

To Our Shareholders

The Directors are pleased to announce that the Scotiabank Group realised income after tax of \$330.0 million for the nine months ended 31 July 2009, an increase of 0.2% over the comparative period.

As mentioned in our two previous quarterly statements, the worldwide recession together with low energy prices have impacted our economy and by extension, our results, as our growth has been inhibited. Additionally, we were negatively impacted by an

increase in loan loss expense of \$39.7MM year over year, as a result of the challenging economic environment.

The Board is satisfied that the level of loan loss provisioning is adequate to cover our risks and the Bank's credit policies would ensure sound management of these risks.

Our subsidiaries continue to perform creditably with Scotialife enjoying growth of 17% year over year as we build our policyholders' base. Scotiastream has now facilitated \$975 million

of capital market transactions over the period and has reported an increase in profitability year over year.

On the basis of performance to date, the Directors have resolved that the Bank pay a third interim dividend of 25 cents per ordinary share (2008 - 25 cents) on 08 October 2009 to shareholders on record as at 08 September 2009.

Richard Young
26 August 2009
R.P. Young - Managing Director

Consolidated Balance Sheet (Stated In \$'000)

	UNAUDITED As at 31 July 2009	UNAUDITED As at 31 July 2008	AUDITED As at 31 October 2008
ASSETS			
Cash on hand and in transit	\$ 75,835	\$ 90,894	\$ 86,888
Due from banks and related companies	1,480,683	669,101	938,228
Treasury bills	655,822	172,647	279,539
Deposits with Central Bank	2,486,266	1,751,821	1,554,206
Net Loans to customers	10,315,201	9,971,412	10,476,303
Assets purchased under resale agreements	8,271	-	13,876
Investment securities	1,328,074	418,957	606,421
Investment in associate companies	9,684	7,903	9,684
Property, plant and equipment	240,446	207,546	209,741
Miscellaneous assets	159,805	134,868	151,965
Goodwill	3,051	-	2,496
TOTAL ASSETS	\$ 16,763,138	\$ 13,425,149	\$ 14,329,347
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits	\$ 11,864,779	\$ 9,704,724	\$ 9,671,628
Due to banks and related companies	1,155,206	1,052,918	1,158,308
Other liabilities	222,664	145,572	164,676
Securities sold under repurchase agreement	76,839	229,042	167,979
Provision for taxation	26,931	39,356	42,420
Policyholders' funds	335,306	254,005	273,329
Debt security in issue	1,000,000	200,000	1,000,000
Deferred tax liability	23,349	19,593	18,519
TOTAL LIABILITIES	14,705,074	11,645,210	12,496,859
SHAREHOLDERS' EQUITY			
Stated capital	267,563	267,563	267,563
Statutory reserve fund	337,563	297,563	297,563
Investment revaluation reserve	24,358	2,506	(3,478)
Retained earnings	1,428,580	1,212,307	1,270,840
TOTAL SHAREHOLDERS' EQUITY	2,058,064	1,779,939	1,832,488
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 16,763,138	\$ 13,425,149	\$ 14,329,347

Consolidated Income Statement (Stated In \$'000)

	UNAUDITED Nine months ended 31 July 2009	UNAUDITED Nine months ended 31 July 2008	AUDITED Year ended 31 October 2008
NET INTEREST AND OTHER INCOME			
Net Interest Income	\$ 608,311	\$ 547,977	\$ 739,670
Other Income	211,508	194,146	253,217
Net Interest and Other Income	819,819	742,123	992,887
NON-INTEREST EXPENSES			
Loan loss expense	59,719	20,016	22,135
Operating expenses	335,978	298,328	413,142
Non-Interest Expenses	395,697	318,344	435,277
INCOME BEFORE TAXATION	424,122	423,779	557,610
Provision for taxation	(94,124)	(94,554)	(125,767)
INCOME AFTER TAXATION	\$ 329,998	\$ 329,225	\$ 431,843
Dividends Paid & Proposed for financial year	\$ 132,258	\$ 125,204	\$ 169,290
Dividends per share	75.0 c	71.0 c	96.0 c
Earnings per share	187.1 c	186.7 c	244.9 c
Return on Equity	22.68%	26.26%	25.38%
Return on Total Assets	2.84%	3.52%	3.34%
Market Value	\$ 30.00	\$ 42.50	\$ 31.00

