

To Our Shareholders

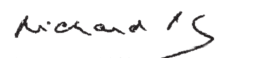
The Directors are pleased to announce that the Scotiabank Group realised net income after tax of \$363 million for the period ended 31 July 2010 which was an increase of 10% over the comparative period, a year ago.

The Group's outstanding performance is attributable to its philosophy of cost containment, risk management, business line

diversification and employee engagement.

Both ScotiaLife and the Merchant Banking Unit have delivered excellent results for the period when compared to last year. The Merchant Banking Unit was able to fulfill its mandate by arranging some regional as well as local capital market issues.

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 (2009 - 25 cents) on 07 October 2010 to shareholders on record as at 07 September 2010.


25 August 2010
R.P. Young - Managing Director

Consolidated Statement of Financial Position (Stated In \$'000)

	UNAUDITED As at 31 July 2010	UNAUDITED As at 31 July 2009	AUDITED As at 31 October 2009
ASSETS			
Cash on hand and in transit	\$ 109,887	\$ 75,835	\$ 83,281
Due from banks and related companies	1,060,857	1,480,683	1,161,750
Treasury bills	437,926	655,822	721,075
Deposits with Central Bank	3,008,921	2,486,266	2,648,623
Net Loans to customers	9,697,846	10,315,201	10,325,293
Assets purchased under resale agreements	-	8,271	8,271
Investment securities	719,239	1,328,074	658,275
Investment in associate companies	12,105	9,684	12,105
Property, plant and equipment	262,284	240,446	243,085
Miscellaneous assets	127,628	159,805	150,918
Goodwill	2,951	3,051	2,951
TOTAL ASSETS	\$ 15,439,644	\$ 16,763,138	\$ 16,015,627
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits	\$ 11,148,652	\$ 11,864,779	\$ 11,919,474
Due to banks and related companies	76,618	1,155,206	250,040
Other liabilities	269,678	222,664	204,246
Securities sold under repurchase agreement	60,135	76,839	80,317
Provision for taxation	37,431	26,931	32,996
Policyholders' funds	423,297	335,306	354,831
Debt security in issue	1,000,000	1,000,000	1,000,000
Deferred tax liability	19,288	23,349	25,016
TOTAL LIABILITIES	13,035,099	14,705,074	13,866,920
SHAREHOLDERS' EQUITY			
Stated capital	267,563	267,563	267,563
Statutory reserve fund	357,563	337,563	337,563
Investment revaluation reserve	59,096	24,358	34,034
Retained earnings	1,720,323	1,428,580	1,509,547
TOTAL SHAREHOLDERS' EQUITY	2,404,545	2,058,064	2,148,707
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 15,439,644	\$ 16,763,138	\$ 16,015,627

Consolidated Income Statement (Stated In \$'000)

	UNAUDITED Nine months ended 31 July 2010	UNAUDITED Nine months ended 31 July 2009	AUDITED Year ended 31 October 2009
NET INTEREST AND OTHER INCOME			
Net Interest Income	\$ 628,544	\$ 608,311	\$ 831,867
Other Income	270,282	211,508	303,111
Net Interest and Other Income	898,826	819,819	1,134,978
NON-INTEREST EXPENSES			
Loan loss expense	57,957	59,719	86,932
Other	374,322	335,978	462,551
Non-Interest Expenses	432,279	395,697	549,483
INCOME BEFORE TAXATION	466,547	424,122	585,495
Provision for taxation	(103,513)	(94,124)	(130,444)
INCOME AFTER TAXATION	\$ 363,034	\$ 329,998	\$ 455,051
Dividends Paid & Proposed for financial year	\$ 132,258	\$ 132,258	\$ 176,344
Dividends per share	75.0c	75.0c	100.0c
Earnings per share	205.9c	187.1c	258.0c
Return on Equity	21.32%	22.68%	22.86%
Return on Total Assets	3.09%	2.84%	3.00%
Market Value	\$ 34.00	\$ 30.00	\$ 30.02

Consolidated Statement of Comprehensive Income (Stated In \$'000)

	UNAUDITED Nine months ended 31 July 2010	UNAUDITED Nine months ended 31 July 2009	AUDITED Year ended 31 October 2009
OTHER COMPREHENSIVE INCOME:			
Income after taxation	\$ 363,034	\$ 329,998	\$ 455,051
Changes in fair value, net of tax	25,062	27,836	37,512
TOTAL COMPREHENSIVE INCOME, NET OF TAX	\$ 388,096	\$ 357,834	\$ 492,563

