



# Investor Presentation Fourth Quarter, 2005

November 29, 2005

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*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 and its securities, 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.*

*Additional information relating to the Bank, including the Bank's Annual Information Form, can be located on the SEDAR website at [www.sedar.com](http://www.sedar.com), and on the EDGAR section of the SEC's website at [www.sec.gov](http://www.sec.gov).*

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## Overview

Rick Waugh  
President & Chief Executive Officer

## 2005 – record results

### 2005 Results (vs. 2004)

- EPS: \$3.15 – up 12%
- ROE: 20.9% vs. 19.9%
- Provision for credit losses: \$230 mm vs. \$390 mm

### Q4/05 Results (vs. Q4/04)

- EPS: \$0.80 – up 16%
- ROE: 20.5% vs. 18.8%

### Strong Capital Ratios

- TCE: 9.3%

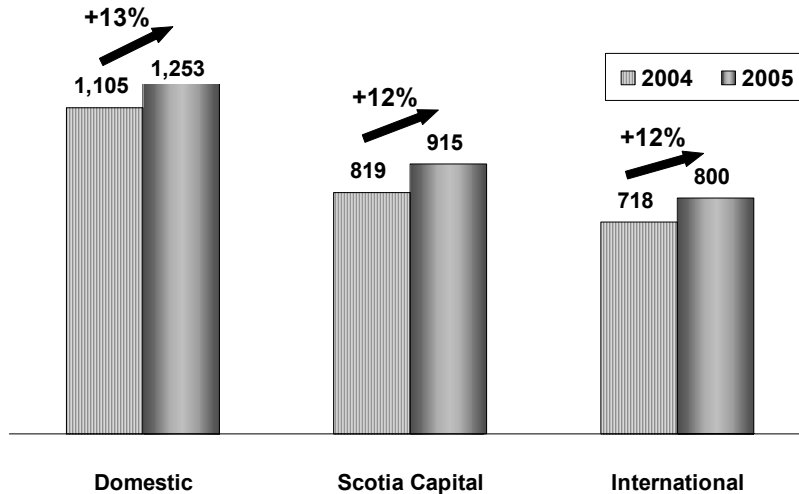
### Another Dividend Increase

- +2 cents to 36 cents/quarter effective Q1/06



## Strong growth across business lines

net income available to common shareholders, \$ millions

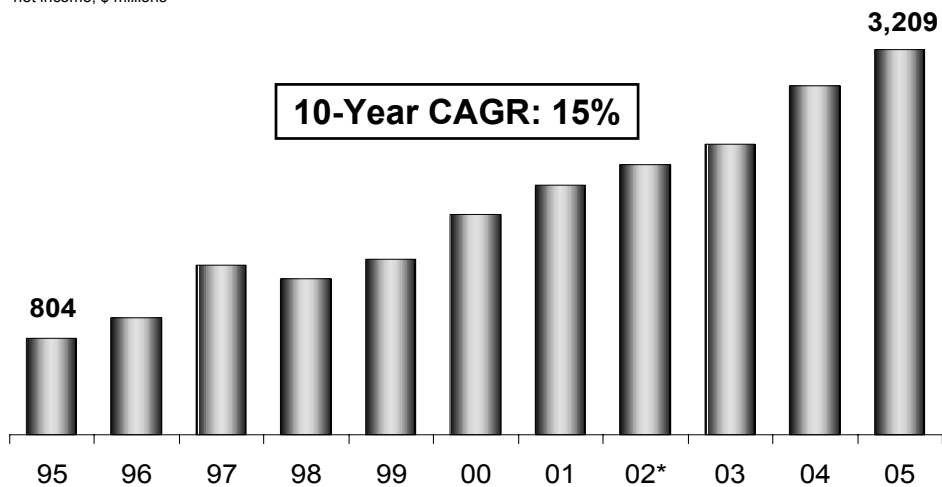


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## A record of consistent earnings growth ...

