



**Investor Presentation  
First Quarter, 2004**

**March 2, 2004**

1



**First Quarter Overview**

Rick Waugh  
President & Chief Executive Officer

2



## Performance highlights

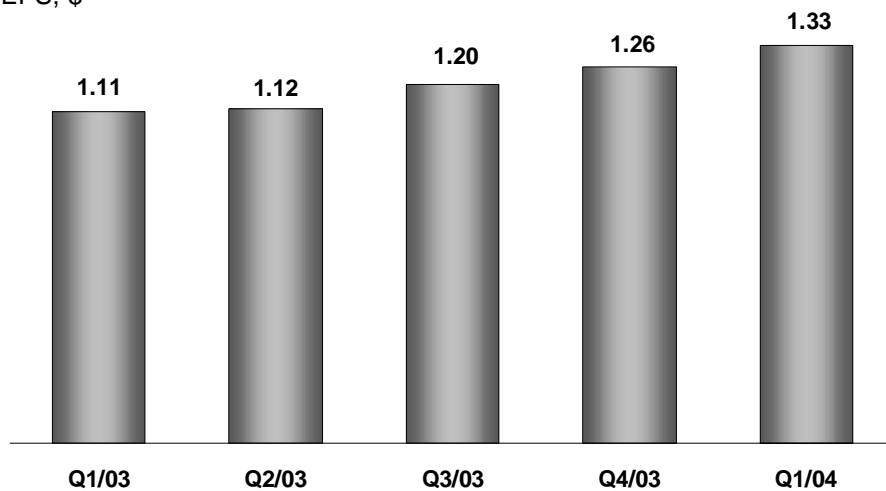
- **Record earnings**
  - EPS: \$1.33 vs. \$1.11
  - ROE: 19.4% vs. 16.6%
- **Good underlying revenue growth, excluding foreign exchange impact**
- **Improvement in credit quality**
  - Specific provisions: \$170 mm, down \$155 mm vs. Q1/03
- **Leading productivity ratio: 54.3% - lower expenses vs. Q4/03**
- **Strong capital ratios and reserves**
  - Tier 1: 10.9%
  - Tangible Common Equity (TCE): 9.2%
  - Unrealized Securities' Surplus: \$1.157 billion

3



## Continued upward trend in earnings

EPS, \$

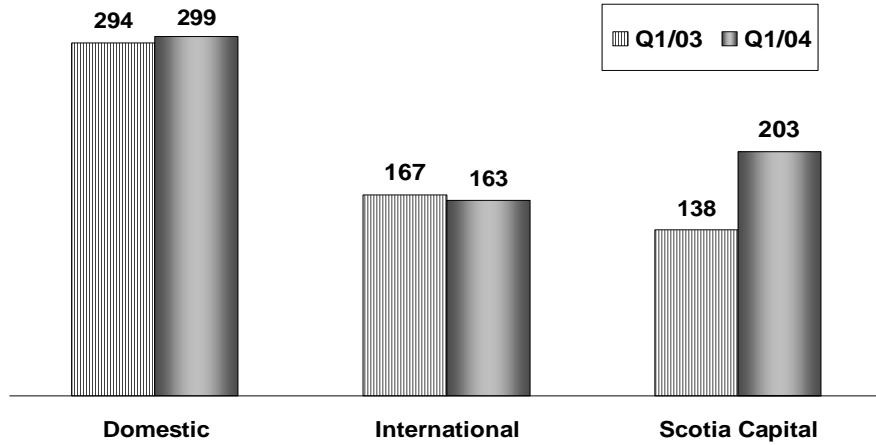


4



## Steady performance across business lines

net income, \$ millions



5



## Good start to 2004 - meeting targets

	<u>Q1/04</u>		<u>Target</u>
ROE	19.4%	vs.	16-19%
EPS Growth	20%	vs.	10-15%
Productivity	54.3%	vs.	<58%

