



**FINANCIAL RESULTS**  
**Q1 2003**

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Quarterly Investor Presentation  
*February 25, 2003*

## EPS GROWTH

**5.6%**

Annual Target  
10 – 15%

## ROE

**14.3%**

Annual Target  
14 – 15%

## PCL

**\$150 MM**

Annual Target  
< \$820MM

## TIER 1 CAPITAL

**9.05%**

Annual Target  
> 8.0%

# *Q1 2003* Financial Results

- **Revenue growth** 5.1%,  
2.0% excluding acquisitions
- **Expense growth** 7.5%,  
1.8% excluding acquisitions
- **Productivity Ratio** 67.9%,  
66.2% excluding acquisitions
- **Personal & Commercial**  
continues to show improvement with  
revenue growth of 7.3% Y/Y
- **Income tax** rate 30.3% in Q1 2003 –  
expect F2003 rate to be 28 – 29%

# ***Q1 2003*** Financial Summary

| Excluding Non-Recurring Items           | <b>Q1 2003</b> | Q1 2002 | Q4 2002 |
|---|----------------|---------|---------|
| Net Income (\$MM)                       | <b>399</b>     | 372     | 423     |
| Cash EPS – Diluted (\$/share)           | <b>0.79</b>    | 0.75    | 0.85    |
| EPS – Diluted (\$/share)                | <b>0.75</b>    | 0.71    | 0.80    |
| Cash Return on Equity (%) <sup>*</sup>  | <b>15.1</b>    | 15.2    | 16.4    |
| Return on Equity (%) <sup>*</sup>       | <b>14.3</b>    | 14.5    | 15.5    |
| Revenue Growth (%)                      | <b>5.1</b>     | 2.6     | 7.5     |
| Productivity Ratio (%)                  | <b>67.9</b>    | 66.3    | 68.3    |
| PCL/Avg. Loans Accept. (%) <sup>*</sup> | <b>0.39</b>    | 0.49    | 0.43    |
| Capital: Tier 1 Ratio (%)               | <b>9.05</b>    | 8.87    | 8.80    |

<sup>\*</sup> Annualized

## Key Messages

- Interest rate risk centralized
- Report as we manage
- Achieve stable, high quality earnings
- Higher degree of accountability
- Increased transparency

## *Reclassifications* \*

Harris Bank's new Funds Transfer Pricing system is the most significant

| Net Income \$MM                     | F2002<br>Previously<br>Reported | Change | F2002<br>Adjusted |
|-------------------------------------|---------------------------------|--------|-------------------|
| Personal & Commercial               | 968                             | (153)  | 815               |
| Investment Banking                  | 592                             | 12     | 604               |
| Private Client                      | 135                             | (25)   | 110               |
| Corporate Support,<br>including T&S | (239)                           | 166    | (73)              |
| Total Bank                          | 1,456                           | -      | 1,456             |

