



## **Investor Presentation Third Quarter, 2003**

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## **Third Quarter Overview**

Peter Godsoe  
Chairman & Chief Executive Officer

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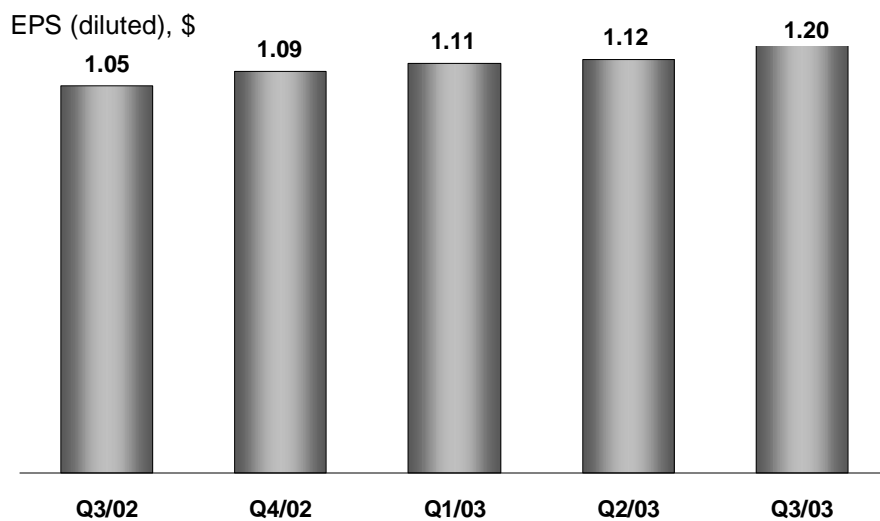
## Performance highlights

- **Strong growth in earnings**
  - EPS of \$1.20 – up 14% from Q3/02
  - ROE: 17.7% vs. 16.2%
- **Earnings well diversified across business lines**
- **Credit quality continues to stabilize**
  - Net impaired loans: \$317 million; down \$61 million from Q2/03
  - Specific provisions: \$200 million; down \$48 million from Q2/03
- **Stronger capital ratios**
  - Tier 1: 10.6%
  - Tangible Common Equity (TCE): 8.7%

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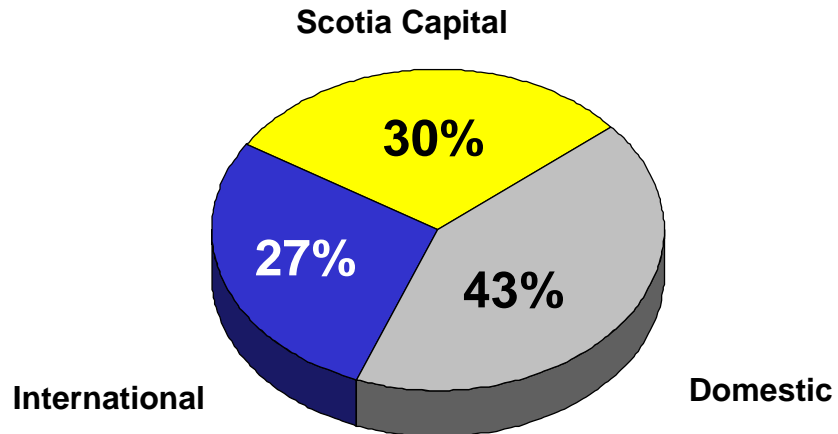


## Upward earnings trend



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## Earnings well diversified



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## On track to meet 2003 targets

	<u>Q3/03</u>	<u>YTD/03</u>		<u>Target</u>
<b>ROE</b>	17.7%	17.2%	vs.	15-18%
<b>EPS Growth*</b>	14%	5%	vs.	5-10%
<b>Productivity</b>	55.1%	54.0%	vs.	<58%
<b>Tier 1</b>	10.6%	10.6%	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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## Argentina – minimal impact

\$ millions

	<u>Pre-tax</u>	<u>After-tax</u>
Release of specific provisions	24	15
Write-down of bonds	(27)	(17)
	<b>(3)</b>	<b>(2)</b>

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## Margin up slightly from Q2

	Q3/03	vs. Q2/03	vs. Q3/02
<b>Net interest margin</b>	<b>2.28%</b>	<b>3 bps</b>	<b>(5) bps</b>
Funding (N.A. & Europe)		2	(5)
Other		1	-
		<b>3 bps</b>	<b>(5) bps</b>

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## Broad-based growth in other income

