Scotiabank

Second Quarter 2014 results

Report to Shareholders

Second quarter financial measures:

EARNINGS PER SHARE	NET INCOME	RETURN ON EQUITY	QUARTERLY DIVIDEND
(DILUTED) **$1.39**	**$1,800 MILLION**	**16.3%**	**64 CENTS PER COMMON SHARE**

Scotiabank reports second quarter earnings of $1.8 billion

Toronto, May 27, 2014 – Scotiabank today reported second quarter net income of $1,800 million, compared with net income of $1,582 million in the same period last year. Year over year, net income grew by 14%. Diluted earnings per share were $1.39 compared to $1.22 in the same period a year ago and $1.32 last quarter. Return on equity was 16.3% compared to 16.5% last year and 15.4% last quarter.

"We had strong results this quarter across our businesses, particularly in Canadian Banking and Global Wealth & Insurance," said Brian Porter, Scotiabank President and CEO. "We continue to focus on deepening customer relationships to deliver results and grow all of our businesses. As well, expense growth was prudently managed.

"Canadian Banking had a strong second quarter with net income of $565 million driven by good top-line revenue growth, including an eight basis points increase in the interest margin and positive operating leverage. All of our retail and commercial businesses continued to perform well. We achieved double-digit growth in both credit card and automotive lending volumes, while credit quality remained stable.

"International Banking had a solid quarter with earnings of $416 million driven by strong volume growth, particularly in Latin America and Asia, and disciplined expense management. While interest margins declined relative to last year, over the last few quarters the margin has settled into a range that we expected. Credit quality remained within expectations, with only a modest increase in the provision for credit loss ratio relative to last year.

"Global Wealth & Insurance continued to perform well with strong second quarter earnings of $345 million. Earnings were primarily driven by strong performance in our asset management businesses due to solid net sales and favourable market conditions.

"Global Banking & Markets reported net income of $385 million. Good growth was reported in the fixed income, investment banking and U.S. corporate banking businesses. Credit quality remains favourable.

"Our capital position remains very strong with our Common Equity Tier 1 capital ratio rising to 9.8%. We continue to invest in our businesses, along with selective acquisitions, such as the recently announced investment in Canadian Tire Financial Services. Also, as part of our capital management, we announced a share buyback program today to re-purchase up to 1% of our outstanding common shares.

"We are pleased with the strong results achieved in the first six months of the year. We are focused on making it easier for our customers to do business with us, managing our expense growth prudently and delivering consistent and predictable earnings."

Live audio Web broadcast of the Bank's analysts' conference call.
See back cover for details.

British Virgin Islands
Canada
Guyana
Jamaica
Trinidad & Tobago

	As at and for the three months ended			For the six months ended	
(Unaudited)	**April 30 2014**	January 31 2014	April 30 2013[1]	**April 30 2014**	April 30 2013[1]
Operating results *($ millions)*					
Net interest income	**3,051**	3,005	2,779	**6,056**	5,546
Net interest income (TEB[2])	**3,054**	3,008	2,782	**6,062**	5,553
Non-interest revenue	**2,674**	2,640	2,434	**5,314**	4,838
Non-interest revenue (TEB[2])	**2,755**	2,717	2,513	**5,472**	4,987
Total revenue	**5,725**	5,645	5,213	**11,370**	10,384
Total revenue (TEB[2])	**5,809**	5,725	5,295	**11,534**	10,540
Provision for credit losses	**375**	356	343	**731**	653
Operating expenses	**2,995**	3,105	2,856	**6,100**	5,684
Provision for income taxes	**555**	475	432	**1,030**	860
Provision for income taxes (TEB[2])	**639**	555	514	**1,194**	1,016
Net income	**1,800**	1,709	1,582	**3,509**	3,187
Net income attributable to common shareholders	**1,699**	1,607	1,467	**3,306**	2,958
Operating performance					
Basic earnings per share *($)*	**1.40**	1.33	1.23	**2.73**	2.49
Diluted earnings per share *($)*	**1.39**	1.32	1.22	**2.71**	2.46
Adjusted diluted earnings per share[2] *($)*	**1.40**	1.34	1.23	**2.74**	2.49
Return on equity[2] *(%)*	**16.3**	15.4	16.5	**15.9**	16.7
Productivity ratio *(%)* (TEB[2])	**51.6**	54.2	53.9	**52.9**	53.9
Core banking margin *(%)* (TEB[2])	**2.42**	2.35	2.30	**2.38**	2.30
Financial position information *($ millions)*					
Cash and deposits with financial institutions	**59,758**	55,321	55,157		
Trading assets	**117,728**	112,975	104,266		
Loans	**418,864**	414,821	394,749		
Total assets	**791,772**	782,835	754,296		
Deposits	**551,724**	539,599	520,152		
Common equity	**42,986**	42,357	36,929		
Preferred shares	**3,234**	3,834	4,384		
Assets under administration[2]	**418,971**	393,059	362,622		
Assets under management[2]	**158,820**	153,289	135,156		
Capital measures					
Common Equity Tier 1 capital ratio *(%)*	**9.8**	9.4	8.6		
Tier 1 capital ratio *(%)*	**11.3**	11.2	10.7		
Total capital ratio *(%)*	**13.3**	13.5	13.6		
Assets-to-capital multiple	**17.9**	17.4	17.5		
Risk-weighted assets *($ millions)*	**300,155**	302,070	280,747		
Credit quality					
Net impaired loans *($ millions)*[3]	**1,941**	1,833	1,809		
Allowance for credit losses *($ millions)*	**3,364**	3,361	3,220		
Net impaired loans as a % of loans and acceptances[3]	**0.45**	0.43	0.45		
Provisions for credit losses as a % of average loans and acceptances (annualized)	**0.36**	0.34	0.35	**0.35**	0.33
Common share information					
Share price *($)* (TSX)					
High	**66.72**	66.75	61.84	**66.75**	61.84
Low	**59.92**	60.56	56.33	**59.92**	52.30
Close	**66.60**	61.10	58.09		
Shares outstanding *(millions)*					
Average – Basic	**1,215**	1,209	1,193	**1,212**	1,189
Average – Diluted	**1,222**	1,217	1,213	**1,219**	1,208
End of period	**1,217**	1,215	1,198		
Dividends per share *($)*	**0.64**	0.62	0.60	**1.26**	1.17
Dividend yield[4] *(%)*	**4.0**	3.9	4.1	**4.0**	4.1
Market capitalization *($ millions)* (TSX)	**81,027**	74,226	69,602		
Book value per common share *($)*	**35.33**	34.87	30.82		
Market value to book value multiple	**1.9**	1.8	1.9		
Price to earnings multiple (trailing 4 quarters)	**12.3**	11.7	10.8		
Other information					
Employees[5]	**86,479**	86,420	86,674		
Branches and offices	**3,321**	3,322	3,408		

(1) Prior period amounts are retrospectively adjusted to reflect the adoption of new IFRS standards in 2014 (refer to Note 3 in the condensed interim consolidated financial statements). Capital measures for 2013 have not been restated for the new IFRS standards as they represent the actual amounts in that period for regulatory purposes.
(2) Refer to page 5 for a discussion of non-GAAP measures.
(3) Excludes Federal Deposit Insurance Corporation (FDIC) guaranteed loans related to the acquisition of R-G Premier Bank of Puerto Rico.
(4) Based on the average of the high and low common share prices for the period.
(5) Prior period amounts have been restated to conform with current period presentation.

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Forward-looking statements Our public communications often include oral or written forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the United States Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements include, but are not limited to, statements made in this document, the Management's Discussion and Analysis in the Bank's 2013 Annual Report under the headings "Overview – Outlook", for Group Financial Performance "Outlook", for each business segment "Outlook" and in other statements regarding the Bank's objectives, strategies to achieve those objectives, expected financial results (including those in the area of risk management), and the outlook for the Bank's businesses and for the Canadian, United States and global economies. Such statements are typically identified by words or phrases such as "believe", "expect", "anticipate", "intent", "estimate", "plan", "may increase", "may fluctuate", and similar expressions of future or conditional verbs, such as "will", "should", "would" and "could".

By their very nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not prove to be accurate. Do not unduly rely on forward-looking statements, as a number of important factors, many of which are beyond our control, could cause actual results to differ materially from the estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: the economic and financial conditions in Canada and globally; fluctuations in interest rates and currency values; liquidity; significant market volatility and interruptions; the failure of third parties to comply with their obligations to us and our affiliates; the effect of changes in monetary policy; legislative and regulatory developments in Canada and elsewhere, including changes in tax laws; the effect of changes to our credit ratings; amendments to, and interpretations of, risk-based capital guidelines and reporting instructions and liquidity regulatory guidance; operational and reputational risks; the risk that the Bank's risk management models may not take into account all relevant factors; the accuracy and completeness of information the Bank receives on customers and counterparties; the timely development and introduction of new products and services in receptive markets; the Bank's ability to expand existing distribution channels and to develop and realize revenues from new distribution channels; the Bank's ability to complete and integrate acquisitions and its other growth strategies; changes in accounting policies and methods the Bank uses to report its financial condition and financial performance, including uncertainties associated with critical accounting assumptions and estimates (see "Controls and Accounting Policies – Critical accounting estimates" in the Bank's 2013 Annual Report, as updated in this document); the effect of applying future accounting changes (see "Controls and Accounting Policies – Future accounting developments" in the Bank's 2013 Annual Report, as updated in this document); global capital markets activity; the Bank's ability to attract and retain key executives; reliance on third parties to provide components of the Bank's business infrastructure; unexpected changes in consumer spending and saving habits; technological developments; fraud by internal or external parties, including the use of new technologies in unprecedented ways to defraud the Bank or its customers; consolidation in the Canadian financial services sector; competition, both from new entrants and established competitors; judicial and regulatory proceedings; acts of God, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments, including terrorist acts and war on terrorism; the effects of disease or illness on local, national or international economies; disruptions to public infrastructure, including transportation, communication, power and water; and the Bank's anticipation of and success in managing the risks implied by the foregoing.

A substantial amount of the Bank's business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank's financial results, businesses, financial condition or liquidity. These and other factors may cause the Bank's actual performance to differ materially from that contemplated by forward-looking statements. For more information, see the "Risk Management" section starting on page 60 of the Bank's 2013 Annual Report.

Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2013 Annual Report under the headings "Overview – Outlook", as updated in this document; and for each business segment "Outlook". These "Outlook" sections are based on the Bank's views and the actual outcome is uncertain. Readers should consider the above-noted factors when reviewing these sections.

The preceding list of important factors is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Bank and its securities, investors and others should carefully consider the preceding factors, other uncertainties and potential events. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf.

Additional information relating to the Bank, including the Bank's Annual Information Form, can be located on the SEDAR website at www.sedar.com and on the EDGAR section of the SEC's website at www.sec.gov.

Q2 2014 Notable Business Highlights

Serving customers

- ING DIRECT was renamed Tangerine, a unique name that reflects its progressive approach to banking. Since 1997, Tangerine's simple products, along with award-winning customer service have helped close to 2 million customers grow their savings and live better lives.
- Canadian Banking launched the ScotiaLine® Personal Line of Credit for Students through branches. Now the Bank's full suite of student banking solutions are available through an advice-based channel, enabling Branch Advisors to acquire and build long-term relationships with students.
- Scotiabank Mexico opened its Centro Financiero Automotriz (Automotive Finance Centre), improving customer service by reducing response times for credit applications sourced by an external dealership-based sales force and driving increased market share in this segment.
- The Bank of Beijing Scotiabank Asset Management (BOBSAM) joint venture successfully launched its first fixed income fund. This is BOBSAM's second fund launch after the company's establishment a year ago.
- Scotiabank acted as joint lead manager in a five-year U.S. $3 billion benchmark global bond issued by the Government of Canada. As a AAA rated sovereign credit and an infrequent issuer in U.S. dollars, Canada is a sought after name among major bond investors globally. Winning this prestigious mandate underscores the success of our global fixed income build-out.
- Scotiabank acted as Co-Manager in Petróleo Brasileiro S.A. (Petrobras') U.S. $8.5 billion 6-tranche issuance of fixed and floating rate notes. This was one of the largest dollar bond sales in 2014 to date, and the second largest deal in history for a Latin American company.
- Scotiabank was the exclusive financial advisor on Baytex Energy Corporation's $2.6 billion acquisition of Aurora Oil & Gas Limited, sole underwriter on a $2.8 billion bridge loan and credit facilities, and lead bookrunner on the $1.5 billion bought deal equity financing. The acquisition is expected to close in June 2014.

Recognized for success

- Scotiabank received six prestigious awards at the annual Sponsorship Marketing Council of Canada, including the Industry's highest award, Best in Show, for the Scotiabank Community Hockey Sponsorship Program. For the third year Scotiabank was honoured with Gold in the Sports category for Scotiabank Hockey Day in Canada and also received Gold in the Cause/Non Profit category for the Scotiabank Community Hockey Sponsorship Program.
- *Global Finance Magazine* named Scotiabank best in Barbados, Jamaica, Trinidad & Tobago, Turks & Caicos Islands, and U.S. Virgin Islands in its survey of 'World's Best Emerging Markets Banks 2014'.
- Scotiabank was recognized as one of the 'Best Workplaces' for 2014 by the Great Place to Work® Institute in Costa Rica, El Salvador, Panama, Dominican Republic and Puerto Rico.

Scotiabank's Bright Future program in action

- Twelve youth volunteers – six from Canada and six internationally – were named winners of the 2013 Scotiabank Bright Future Awards. With a combined total of more than 8,000 volunteer hours, the winners get the opportunity to direct a $2,500 Scotiabank donation to their chosen charity and receive a tablet computer.
- Ahead of its 182nd Annual Meeting of Shareholders, Scotiabank announced two gifts to post-secondary institutions in British Columbia to help students learn about business: a $250,000 gift to the Emily Carr University of Art + Design in Vancouver to create the Scotiabank Platform Entrepreneurship Program, and a $100,000 donation to Okanagan College in Kelowna to establish the Scotiabank Centre for Non-Profit Excellence.

Non-GAAP Measures

The Bank uses a number of financial measures to assess its performance. Some of these measures are not calculated in accordance with Generally Accepted Accounting Principles (GAAP), which are based on International Financial Reporting Standards (IFRS), are not defined by GAAP and do not have standardized meanings that would ensure consistency and comparability between companies using these measures. These non-GAAP measures are used throughout this report and defined below.

Assets under administration (AUA)

AUA are assets administered by the Bank which are beneficially owned by clients and therefore not reported on the Bank's Consolidated Statement of Financial Position. Services provided for AUA are of an administrative nature, such as trusteeship, custodial, safekeeping, income collection and distribution, securities trade settlements, customer reporting, and other similar services.

Assets under management (AUM)

AUM are assets managed by the Bank on a discretionary basis and in respect of which the Bank earns investment management fees. AUM are beneficially owned by clients and are therefore not reported on the Bank's Consolidated Statement of Financial Position. Some AUM are also administered assets and are therefore included in assets under administration.

Adjusted diluted earnings per share

The adjusted diluted earnings per share is calculated by adjusting the diluted earnings per share to add back the non-cash, after-tax amortization of intangible assets related to acquisitions (excluding software).

Economic equity and return on economic equity

For internal reporting purposes, the Bank attributes capital to its business segments based on their risk profile and uses a methodology that considers credit, market, operational and other risks inherent in each business segment. The amount of risk capital attributed is commonly referred to as economic equity. The economic equity methodology, models and assumptions are updated annually and applied prospectively. Return on economic equity for the business segments is calculated as a ratio of net income attributable to common shareholders of the business segment and the economic equity attributed.

Core banking assets

Core banking assets are average earning assets excluding bankers' acceptances and total average assets related to the Global Capital Markets business within Global Banking & Markets.

Core banking margin (TEB)

This ratio represents net interest income (on a taxable equivalent basis) divided by average core banking assets. This is consistent with the Bank's Consolidated Statement of Income presentation where net interest income from trading operations is recorded in trading revenues included in other operating income.

Operating leverage (TEB)

The Bank defines operating leverage as the rate of growth in total revenue (on a taxable equivalent basis), less the rate of growth in operating expenses.

Productivity ratio (TEB)

Management uses the productivity ratio as a measure of the Bank's efficiency. This ratio represents operating expenses as a percentage of total revenue (TEB).

Return on equity

Return on equity is a profitability measure that presents the net income attributable to common shareholders as a percentage of common shareholders' equity. The Bank calculates its return on equity using average common shareholders' equity.

Regulatory capital ratios

Regulatory capital ratios, such as Common Equity Tier 1, Tier 1 and Total Capital ratios, have standardized meanings as defined by the Office of the Superintendent of Financial Institutions, Canada.

Taxable equivalent basis

The Bank analyzes net interest income, other operating income, and total revenue on a taxable equivalent basis (TEB). This methodology grosses up tax-exempt income earned on certain securities reported in either net interest income or other operating income to an equivalent before tax basis. A corresponding increase is made to the provision for income taxes; hence, there is no impact on net income. Management believes that this basis for measurement provides a uniform comparability of net interest income and other operating revenue arising from both taxable and non-taxable sources and facilitates a consistent basis of measurement. While other banks also use TEB, their methodology may not be comparable to the Bank's methodology. For purposes of segmented reporting, a segment's revenue and provision for income taxes are grossed up by the taxable equivalent amount. The elimination of the TEB gross up is recorded in the Other segment. The TEB gross up to net interest income, other operating income, total revenue, and provision for income taxes are presented below:

	For the three months ended			For the six months ended	
TEB Gross up *($ millions)*	**April 30 2014**	January 31 2014	April 30 2013	**April 30 2014**	April 30 2013
Net interest income	**$ 3**	$ 3	$ 3	**$ 6**	$ 7
Other operating income	**81**	77	79	**158**	149
Total revenue and provision for taxes	**$ 84**	$ 80	$ 82	**$ 164**	$ 156

Tax normalization adjustment of net income from associated corporations

For business line performance assessment and reporting, net income from associated corporations, which is an after-tax number, is adjusted to normalize for income taxes.

The tax normalization adjustment grosses up the amount of net income from associated corporations and normalizes the effective tax rate in the business lines to better present the contribution of the associated corporations to the business line results.

Group Financial Performance and Financial Condition

May 27, 2014

Financial results

The Bank's net income for the second quarter was $1,800 million, compared with $1,582 million for the same period last year and $1,709 million last quarter.

Diluted earnings per share were $1.39 up 14% from $1.22 in the same period a year ago and 5% from $1.32 in the first quarter.

Return on equity remained strong at 16.3%, compared to 16.5% last year and 15.4% last quarter.

Impact of new IFRS standards

The Bank has retrospectively adopted new IFRS standards and amendments effective November 1, 2013. For an overview of the impacts of the adoption of new and amended IFRS standards, including a description of accounting policies selected, please refer to Note 3 starting on page 46 in the condensed interim consolidated financial statements.

Impact of foreign currency translation

The table below reflects the impact of foreign currency translation on the year-over-year and quarter-over-quarter change in key income statement items.

($ millions)	For the three months ended		For the six months ended
	April 30, 2014 vs. April 30, 2013	April 30, 2014 vs. January 31, 2014	April 30, 2014 vs. April 30, 2013
U.S./Canadian dollar exchange rate (average)			
April 30, 2014	$ 0.905	$ 0.905	$ 0.921
January 31, 2014		$ 0.936	
April 30, 2013	$ 0.983		$ 0.995
% change	-8.0%	-3.3%	-7.5%
Impact on income:[1]			
Net interest income	$ 50	$ 37	$ 101
Net fee and commission revenues	24	16	49
Other operating income[2]	49	24	60
Operating expenses	(32)	(25)	(69)
Other items (net of tax)	(23)	(15)	(37)
Net income	$ 68	$ 37	$ 104
Earnings per share (diluted)	$ 0.06	$ 0.03	$ 0.09
Impact by business line:			
Canadian Banking	$ 2	$ 2	$ 6
International Banking[2]	32	34	40
Global Wealth & Insurance	7	4	11
Global Banking & Markets	26	14	36
Other[1]	$ 1	$ (17)	$ 11

(1) Includes the impact of all currencies.
(2) Includes the impact of foreign currency hedges.

Q2 2014 vs Q2 2013

Net income

The Bank's net income was $1,800 million in the second quarter, an increase of $217 million or 14%, from the same period a year ago. The year-over-year growth resulted from good volume growth, higher interest margins, positive operating leverage and the favourable impact of foreign currency translation. Partly offsetting were increased provisions for credit losses and a higher income tax rate.

Total revenue

Total revenue (on a taxable equivalent basis) of $5,809 million was up $514 million or 10% from the same quarter last year. Higher net interest income from asset growth and improved net interest margin, stronger non-interest revenues, including higher net gains on investment securities and the positive impact of foreign currency translation contributed to the year-over-year increase.

Net interest income

Net interest income (on a taxable equivalent basis) was $3,054 million, $272 million or 10% higher than the same quarter last year. The year-over-year increase in net interest income was attributable to an improved interest margin and growth in lending assets primarily in International Banking and Canadian Banking. The positive impact of foreign currency translation also contributed to the year-over-year growth in net interest income.

The core banking margin was 2.42%, up from 2.30% last year. The increase in the margin was due mainly to improved margins in Canadian Banking and lower funding costs as maturing high-rate debentures and deposits were replaced with funding at lower current rates. Partly offsetting was margin compression in International Banking and Global Banking & Markets.

Net fee and commission revenues

Net fee and commission revenues of $1,842 million were up $111 million or 6%, from the same period last year. There were stronger brokerage and mutual fund fees from growth in assets under management and assets under administration as a result of solid net sales and favourable market conditions. There were also increases in credit card and transaction-based fees income and underwriting fees. Partly offsetting these increases were lower non-trading foreign exchange revenues.

Other operating income

Other operating income (on a taxable equivalent basis) was $913 million, up $133 million or 7% from last year's $780 million. This increase reflected higher net gains on investment securities, stronger trading income mainly in equities and fixed income businesses, and the positive impact of foreign currency translation. These increases were partly offset by lower contributions from associated corporations.

Provision for credit losses

The provision for credit losses was $375 million this quarter, up $32 million from the same period last year. The year-over-year increase was primarily due to higher provisions in International Banking. Further discussion on credit risk is provided on page 10.

Operating expenses and productivity

Operating expenses were $2,995 million, up $139 million or 5% from the same quarter last year. The year-over-year growth was across most operating expense categories to support planned growth initiatives. Compensation-related expenses rose due to annual salary increases and higher staffing levels. Other increases included technology costs, Tangerine brand transition costs of $16 million and the negative impact of foreign currency translation.

The productivity ratio improved to 51.6%, from 53.9% in the same quarter last year.

Taxes

The effective tax rate of 23.6% was up from 21.4% in the same quarter last year, due mainly to higher taxes in foreign jurisdictions and proportionately lower tax-exempt dividend income in the current quarter.

Q2 2014 vs Q1 2014

Net income

Net income was $1,800 million, up $91 million, or 5% compared to the first quarter. Higher net interest income and net gains on investment securities, lower operating expenses, and the positive impact of foreign currency translation were partly offset by the impact of a shorter quarter and a higher income tax rate.

Total revenue

Total revenue (on a taxable equivalent basis) was $5,809 million, up $84 million or 1% quarter over quarter. This increase was due mainly to higher net gains on investment securities, increased interest income, growth in wealth management fees and the positive impact of foreign currency translation. These increases were partly offset by lower transaction-based fees due to the shorter quarter, reduced credit fees and lower contributions from associated corporations.

Net interest income

Net interest income (on a taxable equivalent basis) of $3,054 million increased $46 million or 2% from the previous quarter. This increase was attributable to growth in retail and commercial lending in International Banking, improved core banking margin and the positive impact of foreign currency translation. These increases were partly offset by the impact of a short quarter.

The core banking margin was 2.42% as compared to 2.35% last quarter. The improvement in core banking margin was due to wider spreads in Canadian Banking and International Banking and lower funding costs as maturing high-rate deposits were replaced with funding at lower current rates.

Net fee and commission revenues

Net fee and commission revenues of $1,891 million declined $49 million or 3% quarter over quarter due mainly to reduced credit fees and the impact of fewer days in the current quarter on banking and non-trading foreign exchange fees. These decreases were partly offset by higher wealth management revenues from growth in assets under management and assets under administration.

Other operating income

Other operating income (on a taxable equivalent basis) increased by $87 million or 10% to $913 million. The increase was due primarily to higher net gains on investment securities, and increased trading revenues mainly in the fixed income, precious metals and equities businesses, and the positive impact of foreign currency translation. Partly offsetting were lower contributions from associated corporations.

Provision for credit losses

The provision for credit losses was $375 million, up $19 million from the prior quarter. The quarter-over-quarter increase in provisions was due primarily to moderately higher provisions in International Banking and, to a lesser extent, Canadian Banking. Further discussion on credit risk is provided on page 10.

Operating expenses and productivity

Operating expenses of $2,995 million were $110 million or 4% lower quarter-over-quarter. The largest reduction in operating expenses was in compensation-related expenses due mainly

to lower stock-based compensation as a result of the seasonally higher amounts in the prior quarter. Salaries were lower due to fewer days in the current quarter, and the Bank also benefitted from recoveries of business taxes. Partially offsetting these reductions were Tangerine brand transition costs and the negative impact of foreign currency translation.

The productivity ratio improved to 51.6%, from 54.2% in the previous quarter.

Taxes

The effective tax rate this quarter increased to 23.6% from 21.7% in the prior quarter due primarily to higher taxes in foreign jurisdictions and proportionately lower tax-exempt dividend income, partially offset by lower non-deductible expenses in the current quarter.

Year-to-date Q2 2014 vs Year-to-date Q2 2013

Net income

Net income was $3,509 million, an increase of $322 million or 10% compared to the same period last year. The year-over-year growth resulted from good volume growth, higher interest margins, positive operating leverage and the favourable impact of foreign currency translation. Partly offsetting were higher provisions for credit losses and a higher income tax rate.

Total revenue

For the six month period, total revenue (on a taxable equivalent basis) of $11,534 million was $994 million or 9% higher than the same period last year. The increase was due mainly to strong net interest income, higher banking and wealth management revenues, increased trading revenues, and the positive impact of foreign currency translation. There were also higher net gains on investment securities and the contribution from prior year acquisitions.

Net interest income

Net interest income (on a taxable equivalent basis) was $6,062 million for the six month period, up $509 million or 9% from the previous period. This increase was attributable to strong loan growth in International Banking, higher residential mortgages and consumer auto loans in Canadian Banking and the positive impact of foreign currency translation. As well, the year-to-date core banking margin was 2.38%, up from 2.30% for the same period last year.

The increase in the core banking margin was primarily from wider margins in Canadian Banking and lower funding costs as maturing high-rate debentures and deposits were replaced with funding at lower current rates. Partly offsetting was margin compression in Global Banking & Markets and International Banking.

Net fee and commission revenues

Compared to the same period last year, net fee and commission revenues of $3,733 million were up $348 million or 10%. This growth was attributable primarily to higher transaction-based banking fees and the positive impact of foreign currency translation. In addition, there was strong growth in wealth management revenues from increases in assets under management and assets under administration. These increases were partly offset by lower non-trading foreign exchange fees.

Other operating income

Other operating income (on a taxable equivalent basis) increased by $138 million or 9% to $1,739 million. This increase was due mainly to the positive impact of foreign currency translation, higher net gains on investment securities and increased trading revenues in the equities business. Partly offsetting were lower insurance income and lower contributions from associated corporations.

Provision for credit losses

For the six month period, total provisions for credit losses were $731 million, up $78 million from $653 million during the same period last year. The increase was due primarily to higher provisions in International Banking mostly due to volume growth and, to a lesser extent, Canadian Banking. Further discussion on credit risk is provided on page 10.

Operating expenses and productivity

Operating expenses were $6,100 million, $416 million or 7% higher than last year. Higher compensation-related expenses reflect increased staffing levels, annual salary increases and higher performance-based compensation. Expenses were also up due to Tangerine brand transition costs, the negative impact of foreign currency translation and acquisitions. The remaining growth across the other operating expense categories was primarily to support ongoing growth initiatives.

The productivity ratio was 52.9%, as compared to 53.9% for the same period last year. Operating leverage, year-over-year, was positive 2.1%.

Taxes

The effective tax rate for the first six months was 22.7%, up from 21.3% in the same period last year. The increase in the effective tax rate was due primarily to higher taxes in foreign jurisdictions and proportionately lower tax-exempt dividend income in the current year.

Risk management

The Bank's risk management policies and practices are unchanged from those outlined in pages 60 to 82 of the 2013 Annual Report.

Credit risk

Provision for credit losses

Q2 2014 vs Q2 2013

The provision for credit losses was $375 million this quarter, compared to $343 million in the same period last year.

The provision for credit losses was $140 million in Canadian Banking, up from $136 million in the same quarter last year, with higher provisions in retail portfolios partially offset by lower provisions in commercial portfolios.

The provision for credit losses was $230 million in International Banking, compared to $194 million in the same period last year. The increase in provisions was due primarily to higher retail and commercial provisions in Latin America, most notably Mexico's retail portfolio while other countries in the region incurred moderate increases in their commercial portfolios.

Global Banking & Markets' provision for credit losses was $5 million this quarter, compared to $12 million in the same quarter last year.

Q2 2014 vs Q1 2014

The provision for credit losses was $375 million this quarter, compared to $356 million in the previous quarter.

The provision for credit losses was $140 million in Canadian Banking, up from $134 million in the previous quarter due to higher provisions in retail portfolios mostly due to change in asset mix.

The provision for credit losses was $230 million in International Banking this quarter, up from $219 million in the previous quarter. Higher retail and commercial provisions in the Caribbean were partially offset by lower commercial provisions in Latin America, most notably Colombia.

Global Banking & Markets' provision for credit losses was $5 million this quarter, compared to $3 million in the prior quarter.

Year-to-date Q2 2014 vs Year-to-date Q2 2013

For the six month period, total provisions for credit losses were $731 million, up $78 million from $653 million during the same period last year.

The provision for credit losses was $274 million in Canadian Banking, up $20 million from the same period last year, with higher provisions in retail portfolios partially offset by lower provisions in commercial portfolios.

International Banking's provision for credit losses was $449 million, compared to $380 million in the same period last year, with almost two thirds of the increase due to the impact of the credit mark in Banco Colpatria. The remaining increase in provisions was primarily due to higher retail and commercial provisions in Latin America, partially offset by lower retail and commercial provisions in the Caribbean.

Global Banking & Markets' provision for credit losses was $8 million, compared to $17 million in the same period last year.

Global Wealth & Insurance's provision for credit losses was down $2 million from the same period last year.

Allowance for credit losses

The total allowance for credit losses was $3,231 million as at April 30, 2014 (excluding $133 million of allowance covered by FDIC guarantees related to R-G Premier Bank of Puerto Rico) compared to $3,245 million as at January 31, 2014 (excluding $116 million related to R-G Premier Bank). In addition, the allowance for off-balance-sheet credit risks classified as other liabilities remained at $184 million.

The total allowance for credit losses includes allowances of $1,272 million related to performing loans as at April 30, 2014, unchanged from January 31, 2014. The allowance for credit losses related to impaired loans was $1,959 million compared to $1,973 million as at January 31, 2014.

In Canadian Banking, the allowance increased to $667 million from $657 million as at January 31, 2014.

In International Banking, the allowance for credit losses decreased $19 million to $1,244 million due to decreased provisions primarily in the Caribbean and Colombia.

Global Banking & Markets had an allowance of $43 million, down $5 million from January 31, 2014 due to write-offs on certain United Kingdom exposures.

Impaired loans

Total gross impaired loans as at April 30, 2014, were $3,900 million, up from $3,806 million from January 31, 2014. The increase was primarily in International Banking, mainly due to higher new formations.

Total net impaired loans as at April 30, 2014 were $1,941 million, up $108 million from $1,833 million as at January 31, 2014.

Net impaired loans in Canadian Banking were $344 million, up from $337 million as at January 31, 2014, due to increases in both retail and commercial portfolios.

International Banking's total net impaired loans increased to $1,470 million from $1,356 million as at January 31, 2014, due to increases in both retail and commercial portfolios.

In Global Banking & Markets, total net impaired loans decreased to $118 million at the end of this quarter, compared to $130 million at the end of last quarter.

Acquisition-related purchased loans

All purchased loans are initially measured at fair value on the date of acquisition, with no allowances for credit losses recorded in the Consolidated Statement of Financial Position on the date of acquisition. Consequently, none of the purchased loans are considered to be impaired on the date of acquisition. In arriving at the fair value, the Bank considers interest rate mark and credit rate mark adjustments.

The interest rate mark on the date of acquisition is principally set up for fixed interest rate loans and captures the impact of the interest rate differential between the contractual rate of interest on the loan and the prevailing interest rate on the loan on the date of acquisition for the remaining term. The interest rate mark is fully amortized into interest income in the Consolidated Statement of Income over the expected life of the loan using the effective interest method.

On the Bank's acquisition of Banco Colpatria, to arrive at the fair value, an aggregate credit mark adjustment of $549 million was established (incurred loss mark of $385 million and a future expected loss mark of $164 million). This adjustment captures management's best estimate of cash flow shortfalls on the loans over their lifetime as determined at the date of acquisition.

For individually assessed loans, the incurred loss mark of $115 million established at the date of acquisition is tracked over the life of the loan. Changes to the expected cash flows of these loans from those expected at the date of acquisition are recorded as a charge/recovery in the provision for credit losses in the Consolidated Statement of Income. As at the end of April 30, 2014, the remaining credit mark adjustment was $58 million (January 31, 2014 – $61 million).