6



## Performance Review

Sabi Marwah  
Senior Executive Vice-President &  
Chief Financial Officer

7



## Items in the quarter

\$ millions, after tax

**Q1/04 vs. Q4/03**

**Q1/04 vs. Q1/03**

24	Revaluation of tax assets	24
10	New CICA guideline (Section 1100)	10
(10)	Premium on preferreds	(1)
(16)	Stronger Canadian dollar	(95)
<b>8</b>	<b>Total</b>	<b>(62)</b>
<b>2c</b>	<b>EPS impact (cents)</b>	<b>(12c)</b>

8



## Results negatively impacted by stronger Canadian dollar

Foreign exchange impact, \$ millions

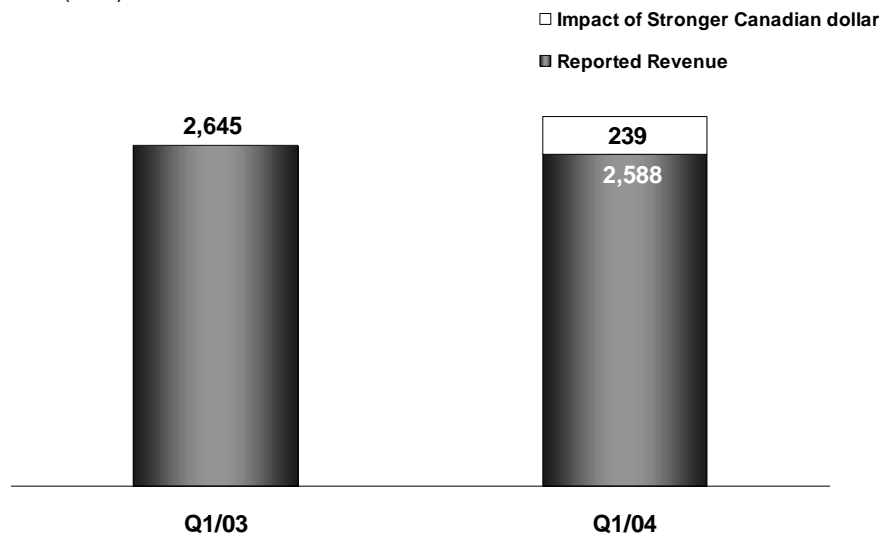
<u>Q1/04 vs. Q4/03</u>		<u>Q1/04 vs. Q1/03</u>
(29)	Net interest income	(143)
<u>(14)</u>	Other income	<u>(96)</u>
(43)	Total revenue	(239)
22	Expenses	106
<b>(16)</b>	<b>Net income</b>	<b>(95)</b>

9



## Underlying revenue growth - adjusting for impact of Canadian dollar

\$ millions (TEB)



10



## Compression in Canadian currency margin

	Q1/04	vs. Q4/03	vs. Q1/03
<b>Net interest margin</b>	<b>2.18%</b>	<b>(4) bps</b>	<b>1 bps</b>
Canadian currency (ex. AcG-13)		(4)	(8)
Global funding		1	6
Other		(1)	3
		<b>(4) bps</b>	<b>1 bps</b>

11



## Strong underlying growth in other income

\$ millions

<u>Change Q1/04 vs. Q4/03</u>			<u>Change Q1/04 vs. Q1/03</u>		
<u>\$</u>	<u>%</u>		<u>\$</u>	<u>%</u>	
<b>33</b>	<b>3</b>	<b>Reported</b>	<b>6</b>	<b>1</b>	
14		Impact of stronger Canadian dollar	96		
<b>47</b>	<b>5</b>	<b>Underlying</b>	<b>102</b>	<b>10</b>	
8		Investment securities' gain	62		
44		Trading revenue	24		
8		Retail brokerage	21		
7		Underwriting fees & other	9		
2		Securitization revenues	(23)		
(9)		Credit fees	(7)		
(13)		Other	16		

