Global Auto Report

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Rising Used Car Prices Point To Auto Market Recovery

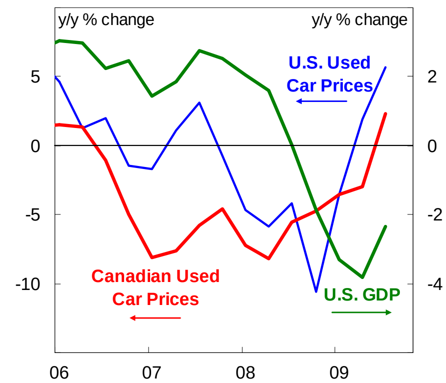
— Reduced Used Vehicle Supply Is A Multi-Year Development

The global car sales recovery remains intact, with sales, excluding the United States, posting a double-digit year-over-year increase in September — the strongest gain since April 2008. In contrast, new vehicle purchases in the United States fell to an annualized 9.2 million units in September, as demand softened from the 'cash for clunkers'-induced 12.7 million units of the previous two months. However, volumes remained roughly in line with the level prevailing in June, prior to the introduction of the government subsidy. Purchases also remained above the early-2009 cyclical low of 9.0 million units. This suggests that the impact of the 'sales pull ahead' from the government program has largely run its course.

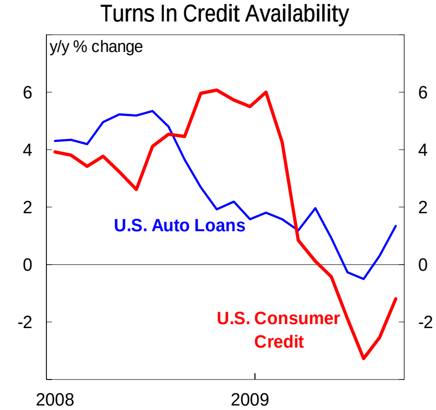
In fact, we believe that low inventories also had a significant impact on dampening sales in the United States last month. In particular, while industry-wide dealer inventories plunged to a record low of only 30 days' supply at the end of August, the stock at Subaru and Toyota dealers was virtually non-existent at only 16 days' supply, leading to a 45% sequential plunge in sales at the two companies. Preliminary estimates suggest that overall industry volumes are bouncing back in October, with purchases back above an annualized 10 million units — data to be released on November 3rd.

Keeping with the global trend, Canadian new car & light truck sales also remained strong in September. Purchases exceeded an annualized 1.50 million units for the third consecutive month — the best performance since last October (before the late-2008 sharp sales downturn). This suggests that Canadian households are becoming more confident as economic conditions stabilize. We estimate that this trend remains intact, with volumes surpassing an annual rate of 1.50 million units in October.

Used Car Prices Lead Economic Recovery



Auto Financing Leads Turns In Credit Availability



RISING USED CAR PRICES POINT TO HEALTHIER NEW CAR MARKET

Used car prices — a key leading indicator of the health of the overall auto market — bottomed in Canada and the United States in early 2009, pointing to stronger activity in the new vehicle market over the coming year. Historically, cyclical turning points in pre-owned vehicle prices lead directional changes in the new car & light truck market by three to six months, reinforcing our view that the outlook for new vehicle sales has improved significantly and that a sustained cyclical recovery is underway.

The price of pre-owned vehicles in the United States — as measured by the Manheim Used Car Price Index — began to decline in November 2007 and dropped to a cyclical bottom in November 2008, slumping 12.2% below a year earlier. The decline subsequently moderated through April 2009, with prices actually beginning to increase yr/yr in May 2009, reversing eighteen consecutive months of decline. **Interestingly, over the past two years, the cyclical turning points in U.S. used car prices, have led not only the new vehicle market, but also the directional changes in the overall economy (see top chart on page one).** The trend in pre-owned vehicle prices has also been very similar in Canada.