Where loans are not individually assessed for determining losses, a portfolio approach is taken to determine losses at the date of acquisition. The portfolio approach resulted in both an incurred loss mark of $270 million and a future expected loss mark of $164 million. The incurred loss mark is assessed at the end of each reporting period against the performance of the loan portfolio, and an increase in expected cash flows will result in a recovery in provision for credit losses in the Consolidated Statement of Income. Any cash flows lower than expected will result in additional provision for credit losses. The future expected loss mark is amortized into income as losses are recognized or as the portfolio of loans amortizes down over its expected life. An assessment is required at the end of each reporting period to determine the reasonableness of the unamortized balance in relation to the acquired loan portfolio. An overall benefit is only recognized to the extent that the amortized amount is greater than the actual losses incurred. A charge is recorded if the actual losses exceed the amortized amounts. As at April 30, 2014, on the loans that are not individually assessed, the remaining incurred loss mark and future expected loss mark was $44 million and $23 million, respectively (January 31, 2014 – $57 million and $35 million).

On the Bank's acquisition of Tangerine, to arrive at the fair value of the purchased loans, an aggregate credit mark adjustment of $40 million was established (incurred loss mark of $11 million and a future expected loss mark of $29 million) relating to $13.9 billion of uninsured loans. There were no loans acquired at a deep discount within the purchased loan portfolio. As at the end of April 30, 2014, the remaining incurred loss mark and future expected loss mark were $4 million and $20 million, respectively (January 31, 2014 – $6 million and $22 million).

Overview of loan portfolio – Top and emerging risk

The Bank has a well diversified portfolio by product, business and geography. Details of certain portfolios of current focus are highlighted below.

Residential mortgages

A large portion of the Bank's lending portfolio is comprised of residential mortgages and consumer loans, which are well diversified by the borrower. As at April 30, 2014, these loans amounted to $290 billion or 67% of the Bank's total loans and acceptances outstanding (January 31, 2014 – $289 billion or 67%; October 31, 2013 – $286 billion or 69%). Of these, $230 billion or 79% are real estate secured loans (January 31, 2014 – $230 billion or 80%; October 31, 2013 – $228 billion or 81%). The tables below provide more details by portfolios.

Insured and uninsured mortgages and home equity lines of credit

The following table presents amounts of insured and uninsured residential mortgages and home equity lines of credit (HELOCs), by geographic areas.

	As at April 30, 2014											
	Residential mortgages						**Home equity lines of credit**					
	Insured [1]		**Uninsured**		**Total**		**Insured [1]**		**Uninsured**		**Total**	
($ millions)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Canada:[2]												
Atlantic provinces	**$ 7,089**	**3.8**	**$ 4,897**	**2.6**	**$ 11,986**	**6.4**	**$ 2**	**–**	**$ 1,295**	**6.9**	**$ 1,297**	**6.9**
Quebec	**7,961**	**4.2**	**7,803**	**4.1**	**15,764**	**8.3**	**1**	**–**	**1,048**	**5.6**	**1,049**	**5.6**
Ontario	**49,294**	**26.2**	**44,471**	**23.6**	**93,765**	**49.8**	**4**	**0.1**	**9,295**	**49.2**	**9,299**	**49.3**
Manitoba & Saskatchewan	**4,534**	**2.4**	**3,495**	**1.9**	**8,029**	**4.3**	**2**	**–**	**887**	**4.7**	**889**	**4.7**
Alberta	**17,345**	**9.2**	**11,461**	**6.1**	**28,806**	**15.3**	**4**	**–**	**3,145**	**16.7**	**3,149**	**16.7**
British Columbia & Territories	**14,819**	**7.8**	**15,226**	**8.1**	**30,045**	**15.9**	**1**	**–**	**3,182**	**16.8**	**3,183**	**16.8**
Canada	**$101,042**	**53.6%**	**$ 87,353**	**46.4%**	**$188,395**	**100%**	**$14**	**0.1**	**$18,852**	**99.9%**	**$18,866**	**100%**
International	**–**	**–**	**22,471**	**100**	**22,471**	**100**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**$101,042**	**47.9%**	**$109,824**	**52.1%**	**$210,866**	**100%**	**$14**	**0.1%**	**$18,852**	**99.9%**	**$18,866**	**100%**
	As at January 31, 2014											
Canada	$ 103,264	54.7%	$ 85,511	45.3%	$ 188,775	100%	$ 14	0.1%	$ 18,630	99.9%	$ 18,644	100%
International	–	–	22,287	100	22,287	100	–	–	–	–	–	–
Total	$ 103,264	48.9%	$ 107,798	51.1%	$ 211,062	100%	$ 14	0.1%	$ 18,630	99.9%	$ 18,644	100%
	As at October 31, 2013											
Canada	$ 103,236	54.6%	$ 85,701	45.4%	$ 188,937	100%	$ 15	0.1%	$ 18,666	99.9%	$ 18,681	100%
International	–	–	20,928	100	20,928	100	–	–	–	–	–	–
Total	$ 103,236	49.2%	$ 106,629	50.8%	$ 209,865	100%	$ 15	0.1%	$ 18,666	99.9%	$ 18,681	100%

(1) *Default insurance is contractual coverage for the life of eligible facilities whereby the Bank's exposure to real estate secured lending is protected against potential shortfalls caused by borrower default. This insurance is provided by either government-backed entities or private mortgage insurers.*
(2) *The province represents the location of the property in Canada.*

Amortization period ranges for residential mortgages

The following table presents the distribution of residential mortgages by remaining amortization periods, and by geographic areas.

	As at April 30, 2014					
	Residential mortgages by amortization					
	Less than 20 years	**20-24 years**	**25-29 years**	**30-34 years**	**35 years and greater**	**Total residential mortgage**
Canada	**34.5%**	**31.9%**	**25.4%**	**8.1%**	**0.1%**	**100%**
International	**67.6%**	**20.2%**	**11.0%**	**1.0%**	**0.2%**	**100%**
	As at January 31, 2014					
Canada	34.3%	31.2%	25.7%	8.7%	0.1%	100%
International	64.5%	21.5%	12.4%	1.3%	0.3%	100%
	As at October 31, 2013					
Canada	34.3%	29.4%	26.6%	9.5%	0.2%	100%
International	64.5%	21.2%	12.9%	1.1%	0.3%	100%

Loan to value ratios

The Canadian residential mortgage portfolio is 46% uninsured (January 31, 2014 – 45%; October 31, 2013 – 45%). The average loan-to-value (LTV) ratio of the uninsured portfolio is 55% (January 31, 2014 – 57%; October 31, 2013 – 57%).

The following table presents the weighted average LTV ratio for total newly originated uninsured residential mortgages and home equity lines of credit under the Scotia Total Equity Plan, which include mortgages for purchases, refinances with a request for additional funds and transfer from other financial institutions, by geographic areas in the current quarter.

	Uninsured LTV ratios[1]	
	For the three months ended April 30, 2014	
	Residential mortgages	Home equity lines of credit[2]
	LTV%	LTV%
Canada:		
Atlantic provinces	**67.5%**	**63.5%**
Quebec	**61.9**	**67.5**
Ontario	**61.5**	**63.2**
Manitoba & Saskatchewan	**66.1**	**64.7**
Alberta	**65.2**	**67.2**
British Columbia & Territories	**58.9**	**61.3**
Canada	**62.2%**	**63.7%**
International	**71.5%**	**N/A**
	For the three months ended January 31, 2014	
Canada	63.0%	62.3%
International	69.6%	N/A
	For the three months ended October 31, 2013	
Canada	63.6%	65.7%
International	68.9%	N/A

(1) The province represents the location of the property in Canada.
(2) Includes only home equity lines of credit (HELOC) under Scotia Total Equity Plan. LTV is calculated based on the sum of residential mortgages and the authorized limit for related HELOCs, divided by the value of the related residential property, and presented on a weighted average basis for newly originated mortgages and HELOCs.

Potential impact on residential mortgages and real estate home equity lines of credit in the event of an economic downturn

The Bank performs stress testing on its portfolio to assess the impact of increased levels of unemployment, rising interest rates, reduction in property values and changes in other relevant macro economic variables. Potential losses in the mortgage portfolio under such economic downturn scenarios are considered manageable given the diversified composition of the portfolio, the high percentage of insured exposures, and the low LTV in the portfolio. This is further supported by sound risk management oversight and pro-active risk mitigation strategies.

Loans to Canadian condominium developers

With respect to loans to Canadian condominium developers, which have been an area of recent focus, the Bank had loans outstanding of $783 million as at April 30, 2014 (January 31, 2014 – $923 million; October 31, 2013 – $971 million). This is a high quality portfolio with well-known developers who have long-term relationships with the Bank.

European exposures

As a result of the Bank's broad international operations, the Bank has sovereign credit risk exposure to a number of countries. The Bank actively manages this sovereign risk, including the use of risk limits calibrated to the credit worthiness of the sovereign exposure.

The current European exposure is provided below:

	As at							
	April 30, 2014						January 31 2014	October 31 2013
	Loans and loan equivalents			Other				
($ millions)	Loans and acceptances[1]	Letters of credit and guarantees[2]	Undrawn commitments[3]	Securities and deposits with financial institutions[4]	Securities Financing Transactions (SFT) and derivatives[5]	**Total European exposure**	Total European exposure	Total European exposure
Gross exposures	$ 9,201	$ 2,003	$ 9,375	$ 8,634	$ 610	**$ 29,823**	$ 31,949	$ 27,749
Less: Undrawn commitments	–	–	9,375	–	–	**9,375**	9,500	8,370
Net funded exposure	$ 9,201	$ 2,003	$ –	$ 8,634	$ 610	**$ 20,448**	$ 22,449	$ 19,379

(1) Net of allowances for credit losses of $17. Gross and net values are equal as collateral is not posted against these exposures.
(2) Letters of credit and guarantees are included as funded exposure as they have been issued.
(3) Undrawn commitments represent an estimate of the contractual amount that may be drawn upon at the time of default of an obligor.
(4) Exposures for securities are calculated taking into account derivative positions where the security is the underlying reference asset and short trading positions. Gross and net values are equal as collateral is not posted against these exposures.
(5) SFT comprise of securities purchased under resale agreements, obligations related to securities sold under repurchase agreements and securities lending and borrowing transactions. Net funded exposure represents all net positive positions after taking into account collateral. Collateral held against derivatives was $1,516 and collateral held against SFT was $10,438.

The Bank believes that its European exposures are manageable, are sized appropriately relative to the credit worthiness of the counterparties (73% of the exposures are to investment grade counterparties based on a combination of internal and external ratings), and are modest relative to the capital levels of the Bank. The Bank's European exposures are carried at amortized cost or fair value using observable inputs, with negligible amounts valued using models with unobservable inputs (Level 3). There were no significant events in the quarter that have materially impacted the Bank's exposures.

Below are the funded exposures related to all European countries:

	As at					
	April 30, 2014[1]				January 31 2014	October 31 2013
($ millions)	Sovereign[2]	Bank	Corporate[3]	**Total**	Total	Total
Greece	$ –	$ –	$ 434	**$ 434**	$ 451	$ 432
Ireland	22	1	321	**344**	511	226
Italy	826	319	56	**1,201**	1,244	407
Portugal	–	15	10	**25**	59	28
Spain	182	45	206	**433**	435	316
Total GIIPS	$ 1,030	$ 380	$ 1,027	**$ 2,437**	$ 2,700	$ 1,409
U.K.	$ 1,081	$ 1,114	$ 5,236	**$ 7,431**	$ 8,283	$ 6,799
Germany	507	854	538	**1,899**	2,291	2,398
France	839	783	593	**2,215**	2,958	2,934
Netherlands	103	297	714	**1,114**	991	1,012
Switzerland	14	350	843	**1,207**	2,021	1,945
Other	635	526	2,984	**4,145**	3,205	2,882
Total Non-GIIPS	$ 3,179	$ 3,924	$ 10,908	**$ 18,011**	$ 19,749	$ 17,970
Total Europe	$ 4,209	$ 4,304	$ 11,935	**$ 20,448**	$ 22,449	$ 19,379
Total Europe as at January 31, 2014	$ 4,575	$ 5,925	$ 11,949	$ 22,449		
Total Europe as at October 31, 2013	$ 3,540	$ 4,904	$ 10,935	$ 19,379		

(1) Amounts in brackets represent net short positions arising from trading transactions.
(2) Includes $423 (January 31, 2014 – $344; October 31, 2013 – $170) in exposures to supra-national agencies.
(3) Corporate includes financial institutions that are not banks.

The Bank's exposure to certain European countries of focus – Greece, Ireland, Italy, Portugal and Spain (GIIPS) – is not significant. As of April 30, 2014, the Bank's current funded exposure to the GIIPS sovereign entities, as well as banks and non-bank financial institutions and corporations domiciled in these countries, totaled approximately $2.4 billion, down from $2.7 billion last quarter.

Specific to sovereign exposures to GIIPS, the Bank's exposure to Ireland included central bank deposits of $19 million and $3 million in trading book securities. The Bank was net long securities in sovereign exposures to Italy ($826 million) and Spain ($182 million). The Bank had no sovereign securities holdings of Greece and Portugal.

The Bank had exposures to Italian banks of $319 million, as at April 30, 2014 (January 31, 2014 – $426 million; October 31, 2013 – $375 million), primarily related to short-term precious metals trading and lending activities. Greek exposure of $434 million (January 31, 2014 – $451 million; October 31, 2013 – $432 million) related primarily to secured loans to shipping companies.

The Bank's exposures are distributed as follows:

	As at						
	April 30, 2014					January 31 2014	October 31 2013
($ millions)	Loans and loan equivalents	Deposits with financial institutions	Securities	SFT and derivatives	**Total**	Total	Total
Greece	$ 424	$ –	$ 10	$ –	**$ 434**	$ 451	$ 432
Ireland	93	99	152	–	**344**	511	226
Italy	334	1	864	2	**1,201**	1,244	407
Portugal	–	–	25	–	**25**	59	28
Spain	265	–	156	12	**433**	435	316
Total GIIPS	$ 1,116	$ 100	$ 1,207	$ 14	**$ 2,437**	$ 2,700	$ 1,409
U.K.	$ 4,278	$ 1,415	$ 1,405	$ 333	**$ 7,431**	$ 8,283	$ 6,799
Germany	768	420	597	114	**1,899**	2,291	2,398
France	620	257	1,321	17	**2,215**	2,958	2,934
Netherlands	573	123	412	6	**1,114**	991	1,012
Switzerland	715	28	421	43	**1,207**	2,021	1,945
Other	3,134	116	812	83	**4,145**	3,205	2,882
Total Non-GIIPS	$ 10,088	$ 2,359	$ 4,968	$ 596	**$ 18,011**	$ 19,749	$ 17,970
Total Europe	$ 11,204	$ 2,459	$ 6,175	$ 610	**$ 20,448**	$ 22,449	$ 19,379

Securities exposures to European sovereigns and banks (excluding GIIPS) was $3.1 billion as at April 30, 2014 (January 31, 2014 – $5.6 billion; October 31, 2013 – $4.4 billion), predominately related to issuers in France, the United Kingdom and Germany. Securities are carried at fair value and substantially all holdings have strong market liquidity.

The majority of the current funded credit exposure is in the form of funded loans which are recorded on an accrual basis. As well, credit exposure to clients arises from client-driven derivative transactions and securities financing transactions (reverse repurchase agreements, repurchase agreements, and securities lending and borrowing). OTC derivative counterparty exposures are recorded on a fair value basis and security financing transactions are recorded on an accrual basis.

Undrawn commitments of $9.4 billion (January 31, 2014 – $9.5 billion; October 31, 2013 – $8.4 billion) are comprised of unfunded loan commitments and letters of credit issued on behalf of other banks in a syndicated bank lending arrangement. Total unfunded loan commitments to corporations in Europe (excluding GIIPS) were $6.3 billion as at April 30, 2014 (January 31, 2014 – $6.3 billion; October 31, 2013 – $5.1 billion). As at April 30, 2014, issued letters of credit with banks amounted to $2.9 billion (January 31, 2014 – $2.9 billion; October 31, 2013 – $2.9 billion). Unfunded commitments are detailed further by country in the table on page 16.

The Bank's indirect exposure is also detailed in the table below and is defined as:

- securities where the exposures are to non-European entities whose parent company is domiciled in Europe, and
- letters of credit or guarantees (included as loan equivalents in the above table) from entities in European countries to entities in countries outside of Europe.

Included in the indirect securities exposure was $418 million related to GIIPS, $48 million to the United Kingdom and $51 million to Germany. Indirect exposure by way of letters of credit totaled $2,003 million at April 30, 2014 (January 31, 2014 – $1,899 million; October 31, 2013 – $1,523 million), of which $42 million (January 31, 2014 – $40 million; October 31, 2013 – $69 million) was indirect exposure to GIIPS. Indirect exposure is managed through the Bank's credit risk management framework, with a robust assessment of the counterparty. In addition to the total indirect exposures detailed further below, the Bank had Euro-denominated collateral held for non-European counterparties of $1,344 million (January 31, 2014 – $461 million; October 31, 2013 – $680 million).

($ millions)	Undrawn commitments			Indirect exposure		
	April 30 2014	January 31 2014	October 31 2013	**April 30 2014**	January 31 2014	October 31 2013
Greece	**$ –**	$ –	$ –	**$ –**	$ –	$ –
Ireland	**55**	76	68	**–**	4	18
Italy	**72**	75	74	**11**	12	21
Portugal	**–**	–	–	**–**	–	–
Spain	**69**	182	294	**449**	327	209
Total GIIPS	**$ 196**	$ 333	$ 436	**$ 460**	$ 343	$ 248
U.K.	**$ 4,922**	$ 4,916	$ 4,043	**$ 833**	$ 869	$ 524
Germany	**767**	830	782	**195**	305	370
France	**655**	772	647	**350**	312	273
Netherlands	**867**	1,029	845	**206**	236	172
Switzerland	**671**	575	548	**162**	235	229
Other	**1,297**	1,045	1,069	**356**	274	288
Total Non-GIIPS	**$ 9,179**	$ 9,167	$ 7,934	**$ 2,102**	$ 2,231	$ 1,856
Total Europe	**$ 9,375**	$ 9,500	$ 8,370	**$ 2,562**	$ 2,574	$ 2,104

The Bank does not use credit default swaps (CDS) as a risk mitigation technique to reduce its sovereign debt exposures. With respect to banks and non-bank financial institutions and corporations, the Bank may on occasion use CDS to partially offset its funded loan exposures. Specific to GIIPS as at April 30, 2014, the Bank had no CDS protection on funded exposures. As part of the trading portfolio, the Bank may purchase or sell CDS. All exposures, including CDS, are subject to risk limits and ongoing monitoring by the Bank's independent risk management department.

Like other banks, the Bank also provides settlement and clearing facilities for a variety of clients in these countries and actively monitors and manages these intra-day exposures. However, the Bank has no funded exposure in these countries to retail customers or small businesses.

Market risk

Value at Risk (VaR) is a key measure of market risk in the Bank's trading activities. VaR includes both general market risk and debt specific risk components. The Bank also calculates a Stressed VaR measure.

Risk factor ($ millions)	Average for the three months ended		
	April 30 2014	January 31 2014	April 30 2013
Credit spread plus interest rate	**$ 13.2**	$ 12.4	$ 9.6
Credit spread	**9.5**	8.3	9.1
Interest rate	**10.4**	9.1	6.1
Equities	**2.5**	2.6	2.4
Foreign exchange	**0.8**	1.1	0.8
Commodities	**2.7**	2.3	4.2
Debt specific	**12.4**	15.6	13.2
Diversification effect	**(13.5)**	(14.1)	(13.4)
All Bank VaR	**$ 18.1**	$ 19.8	$ 16.8
All Bank Stressed VaR	**$ 30.7**	$ 34.3	$ 35.7

In the second quarter of 2014, the average one-day total VaR was $18.1 million, a decrease from $19.8 million in the previous quarter. The decrease was due to model and market data enhancements which improved the treatment of credit spreads in debt specific risk VaR.

The average one-day total Stressed VaR during the quarter was $30.7 million, down from $34.3 million in the previous quarter due to lower stressed debt specific risk. Stressed VaR is calculated using market volatility from a one-year period identified as stressful given the risk profile of the trading portfolio. The current period is the 2008/2009 credit crisis following the collapse of Lehman Brothers.

There were two trading loss days in the second quarter, same as the previous quarter. The losses were well within the range predicted by VaR. The quality and accuracy of the VaR models is validated by backtesting, which compares daily actual and theoretical profit and loss with the daily output of the VaR model.

Incremental Risk Charge and Comprehensive Risk Measure

Basel market risk capital requirements include the Incremental Risk Charge (IRC) and Comprehensive Risk Measure (CRM) which capture the following:

- Default risk: This is the potential for direct losses due to an obligor's (equity/bond issuer or counterparty) default, as well as the potential for indirect losses that may arise from a default event; and

- Credit migration risk: This is the potential for direct losses due to a credit rating downgrade or upgrade, as well as the potential for indirect losses that may arise from a credit migration event.

A Monte Carlo model is used to perform default and migration simulations for the obligors underlying credit derivative and bond portfolios. In addition, for CRM in correlation trading there is a market simulation model to capture historical price movements. Both IRC and CRM are calculated at the 99.9th percentile with a one year liquidity horizon.

Validation of new models

Prior to the implementation of new market risk models, substantial validation and testing is conducted. Validation is conducted when a model is initially developed and when any significant changes are made to a model. Models are also subject to ongoing validation, the frequency of which is determined by model risk ratings. Models may also be triggered for earlier re-validation due to significant structural changes in the market or changes to the composition of the portfolio. Model validation includes backtesting and additional analysis such as:

- Theoretical review or tests to demonstrate whether assumptions made within the internal model are appropriate;
- Impact tests including stress testing that would occur under historical and hypothetical market conditions;
- The use of hypothetical portfolios to ensure that models are able to capture concentration risk that may arise in an undiversified portfolio.

Market risk linkage to balance sheet

Trading assets and liabilities are marked to market daily and included in traded risk measures such as VaR. Derivatives risk related to Global Banking & Market activities is captured under trading risk measures while derivatives used in asset/liability management are in the non-traded risk category. A comparison of balance sheet items which are covered under the trading and non-trading risk measures is provided in the table below.

Market risk linkage to balance sheet of the Bank

As at April 30, 2014	Market Risk Measure				
($ millions)	**Consolidated balance sheet**	**Trading risk**	**Non-trading risk**	**Not subject to market-risk**	**Primary risk sensitivity of non-traded risk**
Precious metals	**$ 8,181**	**$ 8,181**	**$ –**	**$ –**	**n/a**
Trading assets	**117,728**	**117,728**	**–**	**–**	**n/a**
Financial assets designated at fair value through profit or loss	**114**	**–**	**114**	**–**	**Interest rate**
Derivative financial instruments	**25,223**	**23,462**	**1,761**	**–**	**Interest rate, FX, equity**
Investment securities	**37,387**	**–**	**37,387**	**–**	**Interest rate, equity**
Loans	**418,864**	**–**	**418,864**	**–**	**Interest rate, FX**
Assets not subject to market risk[(1)]	**184,275**	**–**	**–**	**184,275**	**n/a**
Total assets	**$ 791,772**	**$ 149,371**	**$ 458,126**	**$ 184,275**	
Deposits	**$ 551,724**	**$ –**	**$ 525,901**	**$ 25,823**	**Interest rate, FX, equity**
Obligations related to securities sold short	**27,810**	**27,810**	**–**	**–**	**n/a**
Derivative financial instruments	**28,918**	**27,822**	**1,096**	**–**	**Interest rate, FX**
Trading liabilities[(2)(3)]	**4,901**	**4,901**	**–**	**–**	**n/a**
Retirement benefit liabilities	**1,655**	**–**	**1,655**	**–**	**Interest rate, credit spread**
Liabilities not subject to market risk[(4)]	**129,307**	**–**	**–**	**129,307**	**n/a**
Total liabilities	**$ 744,315**	**$ 60,533**	**$ 528,652**	**$ 155,130**	

(1) Includes goodwill, intangibles, other assets and securities purchased under resale agreements and securities borrowed.
(2) Includes financial liabilities designated at fair value through profit or loss.
(3) Gold and silver certificates and bullion included in other liabilities.
(4) Includes obligations related to securities sold under repurchase agreements and securities lent and other liabilities.

As at October 31, 2013		Market Risk Measure			
($ millions)	Consolidated balance sheet	Trading risk	Non-trading risk	Not subject to market-risk	Primary risk sensitivity of non-traded risk
Precious metals	$ 8,880	$ 8,880	$ –	$ –	n/a
Trading assets	96,489	96,489	–	–	n/a
Financial assets designated at fair value through profit or loss	106	–	106	–	Interest rate
Derivative financial instruments	24,503	23,147	1,356	–	Interest rate, FX, equity
Investment securities	34,319	–	34,319	–	Interest rate, equity
Loans	402,215	–	402,215	–	Interest rate, FX
Assets not subject to market risk(1)	177,132	–	–	177,132	n/a
Total assets	$ 743,644	$ 128,516	$ 437,996	$ 177,132	
Deposits	$ 518,061	$ –	$ 495,630	$ 22,431	Interest rate, FX, equity
Obligations related to securities sold short	24,977	24,977	–	–	n/a
Derivative financial instruments	29,267	28,262	1,005	–	Interest rate, FX
Trading liabilities(2)(3)	3,622	3,622	–	–	n/a
Retirement benefit liabilities	1,548	–	1,548	–	Interest rate, credit spread
Liabilities not subject to market risk(4)	120,782	–	–	120,782	n/a
Total liabilities	$ 698,257	$ 56,861	$ 498,183	$ 143,213	

(1) Includes goodwill, intangibles, other assets and securities purchased under resale agreements and securities borrowed.
(2) Includes financial liabilities designated at fair value through profit or loss.
(3) Gold and silver certificates and bullion included in other liabilities.
(4) Includes obligations related to securities sold under repurchase agreements and securities lent and other liabilities.

Liquidity risk

Effective liquidity risk management is essential to maintain the confidence of depositors and counterparties, manage the Bank's cost of funds and to support core business activities, even under adverse circumstances.

Liquidity risk is managed within a framework of policies and limits that are approved by the Board of Directors, as outlined in Note 22 to the condensed interim consolidated financial statements and in Note 38 of the audited consolidated financial statements in the Bank's 2013 Annual Report. Liquid assets are a key component of this framework.

The determination of the appropriate levels for liquid asset portfolios is based on the amount of liquidity the Bank might need to fund expected cash flows in the normal course of business, as well as what might be required in periods of stress to meet cash outflows. Stress events include periods when there are disruptions in the capital markets or events which may impair the Bank's access to funding markets or liquidity. The Bank uses stress testing to assess the impact of stress events and to assess the amount of liquid assets that would be required in various stress scenarios.

Liquid assets

Liquid assets are a key component of liquidity management and the Bank holds these types of assets in sufficient quantity to meet potential needs for liquidity management.

Liquid assets can be used to generate cash either through sale, repurchase transactions or other transactions where these assets can be used as collateral to generate cash, or by allowing the asset to mature. Liquid assets include deposits at central banks, deposits with commercial banks, call and other short-term loans, marketable securities, precious metals and securities received as collateral from securities financing and derivative transactions. Liquid assets do not include liquidity which may be obtained from central bank facilities.

Marketable securities are securities traded in active markets, which can be converted to cash within a timeframe that is in accordance with the Bank's liquidity management framework. Assets are assessed considering a number of factors, including the time it would take to convert them to cash.

Marketable securities included in liquid assets are comprised of securities specifically held as a liquidity buffer or for asset liability management purposes, trading securities, which are primarily held by Global Banking & Markets; and collateral received for securities financing and derivative transactions.

The Bank maintains large holdings of unencumbered liquid assets to support its operations. These assets generally can be sold or pledged to meet the Bank's obligations. As at April 30, 2014, unencumbered liquid assets were $181 billion, compared to $170 billion as at October 31, 2013. The mix of these liquid assets between securities and other liquid assets, which include cash, deposits with banks and precious metals was 67% and 33%, respectively (October 31, 2013 – 68% and 32%, respectively). The increase in liquid assets was mainly attributable to growth in cash and deposits with central banks, and an increase in unencumbered liquid securities, including mortgage-backed securities which are classified as residential mortgage loans for accounting purposes.

The carrying values outlined in the liquid asset table are consistent with the carrying values in the Bank's Statement of Financial Position as at April 30, 2014. The liquidity value of the portfolio will vary under different stress events as different assumptions are used for the stress scenarios.

The Bank's liquid asset pool is summarized in the following table:

	As at April 30, 2014						
				Encumbered liquid assets		**Total unencumbered liquid assets[(1)]**	
($ millions)	**Bank-owned liquid assets**	**Securities received as collateral from securities financing and derivative transactions**	**Total liquid assets**	**Pledged as collateral**	**Other[(2)]**	**Available as collateral**	**Other**
Cash and deposits with central banks	**$ 51,589**	**$ –**	**$ 51,589**	**$ –**	**$ 7,740**	**$ 43,849**	**$ –**
Deposits with financial institutions	**8,169**	**–**	**8,169**	**–**	**1,962**	**6,207**	**–**
Precious metals	**8,181**	**–**	**8,181**	**–**	**–**	**8,181**	**–**
Securities							
Canadian government obligations	**35,115**	**11,047**	**46,162**	**33,585**	**–**	**12,577**	**–**
Foreign government obligations	**39,760**	**37,729**	**77,489**	**61,033**	**–**	**16,456**	**–**
Other securities	**55,477**	**37,624**	**93,101**	**38,641**	**–**	**54,460**	**–**
Loans							
NHA mortgage-backed securities[(3)]	**43,761**	**–**	**43,761**	**5,851**	**–**	**37,910**	**–**
Call and short loans	**940**	**–**	**940**	**–**	**–**	**940**	**–**
Total	**$ 242,992**	**$ 86,400**	**$ 329,392**	**$ 139,110**	**$ 9,702**	**$ 180,580**	**$ –**

	As at October 31, 2013						
				Encumbered liquid assets		Total unencumbered liquid assets[(1)]	
($ millions)	Bank-owned liquid assets	Securities received as collateral from securities financing and derivative transactions	Total liquid assets	Pledged as collateral	Other[(2)]	Available as collateral	Other
Cash and deposits with central banks	$ 44,097	$ –	$ 44,097	$ –	$ 7,509	$ 36,588	$ –
Deposits with financial institutions	9,240	–	9,240	–	1,626	7,614	–
Precious metals	8,880	–	8,880	–	54	8,826	–
Securities							
Canadian government obligations	28,667	8,231	36,898	23,007	–	13,891	–
Foreign government obligations	30,903	38,327	69,230	53,809	–	15,421	–
Other securities	49,573	34,808	84,381	32,292	–	52,089	–
Loans							
NHA mortgage-backed securities[(3)]	45,546	–	45,546	10,810	–	34,736	–
Call and short loans	887	–	887	–	–	887	–
Total	$ 217,793	$ 81,366	$ 299,159	$ 119,918	$ 9,189	$ 170,052	$ –

(1) Total unencumbered liquid assets equate to total liquid assets less encumbered liquid assets.
(2) Assets which are restricted from being used to secure funding for legal or other reasons.
(3) These mortgage-backed securities, which are available for sale, are reported as residential mortgage loans on the balance sheet.

A summary of total unencumbered liquid assets held by the parent bank and its branches, and domestic and foreign subsidiaries, is presented below:

	As at	
($ millions)	**April 30 2014**	October 31 2013
Bank of Nova Scotia (Parent)	**$ 141,561**	$ 126,376
Bank domestic subsidiaries	**21,435**	21,288
Bank foreign subsidiaries	**17,584**	22,388
Total	**$ 180,580**	$ 170,052

The Bank's liquidity pool is held across major currencies, mostly comprised of Canadian and U.S. dollar holdings. As shown above, the vast majority (90%) of liquid assets are held by the Bank's corporate office, branches of the Bank, and Canadian subsidiaries of the Bank. To the extent a liquidity reserve held in a foreign subsidiary of the bank is required for regulatory purposes, it is assumed to be unavailable to the rest of the Group. Other liquid assets held by a foreign subsidiary

are assumed to be available only in limited circumstances. The Bank monitors and ensures compliance in relation to minimum levels of liquidity required and assets held within each entity, and/or jurisdiction.

