IMPORTANT INFORMATION FOR SHAREHOLDERS

Notice of the

170th Annual Meeting of Shareholders

& Management Proxy Circular

March 5, 2002

Scotiabank™

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Please Note: Registered shareholders receive a form of proxy enclosed in this package. This form can be used to vote your shares if you cannot attend the shareholders' meeting; see *"Voting by Proxy"*. Others, see *"Non-registered Holders"*.

Scotiabank

NOTICE OF 170TH ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of The Bank of Nova Scotia will be held

on **Tuesday, March 5, 2002**

at **9:30 a.m. (Pacific Time)**

at **The Westin Bayshore Resort & Marina**
1601 Bayshore Drive
Vancouver, British Columbia

for the following purposes:

- to receive the financial statements for the fiscal year ended October 31, 2001, and the Auditors' Report on the statements;
- to elect directors;
- to appoint auditors;
- to consider certain proposals submitted by shareholders (included in Appendix 1 of the attached management proxy circular); and
- to transact such other business as may properly be brought before the Meeting.

As of the record date, January 15, 2002, there were 504,854,800 common shares of the Bank eligible to cast one vote per share at the Annual Meeting.

If you cannot attend, you are encouraged to complete the proxy form to be returned in the enclosed envelope or by fax to 416-981-9803 or 1-888-665-5666. **Proxies must be received by the Bank's transfer agent, Computershare Trust Company of Canada, at 100 University Avenue, 9th floor, Toronto, Ontario, Canada M5J 2Y1, not later than March 4, 2002.**

By order of the Board

George E. Whyte
Senior Vice-President
General Counsel and Secretary

Toronto, Ontario
January 15, 2002

NOTE: IF YOU WISH TO RECEIVE INTERIM (QUARTERLY) FINANCIAL STATEMENTS BY MAIL DURING 2002, YOU MUST COMPLETE AND RETURN THE ENCLOSED REQUEST. IF YOU DO NOT RETURN THE REQUEST, INTERIM FINANCIAL STATEMENTS WILL NOT BE SENT TO YOU.

THE BANK OF NOVA SCOTIA

MANAGEMENT PROXY CIRCULAR

All information is as of December 31, 2001, unless otherwise indicated.

This Management Proxy Circular is furnished in connection with the solicitation by the management of The Bank of Nova Scotia (the "Bank") of proxies for use at the Annual Meeting of Shareholders of the Bank (the "Meeting") to be held at the time and place and for the purposes set forth in the attached Notice of Meeting.

Part I — VOTING

WHO CAN VOTE?

One Vote Per Share

January 15, 2002 is the record date to determine the shareholders who are entitled to receive notice of the Meeting.

Except for some restrictions as described below, each shareholder is entitled to one vote for each common share registered in his or her name as of January 15, 2002. If a shareholder transfers some common shares after that date to someone else, and that person becomes a registered shareholder of the Bank, the new shareholder may vote the transferred shares at the Meeting, provided he or she has asked the Bank's transfer agent, Computershare Trust Company of Canada, to include his or her name in the list of shareholders. This request must be made at least ten days before the Meeting.

As of December 31, 2001, there were 504,768,104 common shares of the Bank outstanding.

Under the Bank Act, no person or entity, together with entities controlled by them, may own more than 10% of any class of shares of the Bank without the approval of the Minister of Finance. To the knowledge of the directors and officers of the Bank, no person or entity owns or exercises control or direction over shares carrying more than 10% of the votes attached to the Bank's issued shares of any class.

Voting Restrictions

The Bank Act restricts the voting rights of the Bank's shareholders in certain ways. Shares cannot be voted, either in person or by proxy, if they are held in contravention of the Bank Act, or if they are beneficially owned by the Government of Canada, or a province, or the government of a foreign country or any political subdivision of that country, or any agency of those entities.

For more information about voting rights, contact the Secretary of the Bank.

VOTING IN PERSON

Registered shareholders who attend the Meeting in Vancouver on March 5, 2002 can cast one vote for each common share held (with the exceptions described above) on resolutions put before the Meeting.

VOTING BY PROXY

If you do not come to the Meeting, you can vote by appointing someone who will be there as your proxyholder. You can either tell that person how you want to vote, or let him or her choose for you.

What Is a Proxy?

A proxy is a document that authorizes someone else to attend the Meeting and cast the votes for a registered shareholder. Enclosed in this package is a proxy form for the Bank's Annual Meeting this year. Use it to appoint a proxyholder. (You can also use any other legal proxy form.)

Appointing a Proxyholder

Your proxyholder is the person you appoint to cast your votes for you. You can choose anyone you want to be your proxyholder; it does not have to be another shareholder. Just fill in the person's name in the blank space provided on the enclosed proxy form.

If you leave the space in the proxy form blank, the persons designated in the form are appointed to act as your proxyholder. The persons designated in the form are directors of the Bank.

Your proxy authorizes the proxyholder to vote and otherwise act for you at the Meeting, including any continuation after adjournment of the Meeting.

If you vote on the issues listed by marking the appropriate boxes on the proxy form, your shares will be voted as instructed. If you do not mark any boxes, your proxyholder can vote your shares as he or she sees fit (see "Your Proxy Vote").

To record your vote, you must return the signed proxy by March 4, 2002, to the Toronto office of the Bank's transfer agent, Computershare Trust Company of Canada, at

100 University Avenue, 9th floor
Toronto, Ontario M5J 2Y1
or fax to 416-981-9803 or 1-888-665-5666.

Changing Your Mind

If you want to revoke your proxy after you have delivered it, you can do so any time before it is used. You or your authorized attorney must state clearly, in writing, that you want to revoke your proxy, and deliver this document to one of these addresses:

The Bank of Nova Scotia Executive Offices
44 King Street West
Toronto, Ontario M5H 1H1
Attention: George E. Whyte
Senior Vice-President, General Counsel and Secretary
Fax: 416-866-5090

OR

The Bank of Nova Scotia Head Office
1709 Hollis Street
Halifax, Nova Scotia B3J 3B7
Attention: Joe Brandt
Senior Vice-President, Atlantic Region
Fax: 1-877-841-9920.

