



**Investor Presentation
January 31, 2003**

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First Quarter Overview

Peter Godsoe
Chairman & Chief Executive Officer

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Performance highlights

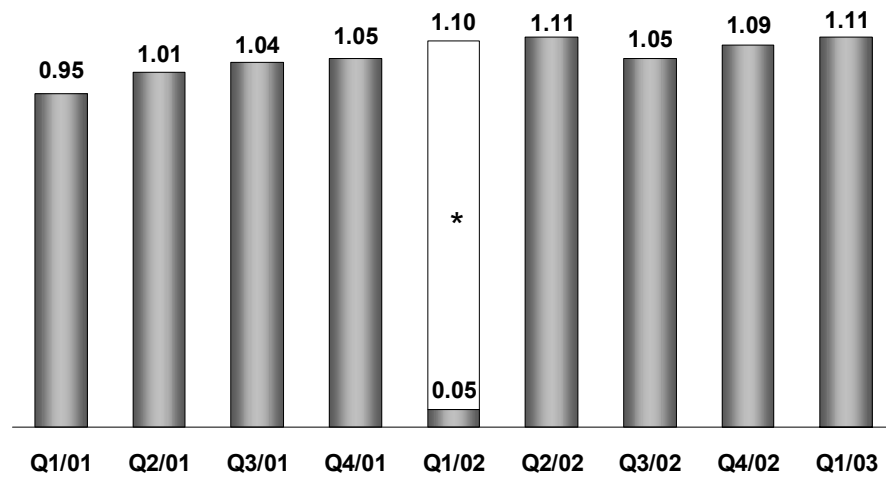
- **Consistent solid earnings**
 - EPS: \$1.11 vs. \$1.10 (ex. Argentina)
 - ROE: 16.6% vs. 17.3% (ex. Argentina)
- **Strength from diversified earnings base**
- **Some improvement in credit quality this quarter**
 - Net impaired loans: \$559 million, down \$61 million from Q4/02
 - Specific provisions: \$325 million, down \$150 million from Q4/02 (ex. Argentina)
- **Leading productivity ratio: 51.2% vs. 56.7% in Q1/02**
- **Excellent capital ratios**
 - Tier 1: 10.0%
 - Tangible Common Equity (TCE): 8.5%

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Consistent solid earnings in a challenging environment

EPS, \$



* charges relating to Argentina of \$1.05/share

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Good start - meeting most 2003 targets

| | <u>Q1/03</u> | | <u>Target</u> |
|---------------------|--------------|-----|----------------|
| ROE | 16.6% | vs. | 15-18% |
| EPS Growth* | 1% | vs. | 5-10% |
| Productivity | 51.2% | vs. | <58% |
| Tier 1 | 10.0% | vs. | 8%+ |

* excluding 2002 charges relating to Argentina

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Performance Review

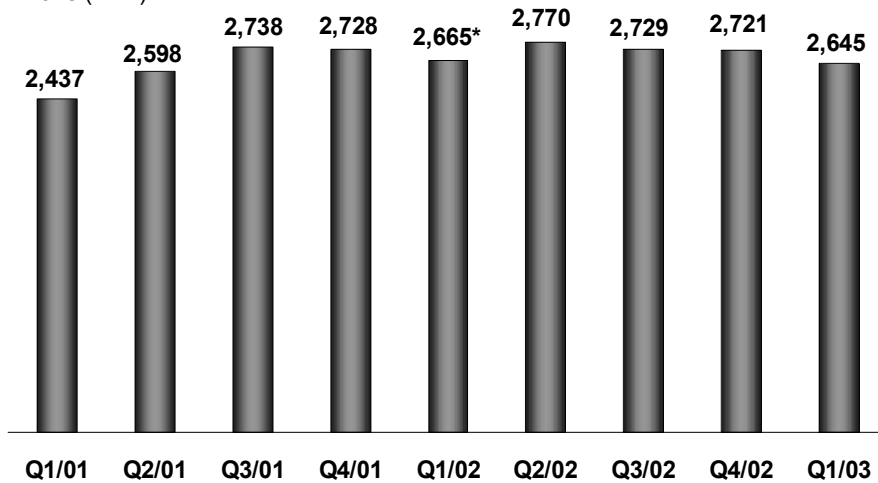
Sabi Marwah
Senior Executive Vice-President &
Chief Financial Officer

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Steady top-line revenue

\$ millions (TEB)