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AUTO SECTOR CREDIT TRENDS

The increased prominence of used vehicle prices as a leading indicator of overall economic activity in the current cycle reflects changes in credit availability. For example, U.S. auto loan growth peaked in September 2007, two months before used car prices began to slide, and well ahead of the tightening in overall consumer and business credit, which hit the U.S. and global economies in the second half of 2008 (see bottom chart on page one.)

During the height of the credit crisis, the Federal Reserve created the Term Asset-Backed Loan Facility (TALF) to help meet the credit needs of households and small businesses through the issuance of asset-backed securities. Credit began to be extended under the TALF for the first time in late March, and over US$116 billion in asset-backed securities has been issued so far, with the auto sector accounting for over 40% of the overall total.

The TALF began providing funding for auto loans prior to the loosening in overall credit standards by the banking system, and led to a significant improvement in used vehicle demand, at a time when new car & light truck purchases were still facing severe pressure. According to Adesa Auctions, retail used car sales in the United States strengthened more than 7% yr/yr in April and May, once automotive credit began to flow.

Aside from improved access to credit, a pickup in household confidence was also a key factor stimulating used vehicle demand. Consumer confidence in the United States bottomed at a record low in February (data back to 1970), before bouncing back over the summer. Purchases of pre-owned models always hold up better than new vehicle sales during an economic downturn, as used vehicles are a more affordable option for consumers who need to replace an aging car or truck.

With the exception of last year, sales of pre-owned models in the United States had not posted annual declines of more than 4% during the past two decades. In contrast, new car & light truck purchases typically experience peak-to-through slumps of more than 30% during economic downturns. The experience is similar in Canada, with new vehicle purchases normally dropping a cumulative 25% during economic contractions. Meanwhile, the maximum annual decline in Canadian used vehicle sales has typically been a 5% drop.

REDUCED SUPPLY WILL BUOY PRICES GOING FORWARD

While the above-mentioned demand factors are short-term in nature, a reduced supply of used vehicles — due to a sharp decline in fleet purchases, as well as the drop in leasing over the past year — will continue to support used vehicle prices in both the United States and Canada. This suggests that, firmer used car prices will be a multi-year phenomenon, not just a short-term cyclical development.

In Canada, new fleet purchases will likely drop to less than 180,000 units in 2009 — 100,000 units fewer than the average of the past decade and less than half the record volumes of the late 1980s. In addition, the number of new leased vehicles in Canada will slump below 400,000 units this year — the lowest level since 1995. These sharp reductions will lead to a decline in the number of vehicles supplied to the Canadian used vehicle market by 2011.

The supply shortage of used models is even more acute in the United States. The number of vehicles coming off-lease is already declining south of the border, and will be pressured further going forward. New vehicle leases in the United States will likely average only 1.6 million units in 2008-09, nearly 40% below the average of the previous five years. Meanwhile, new fleet purchases will plunge in 2009 to the lowest level since 1970.

International Car Sales Outlook

	1990-99	2000	2001-06	2007	2008	2009f
			(millions of units)			
TOTAL SALES	**39.20**	**46.64**	**48.63**	**54.92**	**52.17**	**48.63**
North America*	**16.36**	**19.77**	**19.45**	**18.83**	**15.85**	**12.47**
Canada	1.27	1.55	1.60	1.65	1.64	1.45
United States	14.55	17.35	16.81	16.09	13.19	10.20
Mexico	0.54	0.87	1.04	1.09	1.02	0.82
Western Europe	**13.11**	**14.75**	**14.54**	**14.75**	**13.54**	**12.93**
Germany	3.57	3.38	3.32	3.15	3.09	3.71
Eastern Europe	**1.18**	**2.38**	**2.36**	**3.58**	**4.01**	**3.29**
Russia	0.78	1.03	1.25	2.31	2.73	2.05
Asia	**6.91**	**7.85**	**10.23**	**14.42**	**15.07**	**16.30**
China	0.33	0.61	2.26	5.15	5.04	6.80
India	0.31	0.60	0.75	1.18	1.20	1.38
South America	**1.64**	**1.89**	**2.05**	**3.34**	**3.70**	**3.64**
Brazil	0.94	1.17	1.30	1.98	2.19	2.34