The proxy can be revoked if a revocation is received by (or on) the last business day before the day of the Meeting (or of the continuation after adjournment), or deposited with the Chairman of the Meeting on the day of the Meeting (or of the continuation), or in any other way the law permits.

If you revoke your proxy and do not replace it with another that is deposited with the Toronto office of the Bank's transfer agent, Computershare Trust Company of Canada, on or before the deadline (March 4, 2002), you can still vote your shares, but must do so in person at the Meeting.

Your Proxy Vote

If you have filled out and signed your proxy correctly (exactly as your name appears on the label on the proxy form), and delivered it to the transfer agent by the deadline, then your proxyholder can vote for you at the Meeting. If you have specified on the proxy form how you want to vote on a particular issue (by marking FOR, AGAINST, or WITHHOLD), then your proxyholder must vote your shares accordingly on that ballot.

If you have NOT specified how to vote on a particular issue, then your proxyholder can vote your shares as he or she sees fit; and if you have appointed the persons designated in the form of proxy as your proxyholder, unless otherwise specified, your shares will be voted at the Meeting as follows:

- **FOR the election as directors of the nominees whose names are set out in this proxy circular;**
- **FOR the appointment of KPMG LLP and PricewaterhouseCoopers LLP as auditors; and**
- **AGAINST the shareholders' proposals described in Appendix 1.**

For more information on any of these issues, see Part II, "Business of the Meeting." If any amendments are proposed to the matters described in the Notice, or if any other matters properly come before the Meeting, your proxyholder can vote your shares as he or she sees fit. The Notice includes all the matters to be presented at the Meeting that are known to management as of this date.

Confidentiality

All proxies are considered confidential and will be returned to the Bank's transfer agent, Computershare Trust Company of Canada. The agent's Stock Transfer Services division will count the proxies and tabulate the results which will be verified by the Meeting's scrutineers. The agent will refer a proxy to the Bank if it has a comment intended for the Bank's management on it, or in connection with applicable legal requirements.

NON-REGISTERED HOLDERS

Non-registered holders (with shares registered in the name of an intermediary, such as a securities broker, clearing agency, financial institution, trustee, custodian, etc.) should follow the directions of their intermediaries with respect to the procedures to be followed for voting. Generally, intermediaries will provide non-registered holders with either: (a) a request for voting instructions; or (b) a proxy form executed by the intermediary but otherwise uncompleted.

VOTES REQUIRED FOR APPROVAL

All of the matters to come to a vote at the Meeting, as described in the attached Notice of Meeting, can be approved by a simple majority (if more than 50% of the votes that are cast are in favour).

SOLICITATION OF PROXIES

The Bank's management requests that you sign and return the proxy form to ensure your votes are exercised at the Meeting.

The Bank will pay the cost of proxy solicitation, which will be primarily by mail. However, proxies may also be solicited by telephone, in writing or in person by employees of the Bank or Computershare Trust Company of Canada. The Bank may also use the services of agents at nominal cost.

Part II — *BUSINESS OF THE MEETING*

FINANCIAL STATEMENTS

The consolidated financial statements for the year ended October 31, 2001 are included in the Annual Report, which has been mailed to shareholders with this Notice and Management Proxy Circular.

ELECTION OF DIRECTORS

The number of directors to be elected at the Meeting is 20. The term of office of each director expires at the close of the next Annual Meeting of shareholders following the election of the director.

The Proposed Nominees

The following are the nominees proposed for election as directors of the Bank. All are currently directors of the Bank. Two directors are not standing for re-election.

Unless otherwise instructed, the persons designated in the form of proxy intend to vote FOR the nominees listed below. If, for any reason at the time of the Meeting, any of the nominees are unable to serve, and unless otherwise specified, it is intended that the persons designated in the form of proxy will vote in their discretion for a substitute nominee or nominees.

Table 1 — Slate of Director Nominees

NAME & PLACE OF RESIDENCE	PRINCIPAL OCCUPATION	AGE	DIRECTOR SINCE	COMMON SHARES OWNED, CONTROLLED, OR DIRECTED (1) AND DEFERRED STOCK UNITS (DSUs)(4)	CURRENT COMMITTEES (2)	MEETINGS ATTENDED (3)	
						BOARD (TOTAL 9)	COMMITTEES (TOTAL 28)
Lloyd I. Barber, C.C., S.O.M., LL.D., Ph.D. Regina Beach, Sask.	President Emeritus, University of Regina (Dr. Barber is closely linked with the Saskatchewan community and is a Director of a wide variety of Canadian corporations.)	69	Sept. 1976	30,000 shares	A, CR, P	9 of 9	A – 5 of 5 CR – 2 of 2 P – 2 of 2 1 RA
Bruce R. Birmingham Oakville, Ont.	President, The Bank of Nova Scotia	60	Sept. 1992	82,245 shares 28,703 DSUs	P	9 of 9	P – 2 of 2
Ronald A. Brenneman Calgary, Alta.	President and Chief Executive Officer, Petro-Canada (oil and gas industry).	55	Mar. 2000	10,776 shares 1,403 DSUs	A	9 of 9	A – 5 of 5 1 RA
C. J. Chen Singapore	Senior Partner, Rajah & Tann (Advocates and Solicitors)	56	Oct. 1990	14,347 shares	CR, P	5 of 9	CR – 1 of 2 P – 1 of 2
E. Kendall Cork Hillsburgh, Ont.	Managing Director, Sentinel Associates Limited (business and financial consultants)	69	Dec. 1973	24,354 shares 1,532 DSUs	CR, E, P	9 of 9	CR – 2 of 2 E – 11 of 12 P – 2 of 2

