Second Quarter 2001

Scotiabank

REPORT TO SHAREHOLDERS

Scotiabank achieved excellent earnings in the second quarter

PERFORMANCE VS TARGETS FOR 2001

RETURN ON EQUITY TARGET:

Earn a return on equity of 16% to 18%.

Q2 Performance:
ROE of 17.9%

EPS GROWTH TARGET:

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

Q2 Performance:
Year-over-year growth in earnings per share was 16%.

PRODUCTIVITY TARGET:

Maintain a productivity ratio of less than 60%.

Q2 Performance: 53.7%

TIER 1 CAPITAL TARGET:

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

Q2 Performance: 9.0%

Live audio Internet broadcast
of the Bank's analysts' conference call see page 14 for details.

Second quarter highlights over same period a year ago

- Net income of $539 million, up $74 million or 16%
- Earnings per share of $1.02, up 16% from $0.88
- ROE 17.9%, up from 17.7%
- Productivity ratio of 53.7%, an improvement from 58.0%

Toronto, May 29, 2001 – Scotiabank achieved excellent earnings in the second quarter with net income of $539 million, 16% higher than a year ago. Earnings per share were $1.02, a substantial growth of 16% over the second quarter in 2000. Return on equity climbed to 17.9%, up from the 17.7% recorded last year.

For the six-month period ended April 30, 2001, net income was $1,049 million or 19% higher than the same period a year ago. Earnings per share were $1.99, an increase from $1.67, while return on equity rose significantly to 17.4% from 16.8%.

"Our growth and diversification strategies continue to produce very good results. Scotiabank has exceeded virtually all of its performance targets again in the second quarter," said Peter Godsoe, Chairman and CEO. "Solid earnings continued across all businesses."

"Grupo Financiero Scotiabank Inverlat, Mexico, was a factor in the quarter, contributing $17 million to the increase in net income," said Mr. Godsoe. "We look forward to an increasing contribution from Scotiabank Inverlat and remain very optimistic about Mexico's growth prospects."

"We succeeded in strengthening our balance sheet this quarter. Strong corrective action resulted in a significant reduction in net impaired loans. In addition, we increased our general provision by $100 million. Our Tier 1 capital ratio reached a very strong 9.0%."

Financial Highlights

(Unaudited)	As at and for the three months ended April 30 2001	January 31 2001	April 30 2000	Change Apr. 2001/ Apr. 2000	For the six months ended April 30 2001	April 30 2000	Change Apr. 2001/ Apr. 2000
Operating results ($ millions)							
Net interest income (TEB[1])	**1,584**	1,423	1,310	274	**3,007**	2,512	495
Total revenue (TEB[1])	**2,598**	2,437	2,298	300	**5,035**	4,322	713
Provision for credit losses	**350**	400	177	173	**750**	312	438
Non-interest expenses	**1,394**	1,260	1,332	62	**2,654**	2,518	136
Net income	**539**	510	465	74	**1,049**	881	168
Operating measures (%)							
Return on equity	**17.9**	17.0	17.7	0.2	**17.4**	16.8	0.6
Productivity ratio	**53.7**	51.7	58.0	(4.3)	**52.7**	58.3	(5.6)
Balance sheet information ($ millions)							
Loans and acceptances	**184,682**	185,422	168,514	16,168			
Total assets	**274,944**	272,764	244,777	30,167			
Deposits	**181,188**	181,837	169,111	12,077			
Common shareholders' equity	**11,932**	11,460	10,255	1,677			
Assets under administration ($ billions)	**156**	149	155	1			
Assets under management ($ billions)	**18**	18	18	–			
Balance sheet measures							
Tier 1 capital ($ millions)	**14,383**	13,908	12,571	1,812			
Total capital ($ millions)	**20,011**	19,558	18,048	1,963			
Risk-adjusted assets ($ millions)	**160,237**	161,227	150,109	10,128			
Tier 1 capital ratio (%)	**9.0**	8.6	8.4	0.6			
Total capital ratio (%)	**12.5**	12.1	12.0	0.5			
Specific provision for credit losses as a % of average loans and acceptances	**0.55**	0.91	0.44	0.11	**0.73**	0.39	0.34
Net impaired loans as a % of loans and acceptances	**0.38**	0.58	(0.08)	0.46			
Common share information							
Per share ($)							
Basic earnings	**1.02**	0.97	0.88	0.14	**1.99**	1.67	0.32
Diluted earnings[2]	**1.01**	0.95	0.88	0.13	**1.96**	1.66	0.30
Dividends	**0.31**	0.28	0.24	0.07	**0.59**	0.48	0.11
Book value	**23.85**	22.94	20.71	3.14			
Share price ($)							
High	**47.85**	45.95	34.15	13.70	**47.85**	34.15	13.70
Low	**37.30**	37.70	26.05	11.25	**37.30**	26.05	11.25
Close	**38.05**	45.45	33.75	4.30			
Shares outstanding (thousands)							
Average (Basic)	**499,826**	498,421	494,799	5,027	**499,112**	494,555	4,557
Average (Diluted)[2]	**507,847**	506,845	498,705	9,142	**507,338**	498,635	8,703
End of period	**500,366**	499,497	495,219	5,147			
Market capitalization ($ billions)	**19.0**	22.7	16.7	2.3			
Valuation measures							
Dividend yield (%)	**2.9**	2.7	3.2	(0.3)	**2.8**	3.2	(0.4)
Market value to book value multiple	**1.6**	2.0	1.6	–			
Price to earnings multiple (trailing 4 quarters)	**9.5**	11.8	10.6	(1.1)			