**Includes light trucks.*

Canada/U.S. Motor Vehicle Sales Outlook

	1991-05 Average	2006-07	2008	2009 Jan-Aug **	2009 Annual f	2010f
	(thousands of units, annualized)					
CANADA	**1,398**	**1,635**	**1,642**	**1,445**	**1,445**	**1,500**
Cars	797	861	898	739	740	770
Domestic	583	562	558	419	425	450
Transplants	178	280	305	230	240	260
Imports	214	299	340	320	315	320
Light Trucks	601	774	744	706	705	730
	(millions of units, annualized)					
UNITED STATES	**15.5**	**16.3**	**13.2**	**10.2**	**10.2**	**11.5**
Cars	8.3	7.7	6.8	5.3	5.2	5.8
Light Trucks	7.2	8.6	6.4	4.9	5.0	5.7
	(millions of units, annualized)					
NORTH AMERICAN PRODUCTION*	**15.58**	**15.65**	**12.90**	**7.93**	**8.53**	**10.85**
CANADA	2.50	2.57	2.08	1.32	1.43	1.75
UNITED STATES	11.67	11.01	8.68	5.22	5.60	7.10
MEXICO	1.41	2.07	2.14	1.39	1.50	2.00

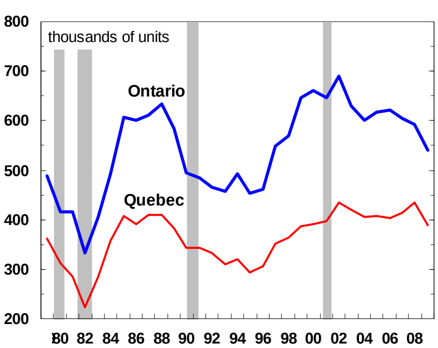
*Includes transplants; light, medium and heavy trucks.   **U.S. sales and North American production to September.*

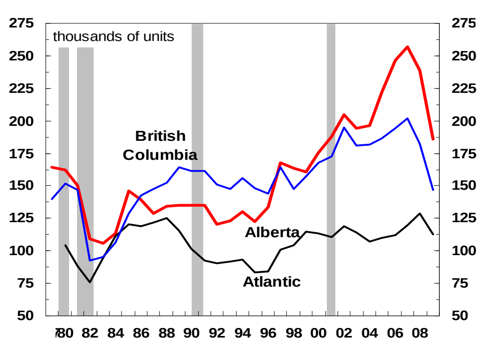
Vehicle Sales Outlook By Province*

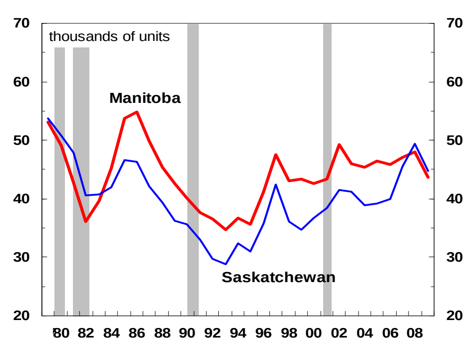
(thousands of units, annual rates)

	1994-05 Average	2006-07	2008	2009 Jan-Aug	2009 Annual f	2010f
CANADA	**1,446**	**1,635**	**1,642**	**1,445**	**1,445**	**1,500**
ATLANTIC	**102**	**114**	**127**	**112**	**108**	**114**
CENTRAL	**936**	**999**	**1,010**	**916**	**918**	**952**
Quebec	366	402	430	372	388	402
Ontario	570	597	580	544	530	550
WEST	**408**	**522**	**505**	**417**	**419**	**434**
Manitoba	42	44	46	43	43	45
Saskatchewan	36	41	48	45	46	48
Alberta	166	243	232	183	185	191
British Columbia	164	194	179	146	145	150

Includes cars and light trucks.







Includes cars and trucks (light, medium and heavy).
Shaded bars indicate U.S. recession periods.