NAME & PLACE OF RESIDENCE	PRINCIPAL OCCUPATION	AGE	DIRECTOR SINCE	COMMON SHARES OWNED, CONTROLLED, OR DIRECTED (1) AND DEFERRED STOCK UNITS (DSUs)(4)	CURRENT COMMITTEES (2)	MEETINGS ATTENDED (3)	
						BOARD (TOTAL 9)	COMMITTEES (TOTAL 28)
Sir Graham Day Hantsport, N.S.	Company Director, Chairman, Hydro One Inc., Chairman, Sobeys Inc. and Counsel to Stewart McKelvey Stirling Scales (Barristers & Solicitors). From December 1988 to May 1993, Chairman, Cadbury Schweppes plc (manufacturer of beverages and confectionery)	68	Oct. 1989	21,567 shares 1,986 DSUs	CG, E, HR	8 of 9	CG – 3 of 3 E – 12 of 12 HR – 4 of 4
N. Ashleigh Everett Winnipeg, Man.	President, Royal Canadian Securities Limited (a management and holding company whose principal businesses are Domo Gasoline Corporation Ltd., Bowring Gifts and Royal Canadian Properties Limited)	45	Oct. 1997	4,154 shares 688 DSUs	A	9 of 9	A – 5 of 5
Peter C. Godsoe Toronto, Ont.	Chairman of the Board and Chief Executive Officer, The Bank of Nova Scotia	63	Feb. 1982	83,508 shares 250,499 DSUs	E	9 of 9	E – 12 of 12
M. Keith Goodrich Lake Forest, Illinois, USA	Retired Chairman, Moore Corporation Limited (business information products, systems and services)	66	Aug. 1990	13,646 shares	CG	9 of 9	CG – 3 of 3
Pierre J. Jeanniot, O.C. Canton de Vaud, Switzerland	Director General and Chief Executive Officer, International Air Transport Association (an international organization promoting and facilitating air travel and providing services to airlines)	68	June 1990	10,861 shares	E, HR	8 of 9	E – 10 of 12 HR – 4 of 4 1 RA
John C. Kerr, O.B.C., LL.D. Vancouver, B.C.	Chairman and Chief Executive Officer, Lignum Ltd. (forest products)	57	Mar. 1999	4,395 shares 1,365 DSUs	A	8 of 9	A – 5 of 5 3 RA
The Honourable Michael J. L. Kirby Nepean, Ont.	Member of the Senate of Canada since January 1984.	60	Mar. 2000	1,212 shares 1,394 DSUs	CG	9 of 9	CG – 3 of 3
Laurent Lemaire Warwick, Que.	President and Chief Executive Officer, Cascades Inc. (manufacturer of pulp and paper products, packaging and construction materials and sanitary products)	62	Mar. 1987	3,800 shares	HR	8 of 9	HR – 2 of 4 1 RA
John T. Mayberry Burlington, Ont.	President and Chief Executive Officer, Dofasco Inc. (primary steel products)	57	Mar. 1994	5,185 shares 1,545 DSUs	CG, E, HR	8 of 9	CG – 3 of 3 E – 11 of 12 HR – 3 of 4

NAME & PLACE OF RESIDENCE	PRINCIPAL OCCUPATION	AGE	DIRECTOR SINCE	COMMON SHARES OWNED, CONTROLLED, OR DIRECTED (1) AND DEFERRED STOCK UNITS (DSUs)(4)	CURRENT COMMITTEES (2)	MEETINGS ATTENDED (3)	
						BOARD (TOTAL 9)	COMMITTEES (TOTAL 28)
The Honourable Barbara J. McDougall, O.C. Toronto, Ont.	President and Chief Executive Officer, Canadian Institute of International Affairs (CIIA) (International business). Since Mrs. McDougall's retirement from politics in 1993, she has been a consultant on international business and corporate governance and is a member of several international advisory bodies in the U.S. and Europe.	64	Mar. 1999	1,513 shares 537 DSUs	A	7 of 9	A – 5 of 5
Elizabeth Parr-Johnston, Ph.D. Fredericton, N.B.	President and Vice-Chancellor, University of New Brunswick	62	Oct. 1993	4,810 shares 1,377 DSUs	A	9 of 9	A – 5 of 5
Arthur R.A. Scace, Q.C. Toronto, Ont.	Partner, McCarthy Tétrault (Barristers and Solicitors)	63	Mar. 1997	6,609 shares 1,697 DSUs	A, CG, E	9 of 9	A – 5 of 5 CG – 3 of 3 E – 12 of 12
Gerald W. Schwartz Toronto, Ont.	Chairman and Chief Executive Officer, Onex Corporation (conglomerate – manufacturing and services)	60	May 1999	50,000 shares	HR	8 of 9	HR – 4 of 4
Allan C. Shaw, O.C. Halifax, N.S.	Chairman and Chief Executive Officer, The Shaw Group Limited (manufacturer of residential and construction products, real estate development, and transportation)	59	Sept. 1986	33,362 shares 1,638 DSUs	E, HR	9 of 9	E – 12 of 12 HR – 4 of 4
Paul D. Sobey Kings Head, Pictou County, N.S.	President and Chief Executive Officer, Empire Company Limited (wholesale and retail food distribution)	44	Aug. 1999	8,000 shares 1,181 DSUs	A	7 of 9	A – 4 of 5

Notes:

(1) The information as to shares owned or over which control or direction is exercised has been furnished by the respective nominees.

(2) **Committees:** A-Audit; CG - Corporate Governance; CR - Conduct Review; E-Executive; HR-Human Resources; P-Pension; RA-Regional Advisory. Regional Advisory Committee meetings were held in Vancouver (3), Montreal (1) and Calgary (1).

(3) (a) The number of meetings attended are shown in relation to the number of meetings held during the period of appointment of each director during the fiscal year ended October 31, 2001.

(b) The attendance records of directors who will not be standing for re-election on March 5, 2002, is as follows: Mr. Isadore Sharp - 6 of 9 Board meetings and 3 of 4 Committee meetings; Mrs. Helen Parker - 8 of 9 Board meetings, 4 of 4 Committee meetings and 3 Regional Advisory Committee meetings.