(1) Taxable equivalent basis.
(2) Reflects the dilutive effect of stock options under the treasury stock method.
(3) Certain comparative amounts in this quarterly report have been reclassified to conform with current period presentation.

Review of Operating Performance

Revenues

Revenue growth continued to be strong, principally in International Banking and the Bank's global trading operations. Total revenues rose to $2.6 billion, a significant increase of 13% over last year.

Net interest income

Net interest income was $1,535 million this quarter, up 22% or $272 million from the second quarter last year.

Canadian currency interest profits rose to $753 million from $711 million a year ago as a result of a widening of the interest rate spread between loans and deposits. Domestic Banking continued to grow its consumer lending portfolio, especially personal loans and credit cards. These increases were partially offset by the impact of the sale of 43 branches to Laurentian Bank.

Foreign currency interest profits increased 46% or $225 million over the prior year. This was the result of broad-based volume increases, the contribution from Grupo Financiero Scotiabank Inverlat (Inverlat) and the translation effect of a weaker Canadian dollar.

The Bank's overall interest margin rose in the second quarter to 2.34%, up from 2.25% in the same quarter a year ago.

Other income

The second quarter's other income was $1,014 million, an increase of $26 million above the same quarter a year ago, and represented 40% of the Bank's total revenues. This growth arose from the Bank's International operations, including Inverlat; plus a very strong quarter for underwriting revenues and higher credit fees.

Partially offsetting these increases were lower revenues from retail and discount brokerage, due to a decline in client-driven trading activity. As well, while gains on investment securities in the quarter were very strong at $109 million, they were below the exceptional levels reported last year.

Expenses

Total expenses were $1,394 million, up 5% over the same quarter last year; however, excluding Inverlat's expenses of $177 million, expenses fell by $115 million or 9%. This decrease was mainly due to a reduction of $60 million or 9% in salary costs, primarily from lower incentive and stock-based compensation charges. As well, expenses for the same period last year included $46 million of one-time property and equipment write-downs. Remaining expenses continued to be well controlled.

The productivity ratio – non-interest expenses as a percentage of total revenues – was 53.7% in the second quarter, a significant reduction from 58.0% a year ago. This ratio, a key measure of cost effectiveness, continues to be the best among Canadian banks.

Credit quality

In the quarter, net impaired loans, after deducting the allowance for credit losses, declined substantially by $388 million to $696 million. This was driven by strong corrective action taken in the U.S. loan portfolio, including significant loan sales.

The Bank established $250 million of specific provisions for credit losses in the second quarter, versus $177 million a year ago and $400 million in the preceding quarter. The Bank estimates that provisions for the balance of the year will be close to $225 million per quarter.

