net income before taxes	(187)	(607)	(794)
Income tax recovery	187	67	254
Net income	-	(540)	(540)

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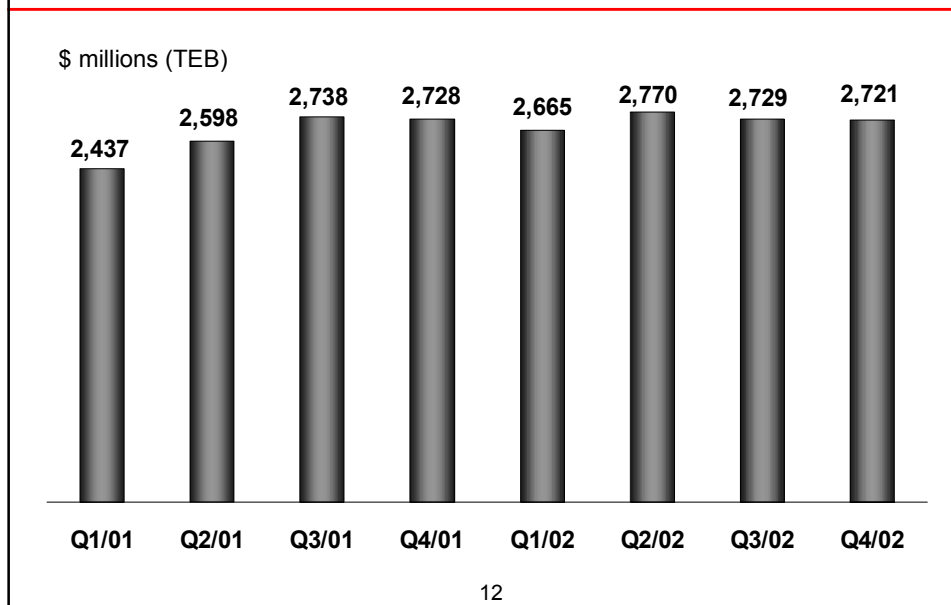
Taxes

<u>Q1/02</u>				<u>Q4/02</u>		
NIBT (\$mm)	Taxes (\$mm)	Rate		NIBT (\$mm)	Taxes (\$mm)	Rate
241	146	61%	Reported	662	7	1%
607	67		Argentina charges (see slide #10)	187	187	
-	-		Gain on sale of merchant acquirer business	(99)	(19)	
848	213	25%	Underlying	750	175	23%

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Revenues maintained in a difficult year



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Margins down slightly

Q4/02	Change vs. Q3/02		2002	Change vs. 2001
2.28%	(5) bps	Net interest margin	2.34%	(3) bps
		Due to:		
	(1)	Canadian \$ spreads		(2)
	(5)	Foreign currency margins		2
	1	Other		(3)

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Higher underlying other income

\$ millions

Q4/02	Q4/01	change		2002	2001	change
1,019	989	3.0%	Reported	3,942	4,071	(3.2)%
			Less:			
(16)	28		- Security gains	179	217	
99	65		- Gains on sale of businesses	99	92	
4	53		- Quilmes/Argentina charges	(33)	190	
77	84		- Inverlat	309	225	
855	759	12.6%	Underlying	3,388	3,347	1.2%