* including charges relating to Argentina of \$107 million

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Lower margins this quarter

| | Q1/03 | vs. Q4/02 | vs. Q1/02 |
|----------------------------|--------------|-----------------|-----------------|
| Net interest margin | 2.17% | (11) bps | (24) bps |
| Funding (N.A. & Europe) | | (3) | (13) |
| U.S. corporate | | - | (4) |
| Latin America | | (3) | (6) |
| Canadian margin | | (2) | 2 |
| Other | | (3) | (3) |
| | | (11) bps | (24) bps |

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Strong growth in other income

\$ millions

Change Q1/03 vs. Q4/02

Change Q1/03 vs. Q1/02

| <u>\$</u> | <u>%</u> | | <u>\$</u> | <u>%</u> |
|------------|-----------|--|------------|-----------|
| 15 | 2 | Reported | 165 | 19 |
| (122) | | Less: effect of sales of Argentine operations & merchant acquirer business | 43 | |
| 137 | 15 | Underlying | 122 | 13 |
| 66 | 73 | Trading revenue | 22 | 16 |
| 27 | 100+ | Investment securities gain | 3 | 38 |
| 13 | 33 | Foreign exchange & other | 5 | 10 |
| 12 | 12 | Underwriting fees & other | 19 | 20 |
| 19 | 3 | Other | 73 | 12 |

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Expenses well controlled

\$ millions

Change Q1/03 vs. Q4/02

Change Q1/03 vs. Q1/02

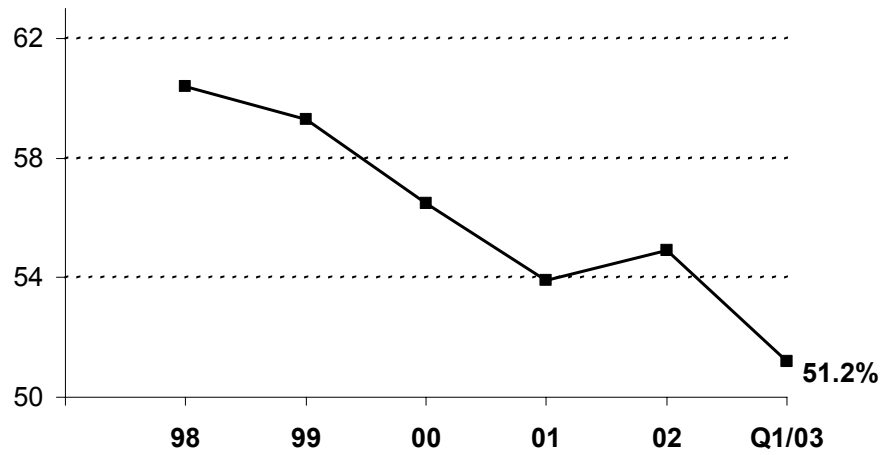
| <u>\$</u> | <u>%</u> | | <u>\$</u> | <u>%</u> |
|--------------|-------------|--|--------------|-------------|
| (207) | (13) | Reported | (157) | (10) |
| (252) | | Less: effect of sales of Argentine operations & merchant acquirer business | (75) | |
| 66 | | Expense recoveries/tax settlement | n/a | |
| (21) | (1) | | (82) | (6) |
| 45 | | Performance/stock-based compensation | (50) | |
| (66) | (5) | Base expenses | (32) | (3) |

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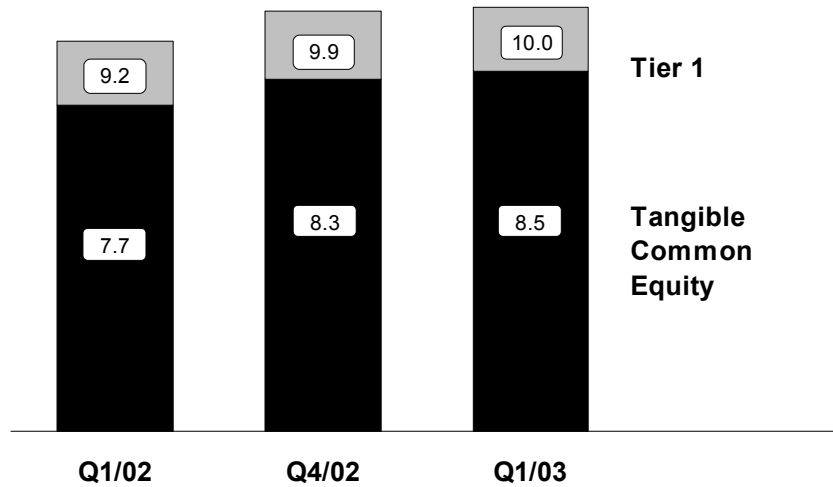
Continued productivity leadership