In the second quarter, the Bank increased its general provision by $100 million to $1,400 million. This remained among the highest of the Canadian banks.

Balance sheet

Total assets as at April 30, 2001, were $275 billion, an increase of $30 billion from a year ago and $2 billion above January 31, 2001. The year-over-year growth was comprised of $3 billion in retail lending, the inclusion of Inverlat's assets of $18 billion, $4 billion in assets purchased under resale agreements, $5 billion of trading securities and approximately $3 billion from the translation of foreign assets into a weaker Canadian dollar. This growth was partially offset by $1 billion of additional loan securitizations and by $2 billion of assets sold to Laurentian Bank.

In the Bank's investment securities portfolio, the surplus of market value over book value remained strong at $826 million as of April 30, 2001, versus $1,032 million at the end of the immediately preceding quarter. This reduction in the surplus was due to lower market prices for equities and emerging market bonds.

Capital

The Bank's capital base strengthened considerably in the quarter. Total shareholders' equity grew to $13.7 billion, $472 million higher than the preceding quarter, driven by substantial internal capital generation of $446 million. The Bank's Tier 1 capital was $14.4 billion at quarter end, up from $13.9 billion at the end of the preceding quarter.

The Tier 1 capital ratio was a strong 9.0%, a significant increase of 40 basis points from the preceding quarter.

The Bank's total capital ratio was 12.5%, compared to 12.1% in the prior quarter.

Grupo Financiero Scotiabank Inverlat

The Bank fully consolidated Inverlat's results for the first time this quarter. Inverlat reported solid net income of $31 million after tax, of which our 55% share was $17 million. Inverlat is well capitalized and locally reported a Tier 1 capital ratio of 10.5% and a total capital ratio of 11.3%. Inverlat's impaired loans were fully covered by its allowance for credit losses.

Dividend

The Board of Directors, at its meeting on May 29, 2001, approved a quarterly dividend of 31 cents per common share, payable on July 27, 2001, to shareholders of record as of July 3, 2001.

Economic outlook

Global economic growth decelerated through the first half of 2001, led by a significant drop in U.S. industrial activity. While reduced employment gains and lingering financial market volatility will temper the pace of activity into the fall, recent interest rate declines should provide the foundation for stronger business conditions in North America and other major markets that the Bank serves in 2002.

Canada and Mexico have been partially insulated from the U.S. slowdown because of buoyant domestic demand. Both countries are expected to record higher growth next year as the U.S. economy – the dominant market for Canadian and Mexican exports – regains a stronger footing.

With continued strong earnings in all business lines, the Bank expects to achieve its 2001 performance targets and, alongside improving economic conditions, maintain solid momentum into next year.

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

Business Line Highlights

Domestic Banking

Domestic Banking, which includes our Wealth Management business, reported net income of $223 million in the second quarter, up $20 million or 10% from last year. Domestic Banking represented 41% of the Bank's total net income. Excluding the $21 million after-tax gain on the sale of the Quebec branches in Q1, earnings rose $11 million quarter over quarter, notwithstanding this quarter having three fewer days.

Net interest income continued to rise largely from a wider retail margin, good asset growth from the success of the Bank's lending products and more selective discounting.

Credit quality remained good in the Bank's retail and commercial lending portfolios.

Other income fell $71 million from last year. Approximately half of the decline was from lower retail brokerage fees following the slowdown in client trading activity. The remainder arose from the sale of the corporate trust and stock transfer businesses last year. The $34 million decrease from the previous quarter was mainly due to the gain on the sale of branches last quarter and seasonally lower credit card fees.

Operating expenses declined by $34 million to $725 million this quarter largely from lower commissions, the sales of the businesses noted above and the ongoing realignment of the domestic branch operations.

Other highlights in Domestic Banking:

- We were the first Canadian bank to offer a no down payment mortgage for first-time buyers as part of a comprehensive package of home ownership solutions.
- We signed an agreement with IBM Canada Ltd.'s Global Services group to manage our domestic computer operations. This was one of the largest technology outsourcings in Canada, and the first of its kind for a major Canadian bank. The 450 Scotiabank employees affected by this change were offered equivalent positions with IBM – a key factor in our decision.
- Scotiabank finalized an agreement with United Grain Growers (UGG), one of Canada's largest agribusiness firms, to provide expanded financial services to western Canadian farmers under the banner of UGG Financial.