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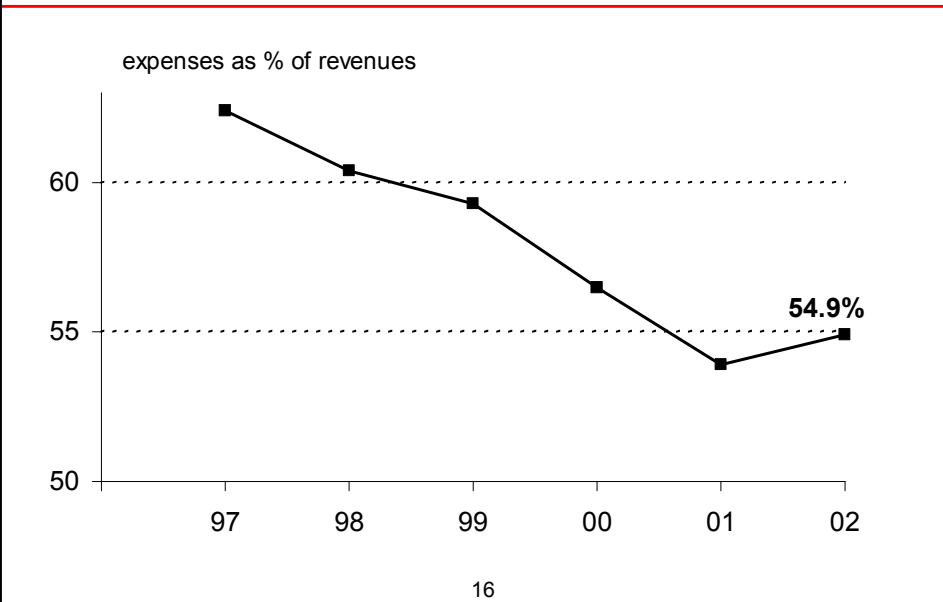


Tight control of expenses

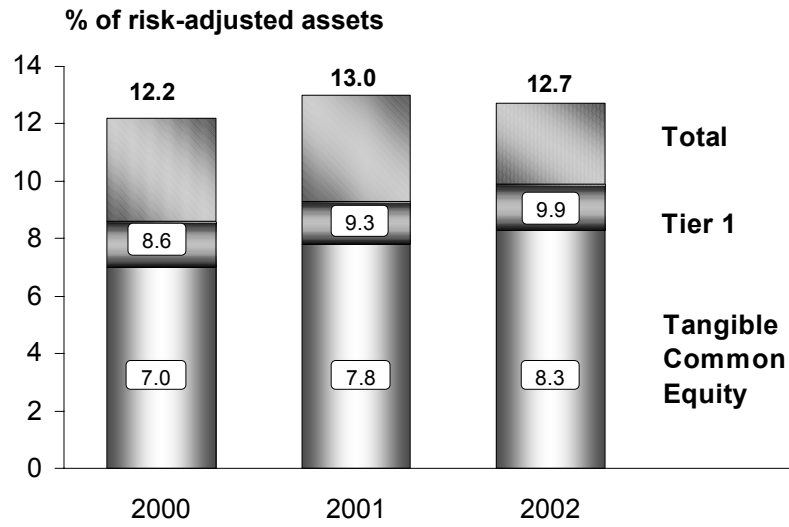
Q4/02 vs. Q4/01			2002 vs. 2001		
\$MM	%		\$MM	%	
72	4.8%	Change in expenses	312	5.5%	
		Less:			
n/a	n/a	Inverlat (full-year impact)	293	5.2	
237	15.9	Loss on disposal of Quilmes	237	4.2	
(70)	(4.7)	Lower Quilmes expenses	(158)	(2.8)	
(57)	(3.8)	Performance-based compensation	(12)	(0.2)	
(66)	(4.4)	Expense recoveries/tax settlement	(66)	(1.2)	
28	1.8%	Change in base expenses	18	0.3%	