expenses as % of revenues

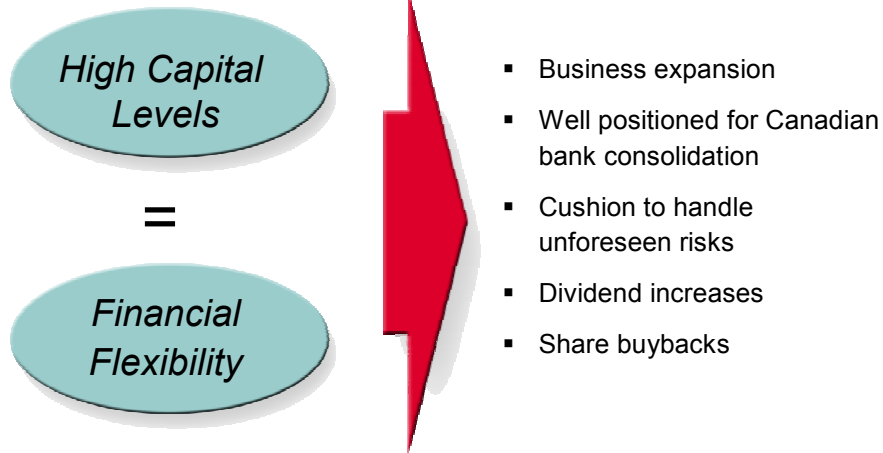


Excellent capital ratios – particularly Tangible Common Equity

% of risk-weighted assets



Strong capital provides flexibility



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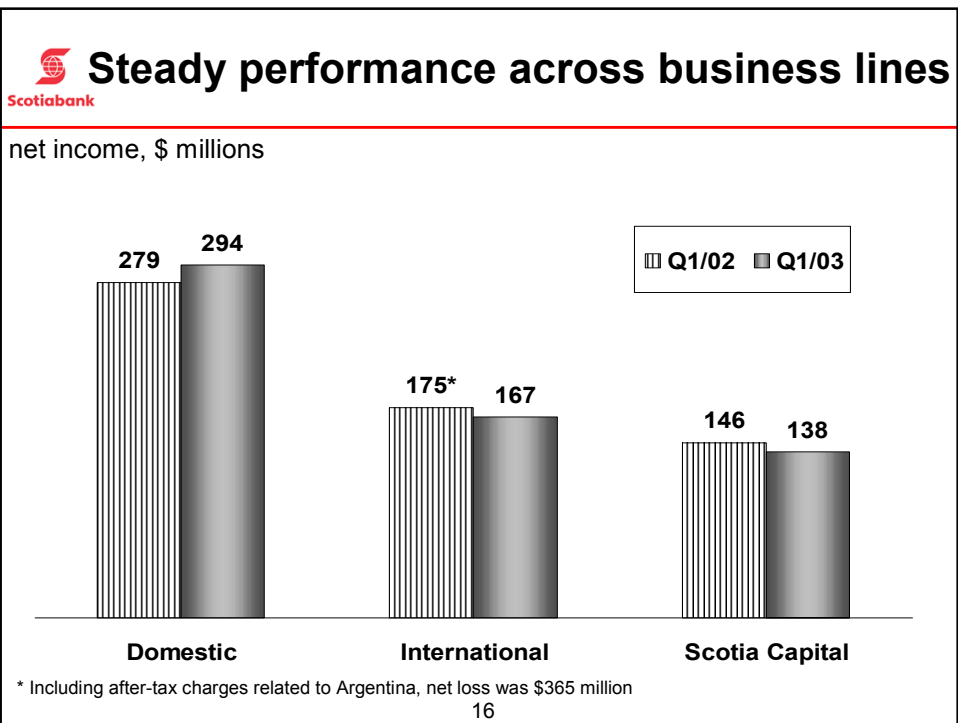
Significant improvement in securities' surplus