12



## Lower expenses versus Q4/03 Increase versus Q1/03 mitigated by foreign exchange translation

\$ millions

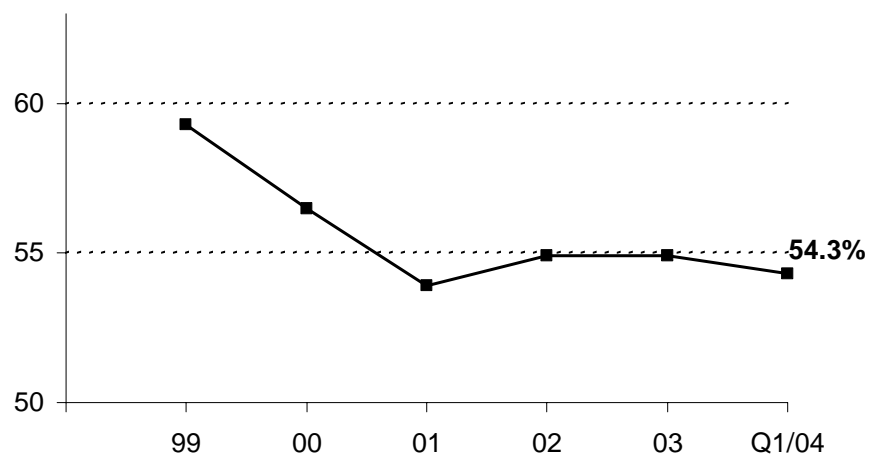
Change Q1/04 vs. Q4/03			Change Q1/04 vs. Q1/03	
\$	%		\$	%
<b>(88)</b>	<b>(6)</b>	<b>Reported</b>	<b>51</b>	<b>4</b>
22		Impact of stronger Canadian dollar	106	
<b>(66)</b>	<b>(4)</b>	<b>Underlying</b>	<b>157</b>	<b>12</b>
3		Performance/stock-based compensation	56	
18		Pension & employee future benefits	21	
(24)		Technology	19	
(29)		Severance costs	-	
(25)		Litigation	-	
(6)		Business growth - mortgage acquisition, Dominican Republic, business taxes	18	
-		Reclassification of card reward points	8	
(3)		Other	35	

13



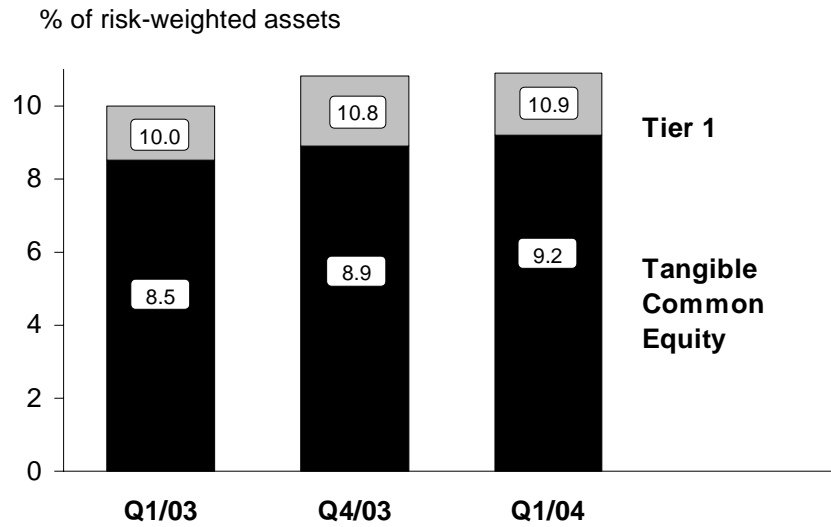
## Continued productivity leadership

expenses as % of revenues





## Strong capital ratios – particularly Tangible Common Equity



15



## Significant improvement in securities' surplus

\$ millions

	Q1/04	Q4/03	Q1/03
<b>Securities' Surplus (Deficit)</b>			
- Equities	536	164	(114)
- Emerging market debt	554	512	343
- Fixed income	67	27	15
	<b>1,157</b>	<b>703</b>	<b>244</b>