net income, \$ millions



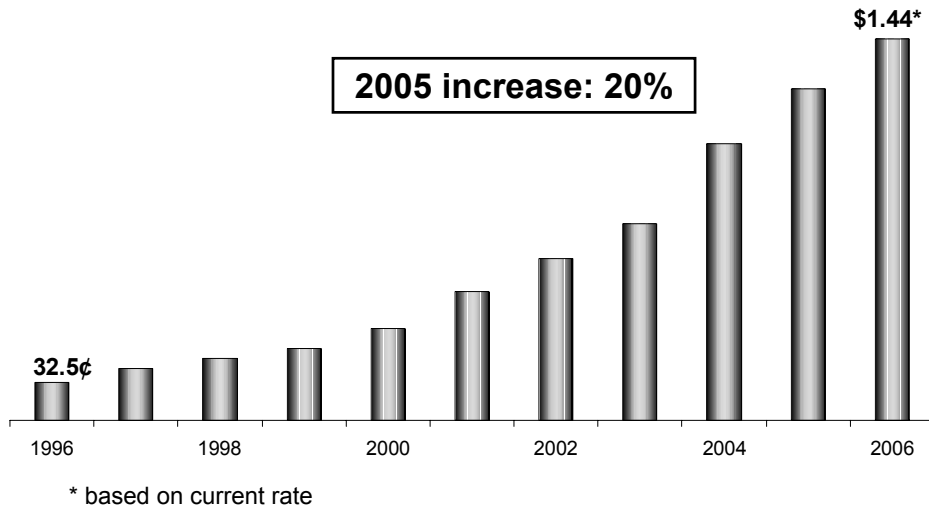
\* before charges related to Argentina

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## ... and a record of consistent dividend growth with two increases this year

Annual dividend, cents/share



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## Exceeded our 2005 performance targets

	<u>2005</u>		<u>Target</u>
ROE	20.9%	vs.	17-20%
EPS Growth	12%	vs.	5-10%
Productivity	56.3%	vs.	<58%

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## Performance Review

Luc Vanneste  
Executive Vice-President &  
Chief Financial Officer

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## Underlying revenue growth in 2005

\$ millions

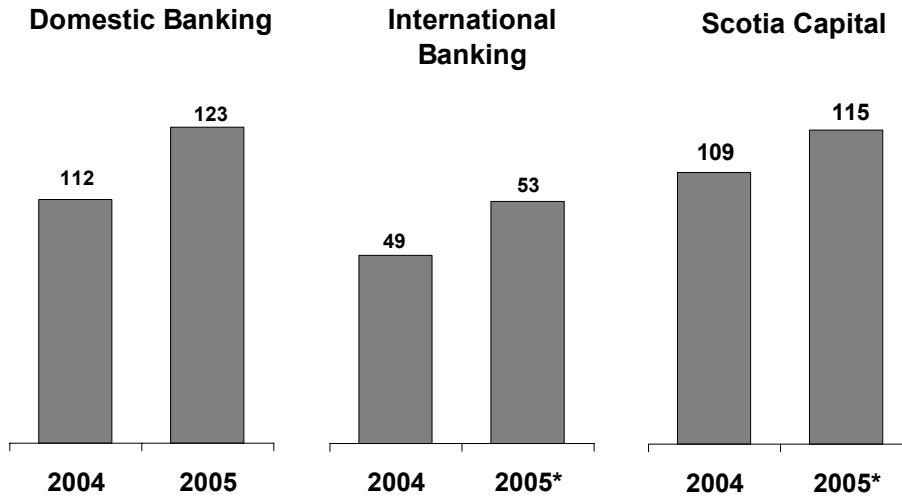
	<u>2005</u>	<u>Change</u>	
		<u>\$</u>	<u>%</u>
Reported	10,400	379	4
Impact of Stronger Canadian dollar	287	287	
<b>Underlying</b>	<b>10,687</b>	<b>666</b>	<b>7</b>
Net Interest Income	6,035	334	6
Other Income	4,652	332	8

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## Strong underlying asset growth

average assets, \$ billions



\* before impact of foreign currency translation

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## Margin unchanged on the quarter

Q4/05	vs. Q3/05		2005	vs. 2004
1.97%	-	<b>Net interest margin</b>	2.00%	(10) bps
		Due to:		
	1	Canadian currency		(10)
	(1)	Foreign currency		-