\$ millions

| | Q1/03 | Q4/02 |
|--------------------------------------|------------|-------------|
| Securities' Surplus (Deficit) | | |
| - Emerging Market Debt | 343 | 219 |
| - Fixed Income | 15 | (113) |
| - Equities | (114) | (131) |
| | 244 | (25) |

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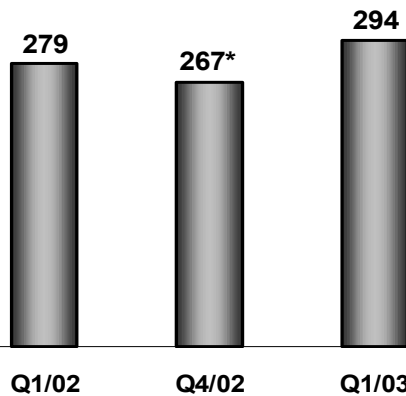
Business Line Results





Domestic – continuing strong performance

net income, \$ millions



- **Net income increase**
 - up 5% vs. Q1/02
 - up 10% vs. Q4/02
- **Good retail asset and core deposit growth**
 - residential mortgages up 11%
 - revolving credit up 20%
 - core deposits up 18%
- **Expenses well controlled**

* excludes \$80 million after-tax gain on sale of merchant acquirer business

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Leveraging strengths in retail lending

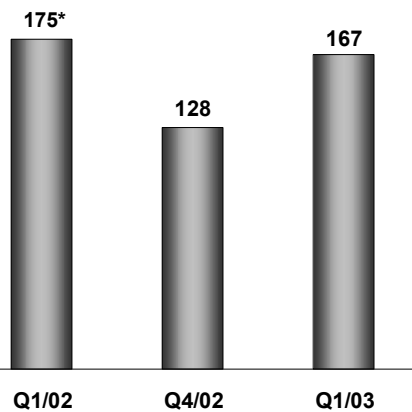
- **Unique bundled products**
- **Increased market share**
 - Mortgages: up 33 bps year-over-year
 - Personal lending: up 49 bps year-over-year
- **Risk profile - best of class**
 - Provision for credit losses: 23bps
- **High and increasing proportion of portfolio secured**
 - 55% of ScotiaLine and ScotiaLine VISA secured

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International – diversified earnings

net income, \$ millions



- **Caribbean**
 - net income: +11% vs. Q4/02
 - highly-rated customer service
 - broad based asset growth
- **Latin America**
 - Inverlat up 56% vs. Q1/02
 - improved results from Sud Americano in Chile
- **Asia**
 - assets up 12% vs. Q1/02

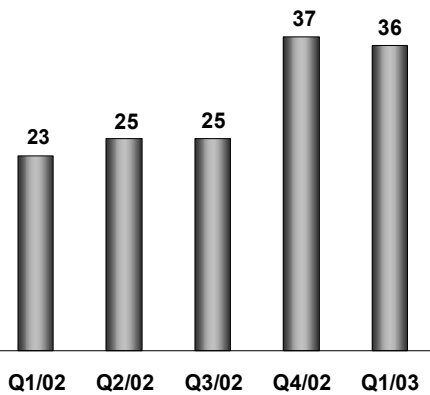
* Including after-tax charges related to Argentina, net loss was \$365 million

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Scotiabank Inverlat – rising contribution

net income, \$ millions



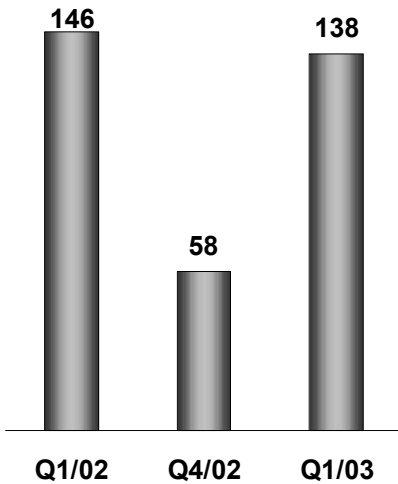
- **Strong loan growth**
 - personal up 38% year over year
 - corporate and commercial up 16% year-over-year
- **Increase core deposits**
 - market share up 140 bps to 6% over 15 months
- **Tied for #1 in customer service**
- **Negotiating with Mexican government to purchase remaining stake**