16

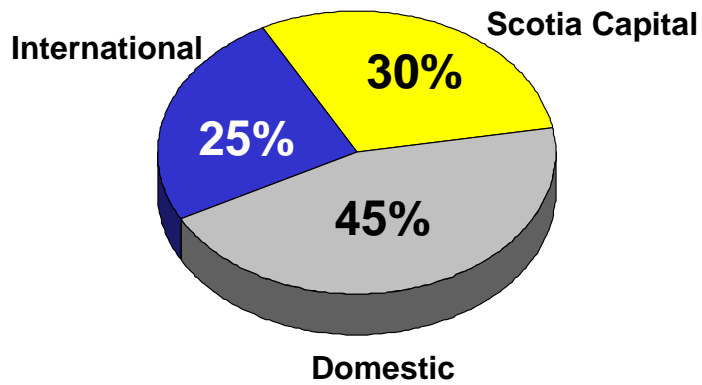


## Business Line Results

## Earnings well diversified across business lines

% of net income, excluding Other

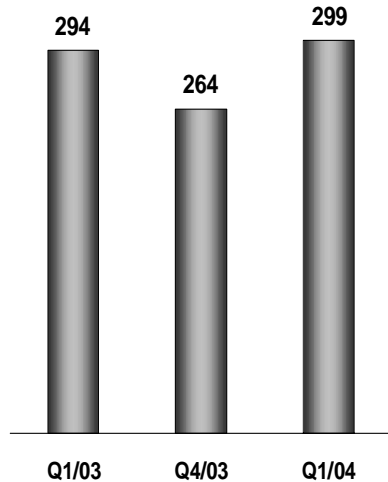
Q1/04





## Domestic – continuing solid performance

net income, \$ millions



- **Net income growth: 13% vs. Q4/03**
- **Revenue up 4% year over year**
- **Good retail asset and core deposit growth**
  - residential mortgages up 13% vs. Q1/03
  - revolving credit up 16% vs. Q1/03
  - core deposits up 17% vs. Q1/03
- **Net interest margin compression**
- **Good growth in retail brokerage revenues**
- **Expenses well controlled**
- **Higher loan losses**
  - mainly 2 accounts in Commercial

19



## Domestic – increased emphasis on saving & investing

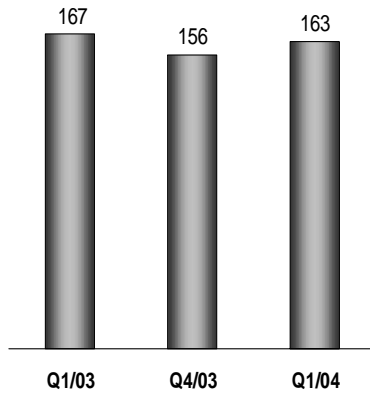
- **Highly successful *Money Master*® High Interest Savings Account**
  - multi-billion dollar increase in balances in two years, mostly new to bank
  - expanded to include small business, RSPs and RIFs
- **New *The Ultimate*® GIC**
  - lengthening term, flexible reinvestment options
- ***ican Invest*™ Program**
  - helps customers identify financial goals
  - regular investment in “one-stop” mutual fund solutions through *Scotia Partners Portfolios*® and *Scotia Selected*™ Funds
- **Increase in market share**
  - market share of personal core deposits above 10% for first time, up 67 bps yr/yr
  - higher market share for commercial current accounts

20



## International – stable earnings notwithstanding foreign currency translation

net income, \$ millions



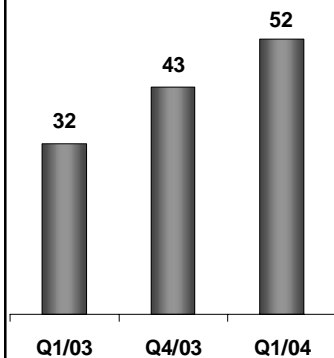
- **Revenue growth: up 8% yr/yr (ex. forex)**
- **Caribbean**
  - net income
    - down 11% vs. Q1/03 – impact of foreign currency translation
    - up 21% vs. Q4/03 – lower loan losses
  - broad-based asset growth
- **Latin America**
  - Inverlat up 63% vs. Q1/03
- **Asia**
  - lower net income – impact of new accounting rules for hedging