Encumbered assets

In the course of the Bank's day-to-day activities, securities and other assets are pledged to secure an obligation, participate in clearing or settlement systems, or operate in a foreign jurisdiction. Securities may also be pledged under repurchase agreements. A summary of encumbered and unencumbered assets is presented below:

Asset encumbrance

As at April 30, 2014				Encumbered assets		Unencumbered assets	
($ millions)	**Bank-owned assets**	**Securities received as collateral from securities financing and derivative transactions**	**Total assets**	**Pledged as collateral**	**Other[1]**	**Available as collateral[2]**	**Other[3]**
Cash and deposits with central banks	**$ 51,589**	**$ –**	**$ 51,589**	**$ –**	**$ 7,740**	**$ 43,849**	**$ –**
Deposits with financial institutions	**8,169**	**–**	**8,169**	**–**	**1,962**	**6,207**	**–**
Precious metals	**8,181**	**–**	**8,181**	**–**	**–**	**8,181**	**–**
Liquid securities (as per liquid asset table on page 19)	**130,352**	**86,400**	**216,752**	**133,259**	**–**	**83,493**	**–**
Other securities	**10,570**	**4,772**	**15,342**	**2,794**	**–**	**–**	**12,548**
Loans classified as liquid assets (as per liquid asset table on page 19)	**44,701**	**–**	**44,701**	**5,851**	**–**	**38,850**	**–**
Other loans	**386,434**	**–**	**386,434**	**11,735**	**31,515**	**10,854**	**332,330**
Other financial assets[4]	**127,310**	**(74,117)**	**53,193**	**2,441**	**–**	**–**	**50,752**
Non-financial assets	**24,466**	**–**	**24,466**	**–**	**–**	**–**	**24,466**
Total	**$ 791,772**	**$ 17,055**	**$ 808,827**	**$ 156,080**	**$ 41,217**	**$ 191,434**	**$ 420,096**

As at October 31, 2013				Encumbered assets		Unencumbered assets	
($ millions)	Bank-owned assets	Securities received as collateral from securities financing and derivative transactions	Total assets	Pledged as collateral	Other[1]	Available as collateral[2]	Other[3]
Cash and deposits with central banks	$ 44,097	$ –	$ 44,097	$ –	$ 7,509	$ 36,588	$ –
Deposits with financial institutions	9,240	–	9,240	–	1,626	7,614	–
Precious metals	8,880	–	8,880	–	54	8,826	–
Liquid securities (as per liquid asset table on page 19)	109,143	81,366	190,509	109,108	–	81,401	–
Other securities	9,372	4,286	13,658	2,491	–	–	11,167
Loans classified as liquid assets (as per liquid asset table on page 19)	46,433	–	46,433	10,810	–	35,623	–
Other loans	367,007	–	367,007	9,821	30,802	10,135	316,249
Other financial assets[4]	123,835	(70,341)	53,494	2,938	–	–	50,556
Non-financial assets	25,637	–	25,637	–	–	–	25,637
Total	$ 743,644	$ 15,311	$ 758,955	$ 135,168	$ 39,991	$ 180,187	$ 403,609

(1) Assets which are restricted from being used to secure funding for legal or other reasons.
(2) Assets that are readily available in the normal course of business to secure funding or meet collateral needs including central bank borrowing immediately available.
(3) Other unencumbered assets are not subject to any restrictions on their use to secure funding or as collateral but the Bank would not consider them to be readily available. These include loans, a portion of which may be used to access central bank facilities outside of the normal course or to raise secured funding through the Bank's secured funding programs.
(4) Securities received as collateral against other financial assets are included within liquid securities and other securities.

As of April 30, 2014 total encumbered assets of the Bank were $197 billion (October 31, 2013 – $175 billion). Of the remaining $612 billion (October 31, 2013 – $584 billion) of unencumbered assets, $191 billion (October 31, 2013 – $180 billion) are considered readily available in the normal course of business to secure funding or meet collateral needs as detailed above.

In some over-the-counter derivative contracts, the Bank would be required to post additional collateral in the event its credit rating was downgraded. The Bank maintains access to sufficient collateral to meet these obligations in the event of a downgrade of its ratings by one or more of the rating agencies. In the event of a one-notch or two-notch downgrade of the Bank's rating by rating agencies, the Bank has to provide additional $504 million or $605 million collateral, respectively, to meet contractual derivative funding or margin requirements.

Encumbered liquid assets are not considered to be available for liquidity management purposes. Liquid assets which are being employed to hedge derivative positions in trading books or for hedging purposes, are considered to be available for liquidity management provided they meet the criteria discussed in liquid assets above.

Regulatory developments relating to liquidity

In January 2013 the Basel Committee on Banking Supervision (BCBS) finalized its international framework on Liquidity Coverage Ratio (LCR) requirements. Subsequently, in November 2013, OSFI released its draft Liquidity Adequacy Requirements (LAR) which contains its proposed rules for Canadian Banks including LCR and the Net Cumulative Cash Flow (NCCF). The LCR and NCCF are scheduled for implementation in January 2015.

In January 2014, BCBS released its latest consultative document on the Net Stable Funding Ratio (NSFR) which has not been finalized. NSFR implementation is expected in January 2018. The Bank continues to monitor developments related to liquidity requirements.

Funding

The Bank ensures that its funding sources are well diversified. Funding concentrations are regularly monitored and analyzed by type. The sources of funding are capital, deposits from retail and commercial clients sourced through the Canadian and international branch network, deposits from financial institutions as well as wholesale debt issuance.

Capital and personal deposits are key components of the Bank's core funding and these amounted to $227 billion as at April 30, 2014 (October 31, 2013 – $224 billion). The increase since October 31, 2013, was due primarily to personal deposits and internal capital generation. A portion of commercial deposits, particularly those of an operating or relationship nature, would be considered part of the Bank's core funding. Furthermore, core funding is augmented by longer term wholesale debt issuances (original maturity over 1 year) of $112 billion (October 31, 2013 – $110 billion). Longer term wholesale debt issuances includes medium-term notes, deposit notes, mortgage securitizations, asset-backed securities and covered bonds.

The Bank operates in many different currencies and countries. From a funding perspective, the most significant currencies are Canadian and U.S. dollars. With respect to the Bank's operations outside Canada, there are different funding strategies depending on the nature of the activities in a country. For those countries where the Bank operates a branch banking subsidiary, the strategy is for the subsidiary to be substantially self-funding in its local market. For other subsidiaries or branches outside Canada where local deposit gathering capability is not sufficient, funding is provided through the wholesale funding activities of the Bank.

From an overall funding perspective the Bank's objective is to achieve an appropriate balance between the cost and the stability of funding. Diversification of funding sources is a key element of the funding strategy.

The Bank's wholesale debt diversification strategy is primarily executed via the Bank's main wholesale funding centres, located in Toronto, New York, London and Singapore. The majority of these funds are sourced in Canadian and U.S. dollars. Where required, these funds are swapped to fund assets in different currencies. The funding strategy deployed by wholesale funding centres and the management of associated risks, such as geographic and currency risk, are managed centrally within the framework of policies and limits that are approved by the Board of Directors.

In the normal course, the Bank uses a mix of unsecured and secured wholesale funding instruments across a variety of markets. The choice of instruments and market is based on a number of factors, including relative cost and market capacity as well as an objective of maintaining a diversified mix of sources of funding. Market conditions can change over time, impacting cost and capacity in particular markets or instruments. Changing market conditions can include periods of stress where the availability of funding in particular markets or instruments is constrained. In these circumstances the Bank would increase its focus on sources of funding in functioning markets and secured funding instruments. Should a period of extreme stress exist such that all wholesale funding sources are constrained, the Bank maintains a pool of liquid assets to mitigate its liquidity risk. This pool includes cash, deposits with central banks and securities.

In Canada, the Bank raises short- and longer-term wholesale debt through the issuance of senior unsecured deposit notes. Additional longer-term wholesale debt is generated

through the securitization of both Canadian insured residential mortgages through CMHC securitization programs, and of unsecured personal lines of credits through the Bank's $7 billion Hollis Receivables Term Trust II Shelf program. While the Bank includes CMHC securitization programs in its view of wholesale debt issuance, this source of funding does not entail the run-off risk that can be experienced in funding raised from capital markets.

In the U.S., short-term wholesale debt is raised through the issuance of negotiable certificates of deposit and commercial paper programs. The Bank's Medium Term Notes Program is used to raise longer-term wholesale debt in the U.S. Internationally, the Bank generates short-term wholesale debt through negotiable certificates of deposit in various currencies as well as an Australian commercial paper program. Term wholesale debt is raised internationally across a variety of currencies by a European Medium Term Note Program as well as a Global Covered Bond Program.

The table below provides the remaining contractual maturities of wholesale funding sources. The products are aligned to Enhanced Disclosure Task Force (EDTF) recommended categories for comparability with other banks. In the Statement of Financial Position, unless separately disclosed, most sources are included in Business & Government Deposits.

Wholesale funding sources[1]

	As at April 30, 2014									
($ millions)	Less than 1 month	1-3 months	3-6 months	6-9 months	9-12 months	Sub-Total < 1 Year	1-2 years	2-5 years	>5 years	Total
Deposits from banks[2]	$ 5,604	$ 1,306	$ 1,302	$ 171	$ 363	$ 8,746	$ 150	$ 115	$ –	$ 9,011
Bearer deposit notes, commercial paper and certificate of deposits	16,801	25,825	29,436	16,721	5,273	94,056	7,170	955	128	102,309
Asset-backed commercial paper[3]	5,103	2,044	110	–	–	7,257	–	–	–	7,257
Medium term notes and deposit notes	168	1,475	1,492	9,196	2,776	15,107	11,870	32,252	4,210	63,439
Asset-backed securities	–	–	–	2	663	665	8	824	555	2,052
Covered bonds	–	–	11	2,192	1,370	3,573	2,740	8,675	38	15,026
Mortgage securitization[4]	–	1,328	1,369	616	779	4,092	3,145	9,194	5,180	21,611
Subordinated debentures[5]	24	30	31	6	5	96	74	105	5,198	5,473
Total wholesale funding sources	$ 27,700	$ 32,008	$ 33,751	$ 28,904	$ 11,229	$ 133,592	$ 25,157	$ 52,120	$ 15,309	$ 226,178
Of Which:										
Unsecured funding	$ 22,597	$ 28,636	$ 32,261	$ 26,094	$ 8,417	$ 118,005	$ 19,264	$ 33,427	$ 9,536	$ 180,232
Secured funding	5,103	3,372	1,490	2,810	2,812	15,587	5,893	18,693	5,773	45,946

	As at October 31, 2013									
($ millions)	Less than 1 month	1-3 months	3-6 months	6-9 months	9-12 months	Sub-Total < 1 Year	1-2 years	2-5 years	>5 years	Total
Deposits from banks[2]	$ 7,304	$ 1,104	$ 615	$ 292	$ 364	$ 9,679	$ 90	$ 111	$ 42	$ 9,922
Bearer deposit notes, commercial paper and certificate of deposits	12,666	31,061	26,376	5,183	6,055	81,341	8,274	930	125	90,670
Asset-backed commercial paper[3]	4,205	1,738	83	–	–	6,026	–	–	–	6,026
Medium term notes and deposit notes	486	3,426	2,493	2,116	1,487	10,008	14,275	27,448	3,128	54,859
Asset-backed securities	–	–	–	–	–	–	931	791	71	1,793
Covered bonds	16	999	42	–	10	1,067	5,998	6,809	36	13,910
Mortgage securitization[4]	1,750	1,510	3,483	1,327	1,369	9,439	2,482	10,129	5,116	27,166
Subordinated debentures[5]	14	15	17	12	12	70	–	100	5,860	6,030
Total wholesale funding sources	$ 26,441	$ 39,853	$ 33,109	$ 8,930	$ 9,297	$ 117,630	$ 32,050	$ 46,318	$ 14,378	$ 210,376
Of Which:										
Unsecured funding	$ 20,470	$ 35,606	$ 29,501	$ 7,603	$ 7,918	$ 101,098	$ 22,639	$ 28,589	$ 9,155	$ 161,481
Secured funding	5,971	4,247	3,608	1,327	1,379	16,532	9,411	17,729	5,223	48,895

(1) *Wholesale funding sources exclude repo transactions and bankers acceptances, which are disclosed in the contractual maturities table in Note 22 of the Condensed Interim Consolidated Financial Statements. Amounts are based on remaining term to maturity.*
(2) *Only includes commercial bank deposits raised by Group Treasury.*
(3) *Wholesale funding sources also exclude asset-backed commercial paper (ABCP) issued by certain ABCP conduits that are not consolidated for financial reporting purposes.*
(4) *Represents residential mortgages funded through Canadian Federal Government agency sponsored programs. Funding accessed through such programs does not impact the funding capacity of the Bank in its own name.*
(5) *Although subordinated debentures are a component of regulatory capital, they are included in this table in accordance with EDTF recommended disclosures.*

Wholesale funding generally bears a higher risk of run-off in a stressed environment than other sources of funding. The Bank mitigates this risk through funding diversification, ongoing engagement with investors and by maintaining a large holding of unencumbered liquid assets. Unencumbered liquid assets of $181 billion as at April 30, 2014 (October 31, 2013 – $170 billion) were well in excess of wholesale funding sources which mature in the next 12 months.

Financial position

The Bank's total assets at April 30, 2014 were $792 billion, up $48 billion or 6% from October 31, 2013. Excluding the impact of foreign currency translation, total assets grew by $30 billion or 4%.

Trading assets increased $21 billion from October 31, 2013, due primarily to an increase in trading securities of $19 billion from higher holdings of common equities and Canadian government debt.

Investment securities grew by $3 billion due mainly to increased holdings of U.S. government debt. As at April 30, 2014, the unrealized gain on available-for-sale securities, after the impact of qualifying hedges is taken into account, was $1,007 million, an increase of $27 million from October 31, 2013. The change was due mainly to increases in the values of common equities and corporate bonds.

Loans increased $17 billion or 4% from October 31, 2013. Excluding the impact of foreign currency translation, loans increased $11 billion or 3%. Residential mortgages increased $1 billion mainly in Latin America and Canada. Personal and credit card loans rose $3 billion, due mainly to growth in Latin America and Canada. Business and government loans were up $13 billion across all regions.

Total liabilities were $744 billion as at April 30, 2014, up $46 billion or 7% from October 31, 2013, $30 billion or 4% excluding the impact of foreign currency translation.

Total deposits increased by $34 billion, including the impact of foreign currency translation of $12 billion. Personal deposits increased by $2 billion due primarily from growth in Latin America and the Caribbean. Business and government deposits increased $24 billion to support asset growth.

Securities sold under repurchase agreements and securities lent as well as securities sold short grew by $11 billion and $3 billion, respectively to support growth of trading assets.

Total shareholders' equity increased $2,070 million from October 31, 2013. This increase was driven by internal capital generation of $1,781 million, and issuance of common shares of $483 million through the Dividend Reinvestment Plan and the exercise of options. The Bank redeemed $850 million of preferred shares during the year.

Accumulated other comprehensive income increased $555 million due primarily to unrealized foreign exchange gains on the Bank's investments in its foreign operations.

In May 2014, the Bank announced that it has decided to pursue alternatives for monetization of some, or all, of its $2.6 billion investment in CI Financial Corp. (market value approximately $3.5 billion) and redeploy the capital to other strategic priorities of the Bank. The Bank has retained advisors to explore all options and timing with respect to the monetization. There can be no assurance that any transaction will be completed.

Capital management

Scotiabank is committed to maintaining a solid capital base to support the risks associated with its diversified businesses. The Bank's capital management framework includes a comprehensive internal capital adequacy assessment process (ICAAP), aimed at ensuring that the Bank's capital is more than adequate to meet current and future risks and achieve its strategic objectives. Key components of the Bank's ICAAP include sound corporate governance; creating a comprehensive risk appetite for the Bank; managing and monitoring capital, both currently and prospectively; and utilizing appropriate financial metrics which relate risk to capital, including economic and regulatory capital measures. The Bank's capital management practices are unchanged from those outlined on pages 38 to 46 of the 2013 Annual Report.

Implementation of the Basel III framework

Effective November 1, 2012, Canadian banks are subject to the revised capital adequacy requirements as published by Basel Committee on Banking Supervision (BCBS) and commonly referred to as Basel III. Basel III builds on the "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (Basel II). The Office of the Superintendent of Financial Institutions (OSFI) has issued guidelines, reporting requirements and disclosure guidance which are consistent with the Basel III reforms, except for its deferral of the Basel III credit valuation adjustment (CVA) related capital charges, requiring they be phased-in over a five-year period, beginning January 2014.

To enable banks to meet the new standards, the BCBS Basel III rules contain transitional arrangements commencing January 1, 2013, through January 1, 2019. As of January 2019, banks will be required to meet new minimum requirements related to risk-weighted assets of: Common Equity Tier 1 ratio of 4.5% plus a capital conservation buffer of 2.5%, collectively 7%, minimum Tier 1 ratio of 8.5%, and Total capital ratio of 10.5%.

Commencing the first quarter of 2013, OSFI required Canadian deposit-taking institutions to fully implement the 2019

Basel III reforms, without the transitional phase-in provisions for capital deductions (referred to as 'all-in') and achieve a minimum 7% Common Equity Tier 1 (CET 1) target.

In a March 2013 advisory letter, OSFI designated the 6 largest banks in Canada as domestic systemically important banks (D-SIBs), increasing its minimum capital ratio requirements by 1% for the identified D-SIBs. This 1% surcharge is applicable to all minimum capital ratio requirements for CET1, Tier 1 and Total Capital, by no later than January 1, 2016, in line with the requirements for global systemically important banks.

In addition to risk-based capital requirements, the Basel III reforms introduced a simpler, non risk-based leverage ratio requirement to act as a supplementary measure to its risk-based capital requirements. The leverage ratio is defined as a ratio of Basel III Tier 1 capital to a leverage exposure measure which includes on-balance sheet assets and off-balance sheet commitments, derivatives and securities financing transactions, as defined within the requirements.

In January 2014, the BCBS issued revisions to the Basel III Leverage Ratio framework. Revisions to the framework relate primarily to the exposure measure, i.e. the denominator of the ratio, and consist mainly of: lower credit conversion factors for certain off-balance sheet commitments; further clarification on the treatment for derivatives, related collateral, and securities financing transactions; additional requirements for written credit derivatives; and, minimum public disclosure requirements commencing January 2015. The final calibration will be completed by 2017, with a view to migrating to a Pillar 1 (minimum capital requirement) treatment by January 2018. OSFI has recently announced that it will discontinue the Asset-to-capital multiple in 2015.

Capital ratios

The Bank's various regulatory capital amounts consist of the following:

	As at		
	April 30 2014	January 31 2014	October 31 2013
($ millions)	**All-in**	All-in	All-in
Common Equity Tier 1 capital	**$ 29,311**	$ 28,499	$ 26,359
Tier 1 capital	**33,966**	33,742	31,914
Total regulatory capital	**40,004**	40,811	38,841
Total risk-weighted assets	**300,155**	302,070	288,246
Capital ratios:			
Common Equity Tier 1 capital	**9.8%**	9.4%	9.1%
Tier 1 capital ratio%	**11.3%**	11.2%	11.1%
Total capital ratio%	**13.3%**	13.5%	13.5%
Assets-to-capital multiple	**17.9 x**	17.4 x	17.1 x

The Bank continues to maintain a strong capital position. As at April 30, 2014 the CET1, Tier 1 and Total Capital ratios under the Basel III all-in rules were 9.8%, 11.3% and 13.3% (January 31, 2014 – 9.4%, 11.2% and 13.5%; October 31, 2013 – 9.1%, 11.1% and 13.5%), respectively, well above minimum requirements.

Changes in regulatory capital

The Bank's Common Equity Tier 1 capital was $29.3 billion as at April 30, 2014 (January 31, 2014 – $28.5 billion), an increase of $0.8 billion during the quarter, due primarily to:

- strong internal capital generation of $0.9 billion;
- common equity issuances of $0.1 billion, through the Bank's Dividend Reinvestment Program and Share Purchase Plans; and,
- lower capital deductions of $0.2 billion.

Partly offset by:

- reductions in accumulated other comprehensive income of $0.4 billion, mainly due to foreign currency translation.

In addition, Tier 1 and Total capital ratios were impacted by the redemptions of $600 million Preferred Shares, and $1.0 billion of subordinated debentures.

Risk-weighted assets (RWA)

RWA decreased by $1.9 billion during the quarter to $300.2 billion. The decrease is primarily due to:

- the impact of a stronger Canadian dollar on foreign currency denominated assets of $1.9 billion;
- reduced exposures to securitizations and investment securities of $2.5 billion; and,
- lower levels of undrawn off-balance sheet commitments, letters of credit and letters of guarantees of $1.9 billion.

Partly offset by:

- growth in personal and business lending of $4.8 billion.

Normal Course Issuer Bid

On May 27, 2014, the Bank announced a normal course issuer bid pursuant to which it may re-purchase for cancellation up to 12 million of the Bank's common shares, beginning on May 30, 2014 for a period of up to one year. This represents approximately 1% of the Bank's common shares outstanding. On a quarterly basis, the Bank will consult with OSFI prior to making purchases.

Common dividend

The Board of Directors, at its meeting on May 26, 2014, approved a dividend of 64 cents per share. This quarterly dividend applies to shareholders of record as of July 2, 2014 and is payable July 29, 2014.

Financial instruments

Given the nature of the Bank's main business activities, financial instruments make up a substantial portion of the balance sheet and are integral to the Bank's business. There are various measures that reflect the level of risk associated with the Bank's portfolio of financial instruments. Further discussion of some of these risk measures is included in the Risk Management section on page 10. The methods of determining the fair value of financial instruments are detailed on page 48 of the 2013 Annual Report.

Management's judgment on valuation inputs is necessary when observable market data is not available, and in the selection of appropriate valuation models. Uncertainty in these estimates and judgments can affect fair value and financial results recorded. During the quarter, changes in the fair value of financial instruments generally arose from normal economic, industry and market conditions.

Many financial instruments are traded products such as derivatives, and are generally transacted under industry standard ISDA master netting agreements with counterparties, which allow for a single net settlement of all transactions covered by that agreement in the event of a default or early termination of the transactions. ISDA agreements are frequently accompanied by an ISDA Credit Support Annex (CSA), the terms of which may vary according to each party's view of the other party's creditworthiness. CSAs can require one party to post initial margin at the onset of each transaction. CSAs also allow for variation margin to be called if total uncollateralized mark-to-market exposure exceeds an agreed upon threshold. Such variation margin provisions can be one-way (only one party will ever post collateral) or bi-lateral (either party may post depending upon which party is in-the-money). The CSA will also detail the types of collateral that are acceptable to each party, and the haircuts that will be applied against each collateral type. The terms of the ISDA master netting agreements and CSAs are taken into consideration in the calculation of counterparty credit risk exposure (see also page 69 of the 2013 Annual Report).

Total derivative notional amounts were $4,134 billion as at April 30, 2014, compared to $3,863 billion as at January 31, 2014 and $3,295 billion as at October 31, 2013. The quarterly change was due largely to an increase in the volume of interest rate contracts. The percentage of derivatives held for trading and those held for hedging were generally unchanged. The total notional amount of over-the-counter derivatives was $3,842 billion (October 31, 2013 – $3,082 billion), of which $2,206 billion are settled through central counterparties as at April 30, 2014 (October 31, 2013 – $1,514 billion). The credit equivalent amount, after taking master netting arrangements into account, was $37.4 billion, compared to $32.4 billion at October 31, 2013. The change from October 31, 2013 was due largely to higher volumes of interest rate and foreign exchange derivative contracts.

Selected credit instruments – publicly known risk items

A complete discussion of selected credit instruments which markets regarded as higher risk during the financial crisis was provided on page 49 of the Bank's 2013 Annual Report. This disclosure provided a detailed discussion on the nature and extent of the Bank's exposures which have substantially remained unchanged from year end.

Collateralized debt obligations and collateralized loan obligations

Non-trading portfolio

As at April 30, 2014, the carrying value of cash-based CDOs and CLOs reported as loans on the Consolidated Statement of Financial Position was $391 million (January 31, 2014 – $506 million, October 31, 2013 – $548 million). The fair value was $393 million (January 31, 2014 – $511 million, October 31, 2013 – $535 million). The large decline was primarily due to disposals in the quarter. None of these cash-based CDOs and CLOs are classified as impaired loans. The overall risk profile of cash-based CDOs and CLOs held has not changed significantly since October 31, 2013. The change in fair value of cash-based CDOs and CLOs was mainly driven by the tightening of credit spreads.

The Bank's remaining exposure to synthetic CDOs and CLOs was $23 million as at April 30, 2014 (January 31, 2014 – $23 million, October 31, 2013 – $30 million). For the three months ended April 30, 2014, the Bank recorded a pre-tax gain of $nil in net income for changes in fair value of synthetic CDOs and CLOs (first quarter of 2014 – pre-tax gain of $1 million, second quarter of 2013 – pre-tax gain of $2 million).

Trading portfolio

The Bank holds synthetic CDOs in its trading portfolio as a result of legacy transactions with clients and other financial institutions. These trading exposures have been hedged and are subject to risk limits and ongoing monitoring by the Bank's independent risk management department.

The risk profile of the Bank's CDOs outstanding has not changed significantly from October 31, 2013.

Other

As at April 30, 2014, the Bank has insignificant exposure to highly leveraged loans awaiting syndication, auction-rate securities, Alt-A type loans, monoline insurers and investments in structured investment vehicles.

Off-balance sheet arrangements

In the normal course of business, the Bank enters into contractual arrangements that are not required to be consolidated in its financial statements, but could have a current or future impact on the Bank's financial performance or financial condition. These arrangements can be classified into the following categories: structured entities and guarantees and other commitments.

The adoption of IFRS 10 has primarily resulted in the deconsolidation of Scotiabank Capital Trust and Scotiabank Tier 1 Trust (together, the "capital trusts") through which the Bank issues certain regulatory capital instruments.

No material contractual obligations were entered into this quarter by the Bank with the structured entities that are not in the ordinary course of business. Processes for review and approval of these contractual arrangements are unchanged from last year.

For a complete discussion of these types of arrangements, please refer to pages 46 to 48 of the Bank's 2013 Annual Report.

Structured entities

The Bank sponsors two Canadian-based multi-seller conduits that are not consolidated. These multi-seller conduits purchase high-quality financial assets and finance these assets through the issuance of highly rated commercial paper.

The Bank is an agent of the Canadian conduits as it has limited ability to use its power to affect the amount of its returns, which results in the Bank not consolidating the two Canadian conduits.

A significant portion of the conduits' assets have been structured to receive credit enhancements from the sellers, including overcollateralization protection and cash reserve accounts. Each asset purchased by the conduits is supported by a backstop liquidity facility provided by the Bank in the form of a liquidity asset purchase agreement (LAPA). The primary purpose of the backstop liquidity facility is to provide an alternative source of financing in the event the conduits are unable to access the commercial paper market. Under the terms of the LAPA, the Bank is not obliged to purchase defaulted assets.

The Bank's primary exposure to the Canadian-based conduits is the liquidity support provided, with total liquidity facilities of $4.5 billion as at April 30, 2014 (October 31, 2013 – $4.2 billion). As at April 30, 2014, total commercial paper outstanding for these conduits was $3.5 billion (October 31, 2013 – $3.0 billion). Funded assets purchased and held by these conduits as at April 30, 2014, as reflected at original cost, were $3.5 billion (October 31, 2013 – $3.0 billion). The fair value of these assets approximates original cost. There has been no significant change in the composition or risk profile of these conduits since October 31, 2013.

Other off-balance sheet arrangements

The Bank provides liquidity facilities to non-Bank sponsored conduits, all of which are U.S. third party conduits. There has been no significant change in our exposures through these liquidity facilities since the year end.

Guarantees and other indirect commitments increased 4% from October 31, 2013. Fees from guarantees and loan commitment arrangements recorded in fee and commission revenues – banking were $114 million for the three months ended April 30, 2014, compared to $116 million in the previous quarter.

Regulatory developments

The Bank continues to respond to global regulatory developments, such as capital and liquidity requirements under the Basel Committee on Banking Supervision global standards (Basel III), over-the-counter derivatives reform, consumer protection measures and specific financial reforms, such as the *Dodd-Frank Wall Street Reform and Consumer Protection Act*. The Bank monitors these and other developments and is working to ensure business impacts, if any, are minimized.

On February 18, 2014 the Board of Governors of the Federal Reserve System ("Federal Reserve") in the U.S. approved the final rule to implement the enhanced prudential standards and early remediation requirements of sections 165 and 166 of the Dodd-Frank Act for bank holding companies and foreign banking organizations. With respect to foreign banking organizations, the overall intent of the final rule is to strengthen the regulation of the U.S. operations of foreign banking organizations by requiring home country capital certification consistent with the Basel capital framework, home country capital stress tests comparable to U.S. standards, maintenance of a liquidity buffer for U.S. branches and agencies and establishment of a U.S. risk committee with the appointment of a U.S. chief risk officer. The Bank is currently reviewing the final rule and the potential impact on its U.S. operations. The effective date is July 2016.

On December 10, 2013, the Federal Reserve approved a final rule implementing Section 619 of Dodd Frank, commonly known as the Volcker Rule. The Volcker Rule imposes prohibitions and restrictions on banking entities and their affiliates in connection with proprietary trading and investing in or sponsoring of hedge funds or private equity funds. In the final rule, the Federal Reserve extended the conformance period to July 2015. The Bank is currently assessing the impact of the Volcker Rule on its operations and is working to ensure compliance by July 2015.

The Foreign Account Tax Compliance Act (FATCA) is U.S. legislation designed to prevent U.S. taxpayers from using accounts held outside of the U.S. to evade taxes. FATCA, and in some countries, related local regulations, will require financial institutions to report annually on specified accounts held outside of the U.S. by U.S. taxpayers. This reporting will be made available to the U.S. Internal Revenue Service either directly or through local regulatory agencies. Across our entire global network, the Bank intends to meet all obligations imposed under FATCA in accordance with local banking and tax regulations. Under the guidance of an enterprise program office, dedicated project teams in each of the business lines are working to meet all FATCA-related obligations worldwide while minimizing negative impact on the client experience.

Accounting Policies and Controls

Accounting policies and estimates

The condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Except for the changes in accounting policies listed below, the significant accounting policies used in the preparation of the condensed interim consolidated financial statements are consistent with those used in the Bank's audited consolidated financial statements for the year ended October 31, 2013. Note 3 to the Bank's 2013 annual consolidated financial statements describes the Bank's significant accounting policies.

Changes in accounting policies

The Bank has adopted the following new and amended accounting standards issued by the IASB effective November 1, 2013, with retrospective adjustments to prior periods.

Employee benefits (IAS - 19)

The amended standard IAS 19, *Employee Benefits*, eliminates the use of the corridor approach (the method previously used by the Bank) and requires the value of the surplus/deficit of the defined benefit plans to be recorded on the Consolidated Statement of Financial Position, with actuarial gains and losses to be recognized immediately in other comprehensive income (OCI). Amounts recorded in OCI are not recycled through the Bank's Consolidated Statement of Income. In addition, the discount rate used for recognizing the net interest income/expense is based on the rate at which the liabilities are discounted and not the expected rate of return on the assets. This will result in higher expense in the Consolidated Statement of Income in line with the funded status of the plan. The OCI balances will change as a result of the changes in actuarial gains and losses.

The amended standard was applied retrospectively and as a result the net benefit liability at November 1, 2011 increased by $149 million. In addition, there was an increase in deferred tax assets (net) of $35 million, and a net decrease in equity of $114 million. The decrease in equity is comprised of a reduction to retained earnings after-tax of $146 million, partially offset by an increase in accumulated other comprehensive income of $32 million. At October 31, 2013, the Bank's net benefit liability under the old standard was $1,000 million, but increased to $1,549 million under the new standard. The benefit expense under the new standard for fiscal 2013 is $395 million compared to $301 million under the old standard (2012: new standard – $292 million compared to $238 million under the old standard).

Consolidation (IFRS - 10)

The new accounting standard, IFRS 10, *Consolidated Financial Statements* introduces a single, principle-based control model for all entities as a basis for determining which entities are consolidated and set out the requirements for the preparation of consolidated financial statements.

The new standard was applied retrospectively allowing for certain practical exceptions and transitional relief. The adoption of IFRS 10 has resulted primarily in the deconsolidation of Scotiabank Capital Trust and Scotiabank Tier 1 Trust (together, the "capital trusts") through which the Bank issues certain regulatory capital instruments. The capital trusts are designed to pass the Bank's credit risk onto the holder of these securities. As a result, it was determined that the Bank does not have exposure or rights to variable returns from involvement with these entities. The impact of deconsolidation of the capital trusts as at November 1, 2012 and October 31, 2013 was a reclassification of $777 million and $743 million, respectively, from Non-controlling interests capital instrument equity holders to Deposits – Business and government.

Other than this reclassification, the adoption of the new standard did not have a material impact on the Bank's assets, liabilities or equity.

Joint arrangements (IFRS - 11)

Under the new accounting standard, IFRS 11, *Joint Arrangements*, the Bank classifies its interests in joint arrangements as

either joint operations or joint ventures depending on the Bank's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Bank considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The adoption of this standard has no impact on the Bank's assets, liabilities and equity.

Fair value measurement (IFRS - 13)

IFRS 13, *Fair Value Measurement*, provides a definition of fair value, establishes a single framework for measuring fair value, and provides additional disclosure requirements for fair value across all IFRS standards. In accordance with the transitional provisions, IFRS 13 has been applied prospectively from November 1, 2013. The adoption of this standard had no impact on the Bank's assets, liabilities and equity. The Bank has included new disclosures in Note 22 of the condensed interim consolidated financial statements and additional disclosures will be provided in the 2014 annual consolidated financial statements.

Disclosures – offsetting financial assets and financial liabilities (IFRS - 7)

IFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Liabilities*, requires new disclosures on gross amounts receivable and payable from a counterparty that are subject to rights of set off, amounts set off, and the related net credit exposure. These disclosures will be provided in the 2014 annual consolidated financial statements.

Future accounting developments

The Bank actively monitors developments and changes in standards from the IASB as well as regulatory requirements from the Canadian Securities Administrators and OSFI.

The IASB tentatively decided at its February 2014 meeting that the mandatory effective date of IFRS 9, *Financial Instruments*, will be for annual periods beginning on or after January 1, 2018. The Bank continues to monitor this and all other developments and continues to assess the impact.