Continued productivity leadership



Excellent capital ratios

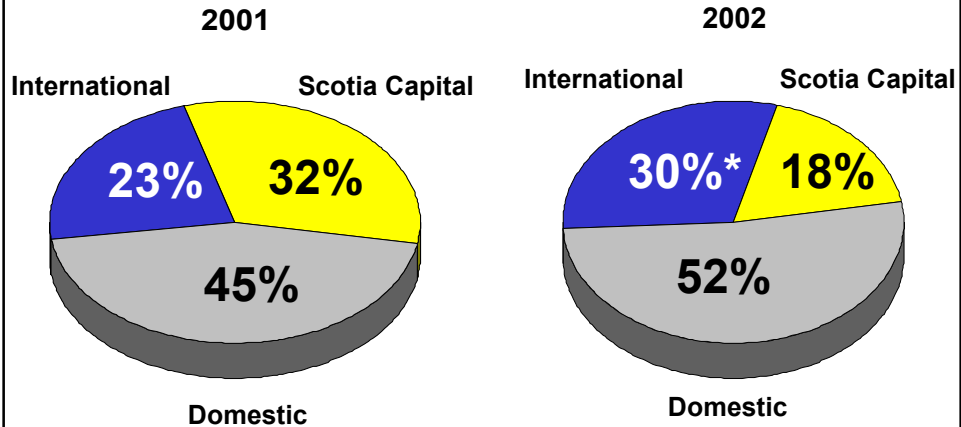


Business Line Results



Strength in diversification

% of net income, excluding Other

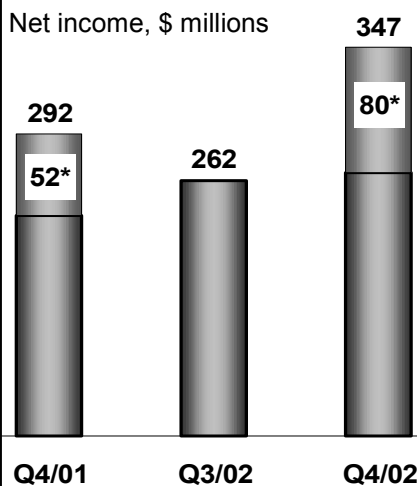


* excluding charges related to Argentina



Domestic – steady upward performance

Net income, \$ millions



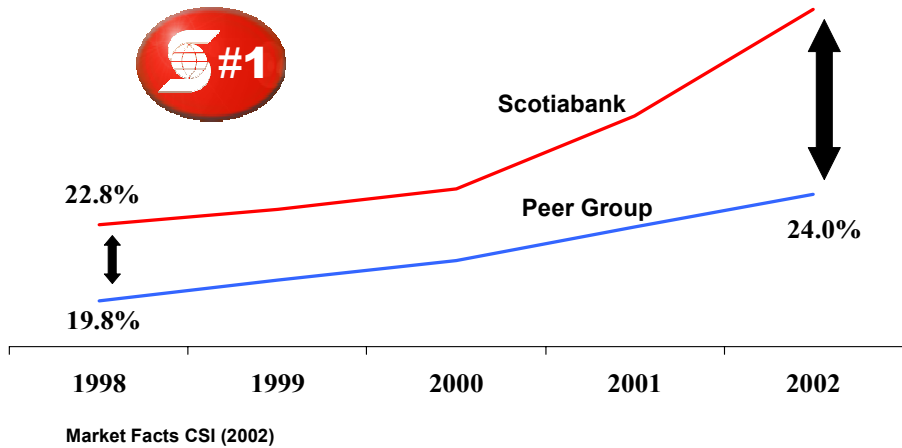
- **Reported net income up 19% year-over-year**
 - +11% excluding gains
- **Strong retail asset growth**
 - retail residential mortgages up 9%
 - revolving credit up 20%
 - higher market share
- **Industry-leading retail credit quality**
 - annual provision 20 bps
- **#1 in customer service**

• after-tax gains on sale of merchant acquirer business in Q4/02 and corporate trust in Q4/01