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## Solid growth in other income

\$ millions

<u>Q4 / Q3</u>	<u>Q4 / Q4</u>		<u>2005 / 2004</u>	
<b>44</b>	<b>178</b>	<b>Underlying</b>	<b>332</b>	<b>8%</b>
(18)	(20)	Impact of stronger Canadian \$	(123)	
<b>26</b>	<b>158</b>	<b>Reported</b>	<b>209</b>	<b>5%</b>
(7)	8	Trading Revenues	118	
13	40	Retail Brokerage	92	
(3)	20	Deposit & Payment services	55	
9	27	Investment Banking	32	
2	8	Mutual Funds	22	
1	8	Card Revenues	20	
(2)	(7)	Securitization Revenues	(32)	
(9)	(12)	Credit Fees	(41)	
-	55	Securities Gains	(63)	
22	11	Other	6	
<b>26</b>	<b>158</b>	<b>Reported</b>	<b>209</b>	<b>5%</b>

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## Higher expenses

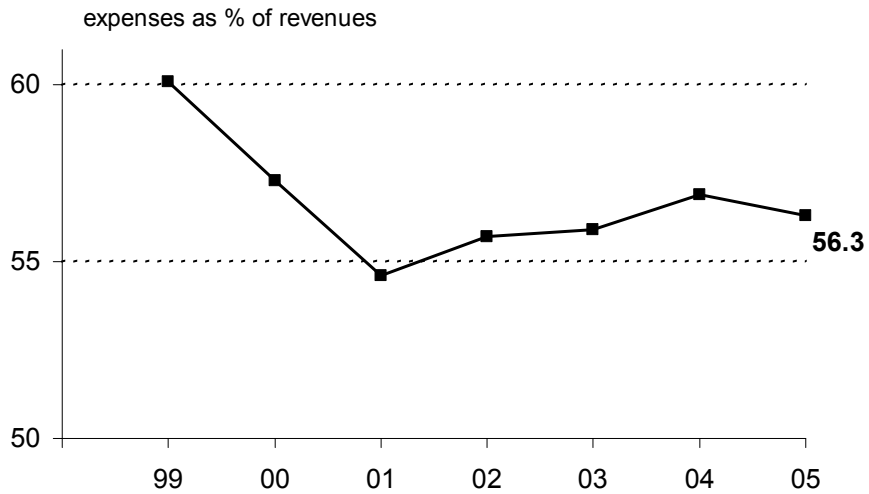
\$ millions

<u>Q4 / Q3</u>	<u>Q4 / Q4</u>		<u>2005 / 2004</u>	
<b>66</b>	<b>106</b>	<b>Underlying</b>	<b>228</b>	<b>4%</b>
(20)	(20)	Impact of stronger Canadian \$	(95)	
16	32	Impact of new subsidiaries	48	
<b>62</b>	<b>118</b>	<b>Reported</b>	<b>181</b>	<b>3%</b>
21	28	Salaries	30	
(24)	1	Performance-based compensation	29	
11	7	Professional Expenses	23	
23	22	Advertising & Business Development	22	
14	9	Premises & Technology	9	
-	(1)	Communications	7	
(8)	(2)	Business & Capital taxes	5	
(10)	3	Pension & employee benefits	(23)	
35	51	Other	79	
<b>62</b>	<b>118</b>	<b>Reported</b>	<b>181</b>	<b>3%</b>

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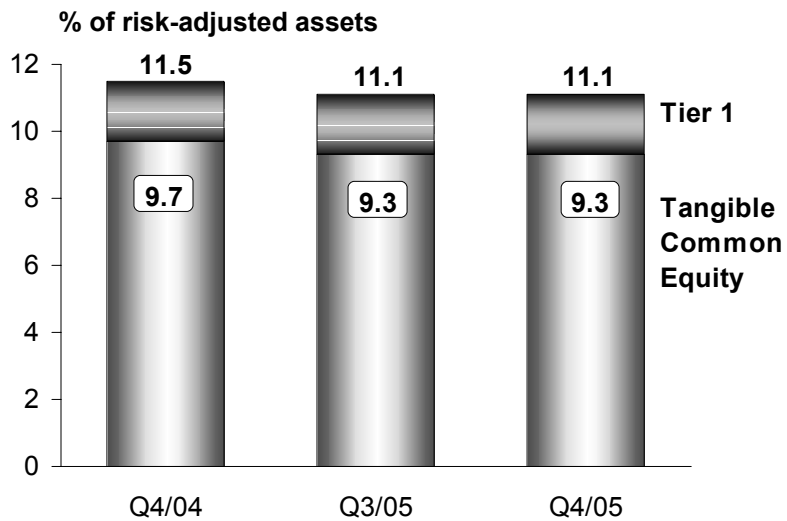
## Maintaining strong productivity