Scotia Capital

Net income in Scotia Capital was $192 million for the quarter, up $30 million or 19% from last year, and represented 36% of the Bank's total earnings. There was also a significant improvement in earnings from last quarter, largely because of lower provisions for credit losses this quarter.

Total revenues continued to show strong growth, rising $110 million or 19% from the same quarter last year. Global Trading revenues rose by a substantial 55%, with client-driven growth in derivatives, fixed income and foreign exchange. Underwriting and advisory fees also reached a record level this quarter. Lending revenues were up a solid 9%, based on higher credit fees and widening spreads.

Strong corrective action taken in the U.S. loan portfolios, including significant loan sales, resulted in a substantial decline in net impaired loans from last quarter. As well, specific provisions for credit losses declined by almost 50% from the prior quarter, because of lower provisions in the U.S. portfolio.

Excluding the rise in performance related compensation, operating expenses remained well controlled, with minimal growth over both last year and the prior quarter.

Other highlights for the quarter:

- Scotia Capital was the only Canadian bank to make *Euromoney* magazine's top 15 list of foreign exchange banks from around the world. In *Euromoney's* Global Foreign Exchange Poll 2001, Scotia Capital was ranked Canada's foremost foreign exchange bank in terms of overall market share.
- Scotia Capital announced a partnership with Atriax, a leading global electronic marketplace for foreign exchange products and related services. This initiative will provide Scotia Capital clients with greater access to pricing and liquidity in a wide range of currencies, as well as market news and research.
- The Dominion Bond Rating Service ranked Scotia Capital as the number one asset-backed securities underwriter for the second consecutive year.
- Scotia Capital acted as advisor to Berkley Petroleum, which was purchased by Anadarko Petroleum for $1.5 billion, and to Numac Energy, acquired by Anderson Exploration for $960 million.

International Banking

International continued to show strong growth with earnings of $149 million in the second quarter, up $54 million or 57% from last year.

The Caribbean and Central American Region continued its excellent performance. Net income rose 23% over last year, driven by double digit growth in loan volumes and broad-based increases in fees.

The performance of the Bank's Asian operations improved by more than 30% year over year, due to lower loan loss provisions and a decline in operating expenses.

Earnings from Latin America rose a substantial $36 million over last year, with Inverlat contributing $17 million this quarter. The remaining growth arose from higher income from the emerging market investment portfolio.

International Banking highlights included the following:

- We opened our fifth branch in India, in Hyderabad, and received approval from the Reserve Bank to open our sixth branch in Chennai.
- We signed a memorandum of understanding with the Inter-American Agency for Co-operation and Development for a US $100 million line of credit. This fund will support development in the Caribbean and Latin America, where we operate in almost 30 countries, with a particular focus on education, information technology and social services.
- Scotiabank Inverlat launched a multi-media advertising campaign to increase awareness of its new name and ownership, promoting the financial strength and safety of the Scotiabank Group.
- In Trinidad, telephone banking was enhanced to offer 24 hour service, seven days a week. Expansion in other Caribbean countries should be completed by the end of December.

Other

The other segments reported a loss of $25 million this quarter versus a small profit last year, mainly because of the $100 million addition to the general provision this quarter. In addition, the contribution from Group Treasury declined by $30 million from last year because of lower gains on investment securities. These were partially offset by lower expenses, primarily due to the property write-downs taken last year.

Other Initiatives

Electronic commerce

We joined forces with CertaPay Inc. to offer our customers the ability to make secure payments using e-mail. CertaPay is developing state-of-the-art software that will allow payments to be made with the speed and convenience of e-mail – a significant step toward encouraging more Canadians to bank online.

In March, we relaunched our Web site, using leading-edge technology. The new site is very user friendly and focuses on the needs of our customers at different stages of their lives. The site, at www.scotiabank.com, was designed by a team from e-Scotia and OnX Inc.