21



## Scotiabank Inverlat – growing contribution

\$ millions



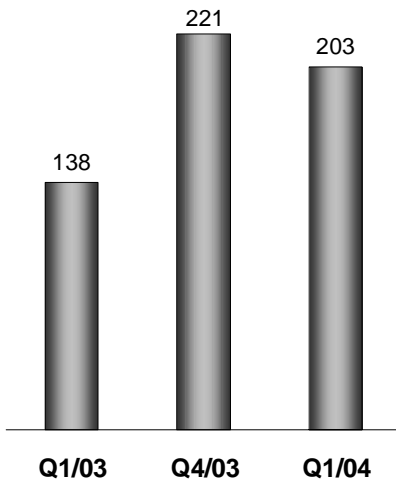
- **Net contribution rose to \$52 million, up 63% yr/yr**
- **Strong asset and deposit growth (yr/yr):**
  - retail loans up 47%
  - high-margin credit card & auto loans up 83%, including purchase of auto loan portfolio in Q4/03
  - core deposits up 23%
  - commercial lending up 14%
- **Margin up year over year**
  - some compression versus Q4/03

22



## Scotia Capital – improving results

net income, \$ millions



- **Lower provisions**
  - down \$153 million vs. Q1/03
- **Continued reduction in U.S. lending**
- **Stronger results**
  - improved funding spreads
  - ScotiaMocatta – near record
  - strength in foreign exchange and securities trading
- **Expenses well controlled**

23



## Risk Review

Warren Walker  
Executive Vice-President  
Global Credit Risk Management

24

## Credit risk overview

- **Specific provisions: \$170mm**
  - down \$155 mm vs. Q1/03
  - up \$50 mm vs. Q4/03
  
- **Net impaired loans: \$12 mm**
  - down \$547 mm vs. Q1/03
  - down \$35 mm vs. Q4/03

25

## Net formations by business line

net formations, \$ millions - Q1/04

### Domestic

- Retail	56	
- Commercial	69	<b>125</b>

<b>International</b>		<b>51</b>
----------------------	--	-----------

### Scotia Capital

- Canada	20	
- U.S.	66	
- Europe	(79)	<b>7</b>

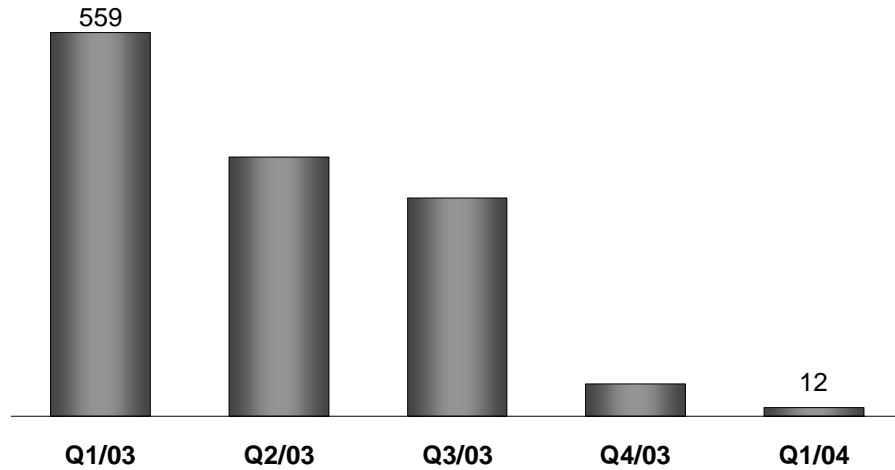
<b>Total</b>		<b>183</b>
--------------	--	------------