Auto Market Share By Manufacturer — Canada*

(thousands of units, not seasonally adjusted)

	2008 Jan to Sept Units	2008 Jan to Sept % of Total	2009 Jan to Sept Units	2009 Jan to Sept % of Total	2008 Sept Units	2008 Sept % of Total	2009 Sept Units	2009 Sept % of Total
TOTAL	**734.4**	**100.0**	**584.2**	**100.0**	**74.4**	**100.0**	**67.2**	**100.0**
Big Three	231.9	31.6	144.8	24.8	21.7	29.2	15.2	22.6
General Motors	145.8	19.9	77.9	13.3	15.6	20.9	7.4	11.0
Ford	41.0	5.6	40.2	6.9	3.2	4.3	4.3	6.4
Chrysler	45.1	6.1	26.7	4.6	2.9	4.0	3.5	5.2
Japanese	366.0	49.8	288.1	49.3	37.4	50.3	34.9	51.9
Honda	100.4	13.7	74.8	12.8	9.8	13.2	9.8	14.7
Toyota	135.0	18.4	95.7	16.4	13.9	18.7	11.0	16.4
Nissan	45.8	6.2	43.9	7.5	5.0	6.8	5.4	8.1
Mazda	58.1	7.9	50.1	8.6	6.0	8.1	5.5	8.2
Suzuki	7.6	1.0	6.3	1.1	0.9	1.2	0.9	1.4
Subaru	9.7	1.3	8.7	1.5	0.8	1.1	1.2	1.8
Volkswagen	28.6	3.9	24.6	4.2	3.4	4.5	2.8	4.2
Hyundai	44.8	6.1	57.1	9.8	4.7	6.3	6.0	9.0
BMW	16.7	2.3	17.2	3.0	1.5	2.0	1.9	2.9
Mercedes-Benz	15.2	2.1	14.9	2.5	1.7	2.3	1.7	2.4
Other	31.2	4.2	37.5	6.4	4.0	5.4	4.7	7.0

**Source: Dealer sales from Motor Vehicle Manufacturers' Association; latest data from The Globe and Mail.*

Truck Market Share By Manufacturer — Canada*

(thousands of units, not seasonally adjusted)

	2008 Jan to Sept Units	2008 Jan to Sept % of Total	2009 Jan to Sept Units	2009 Jan to Sept % of Total	2008 Sept Units	2008 Sept % ot Total	2009 Sept Units	2009 Sept % of Total
TOTAL	**608.2**	**100.0**	**557.5**	**100.0**	**63.5**	**100.0**	**64.3**	**100.0**
Big Three	401.0	66.0	353.2	63.3	39.4	62.1	40.6	63.0
General Motors	142.2	23.4	123.3	22.1	15.5	24.4	16.3	25.4
Ford	124.5	20.5	133.0	23.8	9.8	15.4	11.9	18.4
Chrysler	134.3	22.1	96.9	17.4	14.1	22.3	12.4	19.2
Other Domestic	28.3	4.6	15.8	2.8	3.8	5.9	2.6	4.1
Japanese	131.4	21.6	126.8	22.8	14.8	23.4	13.6	21.2
Honda	39.7	6.5	32.7	5.9	5.1	8.0	2.6	4.0
Toyota	50.8	8.4	56.7	10.2	5.5	8.7	6.5	10.1
Nissan	21.3	3.5	18.0	3.2	2.4	3.7	1.8	2.8
Mazda	11.2	1.8	8.6	1.5	0.8	1.2	1.0	1.6
Suzuki	2.9	0.5	3.3	0.6	0.4	0.6	0.4	0.7
Subaru	5.4	0.9	7.7	1.4	0.7	1.1	1.3	2.0
Hyundai	20.6	3.4	25.5	4.6	2.4	3.8	3.2	5.0
Other Imports	26.9	4.4	36.2	6.5	3.1	4.8	4.3	6.7
LIGHT TRUCKS	580.1	95.4	541.8	97.2	59.8	94.2	62.3	96.8