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Scotia Capital – improving results

net income, \$ millions



- **Lower provisions**
 - down \$36 million vs. Q1/02
 - down \$142 million vs. Q4/02
- **Record underwriting and advisory fees**
 - up 40% year-over-year
- **Lower expenses**
 - down 13% from Q1/02
 - down 8% from Q4/02
- **Narrower funding spreads**
- **U.S. repositioning underway**

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Risk Review

Warren Walker
Executive Vice-President
Global Credit Risk Management

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Credit risk overview

- **Net impaired loans down \$61 million vs. Q4/02**
 - some successful restructurings in U.S.
 - formations in Europe

- **Specific provisions: \$325 million**
 - down \$150 million from Q4/02 (ex. Argentina)

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Net formations by region

\$ millions, Q1/03

Scotia Capital

| | |
|----------|------|
| - Europe | 406 |
| - U.S. | (97) |
| - Canada | (32) |

Sub Total 277

Domestic 84

International 14

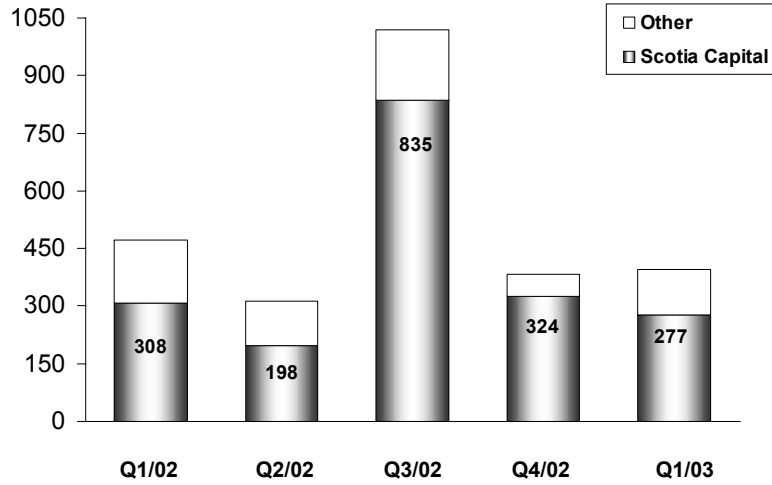
Total 375

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Trend in net formations

net formations, \$ millions
(ex. Argentina)

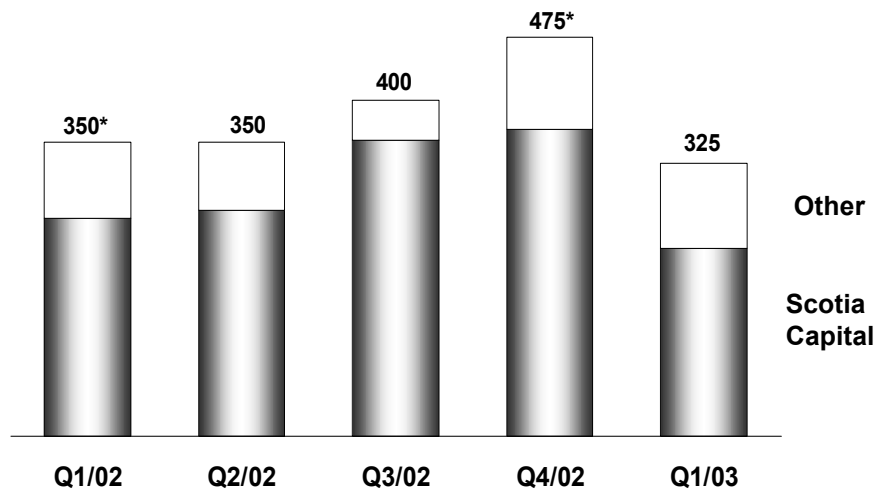


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Trend in specific provisions