26



## Positive trend in net impaired loans

net impaired loans, \$ millions



27



## Lower specific provisions

specific provisions, \$ millions

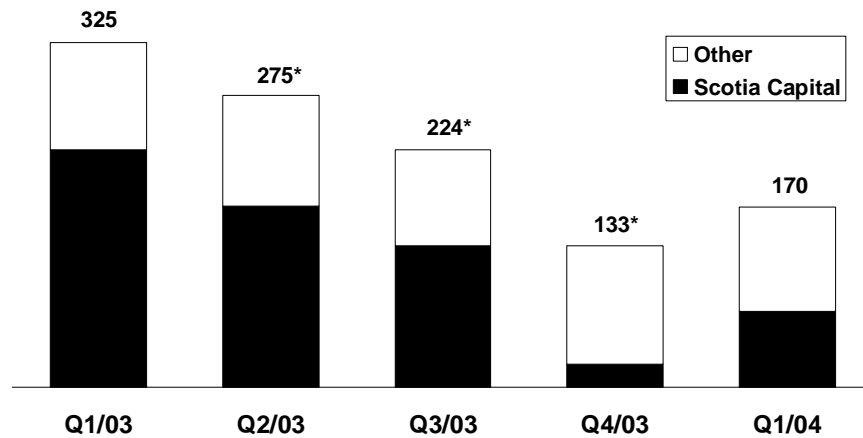
	<u>Q1/04</u>	<u>Change vs. Q1/03</u>	<u>Change vs. Q4/03</u>
<b>Domestic:</b>	92	16	44
<b>International:</b>	7	(21)	(38)
<b>Scotia Capital:</b>			
- Canada	18	16	(18)
- U.S.	26	(98)	(23)
- Europe	27	(71)	90
	71	(153)	49
<b>Other</b>	-	3	(5)
<b>Total</b>	<b>170</b>	<b>(155)</b>	<b>50</b>

28



## Positive trend in specific provisions

specific provisions, \$ millions



\* excluding Argentina

29



## Lower cable & telecom exposure

Loans & acceptances, \$ millions

Sector	Investment Grade		Non-Investment Grade		Total	
	Q1/04	Q4/03	Q1/04	Q4/03	Q1/04	Q4/03
Cable operators	27	131	1,443	1,441	1,470	1,572
Regulated telephone	416	420	91	113	507	533
Unregulated telephone	47	56	164	186	211	242
Wireless	115	172	502	501	617	673
Long-haul fibre cable	-	-	30	47	30	47
CLECs	-	-	48	50	48	50
<b>Total</b>	<b>605</b>	<b>779</b>	<b>2,278</b>	<b>2,338</b>	<b>2,883</b>	<b>3,117</b>

Gross Impaired Loans: \$360mm, Net \$283mm

30



## Lower power & energy trading exposure

Loans & acceptances, \$ millions

Sector	Investment Grade		Non-Investment Grade		Total	
	Q1/04	Q4/03	Q1/04	Q4/03	Q1/04	Q4/03
Regulated Utilities	757	542	445	494	1,202	1,036
Diversified Generation	63	25	192	338	255	363
Independent Power Projects with PPAs*	314	437	305	272	619	709
Other Power Projects	45	45	517	631	562	676
<b>Total</b>	<b>1,179</b>	<b>1,049</b>	<b>1,459</b>	<b>1,735</b>	<b>2,638</b>	<b>2,784</b>