(c) The attendance record of the director who did not stand for re-election at the March 6, 2001 Annual Meeting was as follows: Mr. Ian McDougall attended 3 of 3 Board meetings and 3 of 3 Committee meetings.

(d) Mr. Malcolm Baxter, who served as a director of the Bank from March 1992, retired from the Board effective October 30, 2001. Due to illness, Mr. Baxter was able to attend only one Board meeting during the year.

(e) The Honourable Henry N.R. Jackman, who served as a director of the Bank from September 1997, resigned from the Board effective July 24, 2001. Mr. Jackman attended 6 of 6 Board meetings and 11 of 11 Committee meetings.

(4) The value of deferred stock units is tied to future value of the Bank's common shares. However, deferred stock units do not entitle the holder to voting or other shareholder rights. The Directors' Deferred Stock Unit Plan is described under Compensation of Directors and the Deferred Stock Unit Plan is described in the Human Resources Committee Report.

APPOINTMENT OF AUDITORS

The Bank Act provides that shareholders may appoint two firms of accountants as auditors of the Bank. During the five financial years ended October 31, 2001, PricewaterhouseCoopers LLP (formerly Price Waterhouse) and KPMG LLP served as the Bank's auditors. PricewaterhouseCoopers LLP and KPMG LLP or their predecessor firms have served continuously since 1988 and 1992 respectively and also served during various prior periods.

Management proposes that PricewaterhouseCoopers LLP and KPMG LLP be re-appointed. Unless otherwise specified, the persons designated in the form of proxy intend to vote FOR the appointment of the auditors to act until the close of the next Annual Meeting.

SHAREHOLDERS' PROPOSALS

Attached to this Management Proxy Circular as Appendix 1 are four proposals which two shareholders of the Bank plan to raise at the Meeting. These concern the following issues:

- a study of the appropriateness of maintaining subsidiaries in tax havens;
- retention of shares purchased under stock options;
- independent directors of publicly-traded companies controlled by the Bank;
- restricting repurchase of shares of a publicly-traded spinoff company.

If these proposals are put forward at the Meeting, and unless otherwise specified, the persons designated in the form of proxy intend to vote AGAINST each of these four proposals.

Part III — *STATEMENT OF CORPORATE GOVERNANCE PRACTICES*

Since the board of directors and management of the Bank believe good corporate governance is essential to the effective, efficient and prudent operation of the Bank's business, they have established an internal control environment with strong corporate governance structures and procedures in place. These structures and procedures comply with the guidelines for corporate governance adopted by The Toronto Stock Exchange (the "Exchange Guidelines").

Scotiabank founded its governance system on an extensive and interrelated network of Board activities and Bank policies. It is supported by strong management supervision, internal audits, external audit by two independent chartered accounting firms and the annual examination by the Office of the Superintendent of Financial Institutions (OSFI).

The Board annually certifies that the Bank adheres to the Canada Deposit Insurance Corporation (CDIC) Standards of Sound Business and Financial Practices. Furthermore, all directors, officers and employees of the Bank must comply with the standards of conduct set out in Scotiabank's Guidelines for Business Conduct.

The Board of Directors

The Board of Directors is comprised of business and community leaders active at regional, national and international levels, providing an important breadth of expertise. The size and composition of the Board reflects the broad geographic reach of Scotiabank's customer base, the communities in which it operates and its international operations. At the fiscal year end, the Bank's Board of Directors numbered 22 members.

A diverse and highly qualified group of directors is critical to the effectiveness of the Board. The Corporate Governance Committee of the Board, which is composed exclusively of outside directors, identifies, evaluates and recommends nominees for directorship. The Committee assesses nominee candidates based on their individual suitability, keeping in mind the size of the Board and the desired diversity of composition.

The Exchange Guidelines recommend that the majority of the Board and of every Board Committee be comprised of unrelated directors. An unrelated director is one who is independent of management and free from any interest and business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Bank. Directors who hold management positions (currently, two) and other "affiliated" directors, as defined by the Bank Act, are related directors.

Having considered the relevant definitions in the Exchange Guidelines and the directors having individually considered their respective interests and relationships, it has been determined that the Board has four related directors. The composition of the Board and of each Committee of the Board complies with the Exchange Guidelines.

The Bank has implemented plans designed to encourage directors to apply all or part of their Board fees to acquire the Bank's shares or deferred stock units, to further align interests of directors and shareholders.

The performance of the Board is monitored by the Corporate Governance Committee and the Chairman of the Board. The Board of Directors and the Corporate Governance Committee have been, and continue to be, proactive and diligent in developing and reviewing the Bank's corporate governance structures and procedures.

The Mandate of the Board of Directors

The mandate of the Board of Directors is to supervise the management of the Bank's business and affairs to maintain the strength and integrity of the Bank. In this context, the Board oversees the Bank's strategic direction, its organizational structure and the succession planning of senior management to serve the interests of the Bank, its customers, investors and employees.

Annually, the Board evaluates the Bank's strategy within the financial institutions marketplace. It reviews and approves policies and practices relating to areas of risk management, including credit, capital, foreign exchange, precious and base metals, interest rate, liquidity, securities portfolio, real estate appraisals, derivative products, environmental and country risk. The Audit Committee approves the Bank's internal control policies and the Board is responsible for monitoring the integrity of the internal control system. A comprehensive, annual self-assessment is conducted by the Bank, measuring its adherence to certain core policies and procedures, the results of which are reported to the Board and regulators.

In addition, the Board regularly reviews the performance of the Bank on a consolidated basis, as well as the performance of individual divisions and major subsidiaries. It compares and measures results against previously established and approved plans, against performance in past years and against industry peers.

The Board appoints the Chief Executive Officer and other executive officers, and establishes the appropriate level of compensation.

Specific decisions requiring Board approval are outlined in the Bank Act, as are specific duties of the Board and the Audit and Conduct Review Committees. To assist the Board with its work, other Committees have been established to review in greater depth particular areas of its mandate.