Consolidated Statement of Changes In Shareholders' Equity

FOR THE PERIOD ENDED 31 JULY 2009 (Stated In \$'000)

	Stated Capital	Statutory Reserve	Investment Revaluation Reserve	Retained Earnings	Total Shareholders' Equity
Nine Months Ended 31 July 2009					
Balance as at 31 October 2008	\$ 267,563	297,563	(3,478)	1,270,840	1,832,488
Changes in fair value, net of tax	-	-	27,836	-	27,836
Net profit for the period	-	-	-	329,998	329,998
Transfer to statutory reserve	-	40,000	-	(40,000)	-
Dividends paid	-	-	-	(132,258)	(132,258)
Balance as at 31 July 2009	\$ 267,563	337,563	24,358	1,428,580	2,058,064
Nine Months Ended 31 July 2008					
Balance as at 31 October 2007	\$ 267,563	297,563	3,680	1,001,232	1,570,038
Changes in fair value, net of tax	-	-	(1,174)	-	(1,174)
Net profit for the period	-	-	-	329,225	329,225
Transfer to statutory reserve	-	-	-	-	-
Dividends paid	-	-	-	(118,150)	(118,150)
Balance as at 31 July 2008	\$ 267,563	297,563	2,506	1,212,307	1,779,939
Year Ended 31 October 2008					
Balance as at 31 October 2007	\$ 267,563	297,563	3,680	1,001,232	1,570,038
Gains transferred to net profit, net of tax	-	-	(66)	-	(66)
Changes in fair value, net of tax	-	-	(7,092)	-	(7,092)
Net profit for the period	-	-	-	431,843	431,843
Transfer to statutory reserve	-	-	-	-	-
Dividends paid	-	-	-	(162,235)	(162,235)
Balance as at 31 October 2008	\$ 267,563	297,563	(3,478)	1,270,840	1,832,488

Consolidated Cash Flow (Stated In \$'000)

	UNAUDITED Nine months ended 31 July 2009	UNAUDITED Nine months ended 31 July 2008	AUDITED Year ended 31 October 2008
Cash flows (used in) from operating activities			
Net income before taxes	\$ 424,122	\$ 423,779	\$ 557,610
Decrease / (Increase) in loans	161,102	(1,146,206)	(1,651,097)
Decrease / (Increase) in assets purchased under resale agreement	5,605	-	(13,876)
Increase in deposits	2,193,151	1,419,509	1,235,917
(Decrease) / Increase in securities sold under repurchase agreement	(91,140)	-	89,433
Taxation paid	(113,225)	(93,654)	(120,403)
Other adjustments to reconcile income before taxation to net cash from operating activities	(810,397)	(122,687)	203,743
Net cash from operating activities	\$ 1,769,218	\$ 480,741	\$ 301,327
Cash flows (used in) from investing activities			
(Increase) / Decrease in investments	\$ (685,374)	\$ 36,900	\$ (154,964)
Purchase of property, plant & equipment	(43,351)	(16,917)	(23,160)
Investment in subsidiary	(555)	-	(2,496)
Proceeds from disposal of property, plant & equipment	5	1,143	1,338
Net cash (used in) / from investing activities	\$ (729,275)	\$ 21,126	\$ (179,282)
Cash flows (used in) / from financing activities			
Increase in debt security in issue	\$ -	\$ -	\$ 800,000
Dividends paid	(132,258)	(118,150)	(162,236)
Net cash (used in) / from financing activities	\$ (132,258)	\$ (118,150)	\$ 637,764
Increase in cash and cash equivalents	\$ 907,685	\$ 383,717	\$ 759,809
Cash and cash equivalents, beginning of period	1,304,655	548,925	544,846
Cash and cash equivalents, end of period	\$ 2,212,340	\$ 932,642	\$ 1,304,655
Cash and cash equivalents			
Cash on hand and in transit	\$ 75,835	\$ 90,894	\$ 86,888
Due from banks and related companies	1,480,683	669,101	938,228
Treasury bills	655,822	172,647	279,539
Cash and cash equivalents	\$ 2,212,340	\$ 932,642	\$ 1,304,655

Significant Accounting Policies
Basis of preparation

These financial statements, in all material aspects, have been prepared in accordance with International Financial Reporting Standards. The accounting policies used in the preparation of the financial statements are the same as were followed in the financial statements as at 31 October 2008.

Comparative Information

Comparative amounts in the Consolidated Statement of Income have been restated to conform to presentation changes in the current financial period.