specific provisions, \$ millions

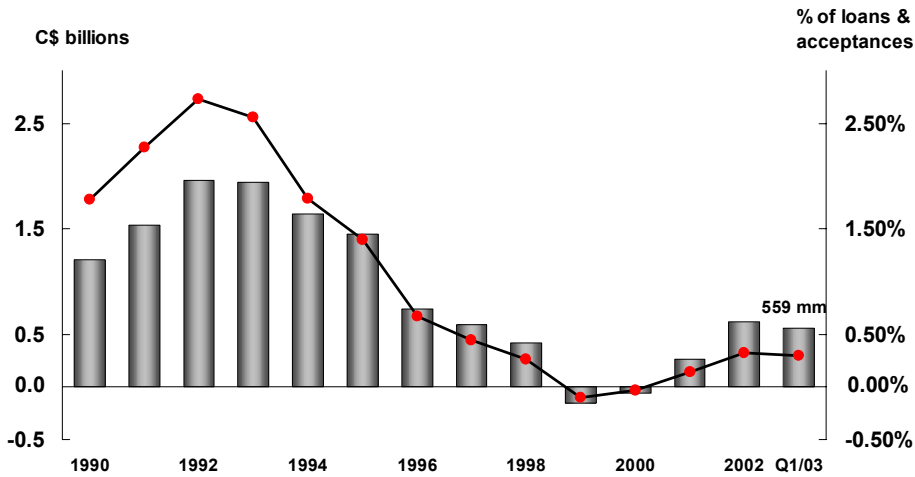


*excluding Argentina

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Slight decrease in net impaired loans this quarter



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Lower cable & telecom exposure

Loans & acceptances, \$ millions

| Sector | Investment Grade | | Non-Investment Grade | | Total | |
|-----------------------|------------------|--------------|----------------------|--------------|--------------|--------------|
| | Q1/03 | Q4/02 | Q1/03 | Q4/02 | Q1/03 | Q4/02 |
| Cable operators | 486 | 223 | 1,667 | 1,666 | 2,153 | 1,889 |
| Regulated telephone | 663 | 1,112 | 199 | 249 | 862 | 1,361 |
| Unregulated telephone | 66 | 69 | 338 | 374 | 404 | 443 |
| Wireless | 179 | 167 | 799 | 782 | 978 | 949 |
| Long-haul fibre cable | - | - | 79 | 87 | 79 | 87 |
| CLECs | - | - | 84 | 93 | 84 | 93 |
| Total | 1,394 | 1,571 | 3,166 | 3,251 | 4,560 | 4,822 |

| | | | |
|-------------------|--------------------|----------------------|----------------------------------|
| By region: | <u>U.S.</u> | <u>Canada</u> | <u>Europe & other</u> |
| | 53% | 10% | 37% |

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Cable & telecom – coverage

Jan. 31, 2003

| | Gross Loans & BAs (before write-offs) | | Gross Impaired (before write-offs) | | Write-offs, Provisions | Net Impaired | Reserve Coverage |
|-----------------------|--|--------------|---------------------------------------|------------|---------------------------|--------------|------------------|
| | \$MM | \$MM | % | \$MM | | | |
| | | | | | | | |
| Unregulated telephone | 508 | 202 | 40% | 151 | 51 | 75% | |
| Wireless | 978 | 123 | 13% | 24 | 99 | 20% | |
| Long-haul fibre cable | 214 | 185 | 86% | 155 | 30 | 84% | |
| CLECs | 183 | 121 | 66% | 121 | - | 100% | |
| Cable operators | 2,184 | 505 | 23% | 82 | 423 | 16% | |
| Sub total | 4,067 | 1,136 | 28% | 533 | 603 | 47% | |
| Regulated telephone | 862 | - | - | - | - | - | |
| Total | 4,929 | 1,136 | 23% | 533 | 603 | 47% | |

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Lower power & energy trading exposure

Loans & acceptances, \$ millions

| Sector | Investment Grade | | Non-Investment Grade | | Total | |
|---------------------------------------|------------------|--------------|----------------------|--------------|--------------|--------------|
| | Q1/03 | Q4/02 | Q1/03 | Q4/02 | Q1/03 | Q4/02 |
| | | | | | | |
| Regulated utilities | 751 | 1,213 | 641 | 630 | 1,392 | 1,843 |
| Diversified generation | 46 | - | 833 | 789 | 879 | 789 |
| Independent power projects with PPAs* | 557 | 558 | 379 | 475 | 936 | 1,033 |
| Other power projects | 184 | 202 | 1,025 | 1,005 | 1,209 | 1,207 |
| Total | 1,538 | 1,973 | 2,878 | 2,899 | 4,416 | 4,872 |

| | | | |
|-------------------|--------------------|----------------------|----------------------------------|
| By region: | <u>U.S.</u> | <u>Canada</u> | <u>Europe & other</u> |
| | 77% | 14% | 9% |

* Power Purchase Agreements

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Power & energy trading - coverage