Conflict of Interest Guidelines and Independence

The Bank has adopted measures to promote the independence of the Board, including the appointment of a lead director. Conflict of interest guidelines and procedures for directors and officers have been in place for many years. Board Committees are chaired by outside directors and, when appropriate, Bank officers and individual directors are requested to absent themselves for part of Board or Committee meetings to allow independent discussion of particular items. In addition, the Bank Act contains provisions concerning self-dealing, affiliated directors, and the composition of the Board and certain committees.

The Board has implemented a procedure for a director to engage an outside advisor at the Bank's expense with the authority of the chair of the Corporate Governance Committee. The Corporate Governance Committee has responsibility for reviewing the relationship between management and the Board.

Assessment of Management Performance

The Human Resources Committee assists the Board in assessing management's performance, based on both qualitative and quantitative information. Taken into account are such factors as experience and sustained personal performance, demonstrated leadership ability and the achievement of the Bank's strategic goals.

Specific criteria include: achievement of key profit plan targets (including return on equity, productivity and loan quality targets) and key customer satisfaction goals, and maintenance of a high level of safety and security for customers' deposits, status of the Bank as a superior employer, and high standards of business ethics.

Governance Information for Directors

Upon joining the Board, directors receive information concerning their duties and responsibilities under the Bank Act and other applicable legislation. All directors are provided with a "Corporate and Governance Information" book which is updated annually, and which familiarizes directors with the Board's policies and the Bank's corporate profile and organization. It also describes key business lines and the Bank's corporate governance policies and practices.

Compliance

The role of the Bank's Group Compliance department is to foster and monitor regulatory and policy compliance procedures, in support of the corporate governance environment established by the Board of Directors and the Bank's strong culture of compliance.

The primary responsibilities of Group Compliance include: maintaining the Scotiabank Guidelines for Business Conduct, the Scotiabank Group Compliance Program and infrastructure (including the Group-wide Compliance Network), the Bank Act Legislative Compliance Management System, selected matters dealing with business conduct or customer or investor protection, and other specialized compliance programs, current with industry best practices, evolving market conditions and new business initiatives. The Compliance Network is composed of compliance officers who have specific subsidiary, business line and/or departmental compliance responsibilities.

Communication with Stakeholders

To maintain good communication with various constituencies, the Bank has facilities and mechanisms that allow investors, customers and the general public to obtain information and make enquiries.

Shareholders and investment institutions may direct their questions to the Secretary or Investor Relations department of the Bank. The public can obtain information and communicate with the Bank through the Bank's World Wide Website.

In addition, senior officers meet with members of the investment community each quarter. These meetings are accessible to the public via telephone and the Internet.

Queries from the media and general public are handled by the Bank's Public and Corporate Affairs department.

The Bank has procedures to inform customers about borrowing costs and transaction fees and to respond to customer enquiries and complaints. Generally, comments or complaints are dealt with directly by the branches.

Scotiabank Ombudsman

Unresolved customer complaints are heard and dealt with impartially by the Bank's Ombudsman, who reports directly to the Chief Executive Officer. The Scotiabank Ombudsman has the power to review and make recommendations on all retail and small business customer service decisions made within the Bank.

As a last resort, customers may go directly to the Canadian Banking Ombudsman for an independent review.

Committees of the Board of Directors

There are six standing Committees of the Board and three Regional Advisory Committees. All directors participate in at least one standing Committee and a portion of the membership of each Committee rotates periodically. The majority of standing Committee members are Canadian residents and unrelated directors, as defined in the Exchange Guidelines. The majority of the members of the Audit and Conduct Review Committees are not affiliated, and all members of both Committees are outside directors.

Audit Committee

Chair: Arthur R.A. Scace

Members: Lloyd I. Barber, Ronald A. Brenneman, N. Ashleigh Everett, John C. Kerr, Hon. Barbara J. McDougall, Elizabeth Parr-Johnston, Paul D. Sobey.

The Audit Committee's mandate incorporates requirements under the Bank Act, the Securities Act, OSFI and the CDIC, and includes the following responsibilities:

i) reviewing the annual statements of the Bank and such returns of the Bank as specified by the Superintendent of Financial Institutions;

ii) ensuring that appropriate internal controls are in place and reviewing investments and transactions that could adversely affect the well-being of the Bank; and

iii) meeting with the independent auditors and, similarly, meeting with the Bank's Chief Auditor to discuss the annual statements of the Bank, the returns and relevant transactions and the effectiveness of the Bank's internal control procedures.

The Committee met five times during fiscal year 2001, and the independent auditors and the Bank's Chief Auditor were invited to attend all the meetings. The Committee meets with staff from OSFI to receive its report on the annual examination of the Bank.

Conduct Review Committee

Chair: E. Kendall Cork

Members: Lloyd I. Barber, C.J. Chen, Helen A. Parker.

The responsibilities of the Committee are in accordance with the Bank Act. The mandate includes:

i) reviewing the Bank's procedures for verifying that transactions with related parties of the Bank comply with the Bank Act, reviewing the practices of the Bank to identify any transactions with its related parties that may have a material effect on the Bank's stability or solvency, and establishing criteria for determining whether the value of transactions with related parties of the Bank are nominal or immaterial to the Bank; and

ii) monitoring procedures established by the Board to identify and resolve conflicts of interest, to restrict the use of confidential information, to deal with certain customer complaints and to provide disclosure of information to customers as required by the Bank Act.

Annually, the Board reports to OSFI on the proceedings of the Committee.

The Committee had two meetings during fiscal year 2001, to which the independent auditors and the Bank's Chief Auditor were invited.

Corporate Governance Committee

Chair: John T. Mayberry

Members: Sir Graham Day, M. Keith Goodrich, Hon. Michael J.L. Kirby, Arthur R.A. Scace.

The Committee's mandate is to enhance the Bank's corporate governance through a process of continuing assessment and adjustment. Further, the members determine suitable candidates for nominees as directors, periodically review the mandates of the Board and its Committees, propose agenda items and content for submissions to the Board and review the relationship between management and the Board.