**Source: Dealer sales from Motor Vehicle Manufacturers' Association; latest data from The Globe and Mail.*

Auto Sales By Province

(thousands of units, not seasonally adjusted)

	2008 Jan to Aug	2009 Jan to Aug	2008 Aug	2009 Aug
CANADA	**660.5**	**516.6**	**80.9**	**68.4**
ATLANTIC	**57.1**	**43.8**	**7.1**	**5.7**
Newfoundland	12.9	10.3	1.7	1.4
Nova Scotia	24.8	19.2	2.9	2.4
New Brunswick	16.8	12.2	2.1	1.6
Prince Edward Island	2.6	2.1	0.4	0.3
CENTRAL	**441.9**	**359.4**	**54.5**	**48.1**
Quebec	212.2	175.9	25.9	23.0
Ontario	229.7	183.5	28.6	25.1
WEST	**161.5**	**113.4**	**19.3**	**14.6**
Manitoba	15.5	11.7	2.0	1.7
Saskatchewan	12.5	10.0	1.8	1.4
Alberta	64.7	42.7	7.5	5.3
British Columbia	68.8	49.0	8.0	6.2

Truck Sales By Province*

(thousands of units, not seasonally adjusted)

	2008 Jan to Aug	2009 Jan to Aug	2008 Aug	2009 Aug
CANADA	**545.2**	**495.2**	**68.7**	**68.6**
ATLANTIC	**38.4**	**38.2**	**5.2**	**5.4**
Newfoundland	10.6	9.9	1.6	1.3
Nova Scotia	13.9	14.7	1.7	2.0
New Brunswick	12.5	12.1	1.7	1.9
Prince Edward Island	1.4	1.5	0.2	0.2
CENTRAL	**300.6**	**283.7**	**37.8**	**39.8**
Quebec	109.0	101.2	13.3	13.2
Ontario	191.6	182.5	24.5	26.6
WEST	**206.2**	**173.3**	**25.7**	**23.4**
Manitoba	18.1	17.9	2.4	2.6
Saskatchewan	21.6	20.2	3.2	2.8
Alberta	103.1	82.5	12.8	10.8
British Columbia	63.4	52.7	7.3	7.2

**Light, medium and heavy trucks.*

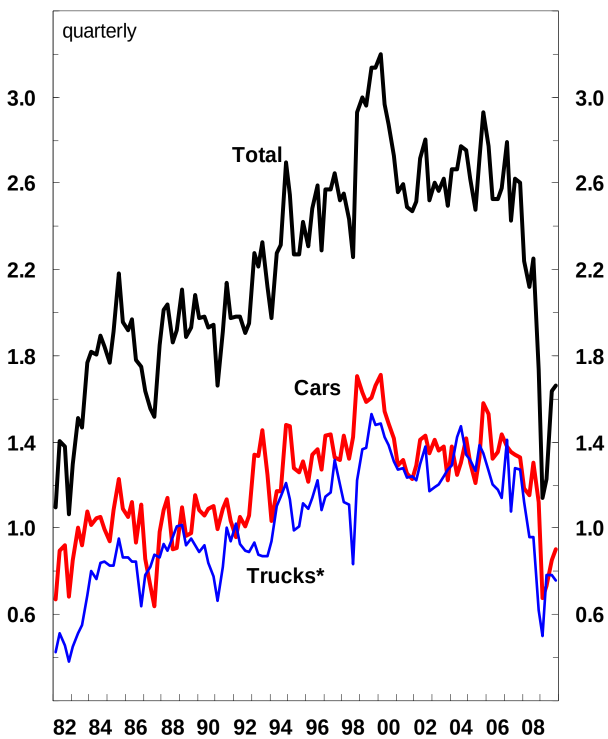
Canadian Motor Vehicle Production*

(thousands of units, not seasonally adjusted)