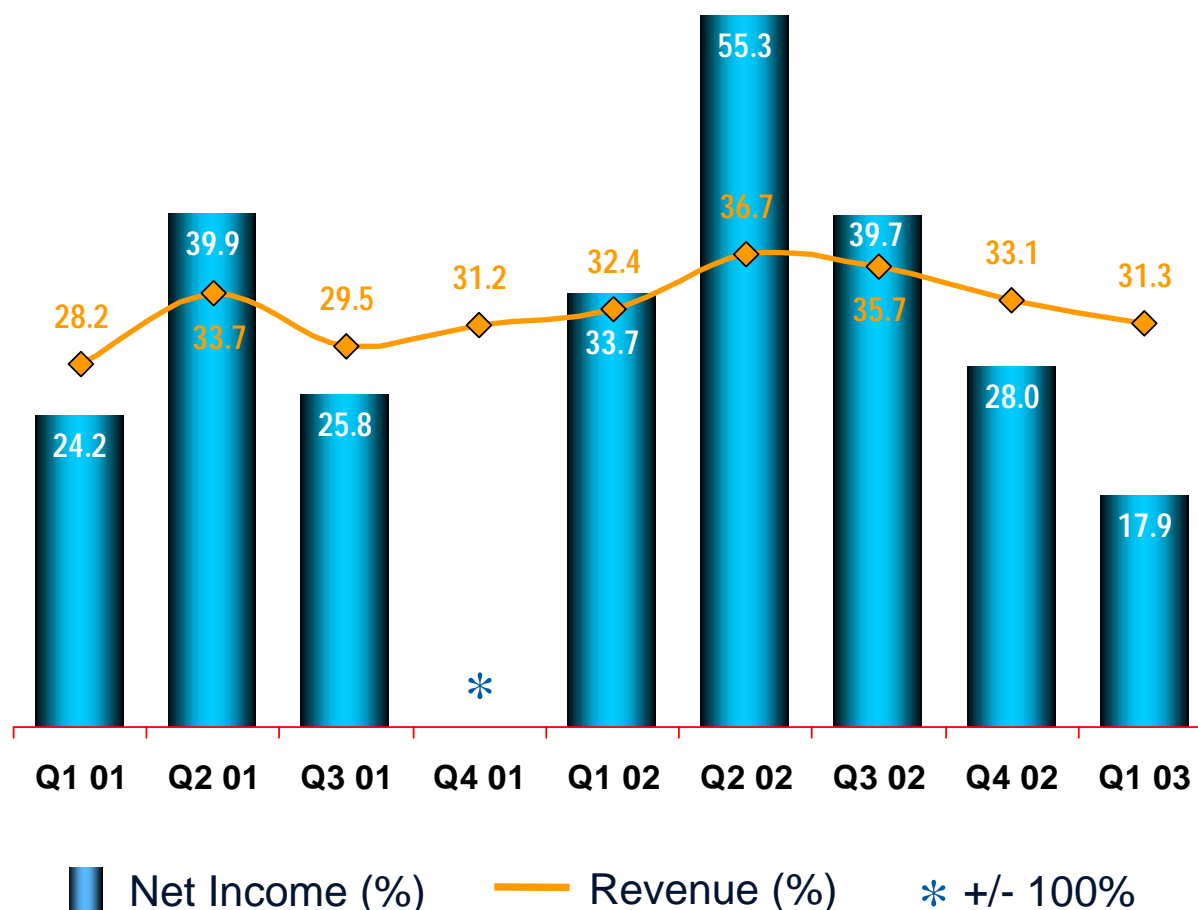
\* Applied retroactively

**Q1 2003**  
**US to North American**  
**Revenue & Net Income**  
(ex. non-recurring items)

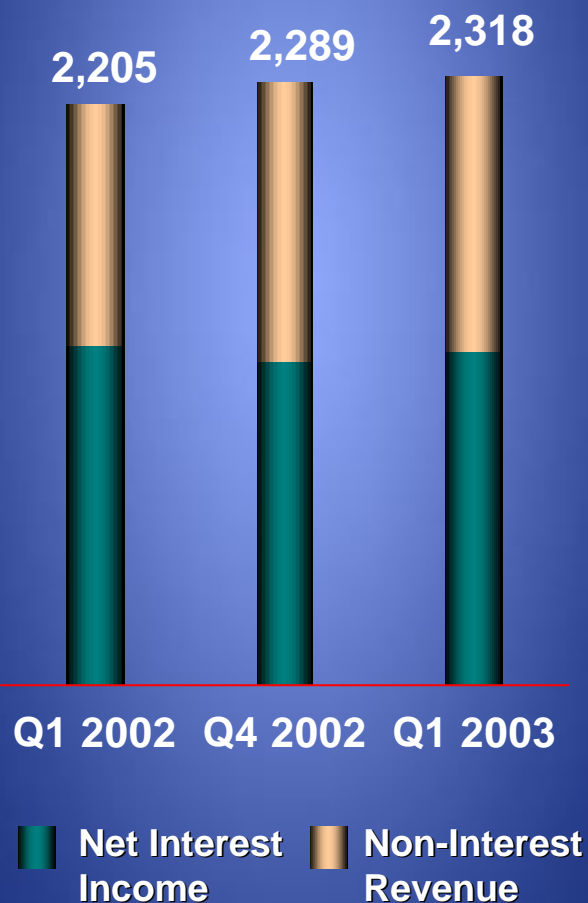
- Expanded disclosure of US results
- Consistent with how we manage
- US revenues consistent over time
- Higher contribution from Canadian operations

## ***Geographical Results***

US revenue stable while earnings contribution stronger from Canadian operations



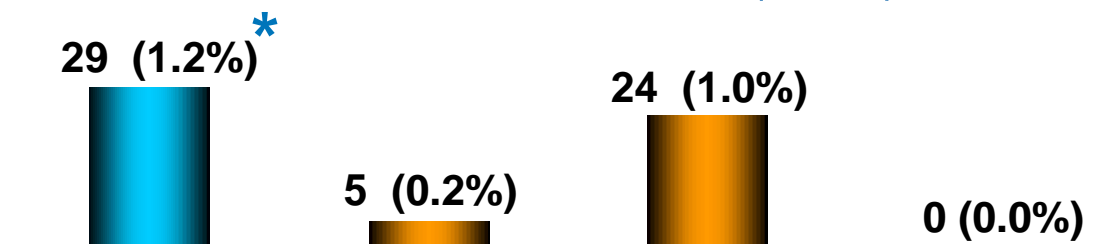
**Q1 2003  
Total Revenue  
(ex. non-recurring items)  
\$MM**



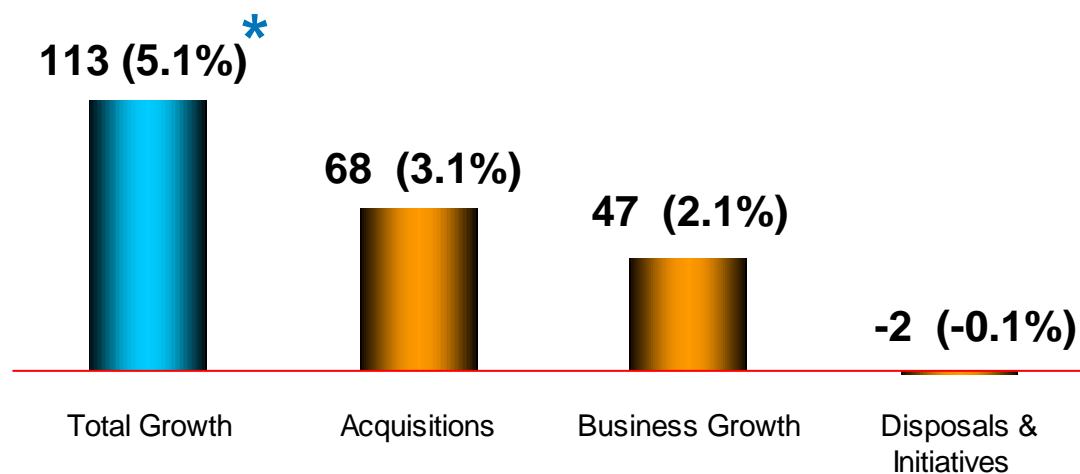
## Revenue Growth

Continues to be a challenge in current market conditions

### Q1 '03 vs Q4 '02 (\$MM)

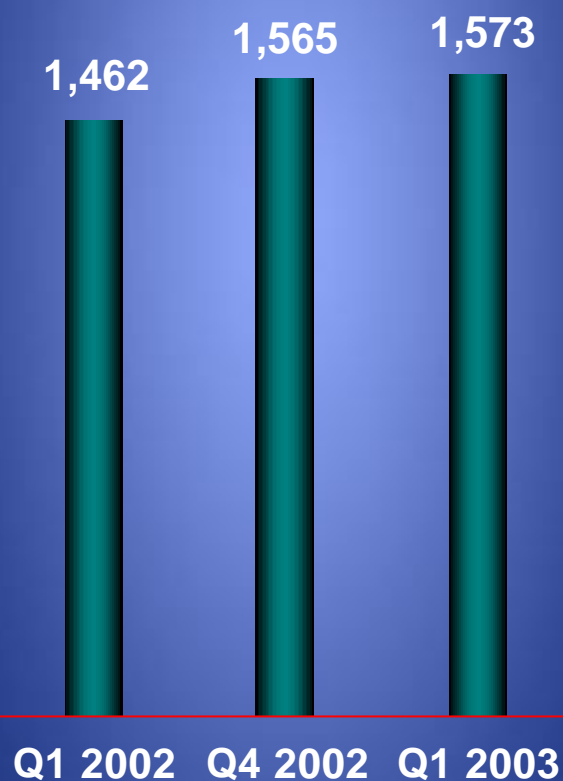


### Q1 '03 vs Q1 '02 (\$MM)



\* Excluding acquisitions, growth is 1.0% and 2.0% versus Q4'02 and Q1'02 respectively

