First Quarter 2001

REPORT TO SHAREHOLDERS

Scotiabank

Scotiabank's strong earnings momentum continues in first quarter

PERFORMANCE VS TARGETS FOR 2001

RETURN ON EQUITY TARGET:

Earn a return on equity of 16% to18%.

Q1 Performance:
ROE of 17.0%

EPS GROWTH TARGET:

Generate growth in earnings per common share of 12% to 15% per year.

Q1 Performance:
Year-over-year growth in earnings per share was 23%.

PRODUCTIVITY TARGET:

Maintain a productivity ratio of less than 60%.

Q1 Performance: 51.7%

TIER 1 CAPITAL TARGET:

Maintain Tier 1 capital ratio of 7.5% to 8.0%.

Q1 Performance: 8.6%

First Quarter Highlights

- Year over year
  - Net income of $510 million, up $94 million or 23%
  - Earnings per share of $0.97, up 23% from $0.79
  - ROE 17.0%, up from 15.9%
  - Productivity ratio of 51.7%, an improvement from 58.6%
- Quarterly dividend increase of 3 cents to 31 cents per share

Halifax, March 6, 2001 – Scotiabank's strong earnings continued into 2001 with first quarter net income of $510 million, 23% higher than a year ago. Earnings per share were $0.97, a substantial growth of 23% over the first quarter in 2000. Return on equity climbed to 17.0% in the first quarter, up from the 15.9% recorded last year.

"We're pleased to begin the new fiscal year with record results, meeting or exceeding virtually all of our targets," said Peter C. Godsoe, Chairman and CEO. "Earnings momentum remained strong across almost all businesses, with broad-based revenue gains of 20% over last year. Expense control was also a key factor in the quarter – our productivity ratio was an extra-ordinary 51.7%."

"Credit quality is good across the Bank, although we did experience deterioration in our U.S. operations during the quarter, reflecting weakening economic conditions and credit markets. We have taken strong corrective action to put this behind us, including a very conservative approach to the classification of loans as impaired and reserving for loan losses. We are confident that these steps, combined with our solid earnings momentum, will enable us to meet our key performance targets for the year."

Live audio Internet broadcast
of the Bank's analysts' conference call
see page13 for details.

Review of Operating Performance

Revenues

This quarter the Bank had excellent revenue growth. Total revenues – comprised of net interest income, on a taxable-equivalent basis, and other income – rose to $2.4 billion, a significant increase of 20% over last year.

Net interest income

Net interest income was $1,369 million this quarter, up 18% or $211 million from the first quarter last year.

There was an increase in Canadian currency interest profits driven by higher margins and growth in consumer lending, particularly in personal loans and credit cards, partially offset by the impact of the sale of branches to Laurentian Bank. As well, foreign currency interest profits rose a substantial 26% over the prior year, primarily due to higher volumes across all divisions of the Bank, improved spreads in international operations, the consolidation of Banco Sud Americano Chile, and the translation effect of a weaker Canadian dollar.

The Bank's overall interest margin was 2.23% in the first quarter, up from 2.08% in the same quarter a year ago.

Other income

Other income grew significantly to $1,014 million in the first quarter, an increase of $192 million or 23% above the same quarter a year ago, and represented 42% of the Bank's total revenues.

The major contributing factor was a $129 million growth in investment banking revenues due to strong results in derivatives, securities trading, foreign exchange and underwriting. As well, there was double digit growth in transaction-based deposit and payment services, and securitization revenues. Other income included a $27 million gain on the sale of branches to Laurentian Bank, which was entirely offset by lower revenues as a result of the sale of the corporate trust and stock transfer businesses last year.

Expenses

The Bank continued to improve productivity by careful management of expenses. The productivity ratio – non-interest expenses as a percentage of total revenues – was an extraordinary 51.7% in the first quarter, a significant improvement from 58.6% a year ago. This ratio, a key measure of cost effectiveness, continues to be the best among Canadian banks.

Total operating expenses were $1,260 million, up 6% over last year. This increase was mainly due to salaries and other staff benefits, which grew by $65 million or 10%, primarily from higher incentives and performance-related compensation. Underlying salary costs rose marginally, reflecting higher staffing in electronic banking and retail brokerage offset by productivity improvements in Domestic Banking. Computer-related expenses grew by $13 million as the Bank continued to invest in a number of key business initiatives and new technology, both to provide innovative and flexible banking solutions for customers, and to improve its own efficiency. Remaining operating expenses declined slightly from the levels in the prior year.