	2008 Jan to Sept	2009 Jan to Sept	2008 Sept	2009 Sept
TOTAL	**1,640.0**	**1,013.2**	**191.4**	**163.9**
CAR	**913.3**	**570.5**	**120.2**	**88.3**
Chrysler	166.6	78.7	18.2	17.0
Ford	88.8	56.8	10.2	8.8
GM	270.0	148.8	39.3	24.0
Honda	222.7	166.6	28.6	21.0
Toyota	165.2	119.6	23.9	17.5
TRUCKS**	**726.7**	**442.7**	**71.2**	**75.6**
CAMI (GM/Suzuki)	114.0	55.0	11.0	12.4
Chrysler	200.0	123.7	27.9	26.2
Ford	162.5	105.0	16.2	16.7
GM	91.7	27.1	1.0	0.0
Honda	72.3	21.6	4.9	4.8
Toyota	59.4	100.5	6.7	15.0
Others	26.8	9.8	3.5	0.5

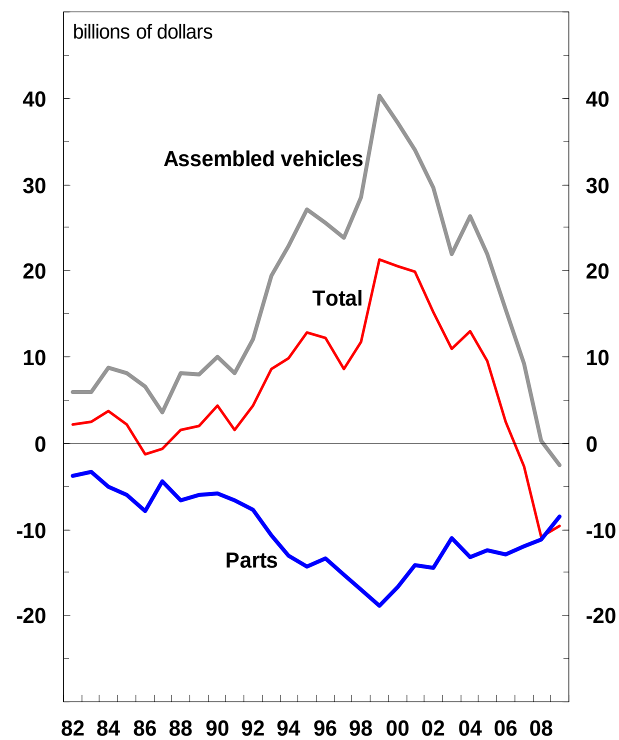
**Production data from Ward's Automotive Reports. **Light, medium and heavy trucks.*

Canada — Motor Vehicle Production



Millions of units, seasonally adjsted annual rates.
* Light, medium and heavy trucks.

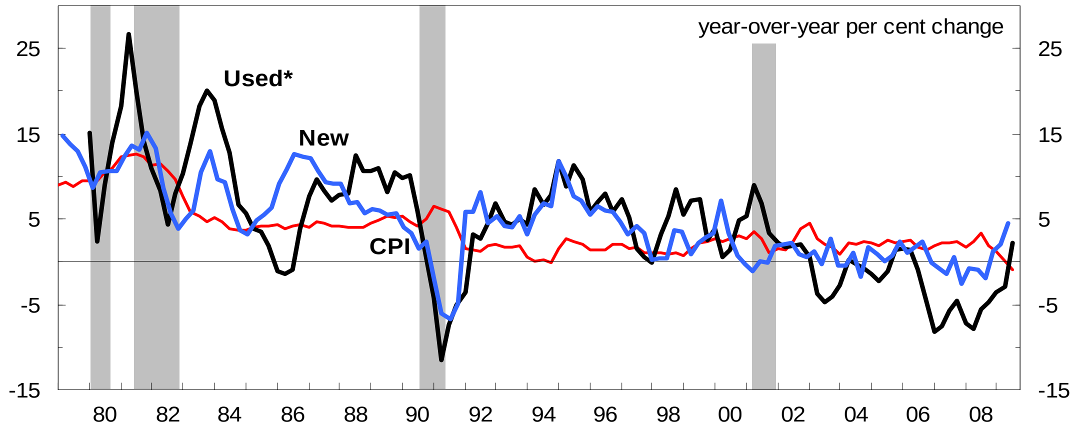
Canada — World Auto Trade Balances



2009 data are January-August annualized.