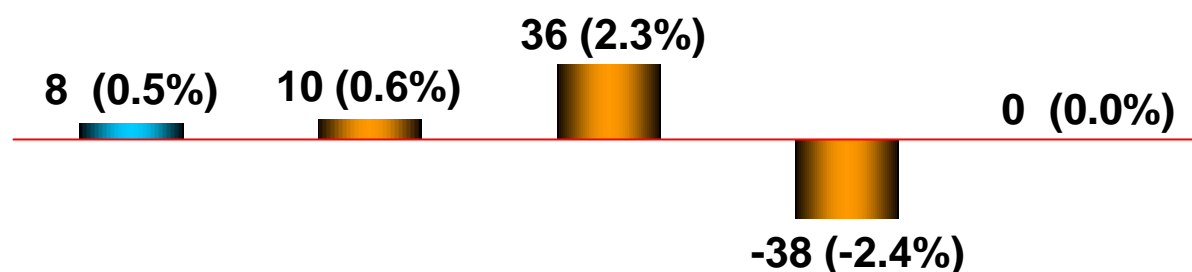
**Q1 2003**  
**Non-interest Expense**  
(ex. non-recurring items)  
\$MM



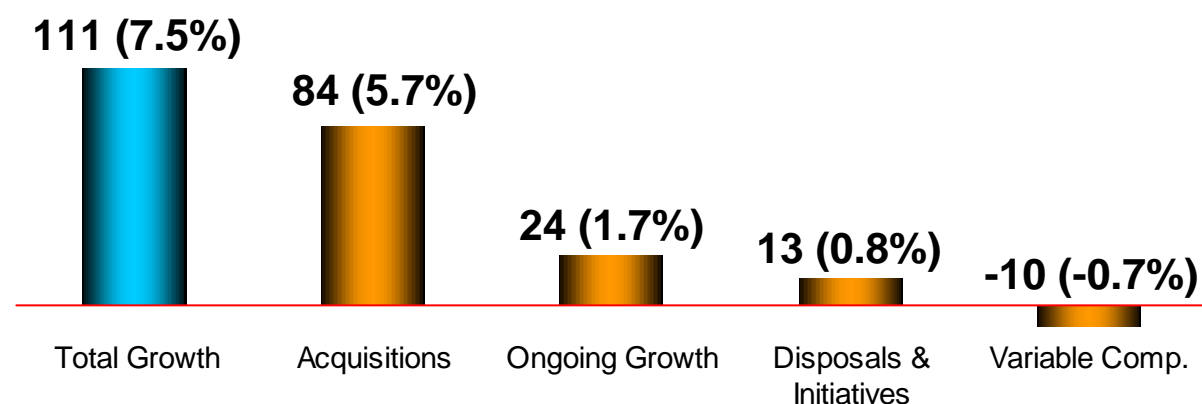
## ***Expense Growth***

Excluding acquisitions, expense growth contained to 1.8% over Q1'02 – flat vs. Q4'02