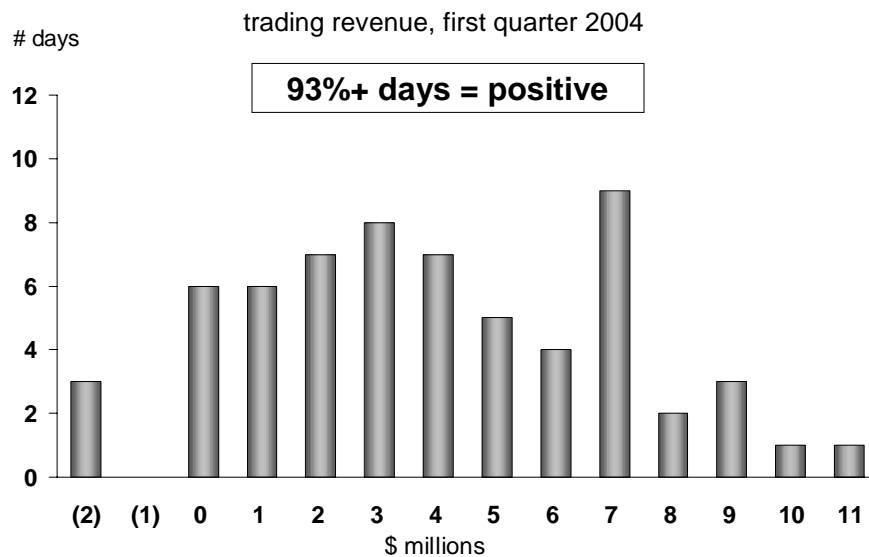
**Impaired Loans: Gross \$439mm, Net \$268mm**

\* Power Purchase Agreements

31



## Low variability of trading revenue...

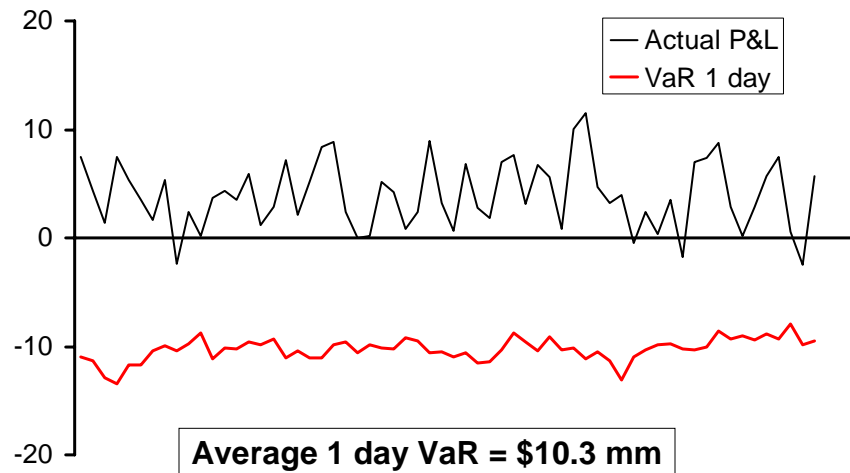


32



## ...reflecting moderate market risk

\$ millions, November 1, 2003 to January 31, 2004



33

## Risk summary

- **Credit markets continue to improve**
  - outlook is relatively positive
- **Stable portfolios**
- **Expect lower credit losses in 2004**

34

## Outlook

Rick Waugh  
President & Chief Executive Officer

## Outlook

---

- **Positive outlook on global economy**
- **Solid contribution from all business lines**
  - some challenges remain
- **Strong capital and reserves provides flexibility**
- **Confident in achieving 2004 performance targets**
  - EPS: 10-15%
  - ROE: 16-19%

*This document includes forward-looking statements which are made pursuant to the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995. These statements include comments with respect to our objectives, strategies, expected financial results (including those in the area of risk management), and our outlook for our businesses and for the Canadian, U.S. and global economies.*

*By their very nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not prove to be accurate. The Bank cautions readers not to place undue reliance on these statements, as a number of important factors could cause actual results to differ materially from the estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the economic and financial conditions in Canada and globally, fluctuations in interest rates and currency values, liquidity, regulatory developments in Canada and elsewhere, technological developments, consolidation in the Canadian financial services sector, competition, judicial and regulatory proceedings, the possible impact of international conflicts and other developments including terrorist acts and the war on terrorism, and the Bank's anticipation of and success in managing the risks implied by the foregoing. A substantial amount of the Bank's business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank's financial results, financial condition or liquidity.*

*The Bank cautions that the foregoing list of important factors is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Bank, investors and others should carefully consider the foregoing factors, other uncertainties and potential events. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on behalf of the Bank.*