In the first quarter, the Bank recorded a $24 million income tax expense as a result of the effect of the proposed federal income tax rate reductions on future income tax assets and liabilities.

Credit quality

Credit quality was good across the Bank, although there was deterioration in our U.S. operations. The U.S. portfolio has been thoroughly reviewed and a very conservative approach was taken in classifying loans as impaired. This prudent action has resulted in impaired loans, after deducting the allowance for credit losses, rising to $1,084 million from $(181) million a year earlier and $(61) million at the end of the last quarter.

The Bank established $400 million in provisions for credit losses in the first quarter versus $135 million a year ago. The Bank estimates that provisions for the balance of the year will be close to $225 million per quarter. As a result, this year's forecast for the annual specific provision for credit losses is $1,075 million.

As at January 31, 2001, the Bank's general provision was $1,300 million – unchanged from the same quarter last year and from the preceding quarter – and remained among the highest of the Canadian banks.

Grupo Financiero Scotiabank Inverlat

During the quarter, the Bank increased its voting ownership in Grupo Financiero Scotiabank Inverlat (Inverlat) in Mexico from 10% to 55%. The purchase price for the entire 55% was US$215 million. The Bank has accounted for its investment in Inverlat using the purchase method. The purchase price equation is being finalized and no material amount of goodwill is expected to arise. In the quarter, the Bank consolidated Inverlat's assets of $16 billion and recognized one month's income of $4 million (before non-controlling interests and income taxes). Inverlat's allowance for credit losses was 102% of its impaired loans. Scotiabank Inverlat S.A., the banking subsidiary, is well capitalized with a Tier 1 capital ratio of 9.9% and a total capital ratio of 10.7%.

Balance sheet

Total assets, as at January 31, 2001, were $273 billion, an increase of $40 billion from a year ago. This rise included Inverlat's $16 billion of assets, as well as $10 billion in assets purchased under resale agreements, $6 billion of trading securities and $2 billion from the translation of foreign assets into a weaker Canadian dollar.

In the Bank's investment securities portfolio, the surplus of market value over book value grew to $1,032 million, up substantially from $863 million at the end of the immediately preceding quarter. The larger surplus arose from higher values in the Bank's emerging market portfolio, and in government and corporate bond holdings.

Capital

The Bank's solid capital base strengthened in the quarter. Total shareholders' equity grew to $13.2 billion, $260 million higher than the preceding quarter. The Bank's Tier 1 capital was $13.9 billion at quarter end, up from $13.4 billion.

The Tier 1 capital ratio was a strong 8.6%, unchanged from the preceding quarter, notwithstanding the consolidation of Inverlat this quarter. The Bank's total capital ratio was 12.1% compared to 12.2% in the prior quarter. These capital ratios remain in excess of the internal targets established by the Bank and the minimum targets of 7% and 10% set by the Bank's regulator.

Dividend

The Board of Directors, at its meeting on March 5, 2001, approved a quarterly dividend increase of 3 cents to 31 cents per common share, payable on April 26, 2001, to shareholders of record as of April 3, 2001. This marks a decade of uninterrupted dividend increases.

Economic outlook

The recent weakening in the U.S. economy has temporarily dampened global growth prospects, though the combination of lower interest rates and fiscal stimulus should help revive activity in the second half of 2001. Both Canada and Mexico are likely to outperform the United States this year, supported by solid competitive fundamentals. With strong earnings in almost all operations, the Bank expects that it will achieve the performance targets set for 2001.

Peter C. Godsoe
Chairman of the Board and
Chief Executive Officer

Business Line Highlights *(Refer to tables on pages 7 and 8)*

Domestic Banking

Domestic Banking, which includes our Wealth Management businesses, reported net income of $233 million for the quarter, up 23% from the first quarter last year, and represented 46% of the Bank's total net income.

Net interest income rose $42 million, driven by higher margins and underlying growth in retail assets, reflecting the ongoing success of products such as the Scotia Total Equity Plan and ScotiaLine VISA.

In other income, there was solid growth in credit fees and transaction-based revenues, as well as mutual funds and investment management. This growth was offset by a slowdown in trading activity in retail brokerage, and lower revenues following the sale of the stock transfer and corporate trust businesses. During the quarter, the sale of 43 branches in Quebec was completed, realizing a $27 million pre-tax gain.

Operating expenses for the quarter declined $17 million, driven by good cost control, and the sales of the Quebec branches and stock transfer and corporate trust operations. Compared to last year, there were significant productivity improvements, reflecting the ongoing realignment of branch operations, which has resulted in substantial cost savings. These savings were partially mitigated by investments in technology initiatives and staffing growth in electronic banking and retail brokerage.