### Q1 '03 vs Q4 '02 (\$MM)



### Q1 '03 vs Q1 '02 (\$MM)

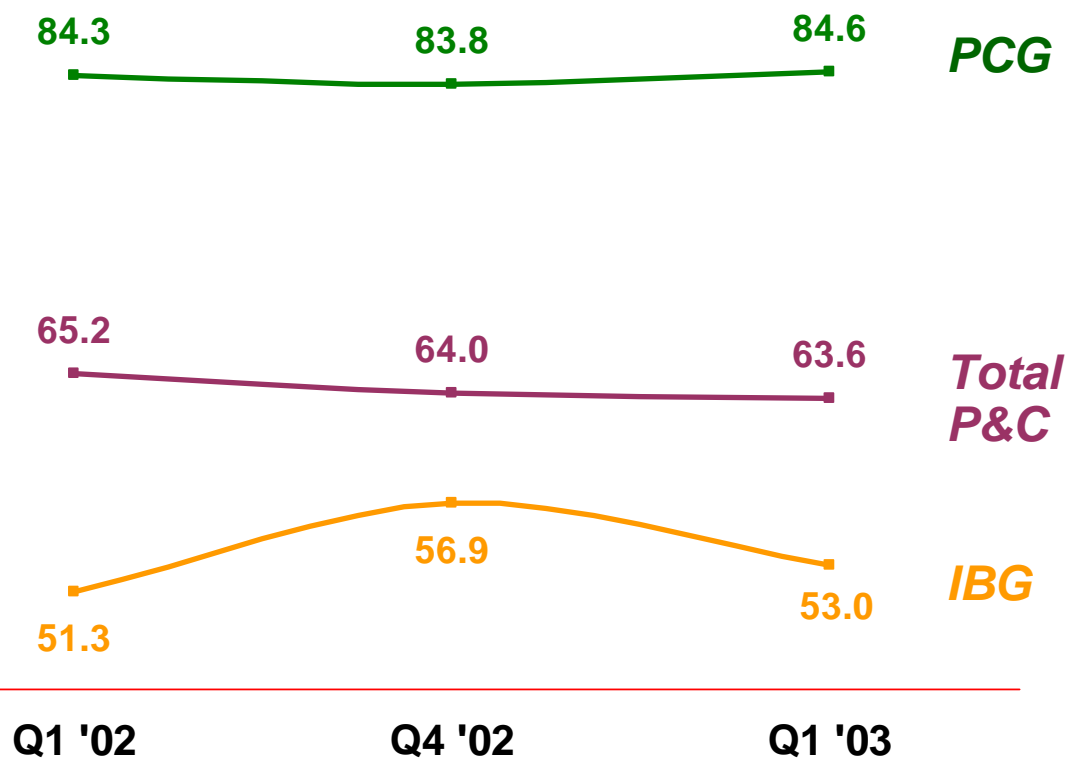


**Non-Interest  
Expense-To-Revenue  
Ratio**  
(ex. non-recurring items)  
%



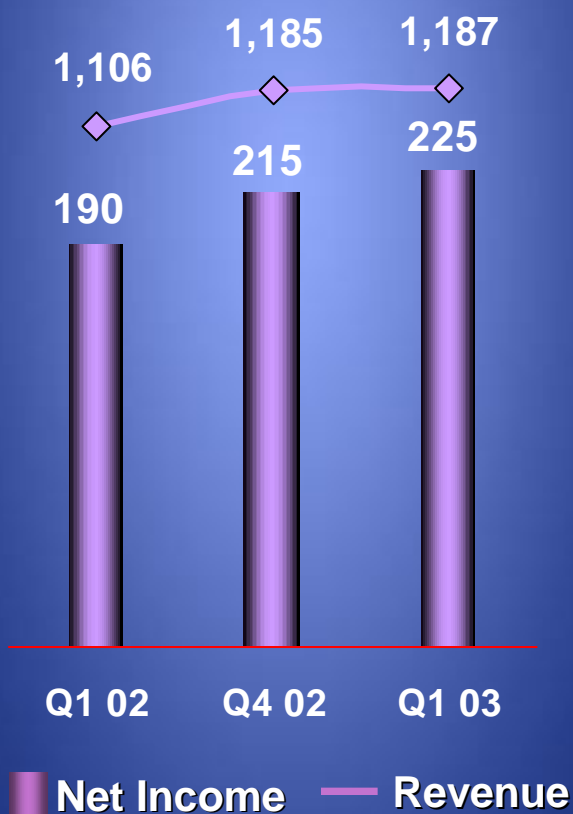
## *Cash Productivity Ratio*

Continued attention to improving productivity in F2003





**Q1 2003**  
**Revenue & Net Income**  
(ex. non-recurring items)  
\$MM



## *Personal & Commercial*

Significant improvement over prior year

- Volume growth
- Higher net interest margins in Canada
- US margins declined in low interest rate environment
- Higher benefit and performance based compensation costs
- Attentive cost management and revenue growth drive improved productivity ratio

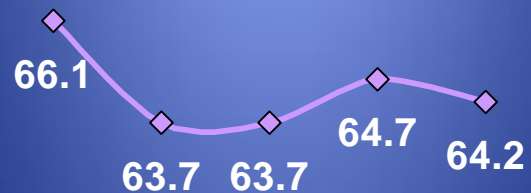
### Cash ROE



### Net Interest Margin



### NIX / Revenue

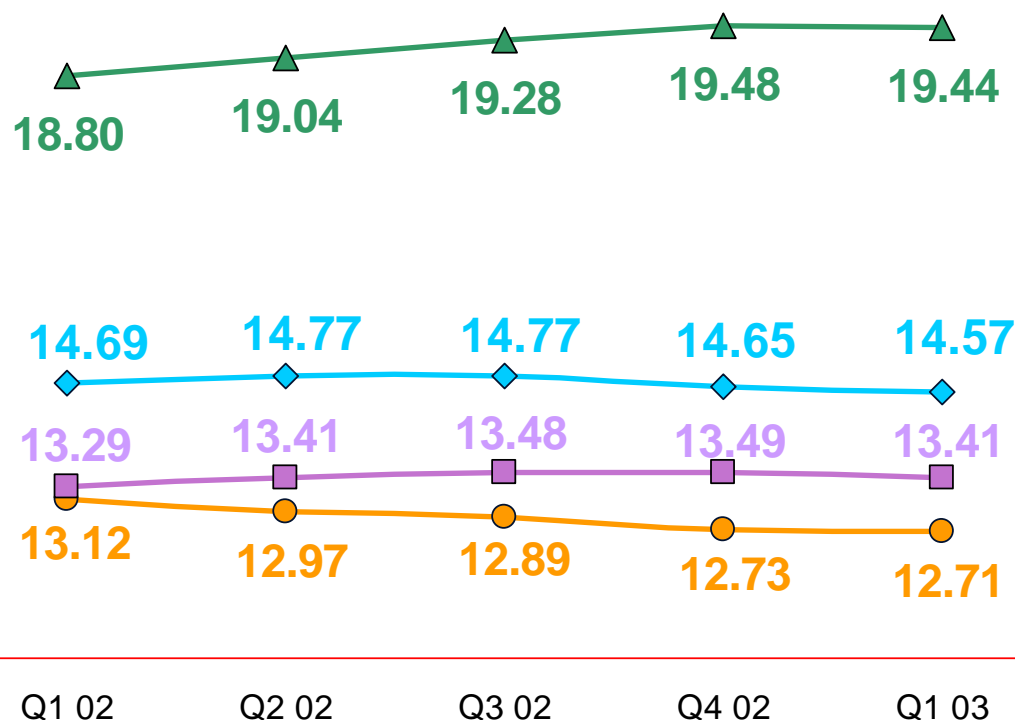


| Q1 02 | Q2 02 | Q3 02 | Q4 02 | Q1 03 |
|-------|-------|-------|-------|-------|
|       |       |       |       |       |