Consolidated Statement of Changes In Shareholders' Equity

FOR THE PERIOD ENDED 31 JULY 2010 (Stated In \$'000)

	Stated Capital	Statutory Reserve	Investment Revaluation Reserve	Retained Earnings	Total Shareholders' Equity
Nine months ended 31 July 2010					
Balance as at 31 October 2009	\$ 267,563	337,563	34,034	1,509,547	2,148,707
Other comprehensive income, net of tax	-	-	25,062	-	25,062
- Changes in fair value, net of tax	-	-	-	363,034	363,034
- Net profit for the period	-	20,000	-	(20,000)	-
Transfer to statutory reserve	-	-	-	(132,258)	(132,258)
Dividends paid	-	-	-	-	-
Balance as at 31 July 2010	\$ 267,563	357,563	59,096	1,720,323	2,404,545
Nine months ended 31 July 2009					
Balance as at 31 October 2008	\$ 267,563	297,563	(3,478)	1,270,840	1,832,488
Other comprehensive income, net of tax	-	-	27,836	-	27,836
- Changes in fair value, net of tax	-	-	-	329,998	329,998
- Net profit for the period	-	40,000	-	(40,000)	-
Transfer to statutory reserve	-	-	-	(132,258)	(132,258)
Dividends paid	-	-	-	-	-
Balance as at 31 July 2009	\$ 267,563	337,563	24,358	1,428,580	2,058,064
Year ended 31 October 2009					
Balance as at 31 October 2008	\$ 267,563	297,563	(3,478)	1,270,840	1,832,488
Other comprehensive income, net of tax	-	-	37,512	-	37,512
- Changes in fair value, net of tax	-	-	-	455,051	455,051
- Net profit for the period	-	40,000	-	(40,000)	-
Transfer to statutory reserve	-	-	-	(176,344)	(176,344)
Dividends paid	-	-	-	-	-
Balance as at 31 October 2009	\$ 267,563	337,563	34,034	1,509,547	2,148,707

Consolidated Cash Flow (Stated In \$'000)

	UNAUDITED Nine months ended 31 July 2010	UNAUDITED Nine months ended 31 July 2009	AUDITED Year ended 31 October 2009
Cash flows (used in) / from operating activities			
Net income before taxes	\$ 466,547	\$ 424,122	\$ 585,495
Decrease in loans	627,446	161,102	151,011
Decrease in assets purchased under resale agreement	8,271	5,605	5,605
(Decrease) / Increase in deposits	(770,821)	2,193,151	2,247,846
Decrease in securities sold under repurchase agreement	(20,182)	(91,140)	(87,662)
Taxation paid	(110,597)	(113,225)	(144,144)
Other adjustments to reconcile income before taxation to net cash from operating activities	(364,102)	(810,397)	(1,865,818)
Net cash (used in) / from operating activities	\$ (163,438)	\$ 1,769,218	\$ 892,333
Cash flows used in investing activities			
Increase in investments	\$ (30,111)	\$ (685,374)	\$ (3,569)
Purchase of property, plant & equipment	(31,631)	(43,351)	(50,524)
Investment in subsidiary	-	(555)	(455)
Proceeds from disposal of property, plant & equipment	2	5	10
Net cash used in investing activities	\$ (61,740)	\$ (729,275)	\$ (54,538)
Cash flows used in financing activities			
Dividends paid	(132,258)	(132,258)	(176,344)
Net cash used in financing activities	\$ (132,258)	\$ (132,258)	\$ (176,344)
(Decrease) / Increase in cash and cash equivalents	\$ (357,436)	\$ 907,685	\$ 661,451
Cash and cash equivalents, beginning of period	1,966,106	1,304,655	1,304,655
Cash and cash equivalents, end of period	\$ 1,608,670	\$ 2,212,340	\$ 1,966,106
Cash and cash equivalents			
Cash on hand and in transit	\$ 109,887	\$ 75,835	\$ 83,281
Due from banks and related companies	1,060,857	1,480,683	1,161,750
Treasury bills	437,926	655,822	721,075
Cash and cash equivalents	\$ 1,608,670	\$ 2,212,340	\$ 1,966,106

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 2009, except for the adoption of amendments to IAS 1 which became effective for annual periods beginning on or after January 1, 2009. This amendment required the inclusion of an additional financial statement, the "Statement of Comprehensive Income".

Comparative information

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