Continued superior customer service

Customer Satisfaction – % Excellent vs. Peer Group

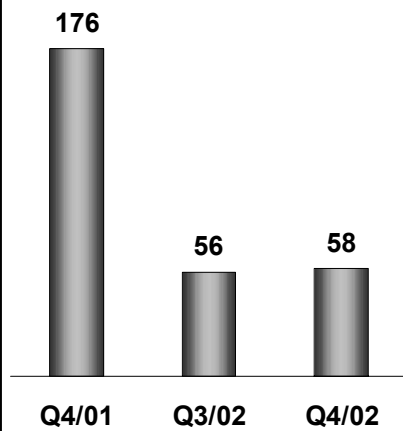


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Scotia Capital

Net income, \$ millions



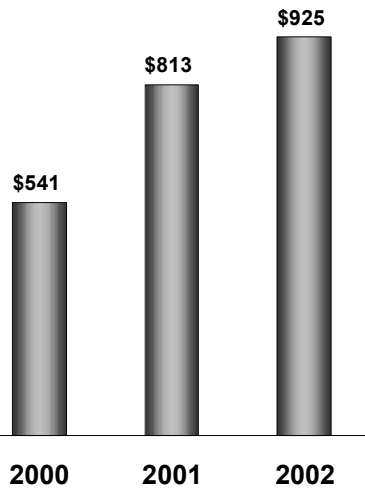
- **Two well-performing business units**
 - Global Trading
 - Canadian Capital Structuring
- **Revenues maintained year-over-year**
 - net interest income down 18%
 - other income up 32%
- **Challenges in U.S. lending**
 - provisions up significantly from Q4/01
- **Expenses well controlled**
 - down 6% year-over-year

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Strong performance in Global Trading

Revenue, \$ millions



- **Revenues: +14% in 2002**
 - seven years of continued growth
- **Strong performance in derivatives**
 - +33% year-over-year
- **#1 Canadian Dollar Bank by *Asia EuroMoney***

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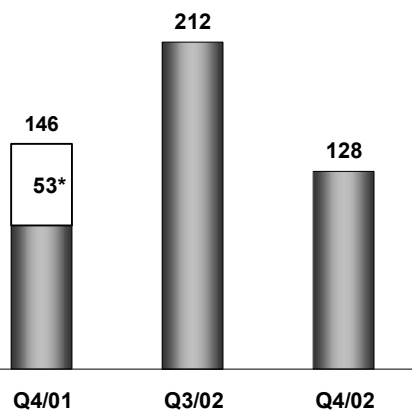
Scotia Capital: U.S. repositioning

- **Exit relationships that fall below threshold ROEE**
- **Disciplined proactive approach to lending**
 - reduce single name exposures
 - reduce industry limits
 - reduce overall level of capital
- **Increase business/deepen relationships with clients that offer an acceptable ROEE**
 - grow non-credit revenues

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International

Net income, \$ millions



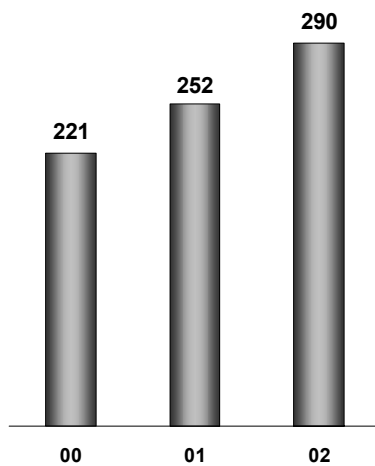
- **Caribbean**
 - net income: +7% vs. Q4/01
- **Latin America**
 - solid contribution from Inverlat
 - lower PDI revenues vs. Q3
- **Asia**
 - higher credit losses vs. Q3

* after-tax charges related to Argentina

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Caribbean – another record year

Net income, \$ millions



- **Excellent earnings growth**
 - +15% year-over-year
- **Strong asset & deposit growth**
 - assets: +11%
 - deposits: +7%
- **Higher revenue: +7%**
 - 15% increase in transaction revenues
- **Good credit quality**
 - credit losses down 14%

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Scotiabank Inverlat – solid progress

- **Growing retail business**
 - 30% automobile and mortgage loans in 2002
- **Very good penetration of commercial & corporate market**
 - loans up 16% year-over-year
- **Increased market share**
 - loans: +70 bps to 5.9%
 - deposits: +150 bps to 6.1%
- **Record use of alternative delivery channels in 2002**
 - 2.7 million visits to Inverweb and 6.5 million calls



VOLKSWAGEN



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U.S. GAAP reconciliation

\$ millions

	<u>2002</u> <u>Net income</u>		<u>2002</u> <u>Common equity</u>
Canadian GAAP	1,797	Canadian GAAP	13,502
- FAS 133	(223)	- retained earnings adj.	(390)
- Available-for-sale securities	(164)	- accumulated OCI*	428
- Quilmes goodwill	(76)		
- other	(60)		
U.S. GAAP	1,274	U.S. GAAP	13,540