The Committee met three times during fiscal year 2001.

Executive Committee

Chair and Lead Director: Sir Graham Day

Members: E. Kendall Cork, Peter C. Godsoe, Pierre J. Jeanniot, John T. Mayberry, Arthur R.A. Scace, Allan C. Shaw.

Generally, the Committee serves as an advisor to management. The mandate of the Committee is to:

i) advise executive management on highly sensitive or major strategic issues and on special risk situations; and

ii) examine and report to the Board on the public issues facing the Bank and to recommend policies as applicable.

During intervals between Board meetings, the Committee may exercise all of the powers of the Board, subject to the limitations under the Bank Act or as determined by the Board.

There were twelve meetings of the Committee during fiscal year 2001.

Human Resources Committee

Chair: Pierre J. Jeanniot

Members: Sir Graham Day, Laurent Lemaire, John T. Mayberry, Gerald W. Schwartz, Isadore Sharp, Allan C. Shaw.

The Human Resources Committee reviews the compensation to be paid to senior executives and senior officers, the general criteria and design of incentive bonus and stock option plans and the distribution of related awards, the senior level organization structure, staffing and succession planning. The Committee also assesses the performance of the Chief Executive Officer, and reviews assessments made of other executive officers.

During fiscal year 2001, the Committee held four meetings.

Pension Committee

Chair: E. Kendall Cork

Members: Lloyd I. Barber, Bruce R. Birmingham, C.J. Chen, Helen A. Parker.

The Pension Committee monitors and supervises the administration of the Scotiabank Pension Plan and the administration and investment of the Fund maintained in connection with the Pension Plan. Specifically, the Committee considers all amendments to the Pension Plan and approves the Fund's Statement of Investment Policies, Procedures and Guidelines, which it reviews annually. The Committee also recommends to the Board the appointment or removal of the Custodian of the Fund and retains competent professional actuaries and auditors, whose reports are reviewed by the Committee.

There were two Committee meetings during fiscal year 2001.

Regional Advisory Committees

The Regional Advisory Committees have been established in Quebec, the Prairie region and British Columbia/Yukon, and act in an advisory rather than decision-making capacity. These Committees have been established to provide better opportunities for directors residing in particular regions to participate to a greater extent in the Bank's affairs in those regions. The Committees provide advice and counsel of a general nature to local senior management, including matters relating to the acquisition of new business and regional commercial trends. The Committees also review regional forecasts, results and strategies, as well as business development opportunities.

COMPENSATION OF DIRECTORS

In the last fiscal year, the Bank paid its non-employee directors the following:

- a basic payment of $25,000 per year
- a fee of $1,500 for each Board meeting attended (a double fee is paid to directors from out-of-town arriving the day before the meeting)
- a fee of $1,000 for each Committee meeting attended ($2,000 for Committee Chairs).

In addition, members of the Audit, Corporate Governance, Executive and Human Resources Committees received a basic payment of $2,000 per year, and members of the Conduct Review and Pension Committees received a basic payment of $1,000 per year. Directors who are officers of the Bank do not receive fees for serving as directors of the Bank.

Directors are also reimbursed for travel and other expenses they incur when they attend meetings or conduct Bank business.

To encourage share ownership by directors, the Bank has a Directors' Share Purchase Plan. Under this Plan, directors can use some or all of their fees to buy common shares of the Bank at market prices.

To further align the interests of directors with those of other shareholders, under the Directors' Deferred Stock Unit Plan, in lieu of cash, directors may elect to receive all or a portion of their fees as deferred stock units ("DSUs"). A DSU is a bookkeeping entry, with the number of DSUs based on the value of common shares at the time of allocation to the DSU account. Additional DSUs are received as dividend equivalents. DSUs cannot be redeemed for cash until the individual is no longer a director (or officer or employee) of the Bank and affiliates. The redemption value of a DSU is equal to the market value of a common share at the time of redemption, in accordance with the Plan.

The Director Stock Option Plan was approved by shareholders and The Toronto Stock Exchange in 2001. During fiscal 2001, each non-employee director received options to purchase 3,000 common shares of the Bank, excerisable within 10 years at a per share exercise price of $41.90 (being the closing price on the trading day prior to the grant).

EXECUTIVE COMPENSATION

The following table provides a summary of compensation earned by the Chief Executive Officer and the four most highly compensated policy-making Executive Officers during the last three fiscal years.

Table 2 — Summary Compensation Table

		ANNUAL COMPENSATION			LONG TERM COMPENSATION			
					AWARDS		PAYOUTS	
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPEN-SATION ($) (3)	SECURITIES UNDER OPTIONS GRANTED (#)	RESTRICTED SHARES OR RESTRICTED SHARE UNITS (RSUs) ($) (4)	LTIP PAYOUT ($) (5)	ALL OTHER COMPEN-SATION ($) (6)
Peter C. Godsoe Chairman & CEO	2001	1,350,000	2,900,000(1)	50,074	350,000	38,265.31 RSUs based on $1,500,000	–	1,200
	2000	1,275,000	3,000,000(1)	65,593	350,000	–	–	1,200
	1999	1,200,000	1,500,000(1)	65,043	350,000	–	2,851,370	1,200
Bruce R. Birmingham President	2001	800,000	1,250,000(1)	19,157	190,000	25,510.2 RSUs based on $1,000,000	–	1,200
	2000	750,000	1,200,000	42,394	190,000	–	–	1,200
	1999	700,000	900,000	44,149	190,000	–	1,132,142	1,200
Robert W. Chisholm Vice-Chairman	2001	600,000	742,000(1)	23,162	125,000	17,857.14 RSUs based on $700,000	–	1,200
	2000	550,000	800,000(1)	20,059	125,000	–	–	1,200
	1999	500,000	500,000	18,865	125,000	–	503,193	1,200
Richard E. Waugh Vice-Chairman	2001	600,000	742,000(1)	26,821	125,000	17,857.14 RSUs based on $700,000	–	1,200
	2000	550,000	800,000(1)	20,820	125,000	–	–	1,200
	1999	500,000	500,000	21,092	125,000	–	503,193	1,200
W. David Wilson	2001	275,000	9,104,000(2)	–	–	–	–	970
Co-Chairman & Co-CEO	2000	275,000	6,804,000(2)	–	–	–	–	–
Scotia Capital	1999	250,000	5,272,600(2)	–	–	–	–	–