There are no other significant updates to the future accounting developments effective after November 1, 2013 as reflected in Note 4 to the Bank's 2013 annual audited consolidated financial statements.

Changes in internal control over financial reporting

There have been no changes in the Bank's internal control over financial reporting during the six months ended April 30, 2014, that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

Related party transactions

There were no changes to the Bank's procedures and policies for related party transactions from those outlined on pages 88 and 173 of the Bank's 2013 Annual Report. All transactions with related parties continued to be at market terms and conditions.

Economic Outlook

The global economy is expected to generate slightly stronger growth as it recovers from the adverse weather conditions earlier in the year, though the overall pace of activity is likely to remain historically slow.

Activity in advanced countries is expected to be supported by accommodative monetary conditions, a reduced pace of fiscal consolidation in most nations, and increased industrial output associated with expanded order books. Stronger domestic-led revivals in the U.K. and U.S. are expected to outpace the industrialized countries. The export-led recovery in the euro zone is still confronted with chronically high unemployment and geopolitical uncertainty, while steep tax increases this year and next present another hurdle for Japan's rebound. Canada will benefit from improving foreign demand and a more competitive currency, with domestic activity bolstered by continuing strength in the resource-producing regions and ongoing service sector gains.

Many of the large emerging market countries are expected to continue to post below-trend growth in response to somewhat tighter financial market and credit conditions, and less stimulative fiscal policies. While China will remain the world's growth leader, efforts to restrain credit, reduce excess industrial capacity, and transition away from government-led investments have reinforced the economy's slowing performance. However, Latin America will likely remain a relative outperformer, piggybacking on the U.S. recovery and a more integrated regional trading environment. Based on its diversified geographic footprint, including its operations in Latin America, the Bank is well-positioned to participate in these growth markets.

Business Segment Review

The 2014 business results are presented below:

Canadian Banking

(Unaudited) ($ millions) (Taxable equivalent basis)[1]	For the three months ended April 30 2014	January 31 2014	April 30 2013[2]	For the six months ended April 30 2014	April 30 2013[2]
Business segment income					
Net interest income	**$ 1,383**	$ 1,408	$ 1,309	**$ 2,791**	$ 2,635
Net fee and commission revenues	**396**	408	369	**804**	753
Net income from investments in associated corporations	**(1)**	(1)	–	**(2)**	9
Other operating income	**48**	22	25	**70**	26
Total revenues	**1,826**	1,837	1,703	**3,663**	3,423
Provision for credit losses	**140**	134	136	**274**	254
Operating expenses	**921**	923	881	**1,844**	1,754
Income tax expense	**200**	205	179	**405**	369
Net income	**$ 565**	$ 575	$ 507	**$ 1,140**	$ 1,046
Net income attributable to non-controlling interests in subsidiaries	**$ –**	$ –	$ –	**$ –**	$ –
Net income attributable to equity holders of the Bank	**$ 565**	$ 575	$ 507	**$ 1,140**	$ 1,046
Other measures					
Return on economic equity[1]	**33.0%**	33.0%	32.0%	**33.0%**	33.0%
Average assets *($ billions)*	**$ 278**	$ 277	$ 273	**$ 277**	$ 270
Average liabilities *($ billions)*	**$ 194**	$ 195	$ 191	**$ 194**	$ 188

(1) Refer to page 5 for a discussion of non-GAAP measures.
(2) Prior period amounts are retrospectively adjusted to reflect (i) the adoption of new IFRS standards in 2014 described in Note 3, and (ii) enhancements to funds transfer pricing methodologies made in 2014. The enhancements include a transfer of higher regulatory liquidity costs and a reduced interest value for certain deposit types.

Q2 2014 vs Q2 2013

Canadian Banking reported net income attributable to equity holders of $565 million, an increase of $58 million or 12% from the same period last year driven by growth in assets and deposits and an increase in the interest margin. Partly offsetting were higher operating expenses and provision for credit losses.

Average assets rose $5 billion or 2% from the same quarter last year. The growth reflected $5 billion or 10% in personal loans and credit cards, mainly from consumer auto lending, and $2 billion or 5% in business loans and acceptances. Growth in bank originated residential mortgages of $6 billion or 4% was largely offset by the run-off of Tangerine's broker originated and white label mortgages. There was also a $2 billion decrease in securities, mainly in Tangerine.

Average liabilities increased $3 billion or 1%. Retail banking experienced solid growth in savings deposits of $5 billion or 10% and chequing accounts of $1 billion or 7%. There was also growth of $1 billion or 4% in small business and commercial banking business operating accounts. This was partially offset by a decline in GICs of $4 billion or 6%.

Total revenues increased $123 million or 7% from the same period last year, with growth in net interest income, net fee and commission revenues and other operating income.

Net interest income of $1,383 million was up $74 million or 6% from the same period last year. This was driven by asset and deposit growth and an eight basis points increase in the interest margin to 2.10%. The interest margin increase was primarily driven by higher mortgage spreads and strong growth in high-margin credit cards.

Net fee and commission revenues increased $27 million or 7% from the same quarter last year, primarily due to an increase in card revenues and strong growth in fees from mutual fund sales.

Other operating income increased $23 million reflecting higher net gains on investment securities.

The provisions for credit losses was $140 million, up from $136 million in the same quarter last year, with higher provisions in retail portfolios partially offset by lower provisions in commercial portfolios.

Operating expenses were up $40 million or 4%, due to Tangerine brand transition costs of $16 million and increased investment in growth initiatives.

Q2 2014 vs Q1 2014

Quarter over quarter, net income attributable to equity holders decreased $10 million or 2% primarily due to a shorter quarter.

Average assets rose $1 billion from last quarter, mainly reflecting solid growth in personal loans of $1 billion or 1%, primarily from consumer auto lending and $1 billion or 3% in business loans and acceptances. Growth in bank originated residential mortgages was more than offset by the run off of Tangerine's broker originated and white label mortgages.

Average liabilities decreased $1 billion from last quarter, due to declines in high-interest savings deposits as well as small business and commercial banking business operating accounts.

Total revenues decreased $11 million or 1% quarter over quarter.

Net interest income of $1,383 million was $25 million lower than the previous quarter, mainly due to a shorter quarter, partially offset by a three basis point improvement in the interest margin to 2.10% and solid asset growth.

Net fee and commission revenues decreased by $12 million or 3%, primarily due to seasonally lower card revenues and decreased non-trading foreign exchange revenues.

Other operating income increased $26 million reflecting higher gains on investment securities.

The provisions for credit losses were $140 million, up from $134 million in the previous quarter due to higher provisions in retail portfolios.

Operating expenses were in-line with last quarter, as lower stock-based compensation was offset by Tangerine brand transition costs and higher spending on business initiatives.

Year-to-date Q2 2014 vs Year-to-date Q2 2013

Canadian Banking reported net income attributable to equity holders of $1,140 million, an increase of $94 million or 9% from the same period last year driven by growth in assets and deposits and an increase in the interest margin. Partly offsetting were higher operating expenses and provisions for credit losses.

Average assets rose $7 billion or 3% from the same period last year. The growth reflected $6 billion or 4% in bank originated residential mortgages, $5 billion or 10% in personal loans and credit cards, mainly from consumer auto lending, and $2 billion or 5% in business loans and acceptances. Partly offsetting was a decrease in securities of $3 billion in Tangerine.

Average liabilities increased $6 billion or 3%. Retail banking experienced solid growth in savings deposits of $7 billion or 14% and chequing accounts of $1 billion or 7%. There was also growth of $1 billion or 4% in small business and commercial banking business operating accounts. This was partially offset by a decline in GICs of $3 billion or 4%.

Total revenues increased $240 million or 7% from the same period last year, with growth in net interest income, net fee and commission revenues and other operating income.

Net interest income of $2,791 million was up $156 million or 6% from the same period last year. This was driven by asset and deposit growth and a six basis points increase in the interest margin to 2.08%. The interest margin increase was primarily driven by higher mortgage spreads and strong growth in high-spread credit cards.

Net fee and commission revenues increased $51 million or 7% from the same period last year, primarily due to an increase in card revenues and strong growth in fees from mutual fund sales.

Other operating income increased $44 million reflecting higher net gains on investment securities.

The provision for credit losses was $274 million, up $20 million from the same period last year, with higher provisions in retail portfolios partially offset by lower provisions in commercial portfolios.

Operating expenses were up $90 million or 5%, primarily reflecting inflationary increases, Tangerine brand transition costs and expenses related to business growth initiatives. Operating leverage was positive 1.9% year over year.

International Banking

(Unaudited) ($ millions) (Taxable equivalent basis)[1]	For the three months ended			For the six months ended	
	April 30 2014	January 31 2014	April 30 2013[2]	**April 30 2014**	April 30 2013[2]
Business segment income					
Net interest income	**$ 1,338**	$ 1,303	$ 1,244	**$ 2,641**	$ 2,440
Net fee and commission revenues	**352**	367	342	**719**	676
Net income from investments in associated corporations	**100**	117	127	**217**	259
Other operating income	**84**	66	131	**150**	222
Total revenues	**1,874**	1,853	1,844	**3,727**	3,597
Provision for credit losses	**230**	219	194	**449**	380
Operating expenses	**1,025**	1,084	1,032	**2,109**	2,011
Income tax expense	**156**	108	152	**264**	279
Net income	**$ 463**	$ 442	$ 466	**$ 905**	$ 927
Net income attributable to non-controlling interests in subsidiaries	**$ 47**	$ 41	$ 51	**$ 88**	$ 101
Net income attributable to equity holders of the Bank	**$ 416**	$ 401	$ 415	**$ 817**	$ 826
Other measures					
Return on economic equity[1]	**13.4%**	12.7%	13.7%	**13.0%**	13.7%
Average assets *($ billions)*	**$ 143**	$ 137	$ 122	**$ 140**	$ 118
Average liabilities *($ billions)*	**$ 91**	$ 86	$ 79	**$ 89**	$ 78

(1) Refer to page 5 for a discussion of non-GAAP measures.

(2) Prior period amounts are retrospectively adjusted to reflect (i) the adoption of new IFRS standards in 2014 described in Note 3, and (ii) enhancements to funds transfer pricing methodologies made in 2014. The enhancements include a transfer of higher regulatory liquidity costs and a reduced interest value for certain deposit types.

Q2 2014 vs Q2 2013

International Banking reported net income attributable to equity holders of $416 million, up $1 million from the same quarter last year. Revenues from strong loan and deposit growth, primarily in Latin America and Asia, and the positive impact of foreign currency translation were offset by a decline in interest margins, lower net securities gains relative to the high level a year ago, and higher provisions for credit losses. Operating expenses were in line with last year.

Average assets were $143 billion, up $21 billion or 17% from the same period last year. This was due primarily to strong retail and commercial loan growth of 11% and 16%, respectively, or 9% and 10% adjusting for foreign currency translation. Underlying retail loan growth was 13% in Latin America, while the Caribbean and Central America grew by 1%. Underlying commercial loan growth was primarily driven by increases of 19% in Asia, and 11% in Latin America, which helped to offset a 9% decline in the Caribbean. Low-cost deposit growth was 11% or 7% adjusting for foreign currency translation.

Total revenues were $1,874 million, an increase of $30 million or 2%, with good volume growth and the positive impact of foreign currency translation. This was mostly offset by a decline in the interest margin, and lower contributions from associated corporations and other operating income.

Net interest income of $1,338 million increased $94 million or 8% reflecting strong loan and deposit growth in Latin America and Asia, and the positive impact of foreign currency translation, offset by a decline in the interest margin. Interest margins decreased 6% with declines in Latin America and Asia as a result of the lowering of interest rates in key markets, regulatory changes, and a shift in asset mix.

Net fee and commission revenue increased $10 million or 3% to $352 million largely from higher credit card and payment service fees in Latin America, partly offset by lower foreign exchange fees.

Net income from investments in associated corporations decreased $27 million or 21% to $100 million, largely reflecting lower contributions from Thanachart Bank in Thailand and Banco del Caribe in Venezuela.

Other operating income decreased $47 million or 36% to $84 million due primarily to a large recovery on a security in Mexico last year.

The provision for credit losses was $230 million, compared to $194 million in the same period last year. The increase in provisions was due primarily to higher retail and commercial provisions in Latin America, most notably Mexico's retail portfolio while other countries in the region incurred moderate increases in their commercial portfolios. The provision for credit loss ratio increased four basis points to 91 basis points driven primarily by an increase in commercial provisions for credit losses. Included in the current period's provisions for credit losses is a benefit of $4 million from the release of the credit mark on the acquired portfolio in excess of actual losses. This compares to the net benefit of $18 million recognized last year.

Operating expenses of $1,025 million decreased $7 million or 1% versus the same period last year as a result of good expense control across all regions, notwithstanding the negative impact of foreign currency translation. Expense management remains an ongoing priority.

The effective tax rate increased slightly to 25.1% compared to 24.8% in the same quarter last year.

Q2 2014 vs Q1 2014

Quarter over quarter, net income attributable to equity holders increased by $15 million or 4% to $416 million. This quarter's results reflected contributions from solid loan growth in Latin America and Asia, lower expenses, and the positive impact of foreign currency translation. This was partly offset by lower non-interest revenues, higher provisions for credit losses and lower tax recoveries.

Average assets were $143 billion, up $6 billion or 4% compared to last quarter. This was due primarily to strong retail and commercial loan growth of 4% and 5%, respectively, or 2% and 2% after adjusting for foreign currency translation. Underlying retail and commercial loan growth was driven primarily by Latin America, up 4% and 5% respectively. Low cost deposit growth was 5%, or 3% adjusted for foreign currency translation with growth in each region.

Total revenues of $1,874 million increased $21 million or 1% due primarily to good growth in net interest income, partly offset by lower income from investments in associated corporations.

Net interest income increased $35 million or 3% to $1,338 million reflecting solid loan and deposit growth, the positive impact of foreign currency translation, partly offset by the impact of a shorter quarter. The interest margin this quarter was 4%.

Net fee and commission revenue of $352 million decreased by $15 million, mainly due to lower banking fees in Latin America and the Caribbean.

Income from investments in associated corporations of $100 million decreased $17 million or 15%, with lower contributions from Thanachart Bank in Thailand and Banco del Caribe in Venezuela.

Other operating income increased $18 million or 27% to $84 million as the previous quarter had a fair value loss on financial instruments used for foreign currency hedging purposes.

The provision for credit losses was $230 million this quarter, up from $219 million in the previous quarter. Higher retail and commercial provisions in the Caribbean were partially offset by lower commercial provisions in Latin America, most notably Colombia. The provision for credit loss ratio increased modestly. Included in the current period's provision is a net benefit of $4 million due to the release of the credit mark on the acquired portfolio in excess of actual losses, while last quarter included a net charge of $8 million, as actual losses exceeded the credit mark taken on the acquired loans in Banco Colpatria.

Operating expenses of $1,025 million were $59 million or 5% lower than the prior quarter largely driven by seasonally higher stock-based compensation-related expenses last quarter.

The effective tax rate increased to 25.1% compared to 19.6% last quarter, mainly due to favorable tax benefits in Latin America in the prior quarter.

Year-to-date Q2 2014 vs Year-to-date Q2 2013

Net income attributable to equity holders decreased by $9 million to $817 million. The decline in net interest margins, lower income from associated companies, and higher commercial provisions for credit losses were mostly offset by strong asset growth in Latin America and Asia, and the positive impact of foreign currency translation.

Average assets were $140 billion, up $22 billion or 19% compared to last year. This was due to strong retail and commercial loan growth of 13% and 17% respectively, or 10% and 11% adjusting for foreign currency translation. Underlying retail loan growth was driven primarily by Latin America, which had growth of 16%, while underlying commercial loan growth came from increases of 24% in Asia and 10% in Latin America. Low-cost deposit growth was 12%, or 8% adjusting for foreign currency translation, with strong 16% underlying growth in Latin America.

Net interest income of $2,641 million increased $201 million or 8% driven by the strong loan and deposit growth in Latin America and Asia, and the positive impact of foreign currency translation, partly offset by a decline in the net interest margin. Net interest margins decreased 6% driven by a shift in asset mix, regulatory changes and the lowering of interest rates in key markets.

Net fee and commission revenues increased $43 million or 6% to $719 million largely from higher transaction and foreign exchange fees in Latin America.

Net income from investments in associated corporations at $217 million was down $42 million or 16% largely from lower contributions from Thanachart Bank in Thailand and Banco del Caribe in Venezuela, partly offset by a higher contribution from Bank of Xi'an in China.

Other operating income decreased $72 million or 32% to $150 million primarily due to lower gains on investment securities in Mexico and higher losses from financial instruments used for foreign currency hedging purposes.

The provision for credit losses was $449 million, compared to $380 million in the same period last year, with almost two thirds of the increase due to the impact of the credit mark in Banco Colpatria. The remaining increase was primarily due to higher retail and commercial provisions in Latin America, partially offset by lower retail and commercial provisions in the Caribbean. The provision for credit loss ratio remained relatively stable. Included in the period's provision for credit losses is an additional $4 million net charge, as actual losses exceeded the credit mark taken on the acquired loans in Banco Colpatria. This compares to the net benefit of $37 million recognized last year from the net release of the credit mark on the acquired portfolio in excess of actual losses.

Operating expenses of $2,109 million were up $98 million or 5% versus the same period last year. Underlying expenses, excluding foreign currency translation, were up 3% reflective of higher stock-based compensation and general inflationary increases. Operating leverage was negative 1.2%.

The effective tax rate was 22.5%, down slightly from 23.1% last year.

Global Wealth & Insurance

	For the three months ended			For the six months ended	
(Unaudited) ($ millions) *(Taxable equivalent basis)*[1]	**April 30 2014**	January 31 2014	April 30 2013[2]	**April 30 2014**	April 30 2013[2]
Business segment income					
Net interest income	**$ 106**	$ 107	$ 105	**$ 213**	$ 208
Net fee and commission revenues	**830**	807	738	**1,637**	1,421
Net income from investments in associated corporations	**69**	63	54	**132**	110
Other operating income	**112**	113	99	**225**	203
Total revenues	**1,117**	1,090	996	**2,207**	1,942
Provision for credit losses	**–**	–	1	**–**	2
Operating expenses	**659**	658	594	**1,317**	1,167
Income tax expense	**103**	92	82	**195**	160
Net income	**$ 355**	$ 340	$ 319	**$ 695**	$ 613
Net income attributable to non-controlling interests in subsidiaries	**$ 10**	$ 13	$ 9	**$ 23**	$ 18
Net income attributable to equity holders of the Bank	**$ 345**	$ 327	$ 310	**$ 672**	$ 595
Other measures					
Return on economic equity[1]	**19.1%**	17.5%	17.6%	**18.3%**	16.8%
Assets under administration *($ billions)*	**$ 362**	$ 338	$ 313	**$ 362**	$ 313
Assets under management *($ billions)*	**$ 159**	$ 153	$ 135	**$ 159**	$ 135
Average assets *($ billions)*	**$ 16**	$ 16	$ 14	**$ 16**	$ 14
Average liabilities *($ billions)*	**$ 20**	$ 20	$ 18	**$ 20**	$ 17

(1) Refer to page 5 for a discussion of non-GAAP measures.
(2) Prior period amounts are retrospectively adjusted to reflect (i) the adoption of new IFRS standards in 2014 described in Note 3, and (ii) enhancements to funds transfer pricing methodologies made in 2014. The enhancements include a transfer of higher regulatory liquidity costs and a reduced interest value for certain deposit types.

Q2 2014 vs Q2 2013

Global Wealth & Insurance reported net income attributable to equity holders of $345 million this quarter, an increase of $35 million or 11% from the same quarter last year. Net income increased primarily due to strong performance in the asset management businesses driven by higher assets under management (AUM) and assets under administration (AUA). Return on equity was 19.1% compared to 17.6% last year.

AUM of $159 billion increased $24 billion or 18% and AUA of $362 billion increased $49 billion or 16% from the same quarter last year. Growth in both AUM and AUA was due to solid net sales, favourable market conditions and the acquisition of AFP Horizonte in Peru. AUM and AUA for the Bank's investment in CI Financial Corp. are not included in these results.

Total revenues increased $121 million or 12% driven by strong growth across wealth management and the acquisition. Wealth management revenues increased due to strong growth in mutual funds and brokerage, and the contribution from the Bank's investment in CI Financial Corp. Also, there was growth in insurance revenues. Total revenue for the quarter was $1,117 million, of which approximately 84% was attributable to wealth management and 16% to insurance as compared to 83% and 17% last year.

Net interest income of $106 million was slightly higher than the same quarter last year.

Net fee and commission revenues of $830 million increased by $92 million or 12% mainly due to higher mutual fund fees, brokerage revenues, and the acquisition of AFP Horizonte.

Other operating income of $112 million grew by $13 million or 14% mostly due to a prior year writedown on investment securities. Net income from investments in associated corporations increased by $15 million or 28% from the Bank's investment in CI Financial Corp.

Operating expenses increased by $65 million or 11% from the same quarter last year mainly due to higher volume-related expenses, the acquisition and lower legal costs last year.

The effective tax rate was 22.5% compared to 20.3% last year mainly due to higher taxes in certain foreign jurisdictions.

Q2 2014 vs Q1 2014

Quarter over quarter, net income attributable to equity holders was up $18 million or 6% reflecting strong performance across wealth management and insurance.

Total revenue grew by $27 million or 2% quarter over quarter, due to higher mutual fund, investment management and trust revenues.

Quarter over quarter, AUM and AUA increased by $6 billion or 4% and $24 billion or 7%, respectively.

Net interest income declined slightly to $106 million this quarter.

Net fee and commission revenues of $830 million grew by $23 million or 3% across wealth management and insurance.

Net income from associated corporations increased by $6 million or 10% from the Bank's investment in CI Financial Corp.

Operating expenses increased by $1 million as higher volume-related expenses were offset by lower stock-based compensation.

The effective tax rate was 22.5% compared to 21.4% last quarter mainly due to higher taxes in certain foreign jurisdictions.

Year-to-date Q2 2014 vs Year-to-date Q2 2013

On a year-to-date basis, net income attributable to equity holders increased by $77 million or 13% reflecting strong performance in the asset management businesses. Growth was driven by higher assets under management (AUM) and assets under administration (AUA) from higher net sales and improved financial market conditions.

Total revenue increased by $265 million or 14% compared to the same period last year, across wealth management and insurance. This also includes the acquisition of Colfondos and AFP Horizonte; and the prior year writedown on investment securities.

Net interest income increased by $5 million or 2% due to growth in loans and deposits.

Net fee and commission revenues of $1,637 million increased by $216 million or 15% across wealth management and insurance and the acquisitions of Colfondos and AFP Horizonte.

Other operating income of $225 million increased by $22 million or 11% mostly due to the prior year writedown on investment securities. Net income from associated corporations increased by $22 million or 20% from the Bank's investment in CI Financial Corp.

Operating expenses increased by 13% mainly due to higher volume-related expenses and the acquisition of Colfondos and AFP Horizonte. Operating leverage was positive 0.8%.

The effective tax rate was 21.9% compared to 20.6% last year mainly due to higher taxes in certain foreign jurisdictions.

Global Banking & Markets

(Unaudited) ($ millions) (Taxable equivalent basis)[1]	For the three months ended **April 30 2014**	January 31 2014	April 30 2013[2]	For the six months ended **April 30 2014**	April 30 2013[2]
Business segment income					
Net interest income	**$ 185**	$ 179	$ 202	**$ 364**	$ 410
Net fee and commission revenues	**325**	369	332	**694**	630
Other operating income	**468**	376	351	**844**	777
Total revenues	**978**	924	885	**1,902**	1,817
Provision for credit losses	**5**	3	12	**8**	17
Operating expenses	**403**	450	393	**853**	796
Income tax expense	**185**	132	128	**317**	264
Net income	**$ 385**	$ 339	$ 352	**$ 724**	$ 740
Net income attributable to non-controlling interests in subsidiaries	**$ –**	$ –	$ –	**$ –**	$ –
Net income attributable to equity holders of the Bank	**$ 385**	$ 339	$ 352	**$ 724**	$ 740
Other measures					
Return on economic equity[1]	**31.6%**	27.1%	26.4%	**29.3%**	28.1%
Average assets *($ billions)*	**$ 283**	$ 272	$ 254	**$ 277**	$ 247
Average liabilities *($ billions)*	**$ 208**	$ 205	$ 193	**$ 206**	$ 184

(1) Refer to page 5 for a discussion of non-GAAP measures.
(2) Prior period amounts are retrospectively adjusted to reflect (i) the adoption of new IFRS standards in 2014 described in Note 3, and (ii) enhancements to funds transfer pricing methodologies made in 2014. The enhancements include a transfer of higher regulatory liquidity costs and a reduced interest value for certain deposit types.

Q2 2014 vs Q2 2013

Global Banking & Markets reported net income attributable to equity holders of $385 million. The year-over-year increase of $33 million or 9% was due mostly to stronger investment banking and fixed income results, the positive impact of foreign currency translation, as well as a securities gain in U.S. lending. Return on economic equity was 31.6% this quarter compared to 26.4% in the same period last year.

Average assets increased $29 billion or 11% from the second quarter of last year. This increase was due mainly to growth of $11 billion in securities purchased under resale agreements, $8 billion in trading securities and $3 billion in corporate loans and acceptances.

Total revenues this quarter were $978 million, an increase of $93 million or 11% compared to the second quarter of last year.

Net interest income was down $17 million or 8% from the same quarter last year. This was due mainly to reduced lending margins in the U.S. and lower loan origination fees, partly offset by loan growth in the U.S., Canada and Europe.

Net fee and commission revenue of $325 million decreased by $7 million or 2% from last year. Lower underwriting fees and lower credit fees were largely offset by higher advisory fees.

Other operating income improved by $117 million or 33% year over year. This reflects stronger results in the fixed income and commodities businesses as well as a securities gain in U.S. lending.

The provision for credit losses was $5 million this quarter, compared to $12 million in the same quarter last year.

Operating expenses were $403 million, up $10 million or 3% from the same period last year due mainly to higher salaries and benefits, technology costs and support costs.

The effective tax rate was 32.5% compared to 26.7% last year. The increase was primarily due to higher taxes in certain foreign jurisdictions.

Q2 2014 vs Q1 2014

Net income attributable to equity holders increased $46 million or 14% compared to the prior quarter. Stronger results in U.S. lending, fixed income, and precious metals were somewhat offset by a decline in global equities and Canadian lending. Return on economic equity was 31.6%, compared to 27.1% in the prior quarter.

Average assets grew by $11 billion or 4% in the second quarter due to increases of $7 billion in trading securities, $2 billion in securities purchased under resale agreements and $3 billion in corporate loans and acceptances.

Total revenues were $978 million this quarter, an increase of $54 million or 6% from the prior quarter.

Net interest income was $6 million or 3% higher than the prior quarter. Increases in loan volumes across all regions were partly offset by a decline in the U.S. lending margin and fewer days in the quarter.

Net fee and commission revenue decreased $44 million or 12% to $325 million. This was driven by lower credit fees in Canada and the U.S. and lower equity underwriting fees, partly offset by higher advisory fees.

Other operating income increased by $92 million or 24% from the previous quarter to $468 million. This reflects higher revenues in fixed income, equities and precious metals and a securities gain in U.S. lending.

The provision for credit losses was $5 million this quarter, compared to $3 million in the prior quarter.

Operating expenses decreased by $47 million or 10%. The decrease was mainly driven by seasonally lower stock-based compensation costs as well as lower salaries and benefits and support costs.

The effective tax rate was 32.5% compared to 28.1% in the previous quarter, mainly due to higher taxes in certain foreign jurisdictions.

Year-to-date Q2 2014 vs Year-to-date Q2 2013

Global Banking & Markets reported net income attributable to equity holders of $724 million. The year-over-year decrease of $16 million or 2% was due to lower results across the capital markets platform, mainly in the first quarter of the year. This was partly offset by a significant improvement in investment banking, the positive impact of foreign currency translation, as well as stronger results across the lending businesses. Return on economic equity was 29.3% this half year, compared to 28.1% in the same period last year.

Average assets increased $30 billion or 12% from the same period last year. This increase was due mainly to growth of $14 billion in securities purchased under resale agreements, $7 billion in trading securities and $2 billion in corporate loans and acceptances.

Total revenues were $1,902 million, an increase of $85 million or 5% compared to the same period last year.

Net interest income was down $46 million or 11% from the same period last year. This was due mainly to lower loan origination fees in Canada and the U.S. and reduced lending margins in U.S. lending. This was partly offset by loan growth in the U.S., Canada and Europe.

Net fee and commission revenue of $694 million increased by $64 million or 10% from last year, from higher advisory fees and increases in credit fees in Canada and Europe.

Other operating income improved by $67 million or 9% year over year, reflecting a securities gain in U.S. lending and stronger results in global equities partly offset by lower revenues in fixed income.

The provision for credit losses was $8 million compared to $17 million in the same period last year.

Operating expenses were $853 million, up $57 million or 7% from the same period last year due mainly to higher salaries and benefits, technology costs, support costs, and performance-related compensation. Operating leverage was negative 2%.

The effective tax rate was 30.5% compared to 26.3% last year. The increase was primarily due to higher taxes in certain foreign jurisdictions.

Other[1]

	For the three months ended			For the six months ended	
(Unaudited) ($ millions) *(Taxable equivalent basis)*[2]	**April 30 2014**	January 31 2014	April 30 2013[3]	**April 30 2014**	April 30 2013[3]
Business segment income					
Net interest income[4]	**$ 39**	$ 8	$ (81)	**$ 47**	$ (147)
Net fee and commission revenues	**(61)**	(60)	(49)	**(121)**	(95)
Net income from investments in associated corporations	**(41)**	(44)	(44)	**(85)**	(89)
Other operating income[4]	**(7)**	37	(41)	**30**	(64)
Total revenues	**(70)**	(59)	(215)	**(129)**	(395)
Provision for credit losses	**–**	–	–	**–**	–
Operating expenses	**(13)**	(10)	(44)	**(23)**	(44)
Income tax expense[4]	**(89)**	(62)	(109)	**(151)**	(212)
Net income	**$ 32**	$ 13	$ (62)	**$ 45**	$ (139)
Net income attributable to non-controlling interests in subsidiaries	**$ 1**	$ –	$ –	**$ 1**	$ –
Net income attributable to equity holders of the Bank	**$ 31**	$ 13	$ (62)	**$ 44**	$ (139)
Other measures					
Average assets *($ billions)*	**$ 78**	$ 75	$ 92	**$ 77**	$ 93
Average liabilities *($ billions)*	**$ 237**	$ 225	$ 232	**$ 231**	$ 234

(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, other operating income and provision for income taxes and differences in the actual amount of costs incurred and charged to the operating segments.

(2) Refer to page 5 for a discussion of non-GAAP measures.

(3) Prior period amounts are retrospectively adjusted to reflect (i) the adoption of new IFRS standards in 2014 described in Note 3, and (ii) enhancements to funds transfer pricing methodologies made in 2014. The enhancements include a transfer of higher regulatory liquidity costs and a reduced interest value for certain deposit types.

(4) Includes the elimination of the tax-exempt income gross-up reported in net interest income, other operating income and provision for income taxes for the three months ended April 30, 2014 ($84), January 31, 2014 ($80), and April 30, 2013 ($82) and for the six months ended April 30, 2014 ($164) and April 30, 2013 ($156) to arrive at the amounts reported in the Consolidated Statement of Income.

Other

The Other segment includes Group Treasury, smaller operating segments and other corporate items which are not allocated to a business line.

Net interest income, other operating income, and the provision for income taxes in each period include the elimination of tax-exempt income gross-up. This amount is included in the operating segments, which are reported on a taxable equivalent basis. The elimination was $84 million in the second quarter, compared to $82 million in the same period last year and $80 million last quarter.

Net income from investments in associated corporations and the provision for income taxes in each period include the tax normalization adjustments related to the gross-up of income from associated companies. This adjustment normalizes the effective tax rate in the divisions to better present the contribution of the associated companies to the divisional results.

Q2 2014 vs Q2 2013

The Other segment had a net income attributable to equity holders of $31 million in the quarter, compared to a net loss of $62 million last year. The increase in net income was mainly due to higher revenues from asset/liability management activities partly reflecting maturing high-rate debentures and deposits which were replaced with funding at lower rates and higher net gains on investment securities. Partly offsetting were higher expenses this quarter.

Q2 2014 vs Q1 2014

The Other segment had a net income attributable to equity holders of $31 million in the second quarter, compared to net income of $13 million in the prior quarter. The increase was mainly due to lower taxes and higher revenues from asset/liability management activities partly reflecting high-rate deposits which were replaced with funding at lower rates. Partly offsetting were lower net gains on investment securities.

Year-to-date Q2 2014 vs Year-to-date Q2 2013

The Other segment had a net income attributable to equity holders of $44 million, compared to net loss of $139 million last year. The increase in net income was mainly due to higher revenues from asset/liability management activities partly reflecting maturing high-rate debentures and deposits which were replaced with funding at lower rates and higher net gains on investment securities. Partly offsetting were higher expenses in the current period.