## Personal & Commercial

Market Share reflects competitive environment

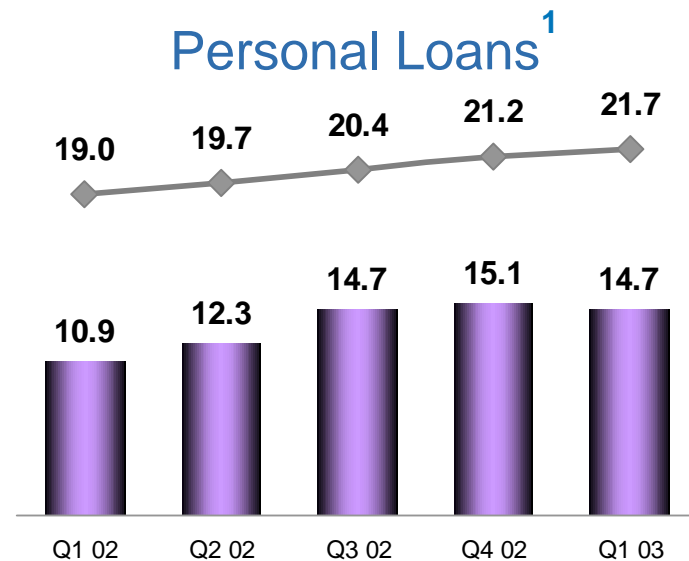
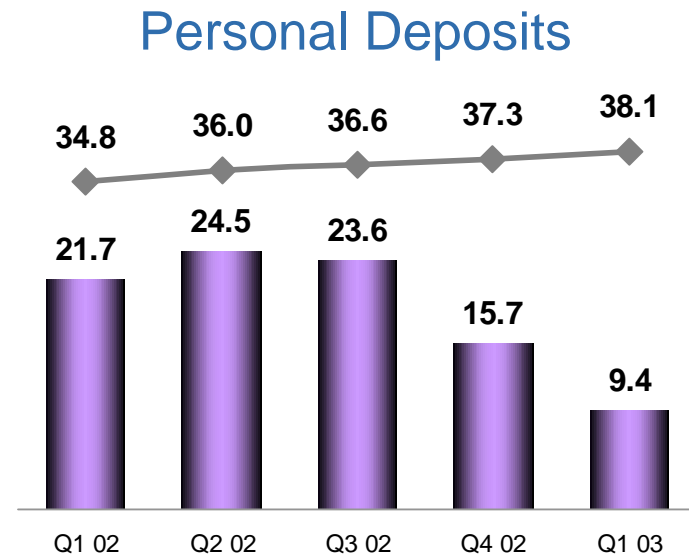
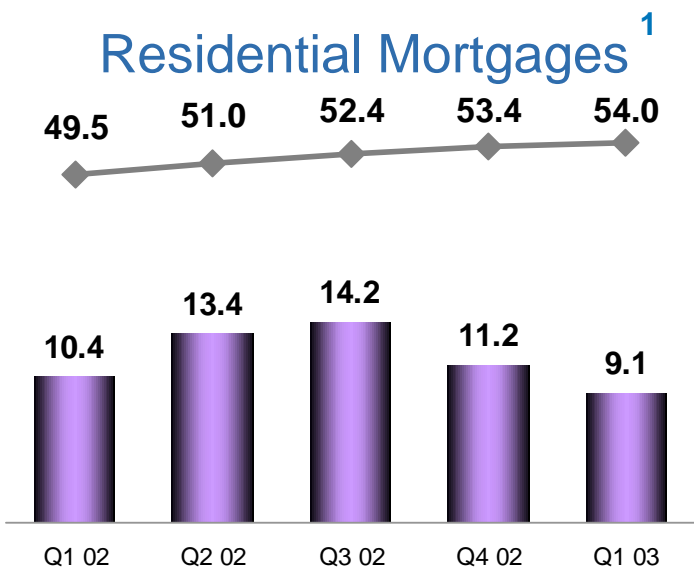
### Market Share (%)





◆ Residential Mortgages (incl. 3rd party) ◆ Personal Loans (ex. Cards)  
 ■ Personal Deposits ▲ Small Business Loans (\$0-5MM)  
<sup>1</sup> Small Business Loans are on a calendar quarter and 3 month lag basis.

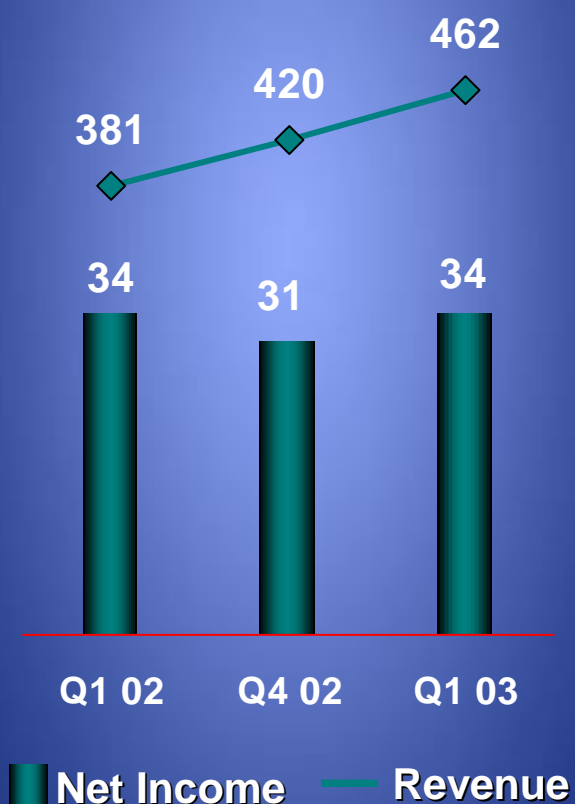
# Personal & Commercial

## Volume Growth



 Yr./Yr. Growth (%)  
 Average Balances (\$B)  
<sup>1</sup> Includes securitized balances

**Q1 2003**  
**Revenue & Net Income**  
(ex. non-recurring items)  
\$MM



## ***Private Client Group***

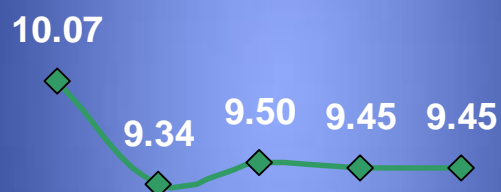
Solid performance in challenging markets

- Revenue growth driven by acquisitions and TSX gain – other businesses stable
- Excluding acquisitions, net income increased \$9MM Y/Y
- Expense-to-revenue ratio and ROE reflect impact of acquired businesses, balanced with focused cost management
- US results lower Y/Y, reflecting costs of acquired business and weak US market conditions