(1) In lieu of payment, Messrs. Godsoe, Birmingham, Chisholm and Waugh each elected in the noted years to allocate 100% of the bonus to receive deferred stock units (DSUs) under the Deferred Stock Unit Plan, based on share prices of $31.60 for 1999, $33.40 for 2000 and $43.55 for 2001, as follows: Mr. Godsoe for 1999, 2000 and 2001 bonus received 47,468.35, 89,820.36 and 66,590.13 DSUs respectively; Mr. Birmingham for 2001 bonus received 28,702.64 DSUs; and Mr. Chisholm and Mr. Waugh for 2000 and 2001 bonus each received 23,952.1 and 17,037.89 DSUs respectively. Additional Units are allocated to reflect notional dividend equivalents. Details of the Plan can be found in the Human Resources Committee Report.

(2) Pursuant to the terms of the awards, payment of $2,703,000 included in the 2001 amount, $1,728,000 included in the 2000 amount and $1,329,450 included in the 1999 amount to Mr. Wilson is deferred and payable as to one-third at the end of each of the subsequent three fiscal years.

(3) Amounts in the Other Annual Compensation column may include director's fees from subsidiaries, imputed interest benefit from loans and/or tax paid on the value of a Bank-provided car, financial planning and/or club memberships.

(4) Restricted Share Units (RSUs) awarded to recognize individual contribution with respect to fiscal 2000 results. The value in the table reflects RSUs valued at the grant date. The RSUs vest in the 35th month after grant and additional Units are allocated to reflect notional dividend equivalents. The aggregate holdings and value of RSUs at October 31, 2001 were: Mr. Godsoe held 39,377.48 RSUs with a value of $1,726,702; Mr Birmingham held 26,251.65 RSUs with a value of $1,151,135; Mr. Chisholm and Mr. Waugh, each held 18,376.16 RSUs with a value of $805,795.

(5) Amounts in the LTIP Payout column represent compensation for fiscal 1993 performance by way of share performance units awarded in that year.

(6) Amounts under All Other Compensation represent the Bank's contribution to the Employee Share Ownership Plan. These officers participate in this plan on the same basis as all other Bank employees. Under this plan, employees can contribute up to the lesser of a specified percentage of salary and a limited dollar amount towards the purchase of common shares of the Bank or deposits with the Bank, with the Bank contributing to the purchase of additional common shares to the extent of 50% of eligible contributions.

Stock Options

The purpose of the Stock Option Plan is to provide selected employees with compensation opportunities that, compatible with shareholder interests, encourage share ownership and enhance the Bank's ability to attract and retain key employees and reward significant performance achievements.

The Plan allows the Bank to grant to employees of the Bank, its subsidiaries and other entities in which the Bank has an investment, options to purchase its common shares. More than 800 employees have received option grants under the Plan. The exercise price of each option will not be less than the closing price of The Bank of Nova Scotia common shares on The Toronto Stock Exchange on the last day traded before the date the option was granted. Under the Rules of the Plan, 25% of the options granted become exercisable one year after the date of grant, and another 25% become exercisable on each subsequent anniversary of the date of grant. All options expire 10 years after they are granted and are subject to early expiration in certain circumstances. Outside of Canada, where local laws may restrict issuance of shares, Stock Appreciation Rights (SARs) have been granted instead of options.

The following table provides details with respect to stock options granted to the Named Executive Officers under the Stock Option Plan during fiscal 2001.

Table 3 — Option Grants in the Last Financial Year

NAME (A)	SECURITIES UNDER OPTIONS GRANTED (#) (B)	% OF TOTAL OPTIONS/ SARs GRANTED TO EMPLOYEES IN FINANCIAL YEAR (C)	EXERCISE OR BASE PRICE ($/SECURITY) (D)	MARKET VALUE OF SECURITIES UNDERLYING OPTIONS ON THE DATE OF GRANT ($/SECURITY) (E)	EXPIRATION DATE (F)
Peter C. Godsoe	350,000	4.48	42.05	42.05	January 19, 2011
Bruce R. Birmingham	190,000	2.43	42.05	42.05	January 19, 2011
Robert W. Chisholm	125,000	1.60	42.05	42.05	January 19, 2011
Richard E. Waugh	125,000	1.60	42.05	42.05	January 19, 2011
W. David Wilson	–	–	–	–	–

The following table provides details of the exercise of options by the Named Executive Officers under the Stock Option Plan during fiscal 2001.

Table 4 — Option Exercises in the Last Financial Year and Financial Year-End Option Values

NAME (A)	SECURITIES ACQUIRED ON EXERCISE (#) (B)	AGGREGATE VALUE REALIZED ($) (C)	UNEXERCISED OPTIONS AT FY-END (#) EXERCISABLE/ UNEXERCISABLE (D)	* VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FY-END ($) EXERCISABLE/ UNEXERCISABLE (E)
Peter C. Godsoe	450,000	14,563,345	1,225,000 875,000	21,581,875 7,599,375
Bruce R. Birmingham	100,000	2,956,000	630,000 470,000	11,270,325 4,081,625
Robert W. Chisholm	175,000	3,532,575	168,750 306,250	1,903,125 2,659,375
Richard E. Waugh	12,975	328,758	435,775 306,250	8,399,445 2,659,375
W. David Wilson	–	–	–	–

* An option is in-the-money at year-end if the market value of the underlying securities at that date exceeds the exercise or base price of the option. The closing price of The Bank of Nova Scotia common shares at October 31, 2001 was $ 43.85.