Total

(Unaudited) ($ millions) (Taxable equivalent basis)[1]	For the three months ended April 30 2014	January 31 2014	April 30 2013[2]	For the six months ended April 30 2014	April 30 2013[2]
Business segment income					
Net interest income	**$ 3,051**	$ 3,005	$ 2,779	**$ 6,056**	$ 5,546
Net fee and commission revenues	**1,842**	1,891	1,732	**3,733**	3,385
Net income/(loss) from investments in associated corporations	**127**	135	137	**262**	289
Other operating income	**705**	614	565	**1,319**	1,164
Total revenues	**5,725**	5,645	5,213	**11,370**	10,384
Provision for credit losses	**375**	356	343	**731**	653
Operating expenses	**2,995**	3,105	2,856	**6,100**	5,684
Income tax expense	**555**	475	432	**1,030**	860
Net income	**$ 1,800**	$ 1,709	$ 1,582	**$ 3,509**	$ 3,187
Net income attributable to non-controlling interests in subsidiaries	**$ 58**	$ 54	$ 60	**$ 112**	$ 119
Net income attributable to equity holders of the Bank	**$ 1,742**	$ 1,655	$ 1,522	**$ 3,397**	$ 3,068
Other measures					
Return on equity[1]	**16.3%**	15.4%	16.5%	**15.9%**	16.7%
Average assets *($ billions)*	**$ 798**	$ 777	$ 755	**$ 787**	$ 742
Average liabilities *($ billions)*	**$ 750**	$ 731	$ 713	**$ 740**	$ 701

(1) Refer to page 5 for a discussion of non-GAAP measures.
(2) Prior period amounts are retrospectively adjusted to reflect (i) the adoption of new IFRS standards in 2014, and (ii) enhancements to funds transfer pricing methodologies made in 2014.

Geographic highlights

(Unaudited) ($ millions)	For the three months ended April 30 2014	January 31 2014	April 30 2013[1]	For the six months ended April 30 2014	April 30 2013[1]
Geographic segment income					
Canada	**$ 1,013**	$ 1,023	$ 792	**$ 2,036**	$ 1,646
United States	**164**	92	138	**256**	289
Mexico	**104**	82	118	**186**	197
Peru	**88**	87	86	**175**	183
Other international	**475**	474	485	**949**	974
Corporate adjustments	**(44)**	(49)	(37)	**(93)**	(102)
Net income	**$ 1,800**	$ 1,709	$ 1,582	**$ 3,509**	$ 3,187
Average assets *($ billions)*					
Canada	**$ 470**	$ 454	$ 437	**$ 464**	$ 430
United States	**119**	122	112	**118**	107
Mexico	**24**	22	21	**23**	21
Peru	**17**	17	15	**17**	15
Other international	**154**	152	145	**153**	142
Corporate adjustments	**14**	10	25	**12**	27
	$ 798	$ 777	$ 755	**$ 787**	$ 742

(1) Prior period amounts are retrospectively adjusted to reflect (i) the adoption of new IFRS standards in 2014, and (ii) enhancements to funds transfer pricing methodologies made in 2014.

Quarterly Financial Highlights

	For the three months ended April 30 2014	Jan. 31 2014	Oct. 31 2013[1]	July 31 2013[1]	April 30 2013[1]	Jan. 31 2013[1]	Oct. 31 2012[1]	July 31 2012[1]
Total revenue *($ millions)*	**$ 5,725**	$ 5,645	$ 5,400	$ 5,515	$ 5,213	$ 5,171	$ 4,851	$ 5,516
Total revenue (TEB[2]) *($ millions)*	**5,809**	5,725	5,477	5,594	5,295	5,245	4,925	5,593
Net income *($ millions)*	**1,800**	1,709	1,676	1,747	1,582	1,605	1,502	2,050
Basic earnings per share *($)*	**1.40**	1.33	1.30	1.37	1.23	1.26	1.19	1.70
Diluted earnings per share *($)*	**1.39**	1.32	1.29	1.36	1.22	1.24	1.18	1.68

(1) Prior period amounts are retrospectively adjusted to reflect the adoption of new IFRS standards in 2014 (refer to Note 3).
(2) Refer to page 5 for a discussion of non-GAAP measures.

Share Data

As at April 30, 2014	Amount ($ millions)	Dividend	Dividend rate (%)	Number outstanding (000s)
Common shares[1]	$ 14,999	$ 0.64	–	1,216,624
Preferred shares				
Preferred shares Series 13[2]	300	0.300000	4.80	12,000
Preferred shares Series 14[2]	345	0.281250	4.50	13,800
Preferred shares Series 15[2]	345	0.281250	4.50	13,800
Preferred shares Series 16[2]	345	0.328125	5.25	13,800
Preferred shares Series 17[2]	230	0.350000	5.60	9,200
Preferred shares Series 18[2][3][4]	187	0.209375	3.35	7,498
Preferred shares Series 19[2][3][5]	158	0.183125	2.93	6,302
Preferred shares Series 20[2][3][6]	201	0.225625	3.61	8,039
Preferred shares Series 21[2][3][7]	149	0.161250	2.58	5,961
Preferred shares Series 22[2][3][8]	234	0.239375	3.83	9,377
Preferred shares Series 23[2][3][9]	66	0.172500	2.76	2,623
Preferred shares Series 26[10]	–	–	–	–
Preferred shares Series 28[11]	–	–	–	–
Preferred shares Series 30[2][3][12]	265	0.240625	3.85	10,600
Preferred shares Series 32[2][3][13]	409	0.231250	3.70	16,346
Trust securities	**Amount ($ millions)**	**Distri-bution**	**Yield (%)**	**Number outstanding (000s)**
Scotiabank Trust Securities – Series 2006-1 issued by Scotiabank Capital Trust[14]	750	28.25	5.650	750
Scotiabank Tier 1 Securities – Series 2009-1 issued by Scotiabank Tier 1 Trust[14]	650	39.01	7.802	650
Options				**Number outstanding (000s)**
Outstanding options granted under the Stock Option Plans to purchase common shares[1][15][16]				25,054

(1) *Dividends on common shares are paid quarterly. As at May 16, 2014, the number of outstanding common shares and options was 1,216,676 thousand and 25,002 thousand, respectively.*
(2) *These shares are entitled to non-cumulative preferential cash dividends payable quarterly.*
(3) *These preferred shares have conversion features (refer to Note 26 of the consolidated financial statements in the Bank's 2013 Annual Report for further details).*
(4) *Subsequent to the initial five-year fixed rate period which ended on April 25, 2013, and resetting every five years thereafter, the dividends, if and when declared, will be determined by the sum of the five-year Government of Canada Yield plus 2.05%, multiplied by $25.00.*
(5) *Dividends, if and when declared, are determined by the sum of the three-month Government of Canada Treasury Bill Yield plus 2.05%, multiplied by $25.00, which will be reset quarterly until April 25, 2018.*
(6) *Subsequent to the initial five-year fixed rate period which ended on October 25, 2013, and resetting every five years thereafter, the dividends, if and when declared, will be determined by the sum of the five-year Government of Canada Yield plus 1.70%, multiplied by $25.00.*
(7) *Dividends, if and when declared, are determined by the sum of the three-month Government of Canada Treasury Bill Yield plus 1.70%, multiplied by $25.00, which will be reset quarterly until October 25, 2018. Initial dividends were paid on January 29, 2014.*
(8) *Subsequent to the initial five-year fixed rate period which ended on January 25, 2014, and resetting every five years thereafter, the dividends, if and when declared, will be determined by the sum of the five-year Government of Canada Yield plus 1.88%, multiplied by $25.00. On January 26, 2014, 2,623 thousand of the 12,000 thousand non-cumulative preferred shares Series 22 were converted into non-cumulative preferred shares Series 23.*
(9) *Dividends, if and when declared, are determined by the sum of the three-month Government of Canada Treasury Bill Yield plus 1.88%, multiplied by $25.00, which will be reset quarterly until January 25, 2019. Initial dividends were paid on April 28, 2014.*
(10) *Preferred shares Series 26 were redeemed on April 26, 2014.*
(11) *Preferred shares Series 28 were redeemed on April 26, 2014.*
(12) *Dividends, if and when declared, are for the initial five-year period ending on April 25, 2015. Subsequent to the initial five-year fixed rate period, and resetting every five years thereafter, the dividends will be determined by the sum of the five-year Government of Canada Yield plus 1.00%, multiplied by $25.00.*
(13) *Dividends, if and when declared, are for the initial five-year period ending on February 1, 2016. Subsequent to the initial five-year fixed rate period, and resetting every five years thereafter, the dividends will be determined by the sum of the five-year Government of Canada Yield plus 1.34%, multiplied by $25.00.*
(14) *Each security is entitled to receive non-cumulative fixed cash distributions payable semi-annually (refer to Note 22 of the consolidated financial statements in the Bank's 2013 Annual Report for further details).*
(15) *Included are 493 thousand stock options with tandem stock appreciation rights (Tandem SAR) features.*
(16) *During 2013, certain employees voluntarily renounced 2,835 thousand Tandem SARs while retaining their corresponding option for shares.*

Further details, including convertibility features, are available in Notes 22, 25, 26 and 28 of the October 31, 2013 consolidated financial statements presented in the Bank's 2013 Annual Report.

Consolidated Statement of Financial Position

		As at		
(Unaudited) ($ millions)	Note	**April 30 2014**	January 31 2014	October 31 2013[1]
Assets				
Cash and deposits with financial institutions	5	**$ 59,758**	$ 55,321	$ 53,338
Precious metals		**8,181**	7,571	8,880
Trading assets				
Securities	6(a)	**103,535**	99,583	84,196
Loans	6(b)	**12,271**	11,798	11,225
Other		**1,922**	1,594	1,068
		117,728	112,975	96,489
Financial assets designated at fair value through profit or loss		**114**	114	106
Securities purchased under resale agreements and securities borrowed		**83,357**	82,435	82,533
Derivative financial instruments		**25,223**	30,391	24,503
Investment securities	7	**37,387**	37,893	34,319
Loans				
Residential mortgages		**210,866**	211,062	209,865
Personal and credit cards		**79,170**	77,627	76,008
Business and government		**132,192**	129,493	119,615
		422,228	418,182	405,488
Allowance for credit losses	9(b)	**3,364**	3,361	3,273
		418,864	414,821	402,215
Other				
Customers' liability under acceptances		**11,158**	11,250	10,556
Property and equipment		**2,222**	2,252	2,214
Investments in associates	10	**5,536**	5,517	5,326
Goodwill and other intangible assets		**10,794**	10,822	10,704
Deferred tax assets		**1,972**	1,970	1,938
Other assets		**9,478**	9,503	10,523
		41,160	41,314	41,261
Total assets		**$ 791,772**	$ 782,835	$ 743,644
Liabilities				
Deposits				
Personal	11	**$ 173,309**	$ 174,124	$ 171,048
Business and government	11	**337,876**	329,906	313,994
Financial institutions	11	**40,539**	35,569	33,019
		551,724	539,599	518,061
Other				
Acceptances		**11,158**	11,250	10,556
Obligations related to securities sold short		**27,810**	27,106	24,977
Derivative financial instruments		**28,918**	32,111	29,267
Obligations related to securities sold under repurchase agreements and securities lent		**88,377**	87,960	77,508
Subordinated debentures	13	**4,864**	5,874	5,841
Other liabilities		**31,464**	31,576	32,047
		192,591	195,877	180,196
Total liabilities		**744,315**	735,476	698,257
Equity				
Common equity				
Common shares		**14,999**	14,889	14,516
Retained earnings		**26,849**	25,928	25,068
Accumulated other comprehensive income (loss)		**943**	1,345	388
Other reserves		**195**	195	193
Total common equity		**42,986**	42,357	40,165
Preferred shares	14	**3,234**	3,834	4,084
Total equity attributable to equity holders of the Bank		**46,220**	46,191	44,249
Non-controlling interests in subsidiaries		**1,237**	1,168	1,138
Total equity		**47,457**	47,359	45,387
Total liabilities and equity		**$ 791,772**	$ 782,835	$ 743,644

(1) Prior period amounts are retrospectively adjusted to reflect the adoption of new IFRS standards in 2014 (refer to Note 3).

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Consolidated Statement of Income

		For the three months ended			For the six months ended	
(Unaudited) ($ millions)	Note	**April 30 2014**	January 31 2014	April 30 2013[1]	**April 30 2014**	April 30 2013[1]
Revenue						
Interest income						
Loans		**$ 4,478**	$ 4,482	$ 4,291	**$ 8,960**	$ 8,587
Securities		**240**	234	244	**474**	517
Securities purchased under resale agreements and securities borrowed		**48**	43	43	**91**	97
Deposits with financial institutions		**66**	70	73	**136**	140
		4,832	4,829	4,651	**9,661**	9,341
Interest expense						
Deposits		**1,498**	1,566	1,610	**3,064**	3,229
Subordinated debentures		**55**	58	89	**113**	190
Other		**228**	200	173	**428**	376
		1,781	1,824	1,872	**3,605**	3,795
Net interest income		**3,051**	3,005	2,779	**6,056**	5,546
Fee and commission revenues						
Banking	19	**888**	940	848	**1,828**	1,689
Wealth management	19	**675**	662	618	**1,337**	1,215
Underwriting and other advisory		**160**	166	140	**326**	247
Non-trading foreign exchange		**98**	109	110	**207**	199
Other		**106**	95	89	**201**	177
		1,927	1,972	1,805	**3,899**	3,527
Fee and commission expenses		**85**	81	73	**166**	142
Net fee and commission revenues		**1,842**	1,891	1,732	**3,733**	3,385
Other operating income						
Trading revenues	20	**344**	325	297	**669**	651
Net gain on sale of investment securities		**219**	142	106	**361**	178
Net income from investments in associated corporations		**127**	135	137	**262**	289
Insurance underwriting income, net of claims		**112**	115	116	**227**	224
Other		**30**	32	46	**62**	111
		832	749	702	**1,581**	1,453
Total revenue		**5,725**	5,645	5,213	**11,370**	10,384
Provision for credit losses		**375**	356	343	**731**	653
		5,350	5,289	4,870	**10,639**	9,731
Operating expenses						
Salaries and employee benefits		**1,629**	1,753	1,591	**3,382**	3,208
Premises and technology		**476**	469	452	**945**	877
Depreciation and amortization		**129**	129	129	**258**	256
Communications		**105**	102	100	**207**	199
Advertising and business development		**147**	125	128	**272**	227
Professional		**106**	108	97	**214**	185
Business and capital taxes		**74**	75	70	**149**	137
Other		**329**	344	289	**673**	595
		2,995	3,105	2,856	**6,100**	5,684
Income before taxes		**2,355**	2,184	2,014	**4,539**	4,047
Income tax expense		**555**	475	432	**1,030**	860
Net income		**$ 1,800**	$ 1,709	$ 1,582	**$ 3,509**	$ 3,187
Net income attributable to non-controlling interests in subsidiaries		**58**	54	60	**112**	119
Net income attributable to equity holders of the Bank		**1,742**	1,655	1,522	**3,397**	3,068
Preferred shareholders		**43**	48	55	**91**	110
Common shareholders		**$ 1,699**	$ 1,607	$ 1,467	**$ 3,306**	$ 2,958
Earnings per common share *(in dollars)*:						
Basic	21	**$ 1.40**	$ 1.33	$ 1.23	**$ 2.73**	$ 2.49
Diluted	21	**$ 1.39**	$ 1.32	$ 1.22	**$ 2.71**	$ 2.46

(1) Prior period amounts are retrospectively adjusted to reflect the adoption of new IFRS standards in 2014 (refer to Note 3).

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Consolidated Statement of Comprehensive Income

	For the three months ended			For the six months ended	
(Unaudited) ($ millions)	**April 30 2014**	January 31 2014	April 30 2013[1]	**April 30 2014**	April 30 2013[1]
Net income	**$ 1,800**	$ 1,709	$ 1,582	**$ 3,509**	$ 3,187
Other comprehensive income (loss)					
Net change in unrealized foreign currency translation gains (losses):					
Net unrealized foreign currency translation gains (losses)	**(467)**	1,656	242	**1,189**	436
Net gains (losses) on hedges of net investments in foreign operations	**159**	(803)	(186)	**(644)**	(266)
Income tax expense (benefit):					
Net unrealized foreign currency translation gains (losses)	**(3)**	22	1	**19**	–
Net gains (losses) on hedges of net investments in foreign operations	**43**	(212)	(49)	**(169)**	(71)
	(348)	1,043	104	**695**	241
Net change in unrealized gains (losses) on available-for-sale securities:					
Net unrealized gains (losses) on available-for-sale securities	**181**	279	217	**460**	317
Reclassification of net (gains) losses to net income[2]	**(178)**	(255)	(166)	**(433)**	(134)
Income tax expense (benefit):					
Net unrealized gains (losses) on available-for-sale securities	**53**	76	55	**129**	84
Reclassification of net (gains) losses to net income	**(57)**	(76)	(50)	**(133)**	(44)
	7	24	46	**31**	143
Net change in gains (losses) on derivative instruments designated as cash flow hedges:					
Net gains (losses) on derivative instruments designated as cash flow hedges	**(31)**	739	(63)	**708**	(33)
Reclassification of net (gains) losses to net income	**75**	(844)	2	**(769)**	(22)
Income tax expense (benefit):					
Net gains (losses) on derivative instruments designated as cash flow hedges	**(9)**	227	(17)	**218**	(8)
Reclassification of net (gains) losses to net income	**21**	(253)	1	**(232)**	(7)
	32	(79)	(45)	**(47)**	(40)
Net change in remeasurement of employee benefit plan asset and liability:[3]					
Remeasurement of employee benefit plan asset and liability	**(63)**	(78)	(325)	**(141)**	(191)
Income tax expense (benefit)	**(14)**	(19)	(89)	**(33)**	(51)
	(49)	(59)	(236)	**(108)**	(140)
Other comprehensive income from investments in associates	**(5)**	21	17	**16**	24
Other comprehensive income (loss)	**(363)**	950	(114)	**587**	228
Comprehensive income	**$ 1,437**	$ 2,659	$ 1,468	**$ 4,096**	$ 3,415
Comprehensive income attributable to non-controlling interests	**$ 97**	$ 47	$ 44	**$ 144**	$ 106
Comprehensive income attributable to equity holders of the Bank	**1,340**	2,612	1,424	**3,952**	3,309
Preferred shareholders	**43**	48	55	**91**	110
Common shareholders	**$ 1,297**	$ 2,564	$ 1,369	**$ 3,861**	$ 3,199

(1) Prior period amounts are retrospectively adjusted to reflect the adoption of new IFRS standards in 2014 (refer to Note 3).
(2) Includes amounts related to qualifying hedges.
(3) Amounts recorded for remeasurements of employee benefits plan assets and liabilities will not be reclassified to the Consolidated Statement of Income.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Consolidated Statement of Changes in Equity

(Unaudited) ($ millions)	Common shares	Retained earnings[1]	Accumulated other comprehensive income (loss): Foreign currency translation	Available-for-sale securities	Cash flow hedging	Employee benefits	Share from associates	Other reserves[2]	Total common equity	Preferred shares	Total common and preferred equity	Non-controlling interests: Non-controlling interests in subsidiaries	Capital instrument equity holders	Total
Balance as reported November 1, 2013	**$ 14,516**	**$ 25,315**	**$ (173)**	**$ 705**	**$ (42)**	**$ –**	**$ 55**	**$ 193**	**$ 40,569**	**$ 4,084**	**$ 44,653**	**$ 1,155**	**$ 743**	**$ 46,551**
Opening adjustment[3]	**–**	**(247)**	**–**	**–**	**–**	**(157)**	**–**	**–**	**(404)**	**–**	**(404)**	**(17)**	**(743)**	**(1,164)**
Restated balances	**14,516**	**25,068**	**(173)**	**705**	**(42)**	**(157)**	**55**	**193**	**40,165**	**4,084**	**44,249**	**1,138**	**–**	**45,387**
Net income	**–**	**3,306**	**–**	**–**	**–**	**–**	**–**	**–**	**3,306**	**91**	**3,397**	**112**	**–**	**3,509**
Other comprehensive income (loss)	**–**	**–**	**665**	**30**	**(47)**	**(109)**	**16**	**–**	**555**	**–**	**555**	**32**	**–**	**587**
Total comprehensive income	**$ –**	**$ 3,306**	**$ 665**	**$ 30**	**$ (47)**	**$ (109)**	**$ 16**	**$ –**	**$ 3,861**	**$ 91**	**$ 3,952**	**$ 144**	**$ –**	**$ 4,096**
Shares issued	**483**	**3**	**–**	**–**	**–**	**–**	**–**	**(22)**	**464**	**–**	**464**	**–**	**–**	**464**
Shares redeemed	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(850)**	**(850)**	**–**	**–**	**(850)**
Common dividends paid	**–**	**(1,528)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,528)**	**–**	**(1,528)**	**–**	**–**	**(1,528)**
Preferred dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(91)**	**(91)**	**–**	**–**	**(91)**
Distributions to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(51)**	**–**	**(51)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**24**	**24**	**–**	**24**	**–**	**–**	**24**
Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6[4]**	**–**	**6**
Balance as at April 30, 2014	**$ 14,999**	**$ 26,849**	**$ 492**	**$ 735**	**$ (89)**	**$ (266)**	**$ 71**	**$ 195**	**$ 42,986**	**$ 3,234**	**$ 46,220**	**$ 1,237**	**$ –**	**$ 47,457**
Balance as reported November 1, 2012	$ 13,139	$ 21,978	$ (528)	$ 597	$ (135)	$ –	$ 35	$ 166	$ 35,252	$ 4,384	$ 39,636	$ 966	$ 777	$ 41,379
Opening adjustment[3]	–	(203)	–	–	–	(714)	–	–	(917)	–	(917)	(20)	(777)	(1,714)
Restated balances	13,139	21,775	(528)	597	(135)	(714)	35	166	34,335	4,384	38,719	946	–	39,665
Net income	–	2,958	–	–	–	–	–	–	2,958	110	3,068	119	–	3,187
Other comprehensive income (loss)	–	–	256	142	(40)	(141)	24	–	241	–	241	(13)	–	228
Total comprehensive income	$ –	$ 2,958	$ 256	$ 142	$ (40)	$ (141)	$ 24	$ –	$ 3,199	$ 110	$ 3,309	$ 106	$ –	$ 3,415
Shares issued	765	1	–	–	–	–	–	(28)	738	–	738	–	–	738
Common dividends paid	–	(1,392)	–	–	–	–	–	–	(1,392)	–	(1,392)	–	–	(1,392)
Preferred dividends paid	–	–	–	–	–	–	–	–	–	(110)	(110)	–	–	(110)
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(55)	–	(55)
Share-based payments	–	–	–	–	–	–	–	27	27	–	27	–	–	27
Other	–	(4)	–	–	–	–	–	26[5]	22	–	22	52[4]	–	74
Balance as at April 30, 2013[3]	$ 13,904	$ 23,338	$ (272)	$ 739	$(175)	$ (855)	$ 59	$ 191	$ 36,929	$ 4,384	$ 41,313	$ 1,049	$ –	$ 42,362

(1) Includes undistributed retained earnings of $46 (April 30, 2013 – $37) related to a foreign associated corporation, which is subject to local regulatory restriction.
(2) Represents amounts on account of share-based payments (refer to Note 16).
(3) Prior period amounts are retrospectively adjusted to reflect the adoption of new IFRS standards in 2014 (refer to Note 3).
(4) Includes changes to non-controlling interests arising from business combinations and divestures.
(5) Includes impact of Tandem SARs voluntarily renounced by certain employees while retaining their corresponding option for shares (refer to Note 16).

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Consolidated Statement of Cash Flows

(Unaudited) ($ millions)	For the three months ended		For the six months ended	
Sources (uses) of cash flows	**April 30 2014**	April 30 2013[1]	**April 30 2014**	April 30 2013[1]
Cash flows from operating activities				
Net income	**$ 1,800**	$ 1,582	**$ 3,509**	$ 3,187
Adjustment for:				
Net interest income	**(3,051)**	(2,779)	**(6,056)**	(5,546)
Depreciation and amortization	**129**	129	**258**	256
Provisions for credit losses	**375**	343	**731**	653
Equity-settled share-based payment expense	**4**	6	**24**	27
Net gain on investment securities	**(219)**	(106)	**(361)**	(178)
Net income from investments in associated corporations	**(127)**	(137)	**(262)**	(289)
Provision for income taxes	**555**	432	**1,030**	860
Changes in operating assets and liabilities:				
Trading assets	**(5,118)**	520	**(18,547)**	(16,157)
Securities purchased under resale agreements and securities borrowed	**(1,419)**	(11,604)	**2,447**	(14,943)
Loans	**(5,914)**	(4,881)	**(12,169)**	(10,436)
Deposits	**15,487**	2,641	**22,142**	14,648
Obligations related to securities sold short	**762**	481	**1,882**	6,292
Obligations related to assets sold under repurchase agreements and securities lent	**976**	7,808	**7,552**	22,528
Net derivative financial instruments	**1,915**	(1,027)	**(351)**	(1,391)
Other, net	**(1,407)**	5,152	**2,223**	6,280
Dividends received	**255**	303	**495**	559
Interest received	**4,486**	4,238	**9,089**	8,804
Interest paid	**(1,839)**	(1,682)	**(3,973)**	(3,673)
Income tax paid	**(465)**	(408)	**(964)**	(766)
Net cash from/(used in) operating activities	**7,185**	1,011	**8,699**	10,715
Cash flows from investing activities				
Interest-bearing deposits with financial institutions	**(4,929)**	(960)	**(3,697)**	(7,275)
Purchase of investment securities	**(12,171)**	(11,167)	**(26,379)**	(22,334)
Proceeds from sale and maturity of investment securities	**12,779**	14,202	**24,728**	25,006
Acquisition/sale of subsidiaries, associated corporations or business units, net of cash acquired	**–**	(260)	**15**	(3,474)
Property and equipment, net of disposals	**(51)**	(24)	**(112)**	(88)
Other, net	**45**	(103)	**(71)**	(201)
Net cash from/(used in) investing activities	**(4,327)**	1,688	**(5,516)**	(8,366)
Cash flows from financing activities				
Redemption/repayment of subordinated debentures	**(1,000)**	(1,710)	**(1,000)**	(3,010)
Proceeds from common shares issued	**109**	356	**478**	648
Redemption of preferred shares	**(600)**	–	**(850)**	–
Cash dividends paid	**(821)**	(771)	**(1,619)**	(1,502)
Distributions to non-controlling interests	**(33)**	(42)	**(51)**	(55)
Other, net	**(247)**	84	**176**	1,067
Net cash from/(used in) financing activities	**(2,592)**	(2,083)	**(2,866)**	(2,852)
Effect of exchange rate changes on cash and cash equivalents	**(30)**	29	**184**	23
Net change in cash and cash equivalents	**236**	645	**501**	(480)
Cash and cash equivalents at beginning of period[2]	**5,714**	4,911	**5,449**	6,036
Cash and cash equivalents at end of period[2]	**$ 5,950**	$ 5,556	**$ 5,950**	$ 5,556

(1) Prior period amounts are retrospectively adjusted to reflect the adoption of new IFRS standards in 2014 (refer to Note 3).
(2) Represents cash and non-interest bearing deposits with financial institutions (refer to Note 5).

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

NOTES TO THE Q2 2014

Condensed Interim Consolidated Financial Statements (unaudited)

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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

1. Reporting entity

The Bank of Nova Scotia (the Bank) is a chartered bank under the Bank Act (Canada) (the Bank Act). The Bank is a Schedule I Bank under the Bank Act and is regulated by the Office of the Superintendent of Financial Institutions (OSFI). The Bank is a global financial services provider offering a diverse range of products and services, including personal, commercial, corporate and investment banking. The head office of the Bank is located at 1709 Hollis Street, Halifax, Nova Scotia, Canada and its executive offices are at Scotia Plaza, 44 King Street West, Toronto, Canada. The common shares of the Bank are listed on the Toronto Stock Exchange and the New York Stock Exchange.

2. Basis of preparation

Statement of compliance

These condensed interim consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), which is in line with the requirements of Section 308 of the Bank Act. These condensed interim consolidated financial statements were prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (IAS 34) and do not include all of the information required for full annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended October 31, 2013.

The condensed interim consolidated financial statements for the quarter ended April 30, 2014 have been approved for issue by the Board of Directors on May 27, 2014.

Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for the following material items that are measured at fair value in the Consolidated Statement of Financial Position:

- Financial assets and liabilities held-for-trading
- Financial assets and liabilities designated at fair value through profit or loss
- Derivative financial instruments
- Available-for-sale investment securities

Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Bank's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest million unless otherwise stated.

Use of estimates and judgments

The preparation of financial statements, in conformity with IFRS, requires management to make estimates, apply judgments and make assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and income and expenses during the reporting period. Key areas where management has made difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain, include those relating to the allowance for credit losses, the fair value of financial instruments (including derivatives), corporate income taxes, employee benefits, the fair value of all identifiable assets and liabilities as a result of business combinations, impairment of investment securities, impairment of non-financial assets, determination of the control of structured entities, de facto control of other entities, and provisions. Actual results could differ from these estimates.

3. Significant accounting policies

Except for the changes in accounting policies listed below, the significant accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those used in the Bank's audited consolidated financial statements for the year ended October 31, 2013. Note 3 to the Bank's 2013 annual consolidated financial statements describes the Bank's significant accounting policies.

Changes in accounting policies

The Bank has retrospectively adopted the following new and amended accounting standards issued by the IASB effective November 1, 2013. Consequently, the new accounting policies used by the Bank have been described below.

Employee benefits (IAS -19)

The Bank provides pension and other benefit plans for eligible employees in Canada, the United States and

other international operations. Pension benefits are predominantly offered in the form of defined benefit pension plans (generally based on an employee's length of service and the final five years' average salary), with some pension benefits offered in the form of defined contribution pension plans (where the Bank's contribution is fixed and there is no legal or constructive obligation to pay further amounts). Other benefits provided include post-retirement health care, dental care and life insurance, along with other long-term employee benefits such as long-term disability benefits.

Defined benefit pension plans and other post-retirement benefit plans

The cost of these employee benefits is actuarially determined each year using the projected unit credit method. The calculation uses management's best estimate of a number of assumptions – including the discount rate, future compensation, health care costs, mortality, as well as the retirement age of employees. The Bank's net asset or liability in respect of employee benefit plans is calculated separately for each plan as the difference between the present value of future benefits earned in respect of service for current and prior periods and the fair value of plan assets. Net interest income or expense is calculated by applying the discount rate to the net defined benefit asset or liability. The discount rate is based on the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Bank's obligations.

Actuarial gains and losses, the effect of the asset ceiling and the change in the return on plan assets are recognized immediately in the Consolidated Statement of Financial Position with a charge or credit to OCI in the period in which they occur. Amounts recorded in OCI are not recycled to the Consolidated Statement of Income. When the net amount in the Consolidated Statement of Financial Position is an asset, the recognized asset is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. When the benefits of a plan are improved (reduced), the past service cost is recognized in net income in the period of the plan amendment. The net asset or liability is included in other assets and other liabilities, as appropriate, in the Consolidated Statement of Financial Position.

Other long-term employee benefits

Other long-term employee benefits are accounted for similar to defined benefit pension plans and other post-retirement benefit plans described above except that actuarial gains and losses are recognized in net income in the period in which they arise.

Defined contribution plans

Certain employees participate in defined contribution pension plans. The costs for such plans are equal to the Bank contributions made to employees' accounts during the period.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided and a liability is measured on an undiscounted basis net of payments made.

The amended standard IAS 19, *Employee Benefits*, eliminates the use of the corridor approach (the method previously used by the Bank) and requires the value of the surplus/deficit of the defined benefit plans to be recorded on the Consolidated Statement of Financial Position, with actuarial gains and losses to be recognized immediately in OCI. In addition, the discount rate to be used for recognizing the net interest income/expense is based on the rate at which the liabilities are discounted and not the expected rate of return on the assets. This will result in higher expense in the Consolidated Statement of Income in line with the funded status of the plan. The OCI balances will change in line with changes in the actuarial gains and losses.

The impact of the adoption of the standard on the Consolidated Financial Statements for prior periods is shown in the table at the end of this note.

Consolidation (IFRS - 10)

The consolidated financial statements include the assets, liabilities, financial performance and cash flows of the Bank and all of its subsidiaries, after elimination of intercompany transactions and balances. Subsidiaries are defined as entities controlled by the Bank and exclude associates and joint ventures. The Bank's subsidiaries can be classified as entities controlled through voting interests or structured entities. The Bank consolidates a subsidiary from the date it obtains control. The Bank controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. For the Bank to control an entity, all of the three elements of control should be in existence:

- power over the investee;
- exposure, or rights, to variable returns from involvement with the investee; and
- the ability to use power over the investee to affect the amount of the investor's returns.

Control is presumed when the Bank has an ownership interest of more than 50% of the voting rights in an entity.

The Bank does not control an investee when it is acting as an agent. The Bank assesses whether it is an agent by determining whether it is primarily engaged to act on behalf of and for the benefit of another party or parties. The Bank reassesses whether it controls an investee if facts and circumstances indicate that one or more of the elements of control has changed. Non-controlling interests are presented within equity in the Consolidated Statement of Financial Position separate from equity attributable to common and preferred shareholders of the Bank. Partial sales and incremental purchases of interests in subsidiaries that do not result in a change of control are accounted for as equity transactions with non-controlling interest holders. Any difference between the carrying amount of the interest and the transaction amount is recorded as an adjustment to retained earnings.

The new accounting standard, IFRS 10, *Consolidated Financial Statements* replaced the consolidation guidance in IAS 27, *Separate Financial Statements* and SIC-12, *Consolidation – Special Purpose Entities*. It introduces a single, principle-based control model for all entities as a basis for determining which entities are consolidated and set out the requirements for the preparation of consolidated financial statements.

The standard was applied retrospectively allowing for certain practical exceptions and transitional relief.