### Cash ROE



### Net Interest Margin



### NIX / Revenue

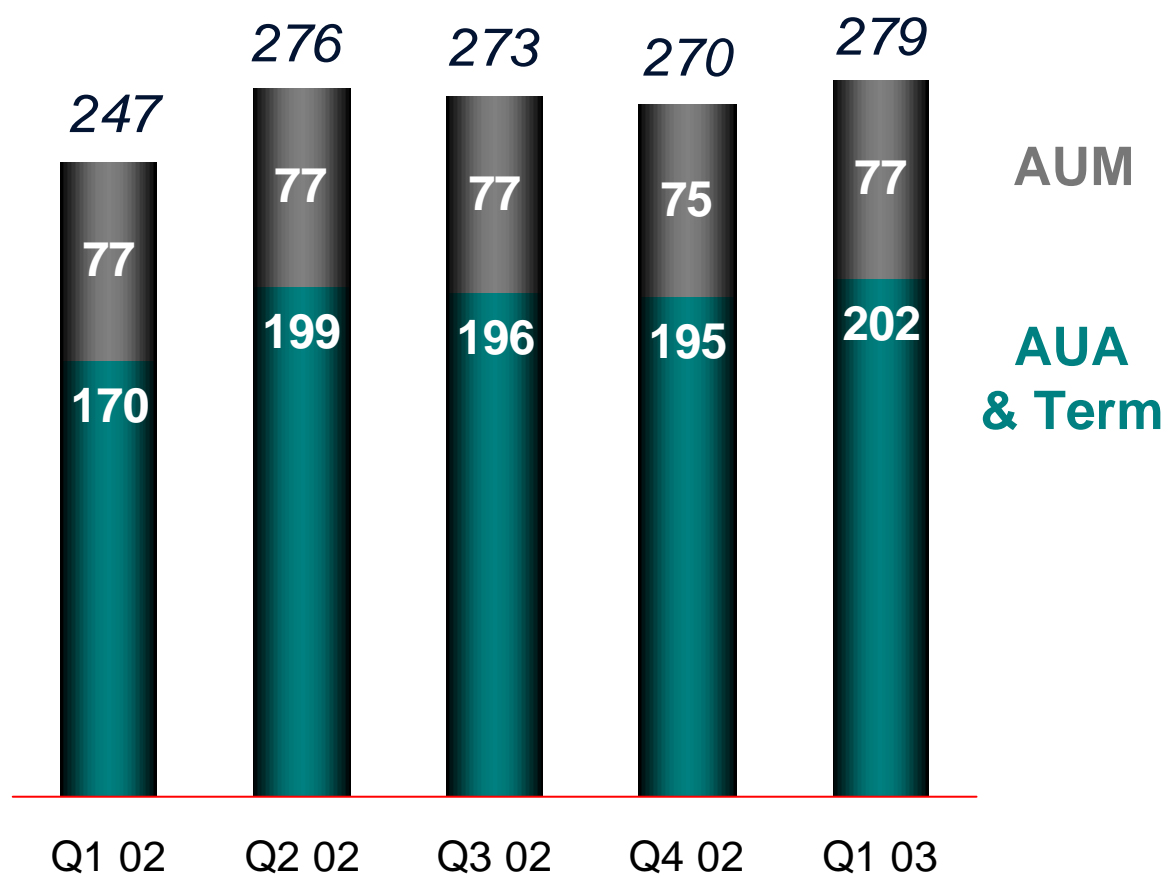


| Q1 02 | Q2 02 | Q3 02 | Q4 02 | Q1 03 |
|-------|-------|-------|-------|-------|
|       |       |       |       |       |

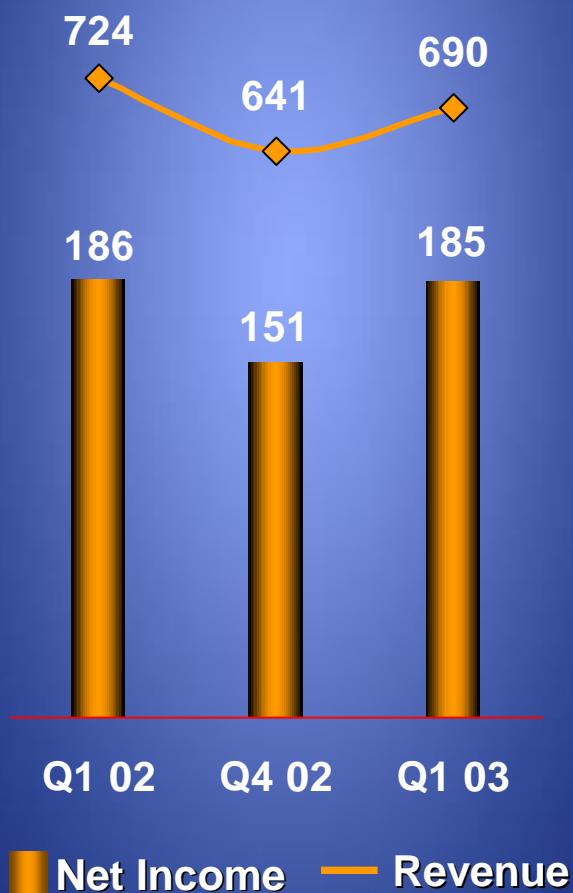
## Private Client Group

AUA/AUM growth reflects acquisitions and solid performance of core businesses

### AUA / AUM (\$B)



**Q1 2003**  
**Revenue & Net Income**  
(ex. non-recurring items)  
\$MM



## ***Investment Banking Group***

Good performance despite challenging market conditions

- Improved fee based revenue Y/Y offset by lower net interest income
- Significant improvement over Q4 2002 largely due to effects of US interest rate cut
- Expenses lower Y/Y and comparable to Q4 2002 as a result of cost containment measures
- Improvement in Canadian operations compared to the prior year offset a decline in US operations

# *Investment Banking Group*

## Improving cash ROE

- Margin decreased mainly due to narrowing spreads in capital markets businesses
- NIX / Revenue decreased compared to Q4 2002 largely due to revenue improvements and flat expenses
- Continued reduction in risk weighted assets