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## Continued strong capital ratios



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## High level of unrealized securities' gains

\$ millions

	Q4/05	Q3/05	Q4/04
- Emerging Market Debt	574	579	507
- Fixed Income	(38)	1	39
- Equities	499	504	502
	<b>1,035</b>	<b>1,084</b>	<b>1,048</b>

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## Business Line Results

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## Year-over-year growth across all businesses

net income available to common shareholders, \$ millions

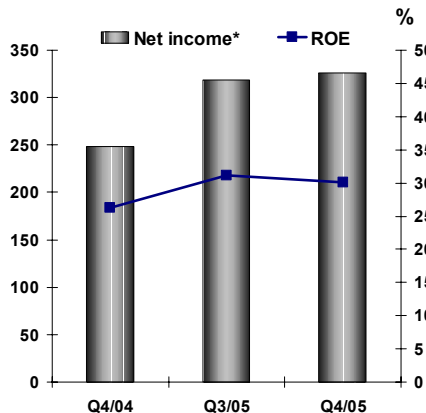
	<u>Q4/05</u>	<u>Q3/05</u>	<u>Q4/04</u>
Domestic	326	319	248
International	174	234	159
Scotia Capital	229	200	237
Other	74	22	57
<b>Total</b>	<b>803</b>	<b>775</b>	<b>701</b>

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## Domestic Banking – strong performance

\$ millions



- **Net income of \$326 million**  
– up 31% yr/yr, 2% qtr/qtr
- **ROE of 30.1%**
- **Revenues up 10% yr/yr, 3% qtr/qtr**
- **Expenses: moderate increase**
- **Credit quality remains strong**

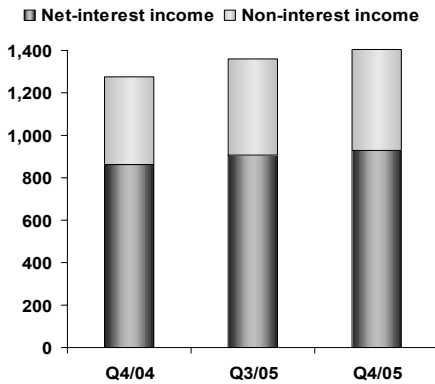
\* net income available to common shareholders

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## Domestic – continued strong retail asset growth

\$ millions



### Year/Year

- Revenues up 10%
- Strong retail asset growth
- Margin compression
- Higher fees in several areas:
  - retail brokerage
  - mutual funds
  - card revenues

### Quarter/Quarter

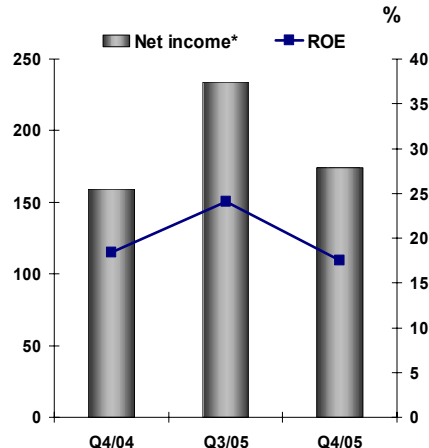
- Revenues up 3%
- Higher brokerage and mutual fund fees

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## International – good underlying growth impacted by forex