The adoption of IFRS 10 has resulted primarily in the deconsolidation of Scotiabank Capital Trust and Scotiabank Tier 1 Trust (together, the "capital trusts") through which the Bank issues certain regulatory capital instruments. These entities are designed to pass the Bank's credit risk to the holders of the securities. Therefore the Bank does not have exposure or rights to variable returns from these entities.

The Bank consolidates all structured entities that it controls, including its U.S.-based multi-seller conduit and certain funding and other vehicles.

The impact of the deconsolidation on the Consolidated Financial Statements for prior periods is shown in the table at the end of this note.

In conjunction with the adoption of IFRS 10, the Bank has adopted IFRS 12, *Disclosure of Interests in Other Entities* that broadens the definition of interests in other entities and requires enhanced disclosures on both consolidated entities and unconsolidated entities with which the Bank is involved. The relevant incremental disclosures will be included in the 2014 annual consolidated financial statements.

Joint arrangements (IFRS - 11)

A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement. Joint control exists only when decisions about the relevant activities, i.e. those that significantly affect the returns of the arrangement, require the unanimous consent of the parties sharing the control of the arrangement. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. For joint operations, the Bank recognizes in relation to its interest in a joint operation:

- Its assets and liabilities held/incurred jointly
- Its revenue and expenses incurred jointly arising from the joint operation

For joint ventures, investments are recognized initially at cost and accounted for using the equity method which reflects the Bank's share of the increase or decrease of the post-acquisition earnings and certain other movements in equity of the joint ventures. Investments in joint ventures are evaluated for impairment at the end of each financial reporting date, or more frequently, if events or changes in circumstances indicate the existence of objective evidence of impairment.

Under the new accounting standard, IFRS 11 *Joint Arrangements*, the Bank classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Bank's rights to the assets and obligations for the liabilities of the arrangements. The adoption of the new accounting standard has no impact on the Bank's assets, liabilities and equity.

Fair value measurement (IFRS - 13)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal, or in its absence, the most advantageous market to which the Bank has access at the measurement date. The best evidence of fair value for a financial instrument is the quoted price in an active market. When there is no quoted price in an active market, the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

IFRS 13, *Fair Value Measurement*, permits a measurement exception that allows an entity to determine the fair value of a group of financial assets and liabilities with offsetting risks based on the sale or transfer of its net exposure to a particular risk (or risks). The Bank has adopted this exception through an accounting policy choice. Consequently, the fair values of certain portfolios of financial instruments are determined based on the net exposure of those instruments to particular market or credit risk.

IFRS 13 provides a definition of fair value, establishes a single framework for measuring fair value, and provides additional disclosure requirements for fair value across all IFRS standards. In accordance with the transitional provisions, IFRS 13 has been applied prospectively from November 1, 2013. The adoption of the definition of fair value had no impact on the Bank's assets, liabilities and equity. The Bank has included new disclosures in Note 22 of the condensed interim consolidated financial statements in accordance with IAS 34, *Interim Financial Reporting*, and additional disclosures will be included in the 2014 annual consolidated financial statements.

Disclosures-offsetting financial assets and financial liabilities (IFRS - 7)

IFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Liabilities*, requires new disclosures on gross amounts subject to rights of set off, amounts set off, and the related net credit exposure. The Bank will provide new disclosures to clarify the effect and potential effect of rights of set-off associated with the Bank's recognized financial assets and liabilities in the 2014 annual consolidated financial statements.

Summary of impact on adoption of new and amended accounting standards

The following tables summarize the impact of the changes:

As at October 31, 2013 ($ millions)	Previously reported	Employee benefits IAS 19	Consolidation IFRS 10	Restated
Total assets	$743,788	$(236)	$ 92	$743,644
Total liabilities	697,237	171	849	698,257
Total equity	46,551	(407)	(757)	45,387
Net income for the year ended October 31, 2013	$ 6,697	$ (68)	$ (19)	$ 6,610
Earnings per share				
Basic	$ 5.19			$ 5.15
Diluted	$ 5.15			$ 5.11

As at April 30, 2013 ($ millions)	Previously reported	Employee benefits IAS 19	Consolidation IFRS 10	Restated
Total assets	$754,156	$ 55	$ 85	$754,296
Total liabilities	709,949	1,127	858	711,934
Total equity	44,207	(1,072)	(773)	42,362
Net income for the three months ended April 30, 2013	$ 1,601	$ (16)	$ (3)	$ 1,582
Earnings per share				
Basic	$ 1.24			$ 1.23
Diluted	$ 1.23			$ 1.22

4. Future accounting developments

The Bank actively monitors developments and changes in standards from the IASB as well as regulatory requirements from the Canadian Securities Administrators and OSFI.

The IASB tentatively decided at its February 2014 meeting that the mandatory effective date of IFRS 9, *Financial Instruments*, will be for annual periods beginning on or after January 1, 2018. The Bank continues to monitor this and all other developments and continues to assess the impact.

There are no other significant updates to the future accounting developments effective after November 1, 2013 as reflected in Note 4 to the Bank's 2013 annual audited consolidated financial statements.

5. Cash and deposits with financial institutions

	As at		
($ millions)	**April 30 2014**	January 31 2014	October 31 2013
Cash and non-interest-bearing deposits with financial institutions	**$ 5,950**	$ 5,714	$ 5,449
Interest-bearing deposits with financial institutions	**53,808**	49,607	47,889
Total	**$ 59,758**	$ 55,321	$ 53,338

The Bank is required to maintain balances with central banks, other regulatory authorities and certain counterparties and these amount to $4,523 million (January 31, 2014 – $4,588 million; October 31, 2013 – $4,510 million).

6. Trading assets

(a) Trading securities

An analysis of the carrying value of trading securities is as follows:

	As at		
($ millions)	**April 30 2014**	January 31 2014	October 31 2013
Trading securities:			
Canadian federal government issued or guaranteed debt	**$ 17,428**	$ 13,402	$ 11,587
Canadian provincial and municipal debt	**7,285**	8,124	6,697
U.S. treasury and other U.S. agencies' debt	**15,264**	14,490	12,239
Other foreign governments' debt	**9,428**	10,968	7,275
Common shares	**41,416**	40,326	35,270
Other	**12,714**	12,273	11,128
Total	**$ 103,535**	$ 99,583	$ 84,196
Total by currency (In Canadian equivalent):			
Canadian dollar	**$ 61,959**	$ 57,712	$ 53,589
U.S. dollar	**24,255**	23,389	19,612
Mexican peso	**2,105**	2,219	2,691
Other currencies	**15,216**	16,263	8,304
Total trading securities	**$ 103,535**	$ 99,583	$ 84,196

(b) Trading loans

The following table provides the geographic breakdown of the trading loans:

	As at		
($ millions)	**April 30 2014**	January 31 2014	October 31 2013
Trading loans[(1)(2)]			
U.S.[(3)]	**$ 6,116**	$ 5,731	$ 5,941
Europe[(4)]	**2,214**	2,697	2,485
Asia Pacific[(4)]	**2,918**	2,431	1,854
Canada[(4)]	**177**	159	97
Other[(4)]	**846**	780	848
Total	**$ 12,271**	$ 11,798	$ 11,225

(1) Geographic segmentation of trading loans is based upon the location of the ultimate risk of the underlying asset.
(2) Loans are denominated in U.S. dollars.
(3) Includes trading loans that serve as a hedge to loan-based credit total return swaps of $3,505 (January 31, 2014 – $2,904; October 31, 2013 – $3,220), while the remaining relates to short-term precious metals trading and lending activities.
(4) These loans are related to short-term precious metals trading and lending activities.

7. Investment securities

Investment securities includes held-to-maturity securities of $168 million (January 31, 2014 – $181 million; October 31, 2013 – $172 million) and available-for-sale securities of $37,219 million (January 31, 2014 – $37,712 million; October 31, 2013 – $34,147 million).

An analysis of unrealized gains and losses on available-for-sale securities is as follows:

	As at April 30, 2014			
($ millions)	**Cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Canadian federal government issued or guaranteed debt	**$ 6,727**	**$ 83**	**$ –**	**$ 6,810**
Canadian provincial and municipal debt	**3,576**	**19**	**2**	**3,593**
U.S. treasury and other U.S. agencies' debt	**5,279**	**3**	**4**	**5,278**
Other foreign governments' debt	**10,206**	**73**	**29**	**10,250**
Bonds of designated emerging markets	**97**	**12**	**1**	**108**
Other debt	**6,991**	**213**	**10**	**7,194**
Preferred shares	**412**	**16**	**57**	**371**
Common shares	**2,703**	**954**	**42**	**3,615**
Total available-for-sale securities	**$ 35,991**	**$ 1,373**	**$ 145**	**$ 37,219**

	As at January 31, 2014			
($ millions)	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Canadian federal government issued or guaranteed debt	$ 6,512	$ 98	$ 1	$ 6,609
Canadian provincial and municipal debt	3,711	26	3	3,734
U.S. treasury and other U.S. agencies' debt	5,082	8	8	5,082
Other foreign governments' debt	10,211	93	25	10,279
Bonds of designated emerging markets	97	12	1	108
Other debt	7,605	307	21	7,891
Preferred shares	413	14	65	362
Common shares	2,812	926	91	3,647
Total available-for-sale securities	$ 36,443	$ 1,484	$ 215	$ 37,712

	As at October 31, 2013			
($ millions)	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Canadian federal government issued or guaranteed debt	$ 7,036	$ 84	$ 1	$ 7,119
Canadian provincial and municipal debt	3,240	27	4	3,263
U.S. treasury and other U.S. agencies' debt	2,845	4	7	2,842
Other foreign governments' debt	10,068	96	20	10,144
Bonds of designated emerging markets	116	34	1	149
Other debt	6,665	276	32	6,909
Preferred shares	413	15	44	384
Common shares	2,627	761	51	3,337
Total available-for-sale securities	$ 33,010	$ 1,297	$ 160	$ 34,147

The net unrealized gain on available-for-sale securities of $1,228 million (January 31, 2014 – $1,269 million; October 31, 2013 – $1,137 million) decreases to a net unrealized gain of $1,007 million (January 31, 2014 – $1,004 million; October 31, 2013 – $980 million) after the impact of qualifying hedges is taken into account. The net unrealized gain on available-for-sale securities is recorded in accumulated other comprehensive income.

8. Derecognition of financial assets

Securitization of residential mortgage loans

The Bank securitizes fully insured residential mortgage loans through the creation of mortgage backed securities (MBS) under the National Housing Act (NHA) MBS program, sponsored by Canada Mortgage Housing Corporation (CMHC). MBS created under the program are sold to Canada Housing Trust (the Trust), a government sponsored entity, under the Canada Mortgage Bond (CMB) program, and/or third-party investors. The Trust issues securities to third-party investors.

The sale of mortgages under the above programs does not meet the derecognition requirements, as the Bank retains the pre-payment and interest rate risk associated with the mortgages, which represents substantially all the risk and rewards associated with the transferred assets.

The transferred mortgages continue to be recognized on the Consolidated Statement of Financial Position as residential mortgage loans. Cash proceeds from the transfer are treated as secured borrowings and included in Deposits – Business and government on the Consolidated Statement of Financial Position.

The following table provides the carrying amount of transferred assets that do not qualify for derecognition and the associated liabilities:

	As at		
($ millions)	**April 30 2014[(1)]**	January 31 2014[(1)]	October 31 2013[(1)]
Assets			
Carrying value of residential mortgage loans	**$ 16,791**	$ 14,895	$ 15,832
Other related assets[(2)]	**4,778**	9,549	11,160
Liabilities			
Carrying value of associated liabilities	**21,642**	24,528	27,289

(1) The fair value of the transferred assets is $21,629 (January 31, 2014 – $24,370; October 31, 2013 – $26,894) and the fair value of the associated liabilities is $21,935 (January 31, 2014 – $24,908; October 31, 2013 – $27,577) for a net position of $(306) (January 31, 2014 – $(538); October 31, 2013 – $(683)).

(2) These include cash held in trust and trust permitted investment assets acquired as part of principal reinvestment account that the Bank is required to maintain in order to participate in the programs.

Securities sold under repurchase agreements and securities lent

The Bank enters into transactions, such as repurchase agreements and securities lending agreements, where the Bank transfers assets under agreements to repurchase them on a future date and retains all the substantial risks and rewards associated with the assets. The transferred securities remain on the Consolidated Statement of Financial Position along with the cash collateral received from the counterparty that is classified as deposit liabilities.

The following table provides the carrying amount of the transferred assets and the associated liabilities:

	As at		
($ millions)	**April 30 2014**	January 31 2014	October 31 2013
Carrying value of securities associated with:			
Repurchase agreements[(1)]	**$ 79,583**	$ 79,298	$ 68,868
Securities lending agreements	**28,539**	29,813	25,609
Total	**108,122**	109,111	94,477
Carrying value of associated liabilities[(2)]	**$ 88,424**	$ 88,028	$ 77,508

(1) Does not include over-collateralization of assets pledged.

(2) Carrying value of liabilities for securities lending arrangements only includes amounts related to cash collateral received and does not include securities, if any, received as collateral.

9. Impaired loans and allowance for credit losses

(a) Impaired loans[1][2][3]

($ millions)	As at April 30, 2014 Gross impaired loans	Allowance for credit losses	Net
Business and government	**$1,402**	**$ 551**[4]	**$ 851**
Residential mortgages	**1,356**	**337**[5]	**1,019**
Personal and credit cards	**1,142**	**1,071**[5]	**71**
Total	**$3,900**	**$1,959**	**$1,941**
By geography:			
Canada			**$ 348**
United States			**102**
Other international			**1,491**
Total			**$1,941**

	As at					
	January 31, 2014			October 31, 2013		
($ millions)	Gross impaired loans	Allowance for credit losses	Net	Gross impaired loans	Allowance for credit losses	Net
Business and government	$ 1,388	$ 590[4]	$ 798	$ 1,385	$ 561[4]	$ 824
Residential mortgages	1,340	348[5]	992	1,270	338[5]	932
Personal and credit cards	1,078	1,035[5]	43	1,046	994[5]	52
Total	$ 3,806	$ 1,973	$ 1,833	$ 3,701	$ 1,893	$ 1,808
By geography:						
Canada			$ 342			$ 363
United States			112			149
Other international			1,379			1,296
Total			$ 1,833			$ 1,808

(1) Interest income recognized on impaired loans during the three months ended April 30, 2014 was $5 (January 31, 2014 – $4; October 31, 2013 – $19).
(2) Additional interest income of approximately $71 would have been recorded if the above loans had not been classified as impaired (January 31, 2014 –$71; October 31, 2013 – $263).
(3) Excludes Federal Deposit Insurance Corporation (FDIC) guaranteed loans related to the acquisition of R-G Premier Bank of Puerto Rico.
(4) Allowance for credit losses for business and government loans is individually assessed.
(5) Allowance for credit losses for residential mortgages and personal and credit card loans is assessed on a collective basis.

(b) Allowance for credit losses

	As at and for the six months ended April 30, 2014					
($ millions)	**Balance at beginning of year**	**Write-offs**	**Recoveries**	**Provision for credit losses**	**Other, including foreign currency adjustment**	**Balance at end of period**
Individual	**$ 561**	**$ (145)**	**$ 40**	**$ 92**	**$ 3**	**$ 551**
Collective	**2,604**	**(726)**	**181**	**628**	**(7)**	**2,680**
Total before FDIC guaranteed loans	**3,165**	**(871)**	**221**	**720**	**(4)**	**3,231**
FDIC guaranteed loans[(1)]	**108**	**–**	**8**	**11**	**6**	**133**
Total allowances	**$ 3,273**	**$ (871)**	**$ 229**	**$ 731**	**$ 2**	**$ 3,364**

	As at and for the three months ended January 31, 2014					
($ millions)	Balance at beginning of year	Write-offs	Recoveries	Provision for credit losses	Other, including foreign currency adjustment	Balance at end of period
Individual	$ 561	$ (54)	$ 29	$ 51	$ 3	$ 590
Collective	2,604	(356)	90	309	8	2,655
Total before FDIC guaranteed loans	3,165	(410)	119	360	11	3,245
FDIC guaranteed loans[(1)]	108	–	4	(4)	8	116
Total allowances	$ 3,273	$ (410)	$ 123	$ 356	$ 19	$ 3,361

	As at and for the twelve months ended October 31, 2013					
($ millions)	Balance at beginning of year	Write-offs	Recoveries	Provision for credit losses	Other, including foreign currency adjustment	Balance at end of year
Individual	$ 469	$ (201)	$ 111	$ 155	$ 27	$ 561
Collective	2,420	(1,268)	332	1,117	3	2,604
Total before FDIC guaranteed loans	2,889	(1,469)	443	1,272	30	3,165
FDIC guaranteed loans[(1)]	88	–	–	16	4	108
	$ 2,977	$ (1,469)	$ 443	$ 1,288	$ 34	$ 3,273

Represented by:

	As at		
($ millions)	**April 30 2014**	January 31 2014	October 31 2013
Allowance against impaired loans	**$ 1,959**	$ 1,973	$ 1,893
Allowance against performing loans[(2)]	**1,272**	1,272	1,272
Total before FDIC guaranteed loans	**3,231**	3,245	3,165
FDIC guaranteed loans[(1)]	**133**	116	108
	$ 3,364	$ 3,361	$ 3,273

(1) This represents the gross amount of allowance for credit losses as the receivable from FDIC is separately recorded in other assets.
(2) The allowance for performing loans is attributable to business and government loans $783 (January 31, 2014 – $818; October 31, 2013 – $953) with the remainder allocated to personal and credit card loans $269 (January 31, 2014 – $243; October 31, 2013 – $129) and residential mortgages $220 (January 31, 2014 – $211; October 31, 2013 – $190).

(c) Total FDIC guaranteed loans

	As at		
($ millions)	**April 30 2014**	January 31 2014	October 31 2013
R-G Premier Bank			
Unpaid principal balance	**$ 2,809**	$ 2,989	$ 2,929
Fair value adjustments	**(428)**	(490)	(499)
Net carrying value	**2,381**	2,499	2,430
Allowance for credit losses	**(133)**	(116)	(108)
	$ 2,248	$ 2,383	$ 2,322

Loans purchased as part of the acquisition of R-G Premier Bank of Puerto Rico are subject to loss share agreements with the FDIC. Under these agreements, the FDIC guarantees 80% of loan losses. The guarantees are expiring in April 2015 and April 2020 for non-single family loans and single family loans, respectively. The provision for credit losses in the Consolidated Statement of Income related to these loans is reflected net of the amount expected to be reimbursed by the FDIC. Allowance for credit losses in the Consolidated Statement of Financial Position is reflected on a gross basis. As at April 30, 2014 the carrying value of loans guaranteed by FDIC was $2.2 billion (January 31, 2014 – $2.4 billion; October 31, 2013 – $2.3 billion) with a net receivable of $329 million (January 31, 2014 – $371 million; October 31, 2013 – $366 million) from the FDIC included in Other assets in the Consolidated Statement of Financial Position.

(d) Loans past due but not impaired[1]

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The following table presents the carrying value of loans that are past due but not classified as impaired because they are either less than 90 days past due, or fully secured and collection efforts are reasonably expected to result in repayment, or restoring it to a current status in accordance with the Bank's policy.

	As at April 30, 2014[2][3]			
($ millions)	**31-60 days**	**61-90 days**	**91 days and greater**	**Total**
Residential mortgages	**$ 1,385**	**$ 464**	**$ 192**	**$ 2,041**
Personal and credit cards	**589**	**295**	**41**	**925**
Business and government	**214**	**83**	**157**	**454**
Total	**$ 2,188**	**$ 842**	**$ 390**	**$ 3,420**

	As at January 31, 2014[2][3]			
($ millions)	31-60 days	61-90 days	91 days and greater	Total
Residential mortgages	$ 1,298	$ 447	$ 205	$ 1,950
Personal and credit cards	553	319	40	912
Business and government	203	116	163	482
Total	$ 2,054	$ 882	$ 408	$ 3,344

	As at October 31, 2013[2][3]			
($ millions)	31-60 days	61-90 days	91 days and greater	Total
Residential mortgages	$ 1,248	$ 496	$ 180	$ 1,924
Personal and credit cards	506	241	49	796
Business and government	209	81	172	462
Total	$ 1,963	$ 818	$ 401	$ 3,182

(1) Loans past due 30 days or less are not presented in this analysis as they are not administratively considered past due.
(2) Excludes Federal Deposit Insurance Corporation (FDIC) guaranteed loan related to the acquisition of R-G Premier Bank of Puerto Rico.
(3) These loans would be considered in the determination of an appropriate level of collective allowances despite not being individually classified as impaired.

10. Investments in associates

The Bank had significant investments in the following associates:

					As at		
					April 30 2014	January 31 2014	October 31 2013
($ millions)	Country of incorporation	Nature of business	Ownership Percentage	Date of financial statement[1]	**Carrying value**	Carrying value	Carrying value
CI Financial Corp.[2][3]	Canada	Wealth Management	36.8%	March 31, 2014	**$ 2,617**	$ 2,595	$ 2,577
Thanachart Bank Public Company Limited	Thailand	Banking	49.0%	March 31, 2014	**2,008**	1,990	1,921
Maduro & Curiel's Bank N.V.	Curacao	Banking	48.2%	March 31, 2014	**205**	208	191
Bank of Xi'an Co. Ltd.	China	Banking	19.0%[4]	March 31, 2014	**327**	330	291
Banco del Caribe	Venezuela	Banking	26.6%	March 31, 2014	**175**	191	156

(1) Represents the date of the most recent published financial statements; where available, financial statements prepared by the associates' management or other published information is used to estimate the change in the Bank's interest since the most recent published financial statements.
(2) Based on the quoted price on the Toronto Stock Exchange (TSX) of CI Financial Corp. as at April 30, 2014, the Bank's investment in CI Financial Corp. was valued at $3,724 (January 31, 2014 – $3,638; October 31, 2013 – $3,628).
(3) In May 2014, the Bank announced that it has decided to pursue alternatives for monetization of some, or all, of its investment in CI Financial Corp. and redeploy the capital to other strategic priorities of the Bank. The Bank has retained advisors to explore all options and timing with respect to the monetization. There can be no assurance that any transaction will be completed.
(4) The Bank has the ability to exercise significant influence through its representation on the Board of Directors.

11. Deposits

	As at						
	April 30, 2014					January 31 2014	October 31 2013[1]
	Payable on demand						
($ millions)	**Interest-bearing**	**Non-interest bearing**	**Payable after notice**	**Payable on a fixed date**	**Total**	Total	Total
Personal	**$ 4,998**	**$ 4,514**	**$ 89,276**	**$ 74,521**	**$ 173,309**	$ 174,124	$ 171,048
Business and government	**47,153**	**17,878**	**28,717**	**244,128**	**337,876**	329,906	313,994
Financial institutions	**4,287**	**3,335**	**2,283**	**30,634**	**40,539**	35,569	33,019
Total	**$ 56,438**	**$ 25,727**	**$ 120,276**	**$ 349,283**	**$ 551,724**	$ 539,599	$ 518,061
Recorded in:							
Canada					**$ 358,922**	$ 354,389	$ 350,773
United States					**90,994**	84,709	77,685
U.K.					**16,337**	15,616	10,779
Mexico					**12,917**	12,348	11,907
Peru					**11,668**	11,750	10,552
Chile					**5,793**	6,337	5,723
Colombia					**7,087**	6,782	6,578
Other International					**48,006**	47,668	44,064
Total[2]					**$ 551,724**	$ 539,599	$ 518,061

(1) Prior period amounts are retrospectively adjusted to reflect the adoption of new IFRS standards (refer to Note 3).
(2) Deposits denominated in U.S. dollars amount to $212,274 (January 31, 2014 – $202,481; October 31, 2013 – $182,271) deposits denominated in Mexican pesos amount to $11,774 (January 31, 2014 – $11,176; October 31, 2013 – $10,480) and deposits denominated in other foreign currencies amount to $49,130 (January 31, 2014 – $48,636; October 31, 2013 – $44,616).

Refer to Note 23 for contractual maturities for deposits, which provides maturities less than one month, one to three months, three to six months, six to nine months, nine to twelve months, one to two years, two to five years and over five years.

The following table presents the maturity schedule for term deposits in Canada greater than $100,000[1].

($ millions)	Within three months	Three to six months	Six to twelve months	One to five years	Over five years	Total
As at April 30, 2014	**$36,120**	**$ 10,877**	**$ 28,055**	**$ 77,331**	**$ 9,789**	**$ 162,172**
As at January 31, 2014	$ 34,905	$ 13,093	$ 26,180	$ 75,695	$ 9,363	$ 159,236
As at October 31, 2013[2]	$ 38,844	$ 12,097	$ 15,731	$ 75,451	$ 7,878	$ 150,001

(1) The majority of foreign term deposits are in excess of $100,000.
(2) Prior period amounts are retrospectively adjusted to reflect the adoption of new IFRS standards (refer to Note 3).

12. Covered bonds

On April 2, 2014, the Bank issued Euro 1 billion 1.000% Covered Bonds due April 2, 2019 under the Bank's Global Registered Covered Bond Program. The payment of all amounts due in respect of the covered bonds is unconditionally and irrevocably guaranteed by Scotiabank Covered Bond Guarantor Limited Partnership (Covered Bond Guarantor) and secured by a pledge of the covered bond portfolio. The assets in the covered bond portfolio held by the Covered Bond Guarantor consist of first lien Canadian uninsured residential mortgages and their related security interest. The covered bonds are direct, unsecured and unconditional obligations of the Bank.

13. Subordinated debentures

On April 15, 2014, the Bank redeemed all outstanding 4.94% debentures due April 2019 for 100% of their principal amount of $1.0 billion, plus accrued interest to the redemption date.

14. Preferred shares

The Series 26 and 28 Non-cumulative Preferred Shares were redeemed by the Bank at par on April 26, 2014, at a price equal to $25 per share, together with all declared and unpaid dividends.

15. Capital management

The Bank has a capital management process in place to measure, deploy and monitor its available capital and assess its adequacy. This capital management process aims to achieve four major objectives: exceed regulatory thresholds and meet longer-term internal capital targets, maintain strong credit ratings, manage capital levels

commensurate with the risk profile of the Bank and provide the Bank's shareholders with acceptable returns.

Capital is managed in accordance with the Board-approved Capital Management Policy. Senior executive management develop the capital strategy and oversee the capital management processes of the Bank. The Bank's Finance, Group Treasury and Global Risk Management (GRM) groups are key in implementing the Bank's capital strategy and managing capital. Capital is managed using both regulatory capital measures and internal metrics.

Although the Bank is subject to several capital regulations in the different business lines and countries in which the Bank operates, capital adequacy is managed on a consolidated Bank basis. The Bank also takes measures to ensure its subsidiaries meet or exceed local regulatory capital requirements. The primary regulator of its consolidated capital adequacy is the Office of the Superintendent of Financial Institutions Canada (OSFI). The capital adequacy regulations in Canada are largely consistent with international standards set by the Basel Committee on Banking Supervision (BCBS).

Effective November 1, 2012, Canadian banks are subject to the revised capital adequacy requirements as published by BCBS and commonly referred to as Basel III. Basel III builds on the "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (Basel II). The Office of the Superintendent of Financial Institutions (OSFI) has issued guidelines, reporting requirements and disclosure guidance which are consistent with the Basel III reforms, except for its deferral of the Basel III credit valuation adjustment (CVA) related capital charges, requiring they be phased-in over a five-year period, beginning January 2014.

Under Basel III, there are three primary regulatory capital ratios used to assess capital adequacy, Common Equity Tier 1 (CET1), Tier 1 and Total capital ratios, which are determined by dividing those capital components by risk-weighted assets.

Basel III introduced a new category of capital, CET1, which consists primarily of common shareholders' equity net of regulatory adjustments. These regulatory adjustments include goodwill, intangible assets net of deferred tax liabilities, deferred tax assets that rely on future profitability, defined-benefit pension fund net assets, shortfall of credit provision to expected losses and significant investments in the common equity of other financial institutions. In addition, new or revised capital components included in common equity are unrealized losses on securities and reduced amounts for non-controlling interests.

To enable banks to meet the new standards, Basel III contains transitional arrangements commencing January 1, 2013, through January 1, 2019. Transitional requirements result in a 5 year phase-in of new deductions and additional capital components to common equity. Non-qualifying capital instruments will be phased out over 10 years and the capital conservation buffer will be phased in over 5 years.

As of January 2019, under the BCBS rules the Bank will be required to meet new minimum requirements of: Common Equity Tier 1 ratio of 4.5% plus a capital conservation buffer of 2.5%, collectively 7%. Including the capital conservation buffer, the minimum Tier 1 ratio will be 8.5%, and the Total capital ratio will be 10.5%.

OSFI requires Canadian deposit-taking institutions to fully implement the 2019 Basel III reforms in 2013, without the transitional phase-in provisions for capital deductions (referred to as 'all-in'), and achieve a minimum 7% common equity target.

Risk-weighted assets represent the Bank's exposure to credit, market and operational risk and are computed by applying a combination of the Bank's internal credit risk parameters and OSFI prescribed risk weights to on-and off-balance sheet exposures. Under the Basel framework there are two main methods for computing credit risk: the standardized approach, which uses prescribed risk weights; and internal ratings-based approaches, which allow the use of a Bank's internal models to calculate some, or all, of the key inputs into the regulatory capital calculation. Users of the Advanced Internal Ratings Based Approach (AIRB) are required to have sophisticated risk management systems for the calculations of credit risk regulatory capital. Once banks demonstrate full compliance with the AIRB requirements, and OSFI has approved its use, they may proceed to apply the AIRB approach in computing capital requirements. The Bank uses the AIRB to compute credit risk for material Canadian, U.S. and European portfolios, and for a significant portion of the international corporate and commercial portfolio. The Bank continues to assess the remaining portfolios for the application of AIRB in the future. In 2012, the Bank implemented the Basel Committee's revised market risk framework. The Bank uses the Standardized Approach to calculate the operational risk capital requirements.

The Bank's Common Equity Tier 1, Tier 1 and Total capital are composed of the following:

	As at					
	April 30, 2014		January 31, 2014		October 31, 2013[1]	
($ millions)	**All-in**	**Transitional**	All-in	Transitional	All-in	Transitional
Total common equity	**$ 42,986**	**$ 42,986**	$ 42,357	$ 42,357	$ 40,569	$ 40,569
Qualifying non-controlling interests in common equity of subsidiaries	**508**	**–**	487	–	479	–
Goodwill and non-qualifying intangibles, net of deferred tax liabilities	**(9,928)**	**–**	(9,869)	–	(9,772)	–
Threshold related deductions	**(3,388)**	**–**	(3,597)	–	(3,630)	–
Net deferred tax assets (excluding those arising from temporary differences)	**(686)**	**–**	(728)	–	(752)	–
Other Common Equity Tier 1 capital deductions[2]	**(181)**	**(3,814)**	(151)	(3,383)	(535)	(2,548)
Common Equity Tier 1 capital	**$ 29,311**	**$ 39,172**	$ 28,499	$ 38,974	$ 26,359	$ 38,021
Preferred shares[3]	**3,234**	**3,234**	3,829	3,829	4,084	4,084
Capital instrument liabilities – trust securities[3]	**1,400**	**1,400**	1,398	1,398	1,400	1,400
Other Tier 1 capital adjustments[4]	**21**	**(4,634)**	16	(5,227)	71	(5,484)
Net Tier 1 capital	**$ 33,966**	**$ 39,172**	$ 33,742	$ 38,974	$ 31,914	$ 38,021
Subordinated debentures, net of amortization[3]	**4,864**	**4,864**	5,874	5,874	5,841	5,841
Other Tier 2 capital adjustments[4]	**1,174**	**31**	1,195	(21)	1,086	(504)
Total regulatory capital	**$ 40,004**	**$ 44,067**	$ 40,811	$ 44,827	$ 38,841	$ 43,358
Total risk-weighted assets	**$ 300,155**	**$ 304,507**	$ 302,070	$ 306,465	$ 288,246	$ 293,252
Capital ratios						
Common Equity Tier 1 capital ratio	**9.8%**	**12.9%**	9.4%	12.7%	9.1%	13.0%
Tier 1 capital ratio	**11.3%**	**12.9%**	11.2%	12.7%	11.1%	13.0%
Total capital ratio	**13.3%**	**14.5%**	13.5%	14.6%	13.5%	14.8%
Assets-to-capital multiple[5]	**17.9 x**	**17.9 x**	17.4 x	17.4 x	17.1 x	17.1 x

(1) Capital measures for 2013 have not been restated for the new IFRS standards as they represent the actual amounts in the period for regulatory purposes.
(2) Other Common Equity Tier 1 capital adjustments under the all-in approach include defined pension plan assets and other items. For the transitional approach, deductions include: Common Equity Tier 1 all-in deductions multiplied by an annual transitional factor (20% in 2014; 0% in 2013) and an adjustment for Additional Tier 1 deductions for which there is insufficient Additional Tier 1 capital.
(3) Non-qualifying capital instruments are subject to a phase-out over 10 years. Amounts reported for regulatory capital may be less than as reported on the Consolidated Statement of Financial Position.
(4) Other Tier 1/Tier 2 capital adjustments under the all-in approach include eligible non-controlling interests in subsidiaries, in addition, Tier 2 includes eligible collective allowance and excess allowance. For the transitional approach, other Tier 1/Tier 2 capital adjustments include the amount of the Common Equity Tier 1 regulatory adjustment not deducted that were Tier 1/Tier 2 deductions under Basel II (such as 50% of significant investments in financial institutions).
(5) As prescribed by OSFI, asset-to-capital multiple is calculated by dividing the Bank's total assets, including specific off-balance sheet items, by total regulatory capital on a transitional basis.