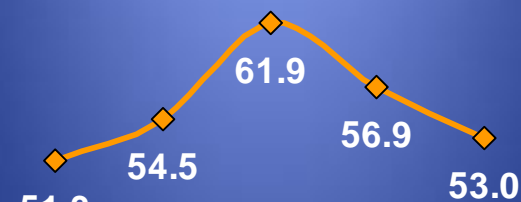
Cash ROE



Net Interest Margin

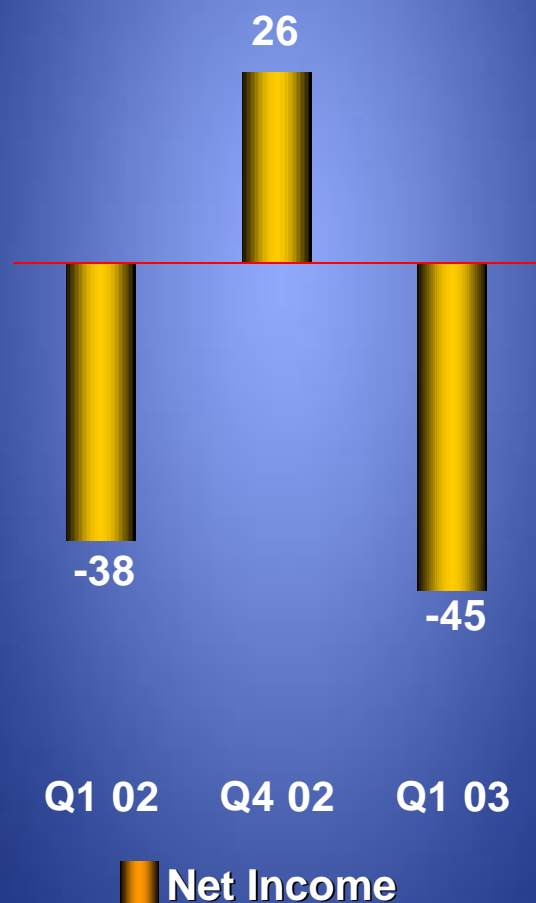


NIX / Revenue



|          |          |          |          |          |
|----------|----------|----------|----------|----------|
| Q1<br>02 | Q2<br>02 | Q3<br>02 | Q4<br>02 | Q1<br>03 |
|----------|----------|----------|----------|----------|

Q1 2003  
Net Income  
(ex. non-recurring items)  
\$MM



## *Corporate Support, including Technology & Solutions*

- Q1 2003 decrease as a result of
  - lower securities gains
  - lower interest rate environment
  - higher income taxes