\$ millions



- Net income of \$174 million
  - up 10% yr/yr, down 25% qtr/qtr
  - up 17% yr/yr, ex. forex translation
- Expenses up 22% yr/yr, 9% qtr/qtr
  - Banco de Comercio acquisition
  - Inverlat: higher marketing expenses & performance-based compensation
- Caribbean & Central America
  - strong retail asset growth
  - lower loan losses
- Latin America
  - strong revenue growth yr/yr
  - solid results at Scotiabank Inverlat

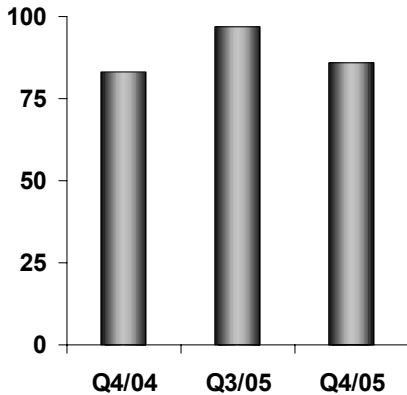
\* net income available to common shareholders

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## Scotiabank Inverlat – another good quarter, higher expenses

contribution, \$ millions



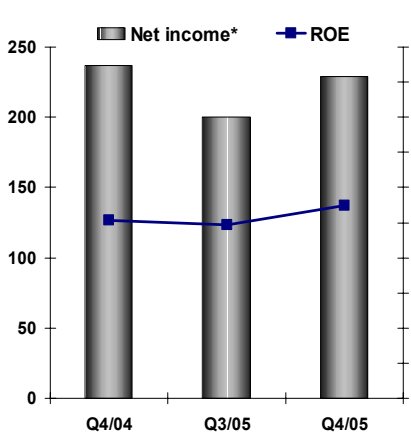
- **Contribution of \$86 million**
  - up 4% yr/yr
- **ROE of 24%**
- **Underlying revenues up 21% yr/yr**
  - growth in retail & commercial lending
  - higher margins and retail banking fees
- **Higher expenses**
  - advertising and promotion
  - performance-based compensation

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## Scotia Capital – higher revenues, lower loan loss recoveries vs. Q4/04

\$ millions



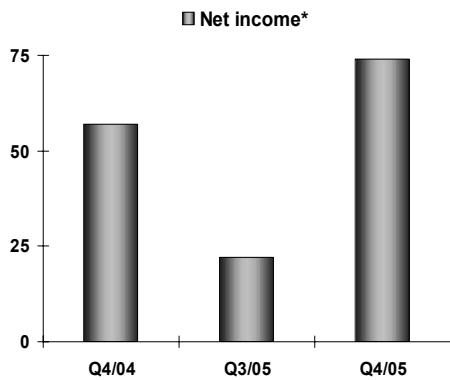
- **Net income of \$229 million**
  - down 3% yr/yr, up 15% qtr/qtr
- **ROE of 27.4%**
- **Revenue up 11% yr/yr, 4% qtr/qtr**
  - Scotia Waterous contribution
  - strong growth in derivatives
- **Expenses down 2% yr/yr, 7% qtr/qtr**
  - lower salaries and performance-based compensation
- **Lower loan loss recoveries yr/yr**
  - net recovery of \$7 million vs. net recovery of \$25 million in Q4/04

\* net income available to common shareholders

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## Other

\$ millions



- **Net income of \$74 million**
  - up \$17 mm yr/yr, \$52 mm qtr/qtr
- **Higher investment gains yr/yr**
- **Q4/05 includes \$45 million release of general allowance**

\* net income available to common shareholders

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## Risk Review

Brian Porter  
Chief Risk Officer



## Credit risk overview

- **Lower specific provisions:**
  - 2005: \$275 mm - down \$215 mm vs. 2004
  - Q4/05: \$81 mm - down \$4 mm vs. Q3/05
- **Lower net impaired loans: \$681 mm** (after specific allowance)
  - down \$198 mm vs. Q4/04
  - up \$108 mm vs. Q3/05
- **\$45 mm release of general allowance in Q4/05**

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## Significant reduction in specific provisions in 2005