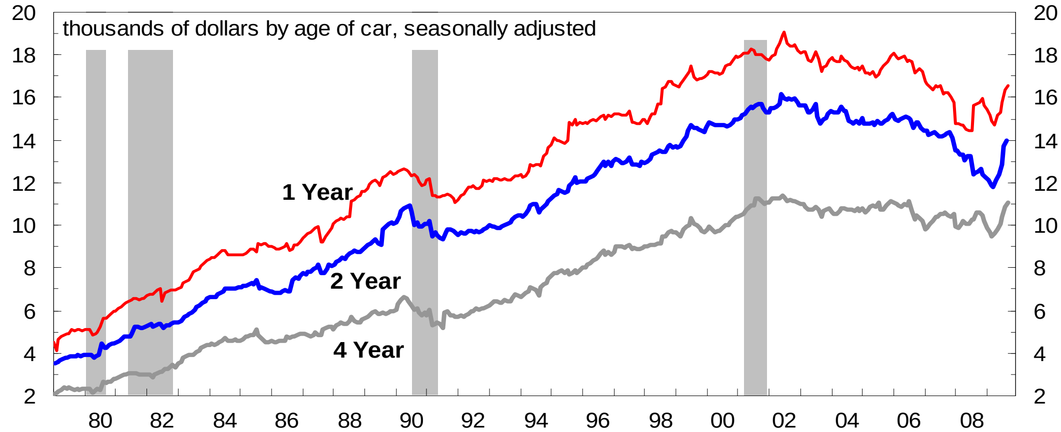
New & Used Car Prices

Scotiabank Car Price Indicators — Canada



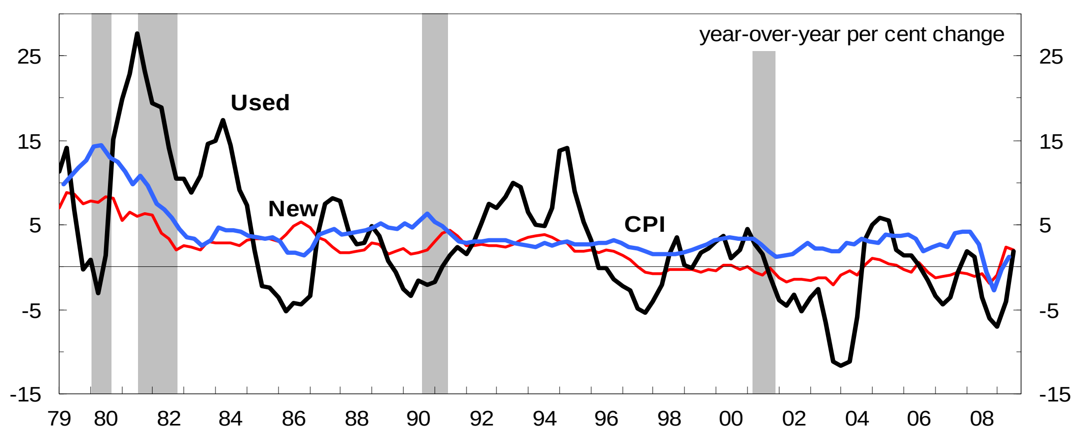
* Scotiabank estimate from Canadian Black Book data.

Scotiabank Car Price Indicators — Canada



Scotiabank estimate from Canadian Black Book data.

Scotiabank Car Price Indicators — United States



Consumer price indices for new and used cars.
Shaded areas indicate recession periods.