We joined with Citibank Canada to offer businesses the convenience of one-window access to VISA and MasterCard clearing, enabling both Scotiabank and Citibank merchants to conveniently process credit card charges through a single account.

Human resources

Training magazine, an American publication, recognized Scotiabank as a top 50 training organization, the only Canadian company represented in a group that included Capital One Financial, IBM, Dow Chemical, Intel, Hewlett-Packard and Ford Motor Company. Last year, the Bank spent more than $40 million on training. A total of 70,000 internal and 10,000 external training programs were taken by the Bank's 52,000 employees worldwide.

Community involvement

- Scotiabank continued its support for the fight against breast cancer by donating $1 million to the Centre hospitalier de l'Universite de Montreal to create the Scotiabank Chair in Breast Cancer Diagnosis and Treatment.
- We gave $50,000 to assist victims of the January 26 earthquake in India, where we have been operating since 1984. Branches across Canada also accepted donations from the public on behalf of the Canadian Red Cross's India Earthquake Relief Fund.
- Scotiabank was a major sponsor of Lunch Money Day, held in Toronto on February 8. The event raised $180,000 to benefit Second Harvest, the city's largest food recovery program.

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.

Business Line Highlights

Domestic Banking

(Unaudited) ($ millions) (Taxable equivalent basis)	For the three months ended April 30 2001	January 31 2001	April 30 2000	For the six months ended April 30 2001	April 30 2000
Net interest income	**$ 763**	$ 756	$ 724	**$ 1,519**	$ 1,438
Provision for credit losses	**(67)**	(70)	(65)	**(137)**	(136)
Other income	**367**	401	438	**768**	858
Non-interest expenses	**(725)**	(728)	(759)	**(1,453)**	(1,504)
Provision for income taxes	**(115)**	(126)	(135)	**(241)**	(264)
Net Income	**$ 223**	$ 233	$ 203	**$ 456**	$ 392
Average Assets *($ billions)*	**$ 90**	$ 89	$ 89	**$ 89**	$ 88

Scotia Capital

(Unaudited) ($ millions) (Taxable equivalent basis)	For the three months ended April 30 2001	January 31 2001	April 30 2000	For the six months ended April 30 2001	April 30 2000
Net interest income	**$ 370**	$ 373	$ 306	**$ 743**	$ 596
Provision for credit losses	**(153)**	(292)	(79)	**(445)**	(114)
Other income	**318**	304	272	**622**	475
Non-interest expenses	**(241)**	(221)	(237)	**(462)**	(418)
Provision for income taxes	**(102)**	(44)	(100)	**(146)**	(214)
Net Income	**$ 192**	$ 120	$ 162	**$ 312**	$ 325
Average Assets *($ billions)*	**$ 117**	$ 113	$ 98	**$ 115**	$ 96

International Banking

(Unaudited) ($ millions) (Taxable equivalent basis)	For the three months ended April 30 2001	January 31 2001	April 30 2000	For the six months ended April 30 2001	April 30 2000
Net interest income	**$ 537**	$ 368	$ 342	**$ 905**	$ 634
Provision for credit losses	**(43)**	(50)	(47)	**(93)**	(89)
Other income	**190**	136	108	**326**	203
Non-interest expenses	**(427)**	(283)	(252)	**(710)**	(470)
Provision for income taxes	**(82)**	(42)	(45)	**(124)**	(85)
Non-controlling interest in net income of subsidiaries	**(26)**	(14)	(11)	**(40)**	(22)
Net Income	**$ 149**	$ 115	$ 95	**$ 264**	$ 171
Average Assets *($ billions)*	**$ 51**	$ 33	$ 31	**$ 42**	$ 29

Other(1)

(Unaudited) ($ millions)	For the three months ended			For the six months ended	
	April 30 2001	January 31 2001	April 30 2000	**April 30 2001**	April 30 2000
Net interest income(2)	**$ (135)**	$ (128)	$ (109)	**$ (263)**	$ (247)
Provision for credit losses	**(87)**	12	14	**(75)**	27
Other income	**139**	173	170	**312**	274
Non-interest expenses	**(1)**	(28)	(84)	**(29)**	(126)
Provision for income taxes(2)	**67**	23	17	**90**	68
Non-controlling interest in net income of subsidiaries	**(8)**	(10)	(3)	**(18)**	(3)
Net income	**$ (25)**	$ 42	$ 5	**$ 17**	$ (7)
Average assets *($ billions)*	**$ 20**	$ 19	$ 18	**$ 20**	$ 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 April 30, 2001 ($49), January 31, 2001 ($54) and April 30, 2000 ($47), and for the six months ended April 30, 2001 ($103) and April 30, 2000 ($91).