Loan loss provisions were flat, as credit quality remained excellent in retail operations and stable in the commercial segment.

Some notable initiatives and accomplishments in Domestic Banking were as follows:

- We continued to deliver value-added products and services to our customers, such as the iCAN™ financial plan, helping Canadians set and achieve their financial goals, and the Scotia Investment Line of Credit, a low-cost, flexible personal line of credit that can be used to buy non-registered Scotia mutual funds.
- 10 new mutual funds were introduced in partnership with Capital International Asset Management, and we launched the Scotia Young Investors Fund, which invests in well-known companies around the world and helps to educate young people about investing and personal finances.
- We received an award recognizing the Scotia CanAm US$ Income Fund as Canada's best global income fund at the 6th annual Canadian Mutual Fund Awards gala in December.
- We continued to build our data warehouse and marketing capabilities. This has contributed to strong sales during the key RRSP season, as well as greater success in migrating customers to online banking services.
- To support the sales and service initiatives at the branch level, we implemented a new Network Sales Management structure. Under this structure, 42 district vice-presidents each supervise a small group of approximately 25 retail branches, focusing on customer sales and service, as well as coaching and developing our frontline staff. We also implemented a new approach – called Shared Services – to provide support services such as human resources, marketing and operations.
- Building on our strength in automotive financing, we teamed up with BCE Emergis to offer car dealers a one-stop, Web-based service to simplify and accelerate customer credit approvals.

Scotia Capital

Scotia Capital earned $120 million this quarter, down $43 million or 26% from last year. However, total revenues rose by $184 million or 37% to $677 million, driven by gains in the majority of Scotia Capital's operations. Global Trading revenues were up 65%, with strong increases in derivatives, funding, fixed income and foreign exchange. There was also strong growth in interest and fee income in our lending operations, as well as institutional equities and underwriting.

This strong revenue growth was more than offset by higher loan loss provisions, due to weakening credit conditions in the U.S. and the subsequent rise in impaired loans. Total provisions increased to $292 million, as we have taken a conservative and proactive approach in dealing with credit quality issues.

Total expenses rose by $40 million to $221 million, reflecting higher performance-related compensation tied to higher revenues, particularly in Global Trading.

Other highlights for the quarter included the following:

- Scotia Capital mandates included a lead role in Manulife Financial's $800 million debt financing. We also acted as financial advisor to Calpine Corporation on its pending acquisition of Encal Energy, leveraging our lending relationship.
- We unveiled ScotiaLive.com, a Web site that provides eligible institutional investors with complete, up-to-date information about new debt issues, as well as prices for benchmark corporate and government bonds, historical data and other investor information.

- We joined an alliance of leading global foreign exchange dealers, FXall, to provide clients with a low-cost, one stop online foreign exchange trading platform.
- In December, Scotia Capital launched Citadel Hill 2000, a $500 million Collateralized Debt Obligation fund. The fund will invest primarily in senior secured bank loans, and will provide our clients with access to a broader range of products.

International Banking

International Banking net income rose $39 million or 50% to $115 million in the first quarter, representing 23% of the Bank's earnings. The Caribbean and Central America contributed $66 million, up $12 million or 22%, due to good top line revenue growth spread across virtually all markets, and lower loan losses.

The performance of our Latin American operations continued to improve, with higher earnings from Scotiabank Quilmes in Argentina and Banco Sud Americano in Chile, and an increase in investment income.

Net income from our Asian operations was also up, as strong asset and revenue growth was partially offset by higher operating expenses. As well, loan losses returned to more normal levels.

Other highlights in International Banking:

- On November 30, 2000, we finalized an agreement with the Mexican government to increase our ownership of Grupo Financiero Inverlat to 55%. In the quarter, the Bank consolidated Inverlat's assets of $16 billion and recognized one month's income of $4 million (before non-controlling interests and income taxes). We are very excited about the revenue and earnings growth prospects for our Mexican operations.
- In the Caribbean and Central America, we are piloting new sales and service initiatives in the branches. As in Canada, these changes are designed to focus on customer needs and deepen customer relationships.

Other

The contribution from the other segments was $42 million this quarter, up from a small loss in the preceding year. The major contributor to these results was Group Treasury, due to substantially higher securities gains realized during the quarter. As well, securitization revenues rose over the prior year.