<u>Change Q3/03 vs. Q2/03</u>			<u>Change Q3/03 vs. Q3/02</u>	
\$	%	\$ millions	\$	%
<b>44</b>	<b>5</b>	<b>Reported</b>	<b>13</b>	<b>1</b>
26		Securities gains	77	
-		Effect of sales of Argentine operations & merchant acquirer business	30	
<b>70</b>	<b>8</b>	<b>Underlying</b>	<b>120</b>	<b>14</b>
18	10	Deposit, payment & cards	22	12
13	9	Investment, brokerage & trust	(7)	(4)
10	6	Credit fees	9	5
16	6	Investment banking	57	24
23	100+	Securitization revenue	8	23
(10)	(9)	Other	31	44

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## Expenses well controlled

\$ millions

**Change Q3/03 vs. Q2/03**

**Change Q3/03 vs. Q3/02**

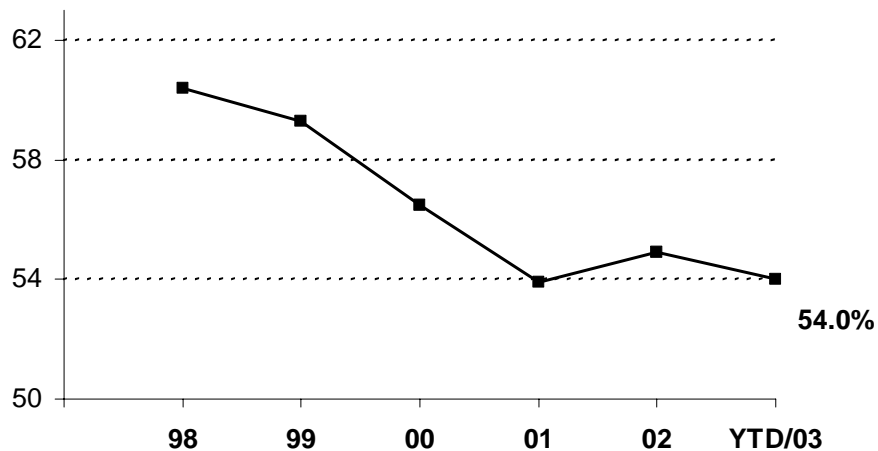
<u>\$</u>	<u>%</u>		<u>\$</u>	<u>%</u>
<b>24</b>	<b>2</b>	<b>Reported</b>	<b>58</b>	<b>4</b>
(31)		Settlement with Quilmes creditors	-	
-		Effect of sales of Argentine operations & merchant acquirer business	28	
<b>55</b>	<b>4</b>		<b>86</b>	<b>6</b>
40		Stock & performance-based compensation	85	
<b>15</b>	<b>1</b>	<b>Base expenses</b>	<b>1</b>	<b>-</b>

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## Continued productivity leadership