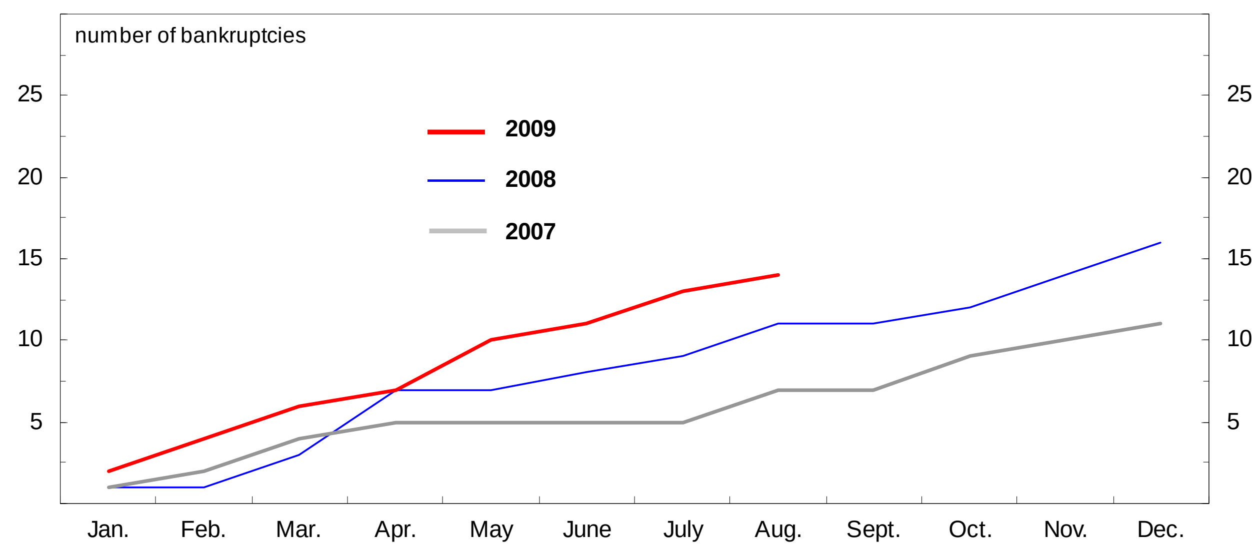
Canadian Corporate Financial Performance

Motor Vehicle Dealers and Repair Shops

		Net Income After Tax ($ mil)	Pre-Tax Profit Margin (%)	Inventory Turnover Ratio	Interest Coverage Ratio	Debt/ Equity Ratio	Return on Shareholders Equity (%)
Annual	1996	141	0.63	7.05	1.98	1.79	2.45
	1997	256	0.80	6.82	2.46	1.97	4.26
	1998	217	0.76	6.33	2.07	2.25	3.91
	1999	487	0.82	6.83	2.31	2.41	9.58
	2000	400	0.75	6.79	2.10	2.02	6.46
	2001	521	0.75	7.06	2.13	1.98	8.37
	2002	773	1.02	7.48	3.09	2.04	11.28
	2003	594	0.91	5.30	2.65	2.91	10.14
	2004	571	0.69	4.98	2.25	3.17	10.49
	2005	799	0.93	5.35	2.55	2.74	12.90
	2006	942	1.20	5.16	2.64	2.75	14.37
	2007	1089	1.38	5.05	3.22	2.54	15.08
	2008	808	1.10	5.00	2.90	2.39	10.62
Quarterly at annual rates							
	2008Q2	1152	1.36	5.62	3.67	2.44	15.72
	Q3	928	1.24	5.08	3.14	2.35	11.88
	Q4	372	0.63	4.70	1.99	2.32	4.69
	2009Q1	528	0.91	4.38	2.78	2.39	6.84
	Q2	904	1.15	5.53	3.35	2.27	11.59
Average (89-08)		524	1.00	6.37	2.41	2.44	9.56
Low (89-08)		-68	0.10	4.59	1.10	3.57	-1.20

Definition of Ratios:
Pre-tax Profit Margin: pre-tax income/sales
Inventory Turnover Ratio: sales/inventory
Interest Coverage Ratio: (pre-tax income and interest payments)/(interest payments)
Debt/Equity Ratio: (short-term and long-term debt)/total equity
Return of Shareholders' Equity: after-tax income/total equity

Retail Auto Dealer Bankruptcies



New car dealers only; cumulative total during the year.