Other Initiatives

Electronic commerce

We continued to provide our retail and small business customers with leading-edge electronic services and products. This quarter, we teamed up with Rogers Cable to offer customers Internet access to financial services through their television sets, using a wireless keyboard to do their banking from a customized menu. We were the first Canadian bank to offer this service.

We also partnered with TELUS Mobility in Alberta and B.C. to provide convenient access to wireless financial services using i-Web compatible phones.

Building on our successful smart card program, we introduced Sony electronic gift cards with the latest smart card technology. These cards can be loaded and reloaded with any amount, and used to make purchases at any Sony store in Canada.

To help our merchant customers offer a wider range of payment choices, we invested in Soft Tracks Enterprises. Soft Tracks is developing next-generation technology to allow consumers to make payments using enhanced wireless terminals and other devices.

Community involvement

Scotiabank and its employees continued a tradition of community support in the first quarter of this year, with donations in the areas of health, social services and disaster relief.

Some of the major donations included:

- $1 million to the London Hospitals to support an integrated breast health program.
- $2.7 million to the United Way of Greater Toronto in January 2001, combining $1.87 million of employee donations with $830,000 from the Bank.
- US$75,000 to the Salvadorean Red Cross to assist victims of a powerful earthquake January 13th in El Salvador. Scotiabank branches in Canada, the Caribbean, Central and Latin America also accepted donations from the public to fund relief efforts.

Forward-looking statements This report includes forward-looking statements about objectives, strategies and expected financial results. Such forward-looking statements are inherently subject to risks and uncertainties beyond the Bank's control, including, but not limited to, economic and financial conditions globally, regulatory developments in Canada and elsewhere, technological developments and competition. These and other factors may cause the Bank's actual performance to differ materially from that contemplated by forward-looking statements, and the reader is therefore cautioned not to place undue reliance on such statements.

Financial Highlights

(Unaudited)	As at and for the three months ended January 31 2001	October 31 2000	January 31 2000	Change Jan. 2001/ Jan. 2000
OPERATING RESULTS ($ millions)				
Net interest income (TEB[1])	**1,423**	1,444	1,202	221
Total revenue (TEB[1])	**2,437**	2,309	2,024	413
Provision for credit losses	**400**	226	135	265
Non-interest expenses	**1,260**	1,291	1,186	74
Net income	**510**	497	416	94
OPERATING MEASURES (%)				
Return on equity	**17.0**	17.0	15.9	1.1
Productivity ratio	**51.7**	55.9	58.6	(6.9)
BALANCE SHEET INFORMATION ($ millions)				
Loans and acceptances	**185,422**	175,710	160,349	25,073
Total assets	**272,764**	253,171	232,421	40,343
Deposits	**181,837**	173,900	162,573	19,264
Common shareholders' equity	**11,460**	11,200	9,852	1,608
Assets under administration ($ billions)	**149**	152	148	1
Assets under management ($ billions)	**18**	19	17	1
BALANCE SHEET MEASURES				
Tier 1 capital ($ millions)	**13,908**	13,407	11,670	2,238
Total capital ($ millions)	**19,558**	19,029	17,161	2,397
Risk-adjusted assets ($ millions)	**161,227**	156,112	146,828	14,399
Tier 1 capital ratio (%)	**8.6**	8.6	8.0	0.6
Total capital ratio (%)	**12.1**	12.2	11.7	0.4
Specific provision for credit losses as a % of average loans and acceptances	**0.91**	0.52	0.34	0.57
Net impaired loans as a % of loans and acceptances	**0.58**	(0.03)	(0.11)	0.69
COMMON SHARE INFORMATION				
Per share ($):				
Basic earnings	**0.97**	0.95	0.79	0.18
Fully diluted earnings	**0.96**	0.93	0.78	0.18
Dividends	**0.28**	0.28	0.24	0.04
Book value	**22.94**	22.49	19.92	3.02
Share price ($):				
High	**45.95**	45.65	34.10	11.85
Low	**37.70**	36.40	26.80	10.90
Close	**45.45**	43.50	29.55	15.90
Shares outstanding (thousands):				
Average	**498,421**	496,985	494,318	4,103
End of period	**499,497**	497,965	494,664	4,833
Market capitalization ($ billions)	**22.7**	21.7	14.6	8.1
VALUATION MEASURES				
Dividend yield (%)	**2.7**	2.7	3.2	(0.5)
Market value to book value multiple	**2.0**	1.9	1.5	0.5
Price to earnings multiple	**11.8**	11.9	9.8	2.0

(1) Taxable equivalent basis.
(2) Certain comparative amounts in this quarterly report have been reclassified to conform with current period presentation.