* other comprehensive income

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Risk Review

John Crean
Senior Executive Vice-President
Global Risk Management

Risk overview

- **Net impaired loans: \$620mm**
 - down \$399mm from Q3/02
 - Argentina: (\$243mm)
 - Other: (\$156mm)
- **Continued credit challenges in U.S.**
 - particularly power sector
- **Maintained high provisioning level in Q4/02**
 - \$475mm (ex. Argentina) vs. \$400mm in Q3/02



Decrease in net impaired loans

\$ millions

	<u>U.S.</u>	<u>Other</u>	<u>Argentina</u>	<u>General Provision</u>	<u>Total</u>
Q3/02	1,271	955	268	(1,475)	1,019
Net formations	311	72	(75)	-	308
Deconsolidation of Quilmes	-	-	(223)	-	(223)
Provisions	(326)	(149)	46	-	(429)
Other	(31)	(33)	9	-	(55)
Q4/02	1,225	845	25	(1,475)	620
Decrease	(46)	(110)	(243)	-	(399)

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Aggressive provisioning

Specific provisions, \$ millions

<u>Q4/02</u>		<u>2002</u>	<u>2001</u>
71	Domestic	282	283
46	International	69	200
	Scotia Capital:		
326	- U.S.	1,131	671
40	- Other	116	83
(8)	Other	(23)	(37)
475	Sub-total	1,575	1,200
(46)	Argentina	454	50
429	Total	2,029	1,250

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Cable & telecom exposure

Loans & acceptances, \$ millions						
Sector	Investment Grade		Non-Investment Grade		Total	
	Q4/02	Q3/02	Q4/02	Q3/02	Q4/02	Q3/02
Cable operators	223	180	1,666	1,523	1,889	1,703
Regulated telephone	1,112	1,193	249	211	1,361	1,404
Unregulated telephone	69	42	374	387	443	429
Wireless	167	177	782	715	949	892
Long-haul fibre cable	-	-	87	108	87	108
CLECs	-	-	93	158	93	158
Total	1,571	1,592	3,251	3,102	4,822	4,694

Gross Impaired Loans: \$690mm, Net \$529 mm

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Cable & telecom – coverage on higher-risk sectors

Oct. 31, 2002	Gross Loans & BAs	Gross Impaired		Write-offs, Provisions	Net Impaired	Reserve Coverage
Sector	(before write-offs)	(before write-offs)				
	\$MM	\$MM	%	\$MM	\$MM	%
Unregulated telephone	537	195	36%	135	60	69%
Wireless	949	107	11%	17	90	16%
Long-haul fibre cable	276	262	95%	210	52	80%
CLECs	231	172	74%	170	2	99%
Sub-total	1,993	736	37%	532	204	72%
Cable operators	1,920	404	21%	79	325	20%
Total	3,913	1,140	29%	611	529	54%

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Power & energy trading exposure

Loans & acceptances, \$ millions

Sector	Investment Grade		Non-Investment Grade		Total	
	Q4/02	Q3/02	Q4/02	Q3/02	Q4/02	Q3/02
Regulated Utilities	1,213	757	630	330	1,843	1,087
Diversified Generation	-	206	789	696	789	902
Independent Power Projects with PPAs	558	343	475	376	1,033	719
Other Power Projects	202	320	1,005	878	1,207	1,198
Total	1,973	1,626	2,899	2,280	4,872	3,906