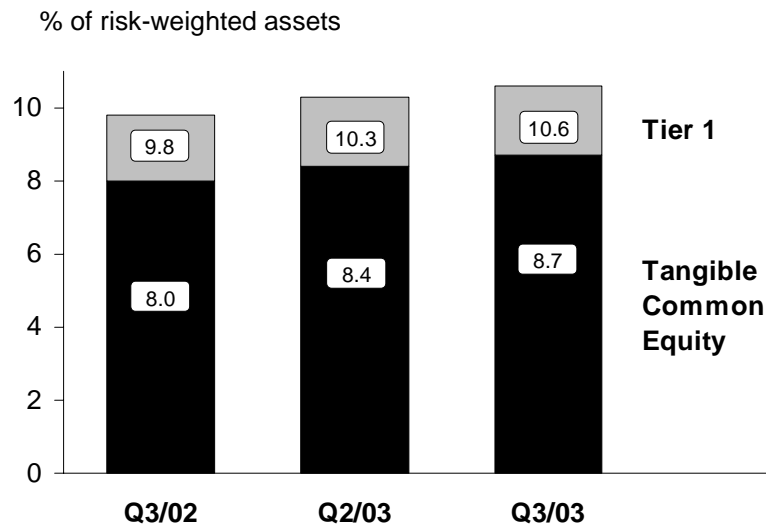
expenses as % of revenues



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## Stronger capital ratios



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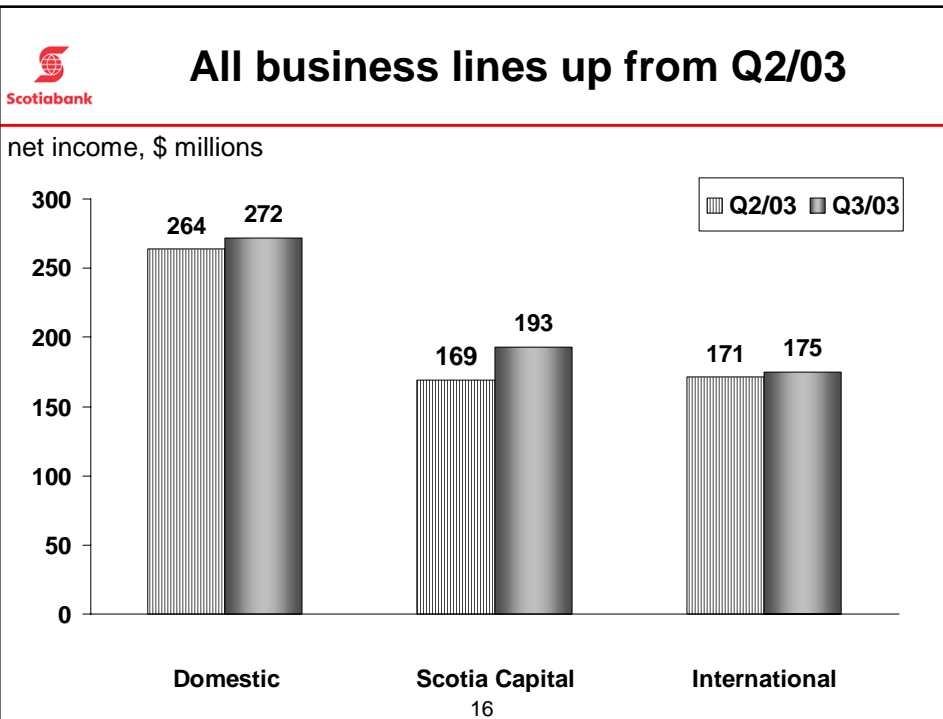
## Substantially higher securities surplus

\$ millions

	Q3/03	Q2/03	Q3/02
<b>Securities Surplus (Deficit)</b>			
- Emerging Market Debt	477	432	58
- Fixed Income	27	8	(18)
- Equities	155	(22)	(166)
	<b>659</b>	<b>418</b>	<b>(126)</b>

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## Business Line Results

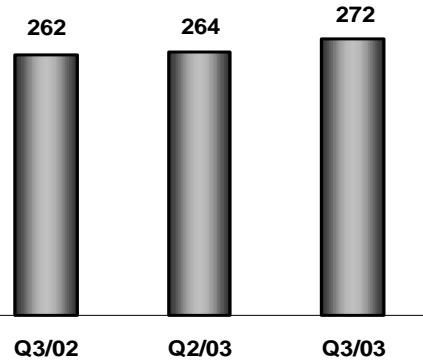






## Domestic – another good quarter

net income, \$ millions



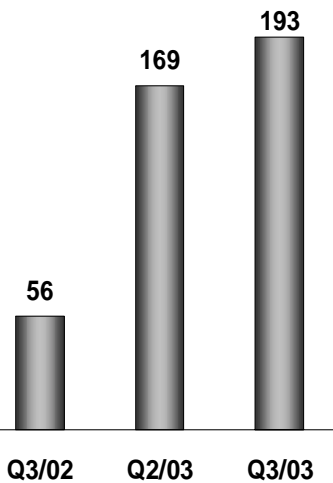
- **Continued strong growth in retail products yr/yr**
  - residential mortgages up 8%
  - revolving credit up 19%
  - core deposits up 13%
- **Some margin compression**
- **Very good credit quality**

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## Scotia Capital – near record earnings

net income, \$ millions



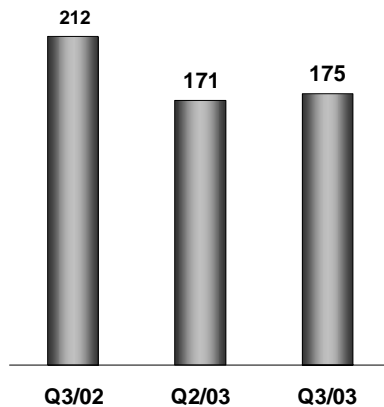
- **Credit quality stabilizing**
  - provisions down \$220 million yr/yr
  - provisions down \$39 million qtr/qtr
- **Non-interest revenue up 16% yr/yr**
  - record underwriting fees and foreign exchange
- **Narrower funding margins**
- **Lending assets down 23% yr/yr**