Total

(Unaudited) ($ millions)	For the three months ended			For the six months ended	
	April 30 2001	January 31 2001	April 30 2000	**April 30 2001**	April 30 2000
Net interest income	**$ 1,535**	$ 1,369	$ 1,263	**$ 2,904**	$ 2,421
Provision for credit losses	**(350)**	(400)	(177)	**(750)**	(312)
Other income	**1,014**	1,014	988	**2,028**	1,810
Non-interest expenses	**(1,394)**	(1,260)	(1,332)	**(2,654)**	(2,518)
Provision for income taxes	**(232)**	(189)	(263)	**(421)**	(495)
Non-controlling interest in net income of subsidiaries	**(34)**	(24)	(14)	**(58)**	(25)
Net income	**$ 539**	$ 510	$ 465	**$ 1,049**	$ 881
Average assets *($ billions)*	**$ 278**	$ 254	$ 236	**$ 266**	$ 233

Geographic Highlights

(Unaudited)	For the three months ended			For the six months ended	
	April 30 2001	January 31 2001	April 30 2000	**April 30 2001**	April 30 2000
Net income *($ millions)*					
Canada	**$ 357**	$ 368	$ 340	**$ 725**	$ 585
United States	**74**	10	87	**84**	203
Other international	**189**	162	119	**351**	218
Corporate adjustments	**(81)**	(30)	(81)	**(111)**	(125)
	$ 539	$ 510	$ 465	**$ 1,049**	$ 881
Average assets *($ billions)*					
Canada	**$ 151**	$ 149	$ 141	**$ 150**	$ 140
United States	**46**	44	38	**45**	37
Other international	**76**	57	54	**66**	53
Corporate adjustments	**5**	4	3	**5**	3
	$ 278	$ 254	$ 236	**$ 266**	$ 233

Consolidated Financial Statements

Interim Consolidated Statement of Income

	For the three months ended			For the six months ended	
(Unaudited) *($ millions except per share amounts)*	**April 30 2001**	January 31 2001	April 30 2000	**April 30 2001**	April 30 2000
Interest income					
Loans	**$ 3,403**	$ 3,327	$ 2,898	**$ 6,730**	$ 5,651
Securities	**762**	625	537	**1,387**	1,087
Deposits with banks	**252**	246	208	**498**	414
	4,417	4,198	3,643	**8,615**	7,152
Interest expense					
Deposits	**2,202**	2,243	1,929	**4,445**	3,861
Subordinated debentures	**80**	86	78	**166**	160
Other	**600**	500	373	**1,100**	710
	2,882	2,829	2,380	**5,711**	4,731
Net interest income	**1,535**	1,369	1,263	**2,904**	2,421
Provision for credit losses(1)	**350**	400	177	**750**	312
Net interest income after provision for credit losses	**1,185**	969	1,086	**2,154**	2,109
Other income					
Deposit and payment services	**184**	170	154	**354**	309
Investment, brokerage and trust services	**170**	154	219	**324**	399
Credit fees	**152**	171	141	**323**	300
Investment banking	**266**	264	218	**530**	353
Net gain on investment securities	**109**	73	147	**182**	218
Securitization revenues	**49**	82	49	**131**	104
Other	**84**	100	60	**184**	127
	1,014	1,014	988	**2,028**	1,810
Net interest and other income	**2,199**	1,983	2,074	**4,182**	3,919
Non-interest expenses					
Salaries	**676**	655	670	**1,331**	1,255
Pension contributions and other staff benefits	**96**	77	91	**173**	173
Premises and technology, including depreciation	**290**	261	269	**551**	516
Other	**332**	267	302	**599**	574
	1,394	1,260	1,332	**2,654**	2,518
Income before the undernoted	**805**	723	742	**1,528**	1,401
Provision for income taxes	**232**	189	263	**421**	495
Non-controlling interest in net income of subsidiaries	**34**	24	14	**58**	25
Net income	**$ 539**	$ 510	$ 465	**$ 1,049**	$ 881
Preferred dividends paid	**$ 27**	$ 27	$ 27	**$ 54**	$ 54
Net income available to common shareholders	**$ 512**	$ 483	$ 438	**$ 995**	$ 827
Average number of common shares outstanding (thousands)					
Basic	**499,826**	498,421	494,799	**499,112**	494,555
Diluted(2)	**507,847**	506,845	498,705	**507,338**	498,635
Net income per common share					
Basic	**$ 1.02**	$ 0.97	$ 0.88	**$ 1.99**	$ 1.67
Diluted(2)	**$ 1.01**	$ 0.95	$ 0.88	**$ 1.96**	$ 1.66