Business Line Highlights

Domestic Banking

(Unaudited) ($ millions) *(Taxable equivalent basis)*	For the three months ended **January 31 2001**	October 31 2000	January 31 2000
Net interest income	**$ 756**	$ 746	$ 714
Provision for credit losses	**(70)**	(17)	(71)
Other income	**401**	369	420
Non-interest expenses	**(728)**	(677)	(745)
Provision for income taxes	**(126)**	(165)	(129)
Net Income	**$ 233**	$ 256	$ 189
Average Assets *($ billions)*	**$ 89**	$ 90	$ 88

Scotia Capital

(Unaudited) ($ millions) *(Taxable equivalent basis)*	For the three months ended **January 31 2001**	October 31 2000	January 31 2000
Net interest income	**$ 373**	$ 382	$ 290
Provision for credit losses	**(292)**	(168)	(35)
Other income	**304**	257	203
Non-interest expenses	**(221)**	(273)	(181)
Provision for income taxes	**(44)**	(84)	(114)
Net Income	**$ 120**	$ 114	$ 163
Average Assets *($ billions)*	**$ 113**	$ 108	$ 95

International Banking

(Unaudited) ($ millions) *(Taxable equivalent basis)*	For the three months ended **January 31 2001**	October 31 2000	January 31 2000
Net interest income	**$ 368**	$ 389	$ 292
Provision for credit losses	**(50)**	(50)	(42)
Other income	**136**	113	95
Non-interest expenses	**(283)**	(318)	(218)
Provision for income taxes	**(42)**	(33)	(40)
Non-controlling interest in net income of subsidiaries	**(14)**	(12)	(11)
Net Income	**$ 115**	$ 89	$ 76
Average Assets *($ billions)*	**$ 33**	$ 32	$ 27

Other(1)

(Unaudited) ($ millions)	For the three months ended **January 31 2001**	October 31 2000	January 31 2000
Net interest income(2)	**$ (128)**	$ (124)	$ (138)
Provision for credit losses	**12**	9	13
Other income	**173**	126	104
Non-interest expenses	**(28)**	(23)	(42)
Provision for income taxes(2)	**23**	59	51
Non-controlling interest in net income of subsidiaries	**(10)**	(9)	–
Net Income	**$ 42**	$ 38	$ (12)
Average Assets *($ billions)*	**$ 19**	$ 17	$ 20

(1) Includes all other smaller operating segments and corporate adjustments, such as the elimination of the tax-exempt income gross-up reported in net interest income and provision for income taxes, increases in the general provision, differences in the actual amount of costs incurred and charged to the operating segments, and the impact of securitizations.

(2) Includes the elimination of the tax-exempt income gross up reported in net interest income and provision for income taxes for the three months ended January 31, 2001, ($54), October 31, 2000 ($51) and January 31, 2000 ($44).

Total

(Unaudited) ($ millions)	For the three months ended **January 31 2001**	October 31 2000	January 31 2000
Net interest income	**$ 1,369**	$ 1,393	$ 1,158
Provision for credit losses	**(400)**	(226)	(135)
Other income	**1,014**	865	822
Non-interest expenses	**(1,260)**	(1,291)	(1,186)
Provision for income taxes	**(189)**	(223)	(232)
Non-controlling interest in net income of subsidiaries	**(24)**	(21)	(11)
Net Income	**$ 510**	$ 497	$ 416
Average Assets *($ billions)*	**$ 254**	$ 247	$ 230

Geographic Highlights

(Unaudited)	For the three months ended **January 31 2001**	October 31 2000	January 31 2000
Net income *($ millions)*			
Canada	**$ 368**	$ 347	$ 245
United States	**10**	39	116
Other international	**162**	112	99
Corporate adjustments	**(30)**	(1)	(44)
	$ 510	$ 497	$ 416
Average Assets *($ billions)*			
Canada	**$ 149**	$ 148	$ 140
United States	**44**	41	36
Other international	**57**	55	51
Corporate adjustments	**4**	3	3
	$ 254	$ 247	$ 230