Gross Impaired Loans: \$348mm, Net \$186 mm

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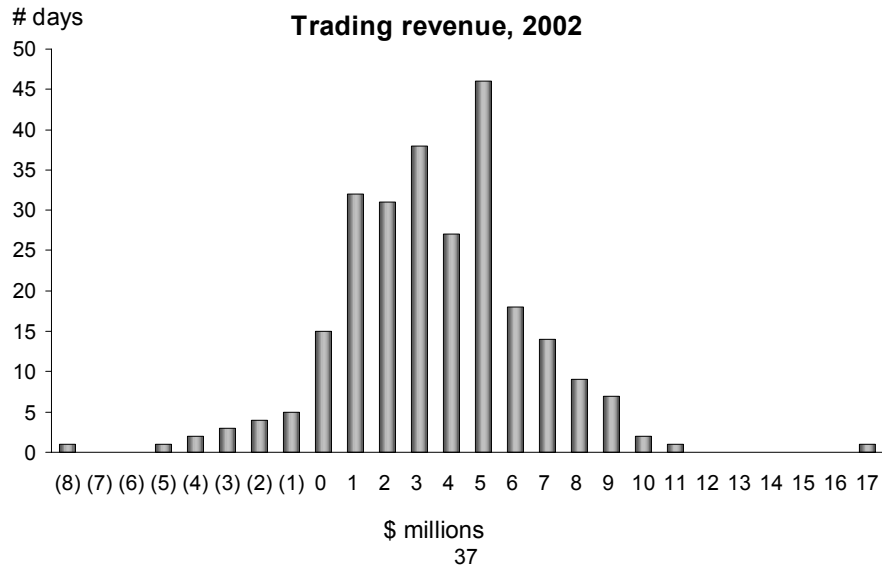
Power & energy trading – coverage

Oct. 31, 2002

Sector	Gross Loans & BAs	Gross Impaired		Write-offs, Provisions	Net Impaired	Reserve Coverage
	(before w/o)	(before w/o)	%			
	\$MM	\$MM	%	\$MM	\$MM	%
Regulated Utilities	1,843	3	-	1	2	33%
Diversified Generation	883	306	35%	182	124	59%
Independent Power Projects with PPAs	1,057	53	5%	44	9	83%
Other Power Projects	1,207	104	9%	53	51	51%
TOTAL	4,990	466	9%	280	186	60%

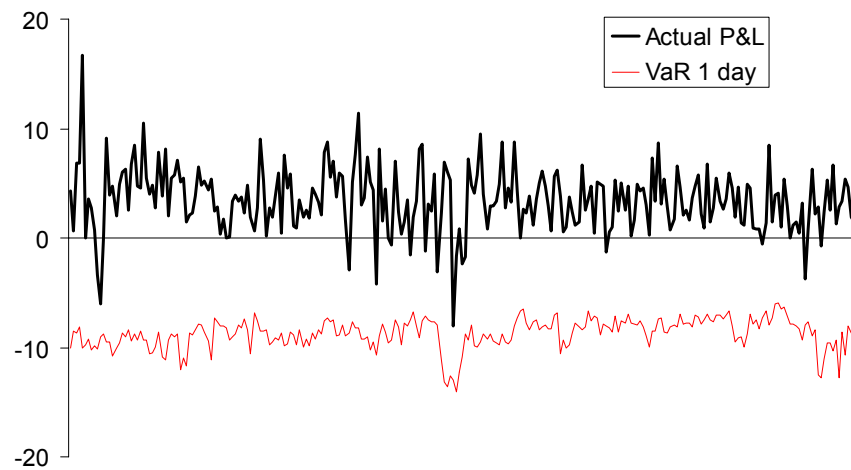
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Low variability of trading revenue...



...reflecting moderate market risk

\$ millions, November 1, 2001 to October 31, 2002



Risk summary

- **Credit quality**
 - Domestic retail - excellent
 - Domestic commercial - stable
 - International - stable
 - U.S. - continuing challenges

- **Steady provisioning at high levels**

- **Continued focus on U.S. credit quality in 2003**

Outlook

Peter Godsoe
Chairman & C.E.O.

Expect increased earnings in 2003

- **Economic outlook**
 - some positive signs - but still managing cautiously
- **Closely manage credit portfolios**
 - continued focus on U.S.
- **2003 targets**
 - EPS growth: 5-10% (excluding 2002 Argentina charges)
 - ROE: 15-18%
 - productivity ratio – below 58%
 - maintain strong capital ratios and credit ratings

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