(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. On November 1, 2000, the Bank began recording provisions as losses are identified in the quarter.
(2) Reflects the dilutive effect of stock options under the treasury stock method.

Condensed Consolidated Balance Sheet

(Unaudited) ($ millions)	As at **April 30 2001**	January 31 2001	October 31 2000	April 30 2000
Assets				
Cash resources	**$ 19,281**	$ 21,779	$ 18,744	$ 21,082
Securities				
Investment	**21,796**	20,442	19,565	19,040
Trading	**27,702**	26,080	21,821	18,928
	49,498	46,522	41,386	37,968
Loans				
Residential mortgages	**50,400**	49,918	49,994	48,970
Personal and credit cards	**17,564**	17,849	17,704	16,390
Business and governments	**76,774**	79,013	75,646	72,486
Assets purchased under resale agreements	**30,150**	28,545	23,559	21,027
	174,888	175,325	166,903	158,873
Other				
Customers' liability under acceptances	**9,794**	10,097	8,807	9,641
Other assets	**21,483**	19,041	17,331	17,213
	31,277	29,138	26,138	26,854
	$ 274,944	$ 272,764	$ 253,171	$ 244,777
Liabilities and Shareholders' Equity				
Deposits				
Personal	**$ 75,102**	$ 73,246	$ 68,972	$ 68,875
Business and governments	**79,921**	79,991	76,980	75,271
Banks	**26,165**	28,600	27,948	24,965
	181,188	181,837	173,900	169,111
Other				
Acceptances	**9,794**	10,097	8,807	9,641
Obligations related to assets sold under repurchase agreements	**33,583**	30,596	23,792	20,989
Obligations related to securities sold short	**5,796**	5,697	4,297	5,121
Other liabilities	**25,552**	25,985	24,030	22,523
	74,725	72,375	60,926	58,274
Subordinated debentures	**5,324**	5,317	5,370	5,362
Shareholders' Equity				
Preferred shares	**1,775**	1,775	1,775	1,775
Common shares	**2,829**	2,803	2,765	2,703
Retained earnings	**9,103**	8,657	8,435	7,552
	13,707	13,235	12,975	12,030
	$ 274,944	$ 272,764	$ 253,171	$ 244,777

Consolidated Statement of Changes in Shareholders' Equity

(Unaudited) ($ millions)	For the six months ended **April 30 2001**	April 30 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	**64**	25
Balance at end of period	**$ 2,829**	$ 2,703
Retained earnings		
Balance at beginning of period	**$ 8,435**	$ 6,953
Net income	**1,049**	881
Preferred dividends	**(54)**	(54)
Common dividends	**(295)**	(237)
Cumulative effect of initial adoption of income taxes accounting standard	**(39)**	–
Net unrealized foreign exchange gains and losses, and other	**7**	9
Balance at end of period	**$ 9,103**	$ 7,552

Condensed Consolidated Statement of Cash Flows[1]