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## International – solid underlying earnings

net income, \$ millions



- **Q3 results impacted by stronger Canadian dollar**
- **Caribbean**
  - net income up 17% qtr/qtr
- **Latin America**
  - Inverlat – higher earnings
  - lower emerging market bond revenues
- **Asia**
  - lower net income yr/yr due to fluctuation in credit losses

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## Scotiabank Inverlat – increased contribution

- **Inverlat contribution up 80% vs. Q2/03**

- BNS share of earnings = 80%  
(equal to 91% ownership for 2 months)



- **Strong growth in assets & deposits yr/yr**

- retail loans up 37%
- commercial loans up 13%
- core deposits up 14%



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## Risk Review

Warren Walker  
Executive Vice-President  
Global Credit Risk Management

## Credit quality – continued improvement

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- **Lower net impaired loans: \$317 million**
  - down \$61 million from Q2/03
  - down \$702 million from Q3/02
- **Lower specific provisions: \$200 million**
  - down \$48 million from Q2/03
  - down \$200 million from Q3/02
- **U.S. portfolio continues to stabilize**
  - restructurings in Power sector largely completed



## Net impaired loan formations by business

\$ millions, Q3/03

### Scotia Capital

- Canada	(1)	
- U.S.	46	
- Europe/Asia	31	
		<hr/>
		76

### Domestic

67

### International

50

### Total

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193

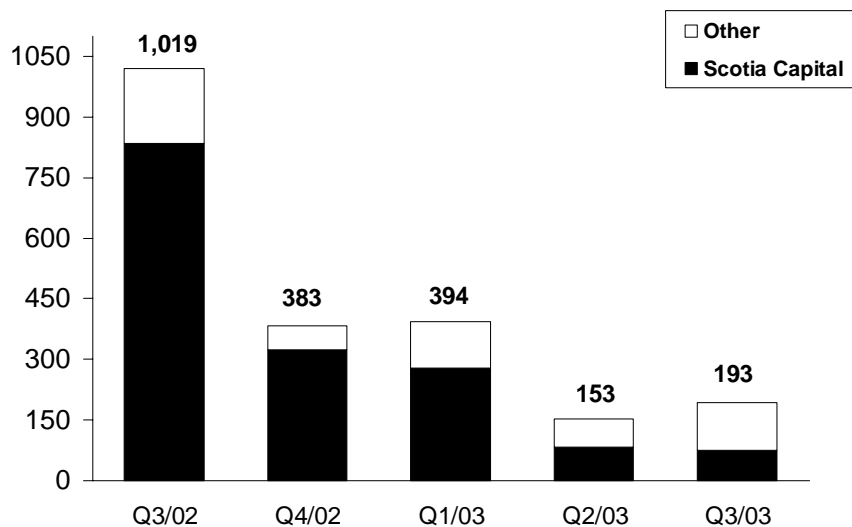
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## Net impaired loans trending down

net impaired loan formations, \$ millions

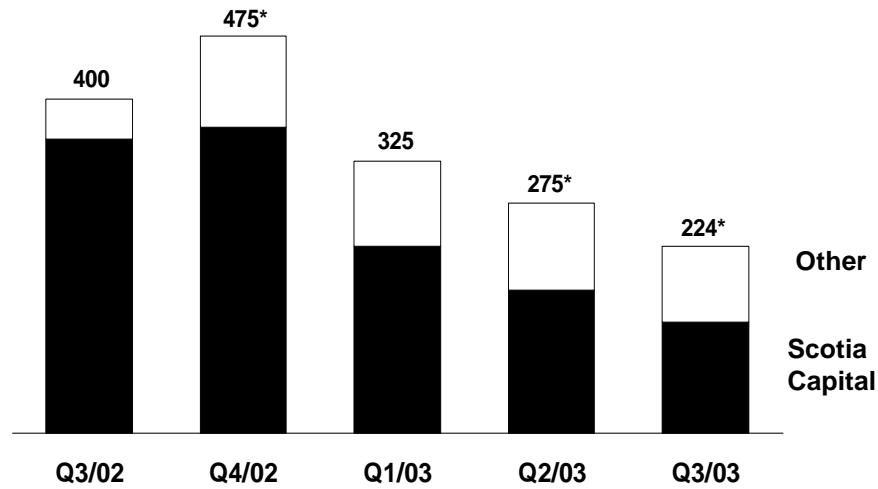


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## Decrease in specific provisions

specific provisions, \$ millions



\*excluding Argentina

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## Lower power & energy trading exposure