The Bank substantially exceeded the OSFI capital target as at April 30, 2014. OSFI has also prescribed an asset-to-capital leverage multiple and the Bank was in compliance with this threshold as at April 30, 2014.

16. Share-based payments

During the first quarter, the Bank granted 3,241,684 options with an exercise price of $63.98 per option and a weighted average fair value of $8.85 to selected employees, under the terms of the Employee Stock Option Plan.

The Bank recorded an increase to equity – other reserves of $4 million and $24 million for the three months and six months ended April 30, 2014, respectively (April 30, 2013 – $6 million and $27 million) as a result of equity–classified share-based payment expense.

Renouncement of Tandem SARs

During the first quarter of 2013, certain employees voluntarily renounced 2,835,008 tandem stock appreciation rights (Tandem SARs) while retaining their corresponding option for shares. As a result, the stock options are not required to be re-valued and the accrued liability of $36 million and related deferred tax asset of $10 million were reclassified to equity, resulting in a net increase to equity – other reserves of $26 million. The remaining 492,811 outstanding Tandem SARs continue to be liability-classified and re-measured to fair value at each reporting period.

17. Employee benefits

Employee benefits include pensions, other post-retirement benefits, and post-employment benefits. The following table summarizes the expenses for the Bank's principal plans(1).

	For the three months ended					
	Pension plans			Other benefit plans		
($ millions)	**April 30 2014**	January 31 2014	April 30 2013(2)	**April 30 2014**	January 31 2014	April 30 2013(2)
Defined benefit service cost	**$ 67**	$ 64	$ 62	**$ 10**	$ 9	$ 14
Interest on net defined benefit (asset) liability	**3**	1	11	**15**	14	14
Other	**2**	2	2	**1**	1	1
Defined benefit expense	**$ 72**	$ 67	$ 75	**$ 26**	$ 24	$ 29
Defined contribution expense	**$ 5**	$ 5	$ 4	**n/a**	n/a	n/a
Increase (decrease) in other comprehensive income related to employee benefits	**$ –**	$ (84)	$ (208)	**$ (63)**	$ 6	$ (117)

	For the six months ended			
	Pension plans		Other benefit plans	
($ millions)	**April 30 2014**	April 30 2013(2)	**April 30 2014**	April 30 2013(2)
Defined benefit service cost	**$ 131**	$ 123	**$ 19**	$ 28
Interest on net defined benefit (asset) liability	**4**	22	**29**	27
Other	**4**	4	**2**	–
Defined benefit expense	**$ 139**	$ 149	**$ 50**	$ 55
Defined contribution expense	**$ 10**	$ 9	**n/a**	n/a
Increase (decrease) in other comprehensive income related to employee benefits	**$ (84)**	$ (64)	**$ (57)**	$ (127)

(1) Other plans operated by certain subsidiaries of the Bank are not considered material and are not included in this note.
(2) Prior period amounts are retrospectively adjusted to reflect the adoption of new IFRS standards (refer to Note 3).
(3) Changes in discount rates and return on plan assets are reviewed and updated on a quarterly basis. All other assumptions are updated annually.

18. Operating segments

Scotiabank is a diversified financial services institution that provides a wide range of financial products and services to retail, commercial and corporate customers around the world. The Bank's businesses are grouped into four business lines: Canadian Banking, International Banking, Global Wealth & Insurance and Global Banking & Markets. The results of these business segments are based upon the internal financial reporting systems of the Bank. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 3 of the Bank's 2013 Annual Report. Notable accounting measurement differences are:

– tax normalization adjustments related to the gross-up of income from associated corporations. This adjustment normalizes the effective tax rate in the divisions to better present the contribution of the associated companies to the divisional results.

– the grossing up of tax-exempt net interest income and other operating income to an equivalent before-tax basis for those affected segments. This change in measurement enables comparison of net interest income and other operating income arising from taxable and tax-exempt sources.

Scotiabank's results, and average assets and liabilities, allocated by these operating segments, are as follows:

	For the three months ended April 30, 2014					
Taxable equivalent basis[1] *($ millions)*	**Canadian Banking**	**International Banking**	**Global Wealth & Insurance**	**Global Banking & Markets**	**Other[2]**	**Total**
Net interest income	**$ 1,383**	**$ 1,338**	**$ 106**	**$ 185**	**$ 39**	**$ 3,051**
Net fee and commission revenues	**396**	**352**	**830**	**325**	**(61)**	**1,842**
Net income from investments in associated corporations	**(1)**	**100**	**69**	**–**	**(41)**	**127**
Other operating income	**48**	**84**	**112**	**468**	**(7)**	**705**
Total revenues	**1,826**	**1,874**	**1,117**	**978**	**(70)**	**5,725**
Provision for credit losses	**140**	**230**	**–**	**5**	**–**	**375**
Operating expenses	**921**	**1,025**	**659**	**403**	**(13)**	**2,995**
Provision for income taxes	**200**	**156**	**103**	**185**	**(89)**	**555**
Net income	**$ 565**	**$ 463**	**$ 355**	**$ 385**	**$ 32**	**$ 1,800**
Net income attributable to non-controlling interests in subsidiaries	**–**	**47**	**10**	**–**	**1**	**58**
Net income attributable to equity holders of the Bank	**$ 565**	**$ 416**	**$ 345**	**$ 385**	**$ 31**	**$ 1,742**
Average assets *($ billions)*	**$ 278**	**$ 143**	**$ 16**	**$ 283**	**$ 78**	**$ 798**
Average liabilities *($ billions)*	**$ 194**	**$ 91**	**$ 20**	**$ 208**	**$ 237**	**$ 750**

(1) Refer to page 5 for a discussion of non-GAAP measures.

(2) 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 other operating income and provision for income taxes of ($84) to arrive at the amounts reported in the Consolidated Statement of Income, differences in the actual amount of costs incurred and charged to the operating segments.

	For the three months ended January 31, 2014					
Taxable equivalent basis[(1)] *($ millions)*	Canadian Banking	International Banking	Global Wealth & Insurance	Global Banking & Markets	Other[(2)]	Total
Net interest income	$ 1,408	$ 1,303	$ 107	$ 179	$ 8	$ 3,005
Net fee and commission revenues	408	367	807	369	(60)	1,891
Net income from investments in associated corporations	(1)	117	63	–	(44)	135
Other operating income	22	66	113	376	37	614
Total revenues	1,837	1,853	1,090	924	(59)	5,645
Provision for credit losses	134	219	–	3	–	356
Operating expenses	923	1,084	658	450	(10)	3,105
Provision for income taxes	205	108	92	132	(62)	475
Net income	$ 575	$ 442	$ 340	$ 339	$ 13	$ 1,709
Net income attributable to non-controlling interests in subsidiaries	–	41	13	–	–	54
Net income attributable to equity holders of the Bank	$ 575	$ 401	$ 327	$ 339	$ 13	$ 1,655
Average assets *($ billions)*	$ 277	$ 137	$ 16	$ 272	$ 75	$ 777
Average liabilities *($ billions)*	$ 195	$ 86	$ 20	$ 205	$ 225	$ 731

(1) Refer to page 5 for a discussion of non-GAAP measures.
(2) 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 other operating income and provision for income taxes of ($80) to arrive at the amounts reported in the Consolidated Statement of Income, differences in the actual amount of costs incurred and charged to the operating segments.

	For the three months ended April 30, 2013[(1)]					
Taxable equivalent basis[(2)] *($ millions)*	Canadian Banking	International Banking	Global Wealth & Insurance	Global Banking & Markets	Other[(3)]	Total
Net interest income	$ 1,309	$ 1,244	$ 105	$ 202	$ (81)	$ 2,779
Net fee and commission revenues	369	342	738	332	(49)	1,732
Net income from investments in associated corporations	–	127	54	–	(44)	137
Other operating income	25	131	99	351	(41)	565
Total revenues	1,703	1,844	996	885	(215)	5,213
Provision for credit losses	136	194	1	12	–	343
Operating expenses	881	1,032	594	393	(44)	2,856
Provision for income taxes	179	152	82	128	(109)	432
Net income	$ 507	$ 466	$ 319	$ 352	$ (62)	$ 1,582
Net income attributable to non-controlling interests in subsidiaries	–	51	9	–	–	60
Net income attributable to equity holders of the Bank	$ 507	$ 415	$ 310	$ 352	$ (62)	$ 1,522
Average assets *($ billions)*	$ 273	$ 122	$ 14	$ 254	$ 92	$ 755
Average liabilities *($ billions)*	$ 191	$ 79	$ 18	$ 193	$ 232	$ 713

(1) Prior period amounts are retrospectively adjusted to reflect (i) the adoption of new IFRS standards in 2014 described in Note 3, and (ii) enhancements to funds transfer pricing methodologies made in 2014. The enhancements include a transfer of higher regulatory liquidity costs and a reduced interest value for certain deposit types.
(2) Refer to page 5 for a discussion of non-GAAP measures.
(3) 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 other operating income and provision for income taxes of ($82) to arrive at the amounts reported in the Consolidated Statement of Income, differences in the actual amount of costs incurred and charged to the operating segments.

	For the six months ended April 30, 2014					
Taxable equivalent basis[1] *($ millions)*	**Canadian Banking**	**International Banking**	**Global Wealth & Insurance**	**Global Banking & Markets**	**Other[2]**	**Total**
Net interest income	**$ 2,791**	**$ 2,641**	**$ 213**	**$ 364**	**$ 47**	**$ 6,056**
Net fee and commission revenues	**804**	**719**	**1,637**	**694**	**(121)**	**3,733**
Net income from investments in associated corporations	**(2)**	**217**	**132**	**–**	**(85)**	**262**
Other operating income	**70**	**150**	**225**	**844**	**30**	**1,319**
Total revenues	**3,663**	**3,727**	**2,207**	**1,902**	**(129)**	**11,370**
Provision for credit losses	**274**	**449**	**–**	**8**	**–**	**731**
Operating expenses	**1,844**	**2,109**	**1,317**	**853**	**(23)**	**6,100**
Provision for income taxes	**405**	**264**	**195**	**317**	**(151)**	**1,030**
Net income	**$ 1,140**	**$ 905**	**$ 695**	**$ 724**	**$ 45**	**$ 3,509**
Net income attributable to non-controlling interests in subsidiaries	**–**	**88**	**23**	**–**	**1**	**112**
Net income attributable to equity holders of the Bank	**$ 1,140**	**$ 817**	**$ 672**	**$ 724**	**$ 44**	**$ 3,397**
Average assets *($ billions)*	**$ 277**	**$ 140**	**$ 16**	**$ 277**	**$ 77**	**$ 787**
Average liabilities *($ billions)*	**$ 194**	**$ 89**	**$ 20**	**$ 206**	**$ 231**	**$ 740**

(1) Refer to page 5 for a discussion of non-GAAP measures.
(2) 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 other operating income and provision for income taxes of ($164) to arrive at the amounts reported in the Consolidated Statement of Income, differences in the actual amount of costs incurred and charged to the operating segments.

	For the six months ended April 30, 2013[1]					
Taxable equivalent basis[2] *($ millions)*	Canadian Banking	International Banking	Global Wealth & Insurance	Global Banking & Markets	Other[3]	Total
Net interest income	$ 2,635	$ 2,440	$ 208	$ 410	$(147)	$ 5,546
Net fee and commission revenues	753	676	1,421	630	(95)	3,385
Net income from investments in associated corporations	9	259	110	–	(89)	289
Other operating income	26	222	203	777	(64)	1,164
Total revenues	3,423	3,597	1,942	1,817	(395)	10,384
Provision for credit losses	254	380	2	17	–	653
Operating expenses	1,754	2,011	1,167	796	(44)	5,684
Provision for income taxes	369	279	160	264	(212)	860
Net income	$ 1,046	$ 927	$ 613	$ 740	$(139)	$ 3,187
Net income attributable to non-controlling interests in subsidiaries	–	101	18	–	–	119
Net income attributable to equity holders of the Bank	$ 1,046	$ 826	$ 595	$ 740	$(139)	$ 3,068
Average assets *($ billions)*	$ 270	$ 118	$ 14	$ 247	$ 93	$ 742
Average liabilities *($ billions)*	$ 188	$ 78	$ 17	$ 184	$ 234	$ 701

(1) Prior period amounts are retrospectively adjusted to reflect (i) the adoption of new IFRS standards in 2014 described in Note 3, and (ii) enhancements to funds transfer pricing methodologies made in 2014. The enhancements include a transfer of higher regulatory liquidity costs and a reduced interest value for certain deposit types.
(2) Refer to page 5 for a discussion of non-GAAP measures.
(3) 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 other operating income and provision for income taxes of ($156) to arrive at the amounts reported in the Consolidated Statement of Income, differences in the actual amount of costs incurred and charged to the operating segments.

19. Fee and commission revenues

The following table presents details of banking revenues and wealth management revenues in fee and commission revenues.

	For the three months ended			For the six months ended	
($ millions)	**April 30 2014**	January 31 2014	April 30 2013[1]	**April 30 2014**	April 30 2013[1]
Banking					
Card revenues	**$ 224**	$ 232	$ 198	**$ 456**	$ 414
Deposit and payment services	**291**	289	273	**580**	550
Credit fees	**235**	271	236	**506**	469
Other	**138**	148	141	**286**	256
Total banking revenues	**$ 888**	$ 940	$ 848	**$ 1,828**	$ 1,689
Wealth management					
Mutual funds	**$ 359**	$ 355	$ 317	**$ 714**	$ 625
Brokerage fees	**220**	218	207	**438**	409
Investment management and trust	**96**	89	94	**185**	181
Total wealth management revenues	**$ 675**	$ 662	$ 618	**$ 1,337**	$ 1,215

(1) Prior period amounts are retrospectively adjusted to reflect the adoption of new IFRS standards in 2014 (refer to Note 3).

20. Trading revenues

The following table presents details of trading revenues.

	For the three months ended			For the six months ended	
($ millions)	**April 30 2014**	January 31 2014	April 30 2013	**April 30 2014**	April 30 2013
Interest rate and credit	**$ 144**	$ 125	$ 120	**$ 269**	$ 281
Equities	**39**	27	26	**66**	41
Commodities	**98**	90	85	**188**	191
Foreign exchange	**51**	75	47	**126**	102
Other	**12**	8	19	**20**	36
Revenue from trading operations	**$ 344**	$ 325	$ 297	**$ 669**	$ 651

21. Earnings per share

	For the three months ended			For the six months ended	
($ millions)	**April 30 2014**	January 31 2014	April 30 2013[1]	**April 30 2014**	April 30 2013[1]
Basic earnings per common share					
Net income attributable to common shareholders	**$ 1,699**	$ 1,607	$ 1,467	**$ 3,306**	$ 2,958
Average number of common shares outstanding *(millions)*	**1,215**	1,209	1,193	**1,212**	1,189
Basic earnings per common share[2] *(in dollars)*	**$ 1.40**	$ 1.33	$ 1.23	**$ 2.73**	$ 2.49
Diluted earnings per common share					
Net income attributable to common shareholders	**$ 1,699**	$ 1,607	$ 1,467	**$ 3,306**	$ 2,958
Adjustments to net income due to:[3]					
Capital instruments	**–**	–	8	**–**	17
Share-based payment options and others	**1**	2	2	**4**	(1)
Adjusted income attributable to common shareholders	**$ 1,700**	$ 1,609	$ 1,477	**$ 3,310**	$ 2,974
Average number of common shares outstanding *(millions)*	**1,215**	1,209	1,193	**1,212**	1,189
Adjustments to average shares due to:[3] *(millions)*					
Capital instruments	**–**	–	14	**–**	15
Share-based payment options and others	**7**	8	6	**7**	4
Average number of diluted common shares outstanding *(millions)*	**1,222**	1,217	1,213	**1,219**	1,208
Diluted earnings per common share[2] *(in dollars)*	**$ 1.39**	$ 1.32	$ 1.22	**$ 2.71**	$ 2.46

(1) Prior period amounts are retrospectively adjusted to reflect the adoption of new IFRS standards in 2014 (refer to Note 3).
(2) Earnings per share calculations are based on full dollar and share amounts.
(3) Certain grants of tandem stock appreciation rights or options, including obligations of the Bank to purchase non-controlling interests that may, at the Bank's option, be settled by issuing common shares, were antidilutive for the periods presented and, as a result, were not included in the calculation of diluted earnings per share.

During the first quarter 2013, 2,835,008 Tandem SARs were voluntarily renounced by certain employees while retaining their corresponding option for shares (refer to Note 16). The impact of the renouncement is not material to the diluted earnings per share.

22. Financial instruments

(a) Risk management

The Bank's principal business activities result in a balance sheet that consists primarily of financial instruments. In addition, the Bank uses derivative financial instruments for both trading and hedging purposes. The principal financial risks that arise from transacting financial instruments include credit risk, liquidity risk and market risk. The Bank's framework to monitor, evaluate and manage these risks is consistent with that in place as at October 31, 2013.

(i) Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Bank.

Credit risk exposures disclosed below are presented based on Basel framework utilized by the Bank. The Bank uses the advanced internal ratings based approach (AIRB) for all material Canadian, U.S. and European portfolios, and for a significant portion of the international corporate and commercial portfolios. The remaining portfolios, including other international portfolios, are treated under the standardized approach. Under the AIRB approach, the Bank uses internal risk parameter estimates, based on historical experience.

Under the standardized approach, credit risk is estimated using the risk weights as prescribed by the Basel framework, either based on credit assessments by external rating agencies or based on the counterparty type for non-retail exposures and product type for retail exposures.

Exposure at default(1)

	As at				
	April 30, 2014			January 31 2014	October 31 2013
($ millions)	**AIRB**	**Standardized**	**Total**	Total	Total
By exposure sub-type					
Non-retail(2)					
Drawn(3)	**$ 271,464**	**$ 48,189**	**$ 319,653**	$ 314,158	$ 300,205
Undrawn commitments	**50,765**	**2,833**	**53,598**	56,287	59,789
Other exposures(4)	**74,748**	**2,433**	**77,181**	83,563	79,698
Total non-retail	**$ 396,977**	**$ 53,455**	**$ 450,432**	$ 454,008	$ 439,692
Retail					
Drawn(5)	**$ 158,253**	**$ 44,393**	**$ 202,646**	$ 199,593	$ 197,279
Undrawn commitments	**27,639**	**–**	**27,639**	27,185	26,491
Total retail	**$ 185,892**	**$ 44,393**	**$ 230,285**	$ 226,778	$ 223,770
Total	**$ 582,869**	**$ 97,848**	**$ 680,717**	$ 680,786	$ 663,462

(1) After credit risk mitigation and excludes available-for-sale equity securities and other assets.
(2) Non-retail AIRB drawn exposures include government guaranteed mortgages.
(3) Non-retail drawn includes loans, bankers' acceptances, deposits with financial institutions and available-for-sale debt securities.
(4) Includes off-balance sheet lending instruments such as letters of credit, letters of guarantee, securitization, over-the-counter derivatives and repo-style transactions net of related collateral.
(5) Retail drawn includes residential mortgages, credit cards, lines of credit and other personal loans.

Credit quality of non-retail exposures

The Bank's non-retail portfolio is well diversified by industry. As at April 30, 2014, January 31, 2014 and October 31, 2013, a significant portion of the authorized corporate and commercial lending portfolio was internally assessed at a grade that would generally equate to an investment grade rating by external rating agencies. There has not been a significant change in concentrations of credit risk since October 31, 2013.

Credit quality of retail exposures

The Bank's retail portfolios consist of a number of relatively small loans to a large number of borrowers. The portfolios are distributed across Canada and a wide range of countries. As such, the portfolios inherently have a high degree of diversification. In addition, as of April 30, 2014, 54% (January 31, 2014 – 55%; October 31, 2013 – 55%) of the Canadian banking residential mortgage portfolio is insured. The average loan-to-value ratio of the uninsured portion of the portfolio is 55% (January 31, 2014 – 57%; October 31, 2013 – 57%).

Retail standardized portfolio

The retail standardized portfolio of $44 billion as at April 30, 2014 (January 31, 2014 – $44 billion; October 31, 2013 – $42 billion), was comprised of residential mortgages, personal loans, credit cards and lines of credit to individuals, mainly in the Caribbean

and Latin American region. Of the total standardized retail exposures, $23 billion (January 31, 2014 – $23 billion; October 31, 2013 – $21 billion) was represented by mortgages and loans secured by residential real estate, mostly with a loan-to-value ratio of below 80%.

(ii) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its financial obligations in a timely manner at reasonable prices. The Bank's liquidity risk is subject to extensive risk management controls and is managed within the framework of policies and limits approved by the Board. The Board receives reports on risk exposures and performance against approved limits. The Liability Committee (LCO) provides senior management oversight of liquidity risk through its weekly meetings.

The key elements of the Bank's liquidity risk management framework include:

- liquidity risk measurement and management limits, including limits on maximum net cash outflow by currency over specified short-term horizons;
- prudent diversification of its wholesale funding activities by using a number of different funding programs to access the global financial markets and manage its maturity profile, as appropriate;
- large holdings of liquid assets to support its operations, which can generally be sold or pledged to meet the Bank's obligations;
- liquidity stress testing, including Bank-specific, global-systemic, and combination systemic/specific scenarios; and
- liquidity contingency planning.

The Bank's foreign operations have liquidity management frameworks that are similar to the Bank's framework. Local deposits are managed from a liquidity risk perspective based on the local management frameworks and regulatory requirements.

(iii) Market risk

Market risk arises from changes in market prices and rates (including interest rates, credit spreads, equity prices, foreign exchange rates and commodity prices), the correlations among them, and their levels of volatility.

Interest rate risk

Interest rate risk, inclusive of credit spread risk, is the risk of loss due to the following: changes in the level, slope and curvature of the yield curve; the volatility of interest rates; mortgage prepayment rates; changes in the market price of credit; and the creditworthiness of a particular issuer.

Non-trading interest rate sensitivity

Based on the Bank's interest rate positions, the following table shows the pro-forma after-tax impact on the Bank's net income over the next twelve months and economic value of shareholders' equity of an immediate and sustained 100 and 200 basis point (bp) increase and decrease in interest rates across major currencies as defined by the Bank.

	As at									
	April 30, 2014						January 31, 2014		April 30, 2013	
	Net income			**Economic value**						
($ millions)	**Canadian dollar**	**Other currencies**	**Total**	**Canadian dollar**	**Other currencies**	**Total**	Net income	Economic value	Net income	Economic value
+ 100 bps	**$ 50**	**$ 132**	**$ 182**	**$ (286)**	**$ (203)**	**$ (489)**	$ 133	$ (516)	$ 94	$ (651)
– 100 bps	**(50)**	**(125)**	**(175)**	**136**	**251**	**387**	(142)	389	(91)	445
+ 200 bps	**$ 101**	**$ 266**	**$ 367**	**$ (719)**	**$ (392)**	**$(1,111)**	$ 267	$ (1,104)	$ 90	$ (1,390)
– 200 bps	**(95)**	**(234)**	**(329)**	**219**	**509**	**728**	(279)	596	(181)	522

Non-trading foreign currency risk

Foreign currency risk is the risk of loss due to changes in spot and forward rates.

As at April 30, 2014, a one per cent increase (decrease) in the Canadian dollar against all currencies in which the Bank operates decreases (increases) the Bank's before-tax annual earnings by approximately $52 million (January 31, 2014 – $53 million; April 30, 2013 – $33 million) in the absence of hedging activity, primarily from exposure to U.S. dollars. The Bank hedges this foreign currency risk.

A similar change in the Canadian dollar as at April 30, 2014, would increase (decrease) the unrealized foreign currency translation losses in the accumulated other comprehensive income section of shareholders' equity by approximately $233 million (January 31, 2014 – $227 million; April 30, 2013 – $198 million), net of hedging.

Non-trading equity risk

Equity risk is the risk of loss due to adverse movements in equity prices. The Bank is exposed to equity risk through its available-for-sale equity portfolios. The fair value of available-for-sale equity securities is shown in Note 7.

Trading portfolio risk management

The table below shows the Bank's VaR by risk factor along with Stressed VaR:

One-day VaR by risk factor

	For the three months ended			As at	As at	
	April 30, 2014			April 30	January 31	April 30
($ millions)	**Average**	**High**	**Low**	**2014**	2014	2013
Credit spread plus interest rate[1]	**$ 13.2**	**$ 16.6**	**$ 10.3**	**$ 16.6**	$ 19.2	$ 10.4
Credit spread	**9.5**	**10.5**	**8.4**	**8.6**	9.6	9.0
Interest rate	**10.4**	**14.9**	**7.1**	**12.9**	14.0	5.2
Equities	**2.5**	**3.3**	**1.7**	**3.0**	2.4	2.3
Foreign exchange	**0.8**	**1.3**	**0.4**	**0.7**	0.6	0.6
Commodities	**2.7**	**3.5**	**2.3**	**2.6**	2.4	2.8
Debt specific	**12.4**	**14.5**	**11.1**	**11.4**	18.7	11.4
Diversification effect	**(13.5)**	**n/a**	**n/a**	**(14.3)**	(17.4)	(13.5)
All-Bank VaR	**$ 18.1**	**$ 21.8**	**$ 16.0**	**$ 20.0**	$ 25.9	$ 14.0
All-Bank Stressed VaR	**$ 30.7**	**$ 33.7**	**$ 26.4**	**$ 28.4**	$ 38.7	$ 31.8

(1) Credit spread plus interest rate was labelled as interest rate previously. Additional granularity is now added to include credit spread and interest rate VaR separately as well as aggregated.

(iv) Operational risk

Operational risk is the risk of loss, whether direct or indirect, to which the Bank is exposed due to inadequate or failed internal processes or systems, human error, or external events. Operational risk includes legal and regulatory risk, business process and change risk, fiduciary or disclosure breaches, technology failure, financial crime and environmental risk. It exists in some form in every Bank business and function.

Operational risk can not only result in financial loss, but also regulatory sanctions and damage to the Bank's reputation. The Bank is very successful at managing operational risk with a view to safeguarding client assets and preserving shareholder value. The Bank has developed policies, processes and assessment methodologies to ensure that operational risk is appropriately identified and managed with effective controls.

(b) Financial instruments designated at fair value through profit or loss

In accordance with its risk management strategy, the Bank has elected to designate certain financial instruments at fair value through profit or loss, with changes in fair values recorded in the Consolidated Statement of Income. These include:

- certain debt investments, in order to significantly reduce an accounting mismatch between fair value changes in these assets and fair value changes in related derivatives.
- certain deposit note liabilities containing embedded features that significantly modify the cash flows of the host liability instrument but are not bifurcated from the host instrument.

The following table presents the fair value of assets and liabilities designated at fair value through profit or loss and their changes in fair value.

	Fair value			Change in fair value[1]				
	As at			For the three months ended			For the six months ended	
($ millions)	**April 30 2014**	January 31 2014	October 31 2013	**April 30 2014**	January 31 2014	April 30 2013	**April 30 2014**	April 30 2013
Investment securities – debt	**$ 114**	$ 114	$ 106	**$ 1**	$ 1	$ 2	**$ 2**	$ 6
Deposit note liabilities[2]	**181**	182	174	**(1)**	1	1	**–**	5

(1) These gain and/or loss amounts are recorded in other operating income – other.
(2) As at April 30, 2014, the Bank was contractually obligated to pay $183 to the holders of the notes at maturity (January 31, 2014 – $185; October 31, 2013 – $176).

(c) Financial instruments – fair value

Fair value of financial instruments

The Bank has controls and processes in place to ensure that the valuation of financial instruments is appropriately determined. Global Risk Management (GRM) is responsible for the design and application of the Bank's risk management framework. GRM is independent from the Bank's business units and is overseen by executive management and the Board of Directors. Senior management committees within GRM oversee and establish standards for risk management processes that are critical in ensuring that appropriate valuation methodologies and policies are in place for determining fair value.

Where possible, valuations are based on quoted prices or observable inputs obtained from active markets. GRM oversees a monthly Independent Price Verification (IPV) process in order to assess the reliability and accuracy of prices and inputs used in the determination of fair value. The IPV process is performed by price verification groups that are independent from the business. The Bank maintains an independent list of pricing sources that are used in the IPV process and approved by a senior management committee. These sources include, but are not limited to, brokers, dealers and consensus pricing services. The valuation policies relating to the IPV process require that all pricing or rate sources used be external to the Bank. On a periodic basis, an independent assessment of pricing or rate sources is also performed by GRM to determine market presence or market representative levels.

Where quoted prices are not readily available, such as for transactions in inactive or illiquid markets, internal models that maximize the use of observable inputs are used to estimate fair value. An independent senior management committee within GRM oversees the vetting, approval and ongoing validation of valuation models used in determining fair value. Risk policies associated with model development are approved by executive management and/or key risk committees.

In determining fair value for certain instruments or portfolios of instruments, valuation adjustments or reserves may be required to arrive at a more accurate representation of fair value. The Bank's policy of applying valuation reserves to a portfolio of instruments is approved by a senior management committee. These reserves include adjustments for bid-offer spreads, unobservable parameters and constraints on prices in inactive or illiquid markets. The methodology for the calculation of valuation reserves are reviewed at least annually by a senior management committee within GRM.

Refer to Note 6 in our 2013 Annual Report for the valuation techniques used to fair value our significant financial assets and liabilities.

The following table sets out the fair values of financial instruments of the Bank. The fair values disclosed do not include non-financial assets, such as property and equipment, goodwill and other intangible assets.

	As at								
	April 30, 2014			January 31, 2014			October 31, 2013[(1)]		
($ millions)	**Total fair value**	**Total carrying value**	**Favourable/ (Unfavourable)**	Total fair value	Total carrying value	Favourable/ (Unfavourable)	Total fair value	Total carrying value	Favourable/ (Unfavourable)
Assets:									
Cash and deposits with financial institutions	**$ 59,758**	**$ 59,758**	**$ –**	$ 55,321	$ 55,321	$ –	$ 53,338	$ 53,338	$ –
Precious metals	**8,181**	**8,181**	**–**	7,571	7,571	–	8,880	8,880	–
Trading assets	**117,728**	**117,728**	**–**	112,975	112,975	–	96,489	96,489	–
Financial assets designated at fair value through profit or loss	**114**	**114**	**–**	114	114	–	106	106	–
Securities purchased under resale agreements and securities borrowed	**83,357**	**83,357**	**–**	82,435	82,435	–	82,533	82,533	–
Derivative financial instruments	**25,223**	**25,223**	**–**	30,391	30,391	–	24,503	24,503	–
Investment securities	**37,387**	**37,387**	**–**	37,893	37,893	–	34,319	34,319	–
Loans	**423,400**	**418,864**	**4,536**	418,915	414,821	4,094	404,710	402,215	2,495
Customers' liability under acceptances	**11,158**	**11,158**	**–**	11,250	11,250	–	10,556	10,556	–
Other assets	**6,430**	**6,430**	**–**	6,977	6,977	–	8,557	8,557	–
Liabilities:									
Deposits	**553,720**	**551,724**	**(1,996)**	541,661	539,599	(2,062)	520,001	518,061	(1,940)
Acceptances	**11,158**	**11,158**	**–**	11,250	11,250	–	10,556	10,556	–
Obligations related to securities sold short	**27,810**	**27,810**	**–**	27,106	27,106	–	24,977	24,977	–
Derivative financial instruments	**28,918**	**28,918**	**–**	32,111	32,111	–	29,267	29,267	–
Obligations related to securities sold under repurchase agreements and securities lent	**88,377**	**88,377**	**–**	87,960	87,960	–	77,508	77,508	–
Subordinated debentures	**5,101**	**4,864**	**(237)**	6,102	5,874	(228)	6,059	5,841	(218)
Other liabilities	**19,382**	**19,177**	**(205)**	20,853	20,633	(220)	26,208	26,208	–

(1) Prior period amounts are retrospectively adjusted to reflect the adoption of the new IFRS standards in 2014 (refer to Note 3).

(d) Fair value hierarchy

The Bank values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Bank maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require significant use of unobservable inputs are considered Level 3.

The following table outlines the fair value hierarchy of instruments carried at recurring fair value.