(Unaudited) ($ millions)	For the three months ended April 30 2001	April 30 2000	For the six months ended April 30 2001	April 30 2000
Cash flows from operating activities				
Net income	**$ 539**	$ 465	**$ 1,049**	$ 881
Adjustments to net income to determine net cash flows	**516**	262	**1,079**	482
Trading securities	**(1,358)**	(2,391)	**(2,827)**	(4,527)
Net gains on investment securities	**(109)**	(147)	**(182)**	(218)
Other, net	**(1,965)**	4	**(1,785)**	(456)
	(2,377)	(1,807)	**(2,666)**	(3,838)
Cash flows from financing activities				
Deposits	**(2,646)**	5,122	**(1,226)**	10,793
Obligations related to assets sold under repurchase agreements	**2,160**	4,697	**2,658**	3,949
Obligations related to securities sold short	**91**	294	**1,499**	2,285
Subordinated debentures and capital stock	**(24)**	(16)	**(24)**	(14)
Cash dividends paid	**(171)**	(137)	**(325)**	(274)
Other, net	**(228)**	223	**(960)**	558
	(818)	10,183	**1,622**	17,297
Cash flows from investing activities				
Interest-bearing deposits with banks	**2,850**	(2,849)	**1,344**	(3,344)
Investment securities	**(1,078)**	1,771	**(1,953)**	1,080
Loans	**747**	(8,008)	**1,116**	(11,894)
Proceeds from loans securitized	**1,064**	1,299	**1,064**	1,299
Land, buildings and equipment, net of disposals	**(56)**	(47)	**(128)**	(93)
Other, net[2]	**–**	–	**25**	(118)
	3,527	(7,834)	**1,468**	(13,070)
Effect of exchange rate changes on cash and cash equivalents	**21**	48	**10**	–
Net change in cash and cash equivalents	**353**	590	**434**	389
Cash and cash equivalents, beginning of period	**815**	687	**734**	888
Cash and cash equivalents, end of period	**$ 1,168**	$ 1,277	**$ 1,168**	$ 1,277
Represented by				
Cash resources per Consolidated Balance Sheet, adjusted for:	**$ 19,281**	$ 21,082		
Interest-bearing deposits with banks	**(16,836)**	(18,445)		
Precious metals inventory	**(1,106)**	(1,360)		
Cheques and other items in transit, net liability	**(171)**	–		
Cash and cash equivalents, end of period	**$ 1,168**	$ 1,277		
Cash disbursements for				
Interest	**$ 3,227**	$ 2,635	**$ 5,898**	$ 4,659
Income taxes	**227**	232	**517**	513

(1) Sources (uses) of cash flows.
(2) Includes cash investments in subsidiaries of $58 for the six months ended April 30, 2001 and $230 for the six months ended April 30, 2000 (net of cash and cash equivalents at date of acquisition).

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. **Diluted earnings per share**
   On February 1, 2001, the Bank adopted the revised accounting standard for determining earnings per share, as set out by The Canadian Institute of Chartered Accountants. The treasury stock method is now used for calculating diluted earnings per share. The Bank has restated comparative diluted per share amounts, which were not significantly different from those previously reported.

   Basic net income per common share is determined by dividing net income available to common shareholders as reported in the Consolidated Statement of Income by the average number of common shares outstanding. Diluted net income per common share reflects the potential dilutive effect of stock options granted under the Bank's Stock Option Plan, as determined under the treasury stock method.

3. **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.

4. **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)	**April 30, 2001**
Preferred shares outstanding:	
Series 6	12,000
Series 7	8,000
Series 8	9,000
Series 9	10,000
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	500,366
Outstanding options granted under the Stock Option Plan to purchase common shares	29,625

On April 26, 2001, the Bank redeemed all of the Series 10 preferred shares at their stated outstanding value of ten dollars per share for a total of seventy one thousand dollars.

(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 Web cast of the Bank's analyst conference call will begin at 2:30 p.m. EDT on May 29, 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 May 29 to June 12, 2001 by calling (416) 640-1917 and entering the identification code 112878#.

The Web cast 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. EDT on May 29, 2001. For downloading instructions, please click on the investor relations area of the Scotiabank Web site at www.scotiabank.com.

General information

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

Computershare 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: investor.relations@scotiabank.com

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 $274 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.

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