Consolidated Financial Statements

Interim Consolidated Statement of Income

(Unaudited) *($ millions except per share amounts)*	For the three months ended **January 31 2001**	October 31 2000	January 31 2000
Interest income			
Loans	**$ 3,327**	$ 3,296	$ 2,753
Securities	**625**	622	550
Deposits with banks	**246**	250	206
	4,198	4,168	3,509
Interest expense			
Deposits	**2,243**	2,213	1,932
Subordinated debentures	**86**	87	82
Other	**500**	475	337
	2,829	2,775	2,351
Net interest income	**1,369**	1,393	1,158
Provision for credit losses[1]	**400**	226	135
Net interest income after provision for credit losses	**969**	1,167	1,023
Other income			
Deposit and payment services	**170**	157	155
Investment, brokerage and trust services	**154**	156	180
Credit fees	**171**	164	159
Investment banking	**264**	202	135
Net gain on investment securities	**73**	46	71
Securitization revenues	**82**	50	55
Other	**100**	90	67
	1,014	865	822
Net interest and other income	**1,983**	2,032	1,845
Non-interest expenses			
Salaries	**655**	678	585
Pension contributions and other staff benefits	**77**	86	82
Premises and technology, including depreciation	**261**	209	247
Other	**267**	352	272
Restructuring provision for National Trustco Inc.	**–**	(34)	–
	1,260	1,291	1,186
Income before the undernoted:	**723**	741	659
Provision for income taxes	**189**	223	232
Non-controlling interest in net income of subsidiaries	**24**	21	11
Net income	**$ 510**	$ 497	$ 416
Preferred dividends paid	**$ 27**	$ 27	$ 27
Net income available to common shareholders	**$ 483**	$ 470	$ 389
Net income per common share:			
Basic	**$ 0.97**	$ 0.95	$ 0.79
Fully diluted	**$ 0.96**	$ 0.93	$ 0.78

(1) In prior years, the Bank estimated the provision for credit losses at the beginning of a year and recorded it evenly over the quarters, adjusting the amount as the whole year estimate changed during the course of the year. Beginning this fiscal year, the Bank is recording provisions as losses are identified in the quarter.

Condensed Consolidated Balance Sheet

(Unaudited) ($ millions)	**January 31 2001**	As at October 31 2000	January 31 2000	% Change Jan. 2001/ Jan. 2000
Assets				
Cash resources	**$ 21,779**	$ 18,744	$ 17,911	21.6%
Securities:				
Investment	**20,442**	19,565	20,474	(0.2)
Trading	**26,080**	21,821	16,472	58.3
	46,522	41,386	36,946	25.9
Loans:				
Residential mortgages	**49,918**	49,994	48,749	2.4
Personal and credit cards	**17,849**	17,704	16,929	5.4
Business and governments	**79,013**	75,646	71,055	11.2
Assets purchased under resale agreements	**28,545**	23,559	14,329	99.2
	175,325	166,903	151,062	16.1
Other:				
Customers' liability under acceptances	**10,097**	8,807	9,287	8.7
Other assets	**19,041**	17,331	17,215	10.6
	29,138	26,138	26,502	9.9
	$ 272,764	$ 253,171	$ 232,421	17.4%
Liabilities and Shareholders' Equity				
Deposits:				
Personal	**$ 73,246**	$ 68,972	$ 67,251	8.9%
Business and governments	**79,991**	76,980	68,815	16.2
Banks	**28,600**	27,948	26,507	7.9
	181,837	173,900	162,573	11.8
Other:				
Acceptances	**10,097**	8,807	9,287	8.7
Obligations related to assets sold under repurchase agreements	**30,596**	23,792	16,048	90.7
Obligations related to securities sold short	**5,697**	4,297	4,813	18.4
Other liabilities	**25,985**	24,030	22,732	14.3
	72,375	60,926	52,880	36.9
Subordinated debentures	**5,317**	5,370	5,341	(0.5)
Shareholders' Equity:				
Preferred shares	**1,775**	1,775	1,775	–
Common shares	**2,803**	2,765	2,689	4.2
Retained earnings	**8,657**	8,435	7,163	20.9
	13,235	12,975	11,627	13.8
	$ 272,764	$ 253,171	$ 232,421	17.4%

Consolidated Statement of Changes in Shareholders' Equity

(Unaudited) ($ millions)	For the three months ended **January 31 2001**	January 31 2000
Preferred shares:		
Bank	**$ 1,525**	$ 1,525
Scotia Mortgage Investment Corporation	**250**	250
Balance at end of period	**1,775**	1,775
Common shares:		
Balance at beginning of period	**2,765**	2,678
Issued	**38**	11
Balance at end of period	**2,803**	2,689
Retained earnings:		
Balance at beginning of period	**$ 8,435**	$ 6,953
Net income	**510**	416
Preferred dividends	**(27)**	(27)
Common dividends	**(140)**	(119)
Cumulative effect of initial adoption of income taxes accounting standard	**(39)**	–
Net unrealized foreign exchange gains and losses, and other	**(82)**	(60)
Balance at end of period	**$ 8,657**	$ 7,163