\$ millions

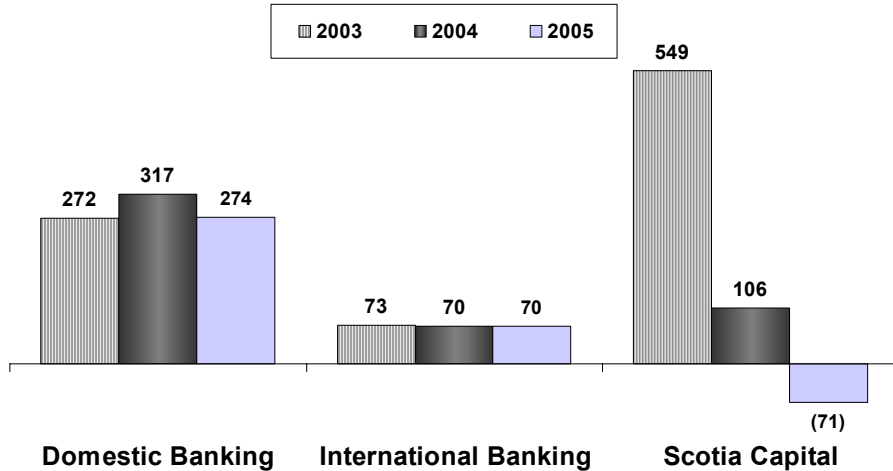
<u>Q4/05</u>	<u>Q3/05</u>		<u>2005</u>	<u>2004</u>
69	63	<b>Domestic</b>	274	317
16	21	<b>International</b>	70	70
		<b>Scotia Capital:</b>		
(20)	1	– <b>U.S.</b>	(93)	54
13	1	– <b>Other</b>	22	52
3	(1)	<b>Other</b>	2	(3)
<b>81</b>	<b>85</b>	<b>Total</b>	<b>275</b>	<b>490</b>

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## Positive trend in specific provisions – significant reduction in Scotia Capital

\$ millions

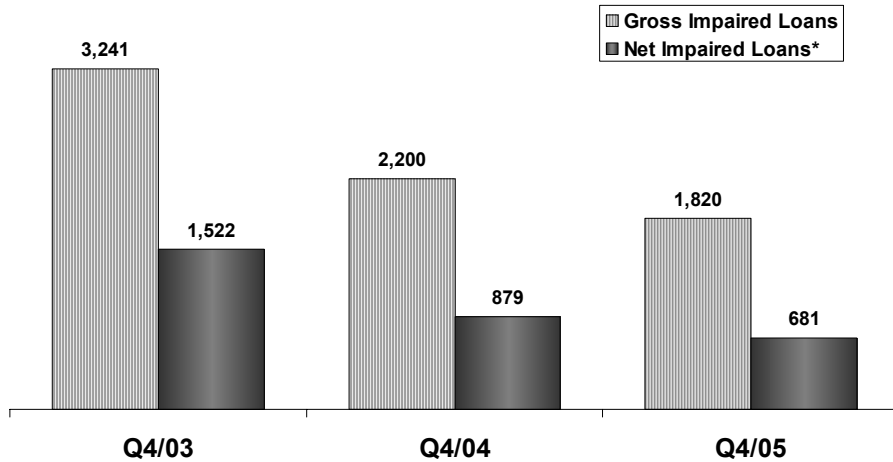


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## Positive trend in impaired loans

\$ millions



\* after specific allowance

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## Net formations this quarter