Recurring fair value measurements

	As at April 30, 2014			
($ millions)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Trading assets				
Loans	$ –	$ 12,271	$ –	$ 12,271
Canadian federal government and government guaranteed debt	17,396	32	–	17,428
Canadian provincial and municipal debt	–	7,285	–	7,285
US treasury and other US agencies' debt	15,264	–	–	15,264
Other foreign governments' debt	7,505	1,923	–	9,428
Corporate and other debt	260	12,422	32	12,714
Income trusts/funds and hedge funds	153	3,771	1,212	5,136
Equity securities	36,056	187	37	36,280
	$ 76,634	$ 37,891	$ 1,281	$ 115,806
Financial assets designated at fair value through profit or loss				
Hedge funds	$ –	$ 19	$ 23	$ 42
Corporate and other debt	–	72	–	72
	$ –	$ 91	$ 23	$ 114
Investment securities[1]				
Canadian federal government and government guaranteed debt	$ 5,560	$ 1,250	$ –	$ 6,810
Canadian provincial and municipal debt	878	2,715	–	3,593
US treasury and other US agencies' debt	5,101	170	–	5,271
Other foreign governments' debt	5,225	4,647	392	10,264
Bonds of designated emerging markets	68	40	–	108
Corporate and other debt	792	5,635	611	7,038
Mortgage backed securities	–	117	41	158
Equity securities	2,620	214	1,143	3,977
	$ 20,244	$ 14,788	$ 2,187	$ 37,219
Derivative financial instruments				
Interest rate contracts	$ –	$ 11,376	$ 122	$ 11,498
Foreign exchange and gold contracts	3	9,096	–	9,099
Equity contracts	158	814	492	1,464
Credit contracts	–	1,026	12	1,038
Other	546	1,570	8	2,124
	$ 707	$ 23,882	$ 634	$ 25,223
Liabilities:				
Deposits[2]	$ –	$ 106	$ 1,008	$ 1,114
Financial liabilities designated at fair value through profit or loss	$ –	$ 181	$ –	$ 181
Obligations related to securities sold short	$ 23,725	$ 4,085	$ –	$ 27,810
Derivative financial instruments				
Interest rate contracts	$ –	$ 11,363	$ 34	$ 11,397
Foreign exchange and gold contracts	2	8,318	–	8,320
Equity contracts	353	1,964	616	2,933
Credit contracts	–	4,802	11	4,813
Other	545	910	–	1,455
	$ 900	$ 27,357	$ 661	$ 28,918

(1) Excludes investments which are held-to-maturity of $168.
(2) These amounts represent embedded derivatives bifurcated from structured deposit notes.

	As at January 31, 2014			
($ millions)	Level 1	Level 2	Level 3	Total
Assets:				
Trading assets				
Loans	$ –	$ 11,798	$ –	$ 11,798
Canadian federal government and government guaranteed debt	13,402	–	–	13,402
Canadian provincial and municipal debt	–	8,124	–	8,124
US treasury and other US agencies' debt	14,490	–	–	14,490
Other foreign governments' debt	9,338	1,630	–	10,968
Corporate and other debt	162	12,080	31	12,273
Income trusts/funds and hedge funds	149	3,785	1,373	5,307
Equity securities	34,775	175	69	35,019
	$ 72,316	$ 37,592	$ 1,473	$ 111,381
Financial assets designated at fair value through profit or loss				
Hedge funds	$ –	$ 19	$ 22	$ 41
Corporate and other debt	–	73	–	73
	$ –	$ 92	$ 22	$ 114
Investment securities[1]				
Canadian federal government and government guaranteed debt	$ 6,368	$ 241	$ –	$ 6,609
Canadian provincial and municipal debt	1,052	2,682	–	3,734
US treasury and other US agencies' debt	4,833	242	–	5,075
Other foreign governments' debt	5,105	4,797	384	10,286
Bonds of designated emerging markets	70	38	–	108
Corporate and other debt	1,056	5,882	801	7,739
Mortgage backed securities	–	118	41	159
Equity securities	2,627	218	1,157	4,002
	$ 21,111	$ 14,218	$ 2,383	$ 37,712
Derivative financial instruments				
Interest rate contracts	$ –	$ 11,845	$ 114	$ 11,959
Foreign exchange and gold contracts	–	13,543	–	13,543
Equity contracts	122	1,358	361	1,841
Credit contracts	–	995	10	1,005
Other	620	1,416	7	2,043
	$ 742	$ 29,157	$ 492	$ 30,391
Liabilities:				
Deposits[2]	$ –	$ 36	$ 1,033	$ 1,069
Financial liabilities designated at fair value through profit or loss	$ –	$ 182	$ –	$ 182
Obligations related to securities sold short	$ 24,230	$ 2,876	$ –	$ 27,106
Derivative financial instruments				
Interest rate contracts	$ –	$ 11,747	$ 35	$ 11,782
Foreign exchange and gold contracts	–	11,389	–	11,389
Equity contracts	317	1,469	788	2,574
Credit contracts	–	4,736	17	4,753
Other	536	1,076	1	1,613
	$ 853	$ 30,417	$ 841	$ 32,111

(1) Excludes investments which are held-to-maturity of $181.
(2) These amounts represent embedded derivatives bifurcated from structured deposit notes.

	As at October 31, 2013[2]			
($ millions)	Level 1	Level 2	Level 3	Total
Assets:				
Trading assets				
Loans	$ –	$ 11,225	$ –	$ 11,225
Canadian federal government and government guaranteed debt	11,587	–	–	11,587
Canadian provincial and municipal debt	–	6,697	–	6,697
US treasury and other US agencies' debt	12,239	–	–	12,239
Other foreign governments' debt	6,183	1,092	–	7,275
Corporate and other debt	219	10,878	31	11,128
Income trusts/funds and hedge funds	163	4,093	1,248	5,504
Equity securities	29,468	214	84	29,766
	$ 59,859	$ 34,199	$ 1,363	$ 95,421
Financial assets designated at fair value through profit or loss				
Hedge funds	$ –	$ –	$ 37	$ 37
Corporate and other debt	–	69	–	69
	$ –	$ 69	$ 37	$ 106
Investment securities[1]				
Canadian federal government and government guaranteed debt	$ 6,874	$ 245	$ –	$ 7,119
Canadian provincial and municipal debt	988	2,275	–	3,263
US treasury and other US agencies' debt	2,622	173	–	2,795
Other foreign governments' debt	4,406	5,383	402	10,191
Bonds of designated emerging markets	112	37	–	149
Corporate and other debt	1,211	5,083	487	6,781
Mortgage backed securities	–	116	12	128
Equity securities	2,391	217	1,113	3,721
	$ 18,604	$ 13,529	$ 2,014	$ 34,147
Derivative financial instruments				
Interest rate contracts	$ –	$ 11,893	$ 88	$ 11,981
Foreign exchange and gold contracts	2	8,846	37	8,885
Equity contracts	242	785	302	1,329
Credit contracts	–	953	13	966
Other	461	874	7	1,342
	$ 705	$ 23,351	$ 447	$ 24,503
Liabilities:				
Deposits[3]	$ –	$ 25	$ 937	$ 962
Financial liabilities designated at fair value through profit or loss	$ –	$ 174	$ –	$ 174
Obligations related to securities sold short	$ 22,441	$ 2,536	$ –	$ 24,977
Derivative financial instruments				
Interest rate contracts	$ –	$ 11,772	$ 15	$ 11,787
Foreign exchange and gold contracts	1	7,505	–	7,506
Equity contracts	464	2,503	745	3,712
Credit contracts	–	5,039	23	5,062
Other	371	828	1	1,200
	$ 836	$ 27,647	$ 784	$ 29,267

(1) Excludes investments which are held-to-maturity of $172.
(2) Prior period amounts are retrospectively adjusted to reflect the adoption of the new IFRS standards in 2014 (refer to Note 3).
(3) These amounts represent embedded derivatives bifurcated from structured deposit notes.

Non-recurring fair value measurements

There were no non-recurring measurements during the quarters ended April 30, 2014 and January 31, 2014.

Level 3 instrument fair value changes

The following table summarizes the changes in Level 3 instruments for the three months ended April 30, 2014:

All positive balances represent assets and negative balances represent liabilities. Consequently, positive amounts indicate purchases of assets or settlement of liabilities and negative amounts indicate sales of assets or issuances of liabilities.

	As at April 30, 2014							
($ millions)	Fair value, beginning of period	Gains/ (losses) recorded in income[1]	Gains/ (losses) recorded in OCI[2]	Purchases/ Issuances	Sales/ Settlements	Transfers into / (out of) Level 3	**Fair value, end of period**	Change in unrealized gains/(losses) recorded in income for instruments still held[3]
Trading assets								
Corporate and other debt	$ 31	$ 1	$ –	$ –	$ –	$ –	**$ 32**	$ –
Income trusts/funds and hedge funds	1,395	(23)	–	–	(137)	–	**1,235**	(25)[4]
Equity securities	69	(2)	–	–	(30)	–	**37**	(1)
	1,495	(24)	–	–	(167)	–	**1,304**	(26)
Investment securities								
Other foreign governments' debt	384	2	–	6	–	–	**392**	–
Corporate and other debt	801	76	(91)	–	(175)	–	**611**	–
Mortgage backed securities	41	1	–	–	(1)	–	**41**	–
Equity securities	1,157	59	16	28	(117)	–	**1,143**	–
	2,383	138	(75)	34	(293)	–	**2,187**	–
Derivative financial instruments-assets								
Interest rate contracts	114	14	–	2	(8)	–	**122**	14
Foreign exchange and gold contracts	–	–	–	–	–	–	**–**	–
Equity contracts	361	19	–	2	(46)	156	**492**	19[5]
Credit contracts	10	2	–	–	–	–	**12**	2
Other	7	4	–	–	(3)	–	**8**	4
Derivative financial instruments-liabilities								
Interest rate contracts	(35)	5	–	(4)	–	–	**(34)**	5
Equity contracts	(788)	(55)	–	(1)	318	(90)	**(616)**	(38)[5]
Credit contracts	(17)	6	–	–	–	–	**(11)**	3
Other	(1)	–	–	–	1	–	**–**	–
	(349)	(5)	–	(1)	262	66	**(27)**	9
Deposits[6]	(1,033)	25	–	–	–	–	**(1,008)**	25[4]
Total	$ 2,496	$ 134	$ (75)	$ 33	$ (198)	$ 66	**$ 2,456**	$ 8

(1) Gains and losses on trading assets and all derivative financial instruments are included in trading revenues in the Consolidated Statement of Income. Gains and losses on disposal of investment securities are included in net gain on sale of investment securities in the Consolidated Statement of Income.
(2) Gains and losses from fair value changes of investment securities are presented in the net change in unrealized gains (losses) on available-for-sale securities in the Consolidated Statement of Shareholder's Equity — Accumulated Other Comprehensive Income.
(3) These amounts represent the gains and losses from fair value changes of Level 3 instruments still held at the end of the period that are recorded in the Consolidated Statement of Income.
(4) The unrealized losses on income trusts/funds and hedge funds units are offset by the mark-to-market changes in an equity-linked deposit note and certain other derivative instruments in structured transactions. Both losses and offsetting gains are included in trading revenues in the Consolidated Statement of Income.
(5) Certain unrealized gains and losses on derivative assets and liabilities are largely offset by mark-to-market changes on other instruments included in trading revenues in the Consolidated Statement of Income, since these instruments act as an economic hedge to certain derivative assets and liabilities.
(6) These amounts represent embedded derivatives bifurcated from structured deposit notes.

The following tables summarizes the changes in Level 3 instruments for the quarter ended January 31, 2014 and October 31, 2013[1]:

	As at January 31, 2014						
($ millions)	Fair value, beginning of period	Gains/ (losses) recorded in income[2]	Gains/ (losses) recorded in OCI	Purchases	Sales	Transfers into/ (out of) Level 3	**Fair value, end of period**
Trading assets[3]	$ 1,400	$ 123	$ –	$ 10	$ (38)	$ –	$ 1,495
Investment securities	2,014	85	41	520	(277)	–	2,383
Derivative financial instruments	(337)	(25)	–	(21)	84	(50)	(349)
Deposits[4]	(937)	(96)	–	–	–	–	(1,033)

(1) Prior period amounts are retrospectively adjusted to reflect the adoption of the new IFRS standards in 2014 (refer to Note 3).
(2) Gains or losses for items in Level 3 may be offset with losses or gains on related hedges in Level 1 or Level 2.
(3) Trading assets include an insignificant amount of financial assets designated at fair value through profit or loss.
(4) These amounts represent embedded derivatives bifurcated from structured deposit notes.

($ millions)	As at October 31, 2013						
	Fair value, beginning of period	Gains/ (losses) recorded in income[2]	Gains/ (losses) recorded in OCI	Purchases	Sales	Transfers into/ (out of) Level 3	Fair value, end of period
Trading assets[3]	$ 1,540	$ 17	$ –	$ –	$ (157)	$ –	$ 1,400
Investment securities	1,977	29	14	195	(193)	(8)	2,014
Derivative financial instruments	(308)	(29)	–	65	(46)	(19)	(337)
Deposits[4]	(930)	(7)	–	–	–	–	(937)

(1) Prior period amounts are retrospectively adjusted to reflect the adoption of the new IFRS standards in 2014 (refer to Note 3).
(2) Gains or losses for items in Level 3 may be offset with losses or gains on related hedges in Level 1 or Level 2.
(3) Trading assets include an insignificant amount of financial assets designated at fair value through profit or loss.
(4) These amounts represent embedded derivatives bifurcated from structured deposit notes.

Level 3 sensitivity analysis

The table below sets out information about significant unobservable inputs used in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

	Valuation technique	**Significant unobservable inputs**	**Range of estimates for unobservable inputs[1]**	**Changes in fair value from reasonably possible alternatives (*$ millions*)**
Trading assets				
Corporate and other debt	Model based	Default correlation	65% -84%	–
Income trusts/funds and hedge funds[2]	Net asset value based	Net asset value	n/a	n/a
Private equity securities[2]	Net asset value based	Net asset value	n/a	n/a
Investment securities				
Other foreign governments' debt	Price based	Price	99.5% -100% of par value	(2)/–
Corporate and other debt	Price based Discounted cash flow Model based	Price Discount rate Credit spread Default correlation	50 bps 65% -84%	(15)/3
Mortgage backed securities	Price based	Price	95%	–
Private equity securities	Market comparable	General Partner valuations per statements	100%	(48)/47
Derivative financial instruments				
Interest rate contracts	Option pricing model	Interest rate volatility	12% -185%	(1)/1
Equity contracts	Option pricing model	Equity volatility Single stock correlation	4.5% -78.5% -77% -100%	(10)/10
Credit contracts	Model based	Default correlation	46% -92%	(3)/3

(1) The range of estimates represents the actual lowest and highest level inputs used to fair value financial instruments within each financial statement category.
(2) The valuation of private equity, hedge fund investments and embedded derivatives, bifurcated from structured deposit notes, utilize net asset values as reported by fund managers. Net asset values are not considered observable as we cannot redeem these instruments at this value. The range for net asset values per unit or price per share has not been disclosed for these instruments since the valuations are not model-based.

The Bank applies judgment in determining unobservable inputs used to calculate the fair value of Level 3 instruments.

The following section discusses the significant unobservable inputs for Level 3 instruments and assesses the potential effect that a change in each unobservable input may have on the fair value measurement.

Correlation

Correlation in a credit derivative or debt instrument refers to the likelihood of a single default causing a succession of defaults. It affects the distribution of the defaults throughout the portfolio and therefore affects the valuation of instruments such as CDO tranches. A higher correlation may increase or decrease fair value depending on the seniority of the instrument.

Correlation becomes an input into equity derivative pricing when the relationship between price movements of two or more of the underlying assets is relevant.

Discount rate

The discount rate is an interest rate used to bring future values of cash flows into the present when considering the time value of money. An increase in the discount rate would result in a decrease in the fair value of an instrument, and vice versa. The discount rate at any given time is the sum of the current risk free rate and a risk premium. The riskier the cash flows, the higher the risk premium.

Credit spread

A credit spread represents the risk premium associated with an instrument that has a higher credit risk as compared to a benchmark debt instrument (usually a government bond) with a similar maturity. An increase in the credit spread will result in a decrease in fair value, and vice versa.

General Partner (GP) valuations per statements

Asset values provided by GPs represent the fair value of investments in private equity funds.

Volatility

Volatility is a measure of security price variation. Historic volatility is often calculated as the annualized standard deviation of daily price returns for a given time period. Implied volatility is that volatility, when input into an option pricing model, which returns a value equal to the current market value of the option.

Changes in fair value from reasonably possible alternatives

The fair value of Level 3 instruments is determined using management's judgements about the appropriate value of unobservable inputs. Due to the unobservable nature of the inputs used, there may be uncertainty about the valuation of Level 3 instruments. Management has used reasonably possible alternative assumptions to determine the sensitivity of these inputs and the resulting potential impact on fair value of these Level 3 instruments.

For the Bank's investment securities, the impact of applying these other reasonably possible inputs is a potential gain of $50 million and a potential loss of $65 million (January 31, 2014 – potential gain of $49 million and a potential loss of $49 million; October 31, 2013 – potential gain of $3 million and a potential loss of $3 million) recorded through other comprehensive income.

For the Bank's trading securities, derivative instruments and obligations related to securities sold short, the impact of applying these other reasonably possible assumptions is a potential net gain of $14 million and a potential net loss of $14 million (January 31, 2014 – potential net gain of $17 million and a potential net loss of $17 million; October 31, 2013 – potential net gain of $16 million and a potential net loss of $16 million).

A sensitivity analysis has not been performed on certain equity investments not quoted in an active market that are hedged with total return swaps.

Significant transfers

Significant transfers can occur between the fair value hierarchy levels due to additional or new information regarding valuation inputs and their observability. The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

During the three months ended April 30, 2014, derivative assets of $99 million were transferred from Level 3 to Level 2 and derivative assets of $255 million were transferred to Level 3 from Level 2. Derivative liabilities of $140 million were transferred from Level 2 to Level 3 and derivative liabilities of $50 million were transferred to Level 2 from Level 3.

During the three months ended January 31, 2014, derivative assets of $30 million were transferred from Level 3 to Level 2 and derivative assets of $10 million were transferred to Level 3 from Level 2. Derivative liabilities of $30 million were transferred from Level 2 to Level 3.

During the three months ended October 31, 2013, derivative liabilities of $29 million were transferred from Level 2 to Level 3. Derivative liabilities of $10 million were transferred to Level 2 from Level 3.

All transfers were as a result of new information being obtained regarding the observability of inputs used in the valuation.

23. Contractual maturities

The table below provides the maturity of assets and liabilities as well as the off-balance sheet commitments based on the contractual maturity date. From a liquidity risk perspective the Bank considers factors other than contractual maturity in the assessment of liquid assets or in determining expected future cash flows. In particular, for securities with a fixed maturity date, the ability and time horizon to raise cash from these securities is more relevant to liquidity management than contractual maturity. For other assets and deposits the Bank uses assumptions about rollover rates to assess liquidity risk for normal course and stress scenarios. Similarly, the Bank uses assumptions to assess the potential drawdown of credit commitments in various scenarios.

	As at April 30, 2014									
($ millions)	**Less than one month**	**One to three months**	**Three to six months**	**Six to nine months**	**Nine to twelve months**	**One to two years**	**Two to five years**	**Over five years**	**No specific maturity**	**Total**
Assets										
Cash and deposits with financial institutions and precious metals	**$55,899**	**$ 866**	**$ 176**	**$ 80**	**$ 184**	**$ 71**	**$ 113**	**$ 10**	**$ 10,540**	**$ 67,939**
Trading assets	**6,243**	**7,628**	**3,846**	**3,231**	**1,708**	**9,711**	**18,485**	**23,531**	**43,345**	**117,728**
Financial assets designated at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**	**72**	**–**	**–**	**42**	**114**
Securities purchased under resale agreements and securities borrowed	**65,472**	**10,685**	**3,946**	**1,865**	**1,310**	**79**	**–**	**–**	**–**	**83,357**
Derivative financial instruments	**857**	**1,088**	**1,293**	**1,336**	**589**	**2,935**	**6,497**	**10,628**	**–**	**25,223**
Investment securities	**2,135**	**3,530**	**2,418**	**1,571**	**1,665**	**7,037**	**11,567**	**3,476**	**3,988**	**37,387**
Loans	**23,918**	**27,904**	**24,122**	**19,343**	**26,090**	**77,832**	**148,797**	**26,494**	**44,364**	**418,864**
Residential mortgages	**3,222**	**6,864**	**9,857**	**7,891**	**14,986**	**53,663**	**95,909**	**16,716**	**1,758**[1]	**210,866**
Personal and credit cards	**3,043**	**1,844**	**2,252**	**2,000**	**1,913**	**7,413**	**15,254**	**4,482**	**40,969**	**79,170**
Business and government	**17,653**	**19,196**	**12,013**	**9,452**	**9,191**	**16,756**	**37,634**	**5,296**	**5,001**[2]	**132,192**
Allowance for credit losses	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,364)**	**(3,364)**
Customers' liabilities under acceptances	**8,525**	**2,547**	**86**	**–**	**–**	**–**	**–**	**–**	**–**	**11,158**
Other assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**30,002**	**30,002**
Liabilities and equity										
Deposits	**$62,705**	**$53,667**	**$46,952**	**$41,567**	**$21,697**	**$43,456**	**$ 70,686**	**$ 8,553**	**$202,441**	**$551,724**
Personal	**6,898**	**6,805**	**7,819**	**9,090**	**7,853**	**17,507**	**18,293**	**256**	**98,788**	**173,309**
Non-personal	**55,807**	**46,862**	**39,133**	**32,477**	**13,844**	**25,949**	**52,393**	**8,297**	**103,653**	**378,415**
Acceptances	**8,525**	**2,547**	**86**	**–**	**–**	**–**	**–**	**–**	**–**	**11,158**
Obligations related to securities sold short	**338**	**475**	**733**	**364**	**1,600**	**3,783**	**7,432**	**9,740**	**3,345**	**27,810**
Derivative financial instruments	**1,233**	**1,246**	**1,222**	**1,496**	**639**	**3,794**	**8,154**	**11,134**	**–**	**28,918**
Obligations related to securities sold under repurchase agreements and securities lent	**74,520**	**5,512**	**3,246**	**3,433**	**1,666**	**–**	**–**	**–**	**–**	**88,377**
Subordinated debentures	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,870**	**(6)**	**4,864**
Other liabilities	**551**	**71**	**219**	**212**	**144**	**1,140**	**3,344**	**2,933**	**22,850**	**31,464**
Total equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**47,457**	**47,457**
Off-Balance sheet commitments										
Operating leases	**$ 26**	**$ 54**	**$ 76**	**$ 77**	**$ 75**	**$ 262**	**$ 550**	**$ 602**	**$ –**	**$ 1,722**
Credit commitments[3]	**1,221**	**6,105**	**9,010**	**9,343**	**12,098**	**14,804**	**57,577**	**10,600**	**5**	**120,763**
Financial guarantees[4]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**27,402**	**27,402**
Outsourcing obligations	**20**	**39**	**56**	**59**	**57**	**223**	**408**	**1**	**1**	**864**

(1) Includes primarily impaired mortgages.
(2) Includes primarily overdrafts and impaired loans.
(3) Includes the undrawn component of committed credit and liquidity facilities.
(4) Includes outstanding balances of guarantees, standby letters of credit and commercial letters of credit which may expire undrawn.

	As at January 31, 2014									
($ millions)	Less than one month	One to three months	Three to six months	Six to nine months	Nine to twelve months	One to two years	Two to five years	Over five years	No specific maturity	Total
Assets										
Cash and deposits with financial institutions and precious metals	$50,068	$ 1,289	$ 294	$ 70	$ 68	$ 49	$ 62	$ 6	$ 10,986	$ 62,892
Trading assets	5,807	5,467	5,299	3,093	3,478	8,847	19,235	19,913	41,836	112,975
Financial assets designated at fair value through profit or loss	–	–	–	–	–	11	61	–	42	114
Securities purchased under resale agreements and securities borrowed	60,861	14,712	4,042	706	1,964	150	–	–	–	82,435
Derivative financial instruments	1,799	2,563	1,389	1,505	1,383	2,958	8,021	10,773	–	30,391
Investment securities	1,870	1,747	3,678	1,629	1,173	5,718	13,729	4,329	4,020	37,893
Loans	22,705	21,213	26,724	21,945	19,638	77,607	154,571	26,773	43,645	414,821
Residential mortgages	2,884	3,632	10,982	10,537	7,811	54,721	101,739	17,215	1,541[1]	211,062
Personal and credit cards	2,985	1,535	2,619	2,175	1,926	6,729	14,821	4,406	40,431	77,627
Business and government	16,836	16,046	13,123	9,233	9,901	16,157	38,011	5,152	5,034[2]	129,493
Allowance for credit losses	–	–	–	–	–	–	–	–	(3,361)	(3,361)
Customers' liabilities under acceptances	8,692	2,353	205	–	–	–	–	–	–	11,250
Other assets	–	–	–	–	–	–	–	–	30,064	30,064
Liabilities and equity										
Deposits	$66,112	$55,806	$44,396	$24,747	$32,452	$42,592	$ 69,051	$ 9,659	$194,784	$539,599
Personal	7,505	6,444	8,625	7,053	9,419	17,428	18,536	217	98,897	174,124
Non-personal	58,607	49,362	35,771	17,694	23,033	25,164	50,515	9,442	95,887	365,475
Acceptances	8,692	2,353	205	–	–	–	–	–	–	11,250
Obligations related to securities sold short	189	175	734	5	242	4,043	11,331	8,301	2,086	27,106
Derivative financial instruments	1,620	2,382	1,539	893	1,606	3,512	9,479	11,080	–	32,111
Obligations related to securities sold under repurchase agreements and securities lent	73,983	6,993	1,903	2,581	2,500	–	–	–	–	87,960
Subordinated debentures	–	–	–	–	–	–	–	5,874	–	5,874
Other liabilities	119	179	176	184	232	1,266	3,279	3,018	23,123	31,576
Total equity	–	–	–	–	–	–	–	–	47,359	47,359
Off-Balance sheet commitments										
Operating leases	$ 25	$ 55	$ 76	$ 74	$ 73	$ 255	$ 537	$ 585	$ –	$ 1,680
Credit commitments[3]	3,314	6,154	11,447	9,526	10,908	13,127	60,651	10,860	5	125,992
Financial guarantees[4]	–	–	–	–	–	–	–	–	27,681	27,681
Outsourcing obligations	21	40	59	59	57	221	396	2	1	856

(1) Includes primarily impaired mortgages.
(2) Includes primarily overdrafts and impaired loans.
(3) Includes the undrawn component of committed credit and liquidity facilities.
(4) Includes outstanding balances of guarantees, standby letters of credit and commercial letters of credit which may expire undrawn.

	As at October 31, 2013[1]									
($ millions)	Less than one month	One to three months	Three to six months	Six to nine months	Nine to twelve months	One to two years	Two to five years	Over five years	No specific maturity	Total
Assets										
Cash and deposits with financial institutions and precious metals	$48,721	$ 1,173	$ 163	$ 44	$ 13	$ 66	$ 40	$ 10	$ 11,988	$ 62,218
Trading assets	5,698	6,588	2,551	2,845	1,722	8,055	16,200	16,495	36,335	96,489
Financial assets designated at fair value through profit or loss	–	–	–	–	–	11	58	–	37	106
Securities purchased under resale agreements and securities borrowed	61,155	12,902	5,735	1,513	1,154	74	–	–	–	82,533
Derivative financial instruments	924	1,712	1,182	764	1,025	2,373	6,766	9,757	–	24,503
Investment securities	1,598	2,883	3,073	2,103	1,235	5,321	11,002	3,383	3,721	34,319
Loans	23,571	20,805	19,196	22,971	20,994	72,664	153,441	25,497	43,076	402,215
Residential mortgages	3,748	4,190	5,967	12,255	10,658	50,964	103,975	16,661	1,447[2]	209,865
Personal and credit cards	4,499	1,337	1,885	2,345	1,827	6,152	13,629	4,326	40,008	76,008
Business and government	15,324	15,278	11,344	8,371	8,509	15,548	35,837	4,510	4,894[3]	119,615
Allowance for credit losses	–	–	–	–	–	–	–	–	(3,273)	(3,273)
Customers' liabilities under acceptances	8,114	2,312	129	1	–	–	–	–	–	10,556
Other assets	–	–	–	–	–	–	–	–	30,705	30,705
Liabilities and equity										
Deposits	$59,727	$60,296	$46,156	$18,572	$19,540	$50,778	$ 62,998	$ 8,123	$191,871	$518,061
Personal	8,693	8,440	8,400	7,900	7,205	17,902	17,051	190	95,267	171,048
Non-personal	51,034	51,856	37,756	10,672	12,335	32,876	45,947	7,933	96,604	347,013
Acceptances	8,114	2,312	129	1	–	–	–	–	–	10,556
Obligations related to securities sold short	406	32	1,009	209	792	3,434	10,601	6,011	2,483	24,977
Derivative financial instruments	1,065	1,812	1,609	1,248	1,128	3,313	9,106	9,986	–	29,267
Obligations related to securities sold under repurchase agreements and securities lent	56,290	14,104	4,256	434	2,419	5	–	–	–	77,508
Subordinated debentures	–	–	–	–	–	–	–	5,841	–	5,841
Other liabilities	406	601	228	192	247	856	3,736	3,009	22,772	32,047
Total equity	–	–	–	–	–	–	–	–	45,387	45,387
Off-Balance sheet commitments										
Operating leases	$ 24	$ 51	$ 75	$ 71	$ 68	$ 245	$ 506	$ 499	$ –	$ 1,539
Credit commitments[4]	3,042	3,143	9,637	11,671	12,060	11,728	64,194	2,670	5	118,150
Financial guarantees[5]	–	–	–	–	–	–	–	–	26,002	26,002
Outsourcing obligations	20	39	61	59	59	228	445	2	1	914

(1) *Prior period amounts are retrospectively adjusted to reflect the adoption of new IFRS standards in 2014 (refer to Note 3).*
(2) *Includes primarily impaired mortgages.*
(3) *Includes primarly overdrafts and impaired loans.*
(4) *Includes the undrawn component of committed credit and liquidity facilities.*
(5) *Includes outstanding balances of guarantees, standby letters of credit and commercial letters of credit which may expire undrawn.*

24. Events after the Consolidated Statement of Financial Position date

Canadian Tire Financial Services

On May 8, 2014, the Bank announced its agreement to acquire a 20% equity interest in Canadian Tire Financial Services (CTFS), a wholly owned subsidiary of Canadian Tire Corporation (Canadian Tire) for $500 million in cash (the transaction). Under the agreement Canadian Tire has an option to sell up to an additional 29% equity interest within the next 10 years at the then fair value. After the 10 years, for a period of six months the Bank has the option to sell its equity interest to Canadian Tire at the then fair value. The Bank will also provide a funding commitment to CTFS of $2.25 billion for financing credit card receivables. This transaction is subject to customary closing conditions and regulatory approvals and is expected to close in the fourth quarter of 2014. This investment, after closing, will be accounted for under the equity method of accounting.

Normal Course Issuer Bid

On May 27, 2014, the Bank announced that the Toronto Stock Exchange (TSX) and OSFI approved the Bank's normal course issuer bid pursuant to which it may re-purchase for cancellation up to 12 million of the Bank's common shares. This represents approximately 1% of the Bank's common shares outstanding. The purchases under the bid may commence on May 30, 2014, and will end on the earlier of May 29, 2015, or the date on which the Bank completes its purchases. On a quarterly basis, the Bank will consult with OSFI prior to making purchases.

Dividend declared

The Board of Directors, at its meeting on May 26, 2014, approved a quarterly dividend of 64 cents per common share. This quarterly dividend applies to shareholders of record as of July 2, 2014, and is payable July 29, 2014.

Approval of interim financial statements

The Board of Directors reviewed the April 30, 2014 condensed interim consolidated financial statements and approved them for issue on May 27, 2014.

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. 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 2014

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

Record Date	Payment Date
January 7	January 29
April 1	April 28
July 2	July 29
October 7	October 29

Annual Meeting date for fiscal 2014

The Annual Meeting for the fiscal year 2014 is scheduled for April 9, 2015.

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.

Normal Course Issuer Bid

A copy of the Notice of Intention to commence the Normal Course Issuer Bid is available without charge by contacting the Secretary's Department at 416-866-3672.

Website

For information relating to Scotiabank and its services, visit us at our website: www.scotiabank.com.

Conference call and Web broadcast

The quarterly results conference call will take place on May 27, 2014, at 8.00 am EDT and is expected to last approximately one hour. Interested parties are invited to access the call live, in listen-only mode, by telephone, toll-free, at (416) 644-3414 or 1-800-814-4859 (please call five to 15 minutes in advance). In addition, an audio webcast, with accompanying slide presentation, may be accessed via the Investor Relations page of www.scotiabank.com. Following discussion of the results by Scotiabank executives, there will be a question and answer session.

A telephone replay of the conference call will be available from May 28, 2014, to June 11, 2014, by calling (416) 640-1917 or 1-877-289-8525 (North America toll free) and entering the identification code 4654853#. The archived audio webcast will be available on the Bank's website for three months.

Contact information

Investors:

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) 775-0798
Fax: (416) 866-7867
E-mail: investor.relations@scotiabank.com

Media:

For media enquiries, please contact the Public and Corporate Affairs Department at the above address.

Telephone: (416) 866-6806
Fax: (416) 866-4988
E-mail: corporate.communications@scotiabank.com

Shareholders:

For enquiries related to changes in share registration or address, dividend information, lost share certificates, estate transfers, or to advise of duplicate mailings, please contact the Bank's transfer agent:

Computershare Trust Company of Canada
100 University Avenue, 8th Floor
Toronto, Ontario, Canada M5J 2Y1
Telephone: 1-877-982-8767
Fax: 1-888-453-0330
E-mail: service@computershare.com

Shareholders (continued):

Co-Transfer Agent (U.S.A.)
Computershare Trust Company N.A.
250 Royall Street
Canton, MA 02021 U.S.A.
Telephone: 1-800-962-4284

For other shareholder enquiries, please contact the Finance Department:
Scotiabank
Scotia Plaza, 44 King Street West
Toronto, Ontario, Canada M5H 1H1
Telephone: (416) 866-4790
Fax: (416) 866-4048
E-mail: corporate.secretary@scotiabank.com

Rapport trimestriel disponible en français

Le Rapport annuel et les états financiers 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 Relations publiques, Affaires de la société et Affaires gouvernementales, La Banque de Nouvelle-Écosse, 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.

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

Scotiabank®