Condensed Consolidated Statement of Cash Flows

(Unaudited) ($ millions)	For the three months ended January 31 2001	January 31 2000
Cash flows from operating activities		
Net income	**$ 510**	$ 416
Adjustments to net income to determine net cash flows	**563**	220
Trading securities	**(1,469)**	(2,136)
Net gains on investment securities	**(73)**	(71)
Other, net	**180**	(460)
	(289)	(2,031)
Cash flows from financing activities		
Deposits	**1,420**	5,671
Obligations related to assets sold under repurchase agreements	**498**	(748)
Obligations related to securities sold short	**1,408**	1,991
Subordinated debentures and capital stock	**–**	2
Cash dividends paid	**(154)**	(137)
Other, net	**(732)**	335
	2,440	7,114
Cash flows from investing activities		
Interest-bearing deposits with banks	**(1,506)**	(495)
Investment securities	**(875)**	(691)
Loans	**369**	(3,886)
Land, buildings and equipment, net of disposals	**(72)**	(46)
Other, net(1)	**25**	(118)
	(2,059)	(5,236)
Effect of exchange rate changes on cash and cash equivalents	**(11)**	(48)
Net change in cash and cash equivalents	**81**	(201)
Cash and cash equivalents, beginning of period	**734**	888
Cash and cash equivalents, end of period	**$ 815**	$ 687
Represented by:		
Cash resources per Consolidated Balance Sheet, adjusted for:	**$ 21,779**	$ 17,911
Interest-bearing deposits with banks	**(19,380)**	(15,428)
Precious metals inventory	**(1,109)**	(1,320)
Cheques and other items in transit, net	**(475)**	(476)
Cash and cash equivalents, end of period	**$ 815**	$ 687

(1) Includes cash investments in subsidiaries of $58 at January 31, 2001 and $230 at January 31, 2000 (net of cash and cash equivalents at date of acquisition).

	January 31 2001	January 31 2000
Cash disbursements for:		
Interest	**$ 2,671**	$ 2,024
Income taxes	**290**	281

Accounting Policies Used to Prepare the Interim Consolidated Financial Statements (Unaudited):

1. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended October 31, 2000, as set out in the 2000 Annual Report. The accounting policies used in the preparation of these interim consolidated financial statements are consistent with the accounting policies used in the Bank's year end audited financial statements of October 31, 2000, except for those standards which have changed subsequent to that date, as detailed below.

2. **Corporate Income Taxes:** On November 1, 2000, the Bank adopted the asset and liability method of accounting for corporate income taxes, as established by The Canadian Institute of Chartered Accountants, on a retroactive basis, with no restatement of prior periods. Under this method, future tax assets and liabilities represent the cumulative amount of tax applicable to temporary differences between the carrying amount of the assets and liabilities, and their values for tax purposes. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Changes in future income taxes related to a change in tax rates are recognized in income in the period of the tax rate change.

   In previous periods, the Bank followed the deferral method of accounting for income taxes, whereby income tax provisions or recoveries were recorded in the years the income and expense were recognized for accounting purposes, regardless of when the related taxes were actually paid or settled. Income tax provisions or recoveries were measured at tax rates in effect in the year the differences originated.

   As stated in note 2(a) of the Bank's 2000 Annual Financial Statements, an amount of $39 million was charged to opening retained earnings in fiscal 2001 with an offsetting reduction to the future income tax asset.

3. **Employee Future Benefits:** On November 1, 2000, the Bank adopted the new accounting standard established by The Canadian Institute of Chartered Accountants for employee future benefits. Employee future benefits include pensions and other retirement benefits, post-employment benefits, compensated absences and termination benefits.

   The new accounting standard requires the accrual of the Bank's expected cost and obligation of providing other retirement benefits (such as health care costs and life insurance benefits) as the employees earn the entitlement to the benefits, in a manner similar to pension costs. In prior years, such costs were charged to income when paid by the Bank. The new standard also requires the use of current market interest rates to estimate the present value of future benefit obligations, whereas in prior years, an estimated long-term interest rate was used to determine the present value of the pension obligation.

   The new accounting standard was adopted on a prospective basis with a transition date of November 1, 2000. The net transitional amount, an asset of $169 million, will result in a reduction in pension expense in the Consolidated Statement of Income as it is recognized over the estimated average remaining service life of the employees of approximately 14 to 18 years.