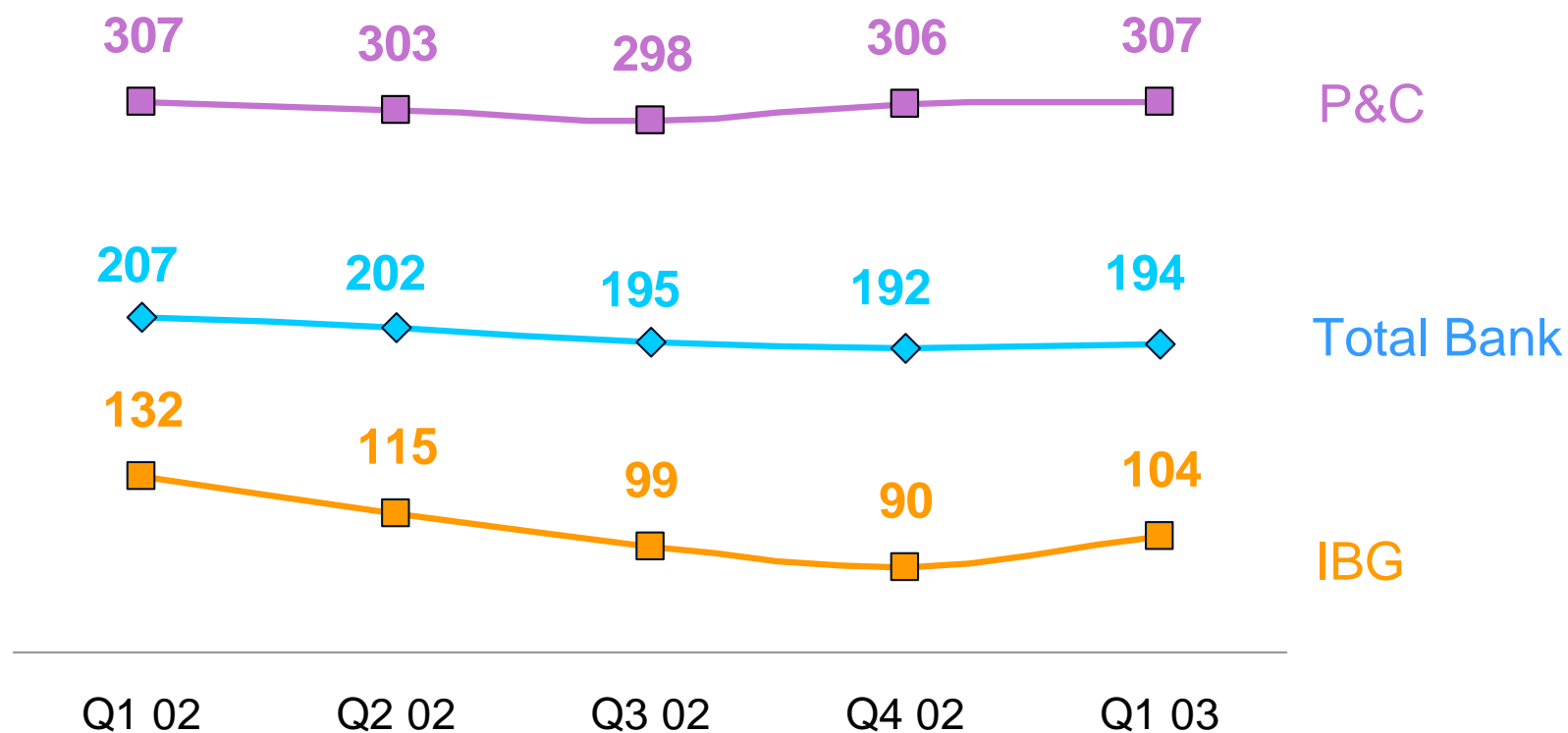
# Appendix

## *Non-Recurring Items*

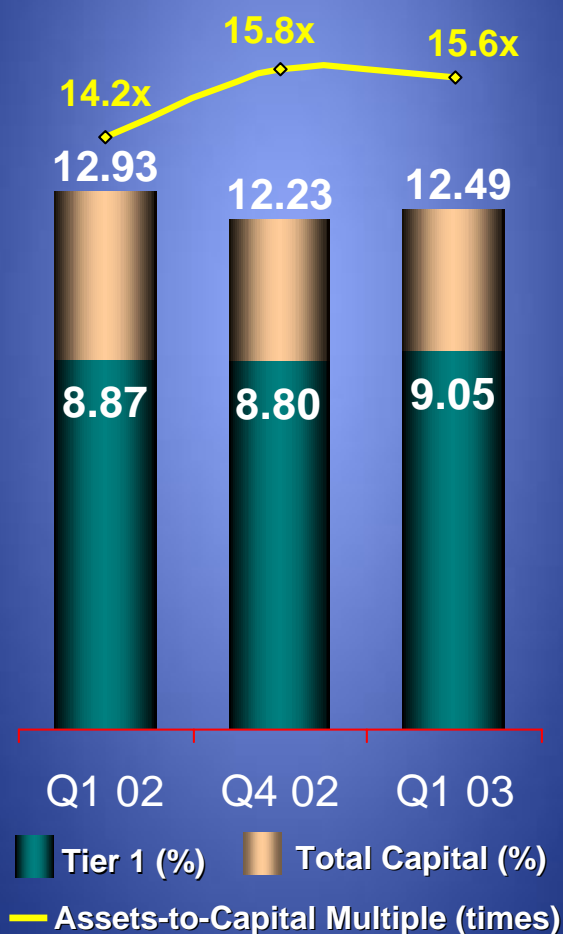
| (\$MM)                             | Q1 '03      | Q1 '02 | Q4 '02 |
|------------------------------------|-------------|--------|--------|
| Non-interest Revenue               |             |        |        |
| • CBO Write-down                   | -           | -      | -      |
| • Sale of Canadian Branches        | -           | -      | -      |
| • Sale of Bancomer Shares          | -           | -      | -      |
| Total Non-interest Revenue         | -           | -      | -      |
| Total Provisions For Credit Losses | -           | -      | -      |
| NIX Acquisition Related Costs      | -           | -      | 39     |
| Total Pre-tax Impact               | -           | -      | (39)   |
| Tax Asset Adjustment               | -           | -      | -      |
| Total After-tax Impact             | -           | -      | (25)   |
| Net Income as Reported             | <b>399</b>  | 372    | 398    |
| Earnings per Share – Diluted (\$)  | <b>0.75</b> | 0.71   | 0.75   |
| Return on Equity (%)               | <b>14.3</b> | 14.5   | 14.6   |

# *Net Interest Margins*

Net Interest Margin (bps)



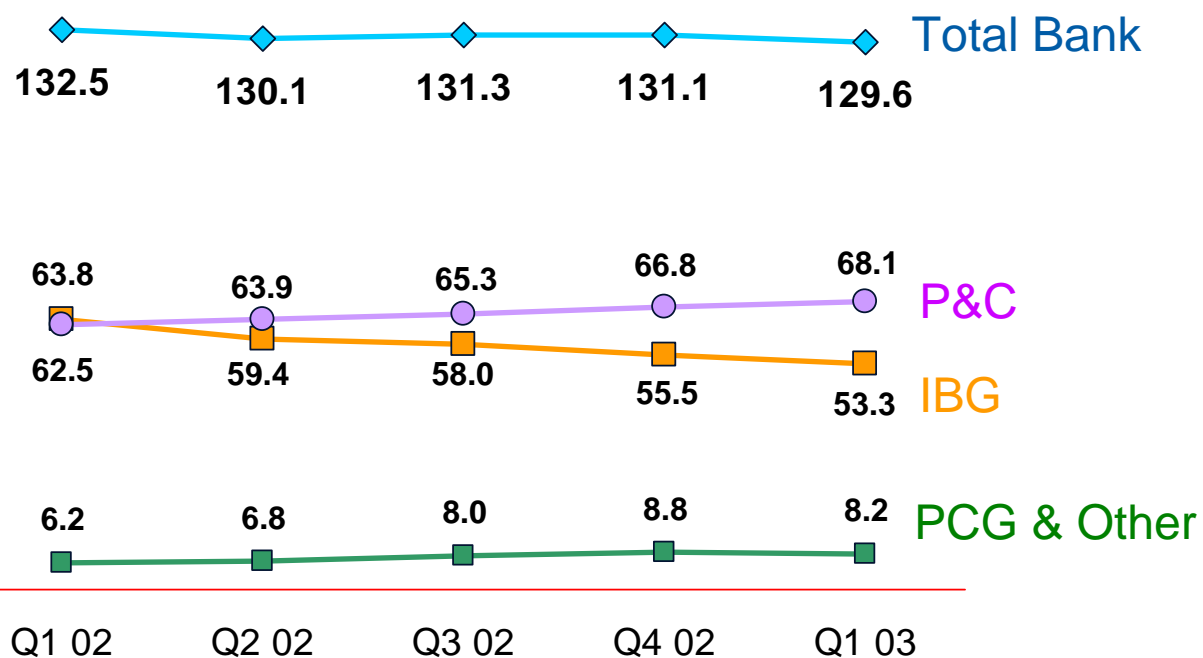
## Q1 2003 Enterprise-Wide Capital Management



## Capital & Risk-Weighted Assets

Tier 1 capital increased due to strong internal capital generation and lower risk-weighted assets

### Risk – Weighted Assets (\$B)



## *Direct Investing*

Growth year-over-year through acquisitions

|                                    | Q1<br>2003 | Q1<br>2002 | Q4<br>2002 | Yr / Yr<br>Change |
|------------------------------------|------------|------------|------------|-------------------|
| Active Accounts (000) <sup>1</sup> | 851        | 315        | 828        | 159%              |
| New Accounts (000) <sup>2</sup>    | 15         | 11         | 21         | 43%               |
| Trades / Day (000)                 | 17         | 8          | 16         | 123%              |
| Customer Assets (\$B Cdn)          | 43         | 19         | 41         | 122%              |

<sup>1</sup> Q4 active accounts were restated for a systems adjustment estimate required to appropriately apply the definition of active accounts. In Q1, the Q4 estimate for the systems adjustment was revised slightly upon completion of all systems updates. Active accounts are defined as “accounts with balances or stock positions or trading activity in the last 12 months”.

<sup>2</sup> Gross active new accounts estimated

# Forward-looking Statements

## **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

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*By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.*

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