\$ millions

### Domestic

- Retail	89	
- Commercial	46	<b>135</b>

### International

**47**

### Scotia Capital

- Canada	(6)	
- U.S.	(9)	
- Europe	72	<b>57</b>

### Total

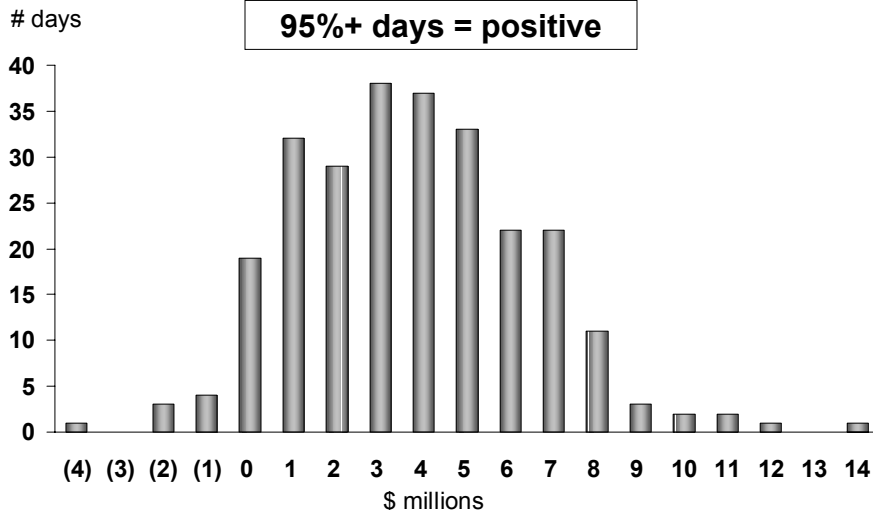
**239**

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## Trading revenues

Trading revenues, 2005

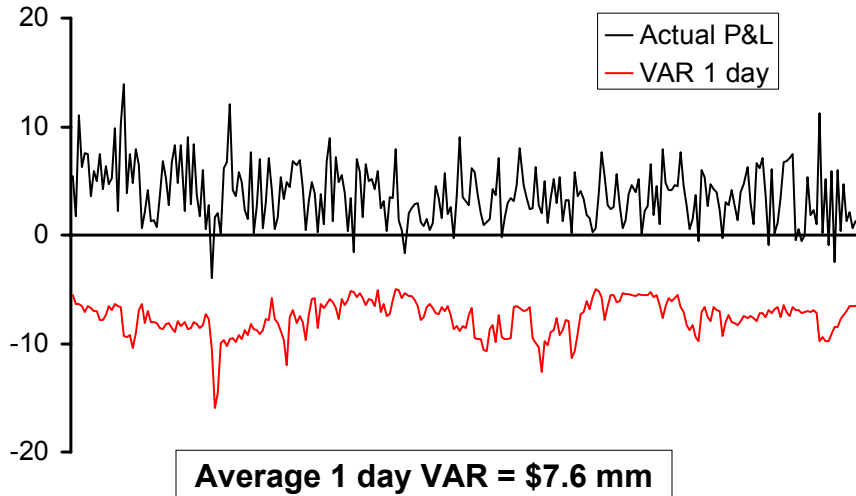


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## Moderate market risk

\$ millions, November 1, 2004 to October 31, 2005



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## Risk summary

- **Credit quality remains stable**
- **Potential for further release of general allowance**
- **Market risk remains well controlled**

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## Outlook

Rick Waugh  
President & Chief Executive Officer

## 2006 key priorities

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### 1. Sustainable revenue growth

- retain and grow existing business
- acquire new customers

### 2. Acquisitions

### 3. Effective capital management & allocation

- maintain strength and flexibility



## **Domestic Banking – 2006 key priorities**

- **Grow existing customer base and acquire new customers**
  - increase share of wallet and improve cross-sell
  - focus on emerging affluent investor segment
  - new branches and new branch formats
  - targeted marketing initiatives and additional financial advisors
- **Focus on Wealth Management**
- **Restructure Commercial Banking**
- **Expand scale and increase revenues via strategic alliances and acquisitions**

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## **International Banking – 2006 key priorities**

- **Pursue revenue growth opportunities**
  - sales and service
  - expand sales and delivery network, product offerings
- **Continue to seek acquisitions in key markets**
  - Caribbean, Central America, Latin America and Asia
- **Lower processing costs, take advantage of economies of scale**
  - refine International Shared Services initiative

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## Scotia Capital – 2006 key priorities

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- **Global Corporate & Investment Banking**
  - remain in top 3 position in products in Canada
  - acquisitions in niche sectors
  - continue to actively manage risk
  
- **Global Capital Markets**
  - target growing client segments with new product offerings
  
- **Continue integration of Mexico wholesale business, creating NAFTA platform**

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## 2006 objectives

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- EPS growth: 5-10%
  
- ROE: 18-22%
  
- Productivity ratio – below 58%
  
- Maintain strong capital ratios & credit ratings

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