Shareholder & Investor Information

Share Data

(thousands of shares)	January 31, 2001
Preferred shares outstanding:	
Series 6	12,000
Series 7	8,000
Series 8	9,000
Series 9	10,000
Series 10	7
Series 11	9,993
Series 12	12,000
Class A preferred shares issued by Scotia Mortgage Investment Corporation	250
Series 2000-1 trust securities issued by BNS Capital Trust	500(1)
Common shares outstanding	499,497
Outstanding options granted under the Stock Option Plan to purchase common shares	30,280

(1) Reported in other liabilities in the Condensed Consolidated Balance Sheet. See Prospectus dated March 28, 2000, for convertibility features.

Further details are available in Note 12 of the October 31, 2000, Consolidated Financial Statements presented in the 2000 Annual Report.

Direct Deposit Service

Shareholders may have dividends deposited directly into accounts held at financial institutions which are members of the Canadian Payments Association. To arrange direct deposit service, please write to the Transfer Agent.

Dividend and Share Purchase Plan

Scotiabank's dividend reinvestment and share purchase plan allows common and preferred shareholders to purchase additional common shares by reinvesting their cash dividend without incurring brokerage or administrative fees.

As well, eligible shareholders may invest up to $20,000 each fiscal year to purchase additional common shares of the Bank. Debenture holders may apply interest on fully registered Bank subordinated debentures to purchase additional common shares. All administrative costs of the Plan are paid by the Bank.

For more information on participation in the Plan, please contact the Transfer Agent.

Dividend Dates for 2001

Record and payment dates for common and preferred shares, subject to approval by the Board of Directors.

Record Date	Payment Date
Jan. 2	Jan. 29
April 3	April 26
July 3	July 27
Oct. 2	Oct. 29

Duplicated Communication

If your shareholdings are registered under more than one name or address, multiple mailings will result. To eliminate this duplication, please write to the Transfer Agent to combine the accounts.

World Wide Web Site

For information relating to Scotiabank and its services, visit us at our World Wide Web site: http://www.scotiabank.com

Web Broadcast

A live audio webcast of the Bank's analyst conference call will begin at 3:00 p.m. AST/2:00 p.m. EST on March 6, 2001. As well, media and retail investors will be able to join the conference call by telephone on a listen-only basis by dialing (416) 646-3096 between five and 15 minutes in advance. A replay of the conference call will be available from March 6 to 20 by calling (416) 640-1917 and entering the identification code 94124#.

The webcast will include both audio and slide presentations by Bank executives, and a subsequent question and answer period. The full presentation will be archived on the Internet from approximately 5:00 p.m. AST/4:00 p.m. EST on March 6, 2001. For downloading instructions, please click on the investor relations area of the Scotiabank website at www.scotiabank.com.

General Information

Information on your shareholdings and dividends may be obtained by writing to the Bank's Transfer Agent:

Montreal Trust Company of Canada
100 University Ave., 11th Floor
Toronto, Ontario, Canada M5J 2Y1
Telephone: (416) 981-9633; 1-800-663-9097
Fax: (416) 981-9507
E-mail: caregistryinfo@computershare.com

Financial analysts, portfolio managers and other investors requiring financial information, please contact Investor Relations, Finance Department:

Scotiabank
Scotia Plaza
44 King Street West, Toronto, Ontario,
Canada M5H 1H1
Telephone: (416) 866-5982
Fax: (416) 866-7867
E-mail: invrelns@scotiabank.ca

For other information and for media inquiries, please contact the Public and Corporate Affairs Department at the above address.

Telephone: (416) 866-3925
Fax: (416) 866-4988
E-mail: corpaff@scotiabank.ca

The Bank of Nova Scotia is incorporated in Canada with limited liability.

Scotiabank is one of North America's premier financial institutions, with more than $273 billion in assets and approximately 52,000 employees worldwide, including affiliates. It is also Canada's most international bank with more than 2,000 branches and offices in over 50 countries. Scotiabank is on the World Wide Web at www.scotiabank.com.

Le Rapport annuel et les états financiers périodiques de la Banque sont publiés en français et en anglais et distribués aux actionnaires dans la version de leur choix. Si vous préférez que la documentation vous concernant vous soit adressée en français, veuillez en informer le Service des relations publiques de la Banque Scotia, Scotia Plaza, 44, rue King Ouest, Toronto (Ontario), Canada M5H 1H1, en joignant, si possible l'étiquette d'adresse, afin que nous puissions prendre note du changement.