Loans & acceptances, C\$ millions

Sector	Investment Grade		Non-Investment Grade		Total	
	Q3/03	Q2/03	Q3/03	Q2/03	Q3/03	Q2/03
<b>Regulated Utilities</b>	551	665	565	630	1,116	1,295
<b>Diversified Generation</b>	24	-	585	777	609	777
<b>Independent Power Projects with PPAs*</b>	476	439	340	389	816	828
<b>Other Power Projects</b>	48	150	851	829	899	979
<b>Total</b>	<b>1,099</b>	<b>1,254</b>	<b>2,341</b>	<b>2,625</b>	<b>3,440</b>	<b>3,879</b>

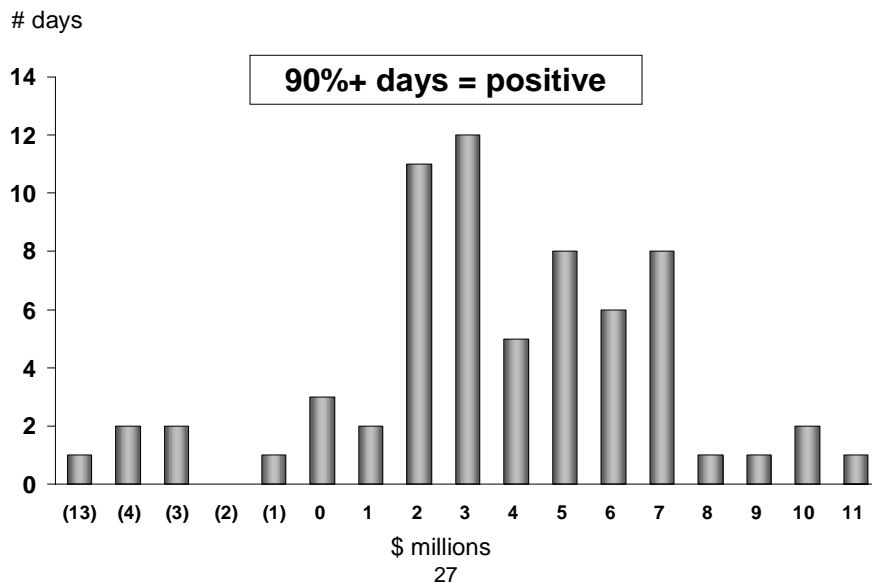
Impaired Loans: Gross \$291mm, Net \$141mm

\* Power Purchase Agreements

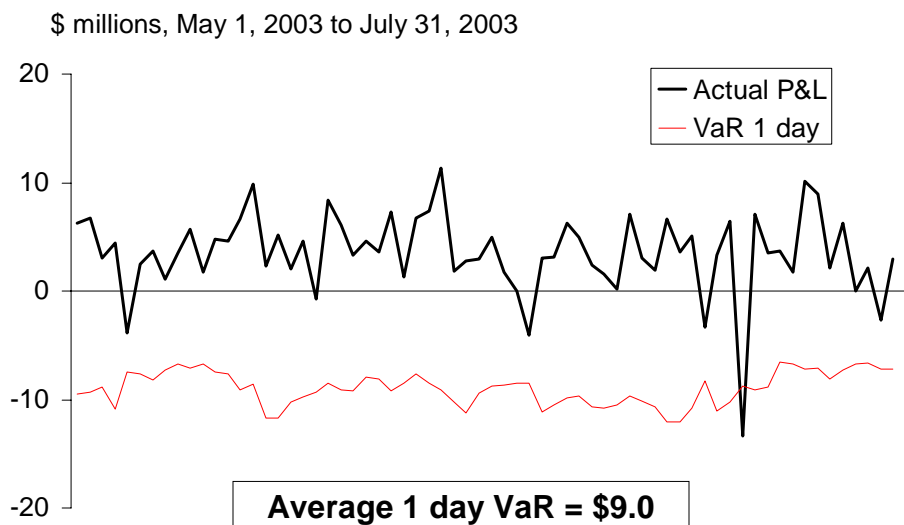
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## Consistent trading performance



## Modest market risk



## Risk summary

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- **Good credit quality in Domestic & International**
- **Scotia Capital: U.S. portfolio stabilizing**
- **Expect lower provisions in 2004**

## Outlook

Peter Godsoe  
Chairman & Chief Executive Officer

## Outlook

- **Positive trend in credit quality**
- **Strength from earnings diversification**
  - increased contribution from Inverlat
- **Strong capital provides flexibility**
  - business opportunities
  - dividend increases and stock buybacks
- **Firmly on track to meet 2003 performance targets**

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