Jan. 31, 2003

| | Gross Loans & BAs (before w/o) | Gross Impaired (before w/o) | | Write-offs, Provisions | Net Impaired | Reserve Coverage |
|---------------------------------------|-----------------------------------|--------------------------------|------------|---------------------------|--------------|------------------|
| | \$MM | \$MM | % | \$MM | \$MM | % |
| Diversified generation | 973 | 280 | 29% | 176 | 104 | 63% |
| Independent power projects with PPAs* | 959 | 160 | 17% | 78 | 82 | 49% |
| Other power projects | 1,209 | 102 | 8% | 53 | 49 | 52% |
| Sub total | 3,141 | 542 | 17% | 307 | 235 | 57% |
| Regulated utilities | 1,393 | 4 | 1% | 1 | 3 | 25% |
| Total | 4,534 | 546 | 12% | 308 | 238 | 56% |

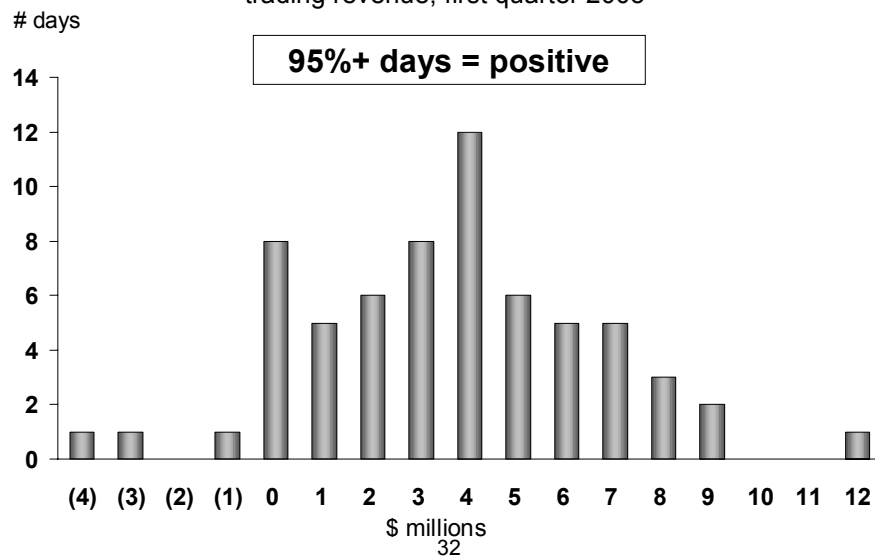
* Power Purchase Agreements

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Low variability of trading revenue...

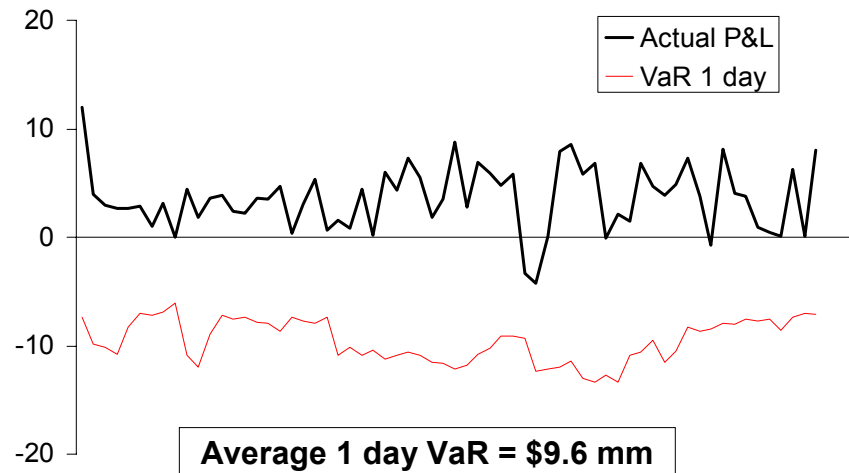
trading revenue, first quarter 2003



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...reflecting moderate market risk

\$ millions, November 1, 2002 to January 31, 2003



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Risk summary

- **Good credit quality in Domestic & International**
- **Closely monitoring Scotia Capital**
 - particularly the Power portfolio
- **Expect moderate decline in provisions in 2003**

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Outlook

Peter Godsoe
Chairman & C.E.O.

Outlook

- **Economic outlook somewhat uncertain**
- **Managing credit portfolios remains the priority**
- **Strength from earnings diversification and high capital levels**
- **Expect to meet 2003 performance targets**
 - EPS: 5-10%
 - ROE: 15-18%

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