Retirement Benefits

Officers, including the Named Executive Officers, have the option to participate in a defined benefit pension plan and, upon meeting certain eligibility criteria, to receive a supplemental pension benefit:

(a) Officers are eligible to participate, on either a contributory or non-contributory basis, in a registered defined benefit pension plan (the Pension Plan). This Pension Plan provides benefits based on pensionable service and the average best 60 consecutive months of pensionable earnings (pensionable earnings is generally defined as base salary).

For officers whose current average pensionable earnings is $130,314 or more, irrespective of whether the officer participates on a contributory or non-contributory basis, the following table shows the annual pension payable at retirement – for specified years of pensionable service:

Table 5 — Scotiabank Pension Plan (SPP)

YEARS OF SERVICE	ANNUAL PENSION ($)
15	25,830
20	34,440
25	43,050
30	51,660
35	60,270

(b) Certain officers (not including the Named Executive Officers) participate in a non-registered, unfunded supplemental retirement plan which provides, depending on length of service, a maximum annual pension of 70% of highest three year average salary, inclusive of benefits from the Pension Plan. Payouts under this supplemental plan are contingent upon the officer remaining in the employ of the Bank at least until five years before normal retirement age or until age 55 and the sum of the officer's age plus years of service equals at least 75. If payouts begin prior to normal retirement age, the pension is reduced to reflect the longer payout period.

The following table shows the maximum annual pension payable at normal retirement age from the combination of the Pension Plan and the supplemental retirement plan – for specified salary levels:

Table 6 — Estimated Annual Pension at Normal Retirement Age

REMUNERATION ($)	PENSION ($)
125,000	87,500
150,000	105,000
175,000	122,500
200,000	140,000
225,000	157,500
250,000	175,000
275,000	192,500
300,000	210,000

(c) Individual non-registered, unfunded supplemental pension arrangements are in place to provide certain Executive Officers with an annual retirement income, inclusive of benefits from the Pension Plan, of up to 70% of final base salary plus 70% of average bonus over the best consecutive five years of bonus payout. In particular, individual pension arrangements of this nature are in place for the Named Executive Officers, with the exception of Mr. Wilson who participates in the Scotia Capital Inc. non-contributory pension plan.

Payouts of these supplemental pension benefits are contingent upon the Executive Officer remaining in the employ of the Bank at least until five years prior to normal retirement age. If payouts begin prior to normal retirement age, the retirement income is reduced to reflect the longer payout period. The supplemental pension arrangement provides for a life annuity with an automatic and mandatory spousal survivor pension of 60% of the Executive Officer's pension.

Messrs. Godsoe, Birmingham, Chisholm, Waugh and Wilson have 35, 30, 15, 31 and 30 years of service respectively.

Under the terms of the retirement arrangements, and based on current compensation, estimated annual pension benefits payable at normal retirement age are as follows: Mr. Godsoe – $2,359,000; Mr. Birmingham – $1,262,100; Mr. Chisholm – $835,380; Mr. Waugh – $835,380; and Mr. Wilson – $51,670.

HUMAN RESOURCES COMMITTEE REPORT ON EXECUTIVE COMPENSATION for the fiscal year ended October 31, 2001

The Human Resources Committee sets and implements compensation policy for the Bank's Executive Officers. It works to ensure that overall compensation for Executive Officers is competitive in today's market and allows the Bank to attract, keep and motivate officers who have the relevant skills, knowledge, and abilities.

To accomplish this, the Committee has established five specific goals for Bank compensation policy:

- to attract and retain key personnel;
- to reward executives for achieving strategic corporate objectives;
- to motivate officers to act in the best interests of the shareholders;
- to ensure that Scotiabank's compensation for executive positions is competitive when compared with similar positions in comparable organizations in North America; and

- to encourage talented personnel within the Bank to aspire to executive positions.

The Committee engages two outside consulting firms to ensure that the Bank's compensation is competitive. These consultants compare the compensation packages offered for similar positions in a "comparator" group of companies (companies of similar size and scope). The groups include the larger Canadian banks, certain Canadian and U.S. financial services companies and other large corporate employers who may hire from the same pool of human resources. The Committee is made up of seven of the Bank's directors, none of whom are or have been officers of the Bank. The group met four times during the year and submitted its recommendations to the Board of Directors, including suggested compensation packages for Bank officers.

Executive Compensation

Compensation for executives at the Bank has three parts: base salary, annual incentive bonus and long term incentives.

Base Salary

Every year, the Committee reviews each Executive Officer's salary as compared with the salaries paid in similar positions in the comparator groups. In light of this comparative perspective, the Committee then makes appropriate adjustments based on the officer's experience, performance and leadership.

Annual Incentive Bonus

The Bank has several short-term incentive plans that provide annual bonuses to Executive Officers and employees if, for example, they achieve specific financial results or other goals for the year. The Human Resources Committee is responsible for approving these plans.

The main plans are described below:

Scotiabank Incentive Pay Program

This broad-based plan rewards employees for contributing to the Bank's success. The plan pays bonuses to all eligible employees (who do not participate in another annual incentive plan) based on the Bank's return on equity and their individual performance.

Management Incentive Plan (MIP)

This plan rewards officers – up to and including the Chief Executive Officer – for achieving specific results, both financial and non-financial, that directly increase shareholder value. Bonuses are paid based on a broad range of criteria. Some are quantitative and some are qualitative, but all focus on achieving superior results.

These criteria include:

- achieving profit targets;
- maintaining superior returns on both assets and shareholders' equity;
- meeting productivity and loan loss targets;
- maintaining exceptional customer service and business ethics;
- consistently meeting the Bank's goal of being a superior employer; and
- preserving the highest levels of safety and security, as determined by various regulatory and audit reviews.

The Committee uses these criteria as well as the Bank's performance relative to economic conditions and the performance of the primary comparator group to determine the funding level for the bonus pool. Individual incentive bonuses are based on individual and business unit contribution to the Bank's success.

Deferred Stock Unit (DSU) Plan

This plan provides compensation opportunities that link the interests of senior officers more closely with those of shareholders.

Under the DSU Plan, senior officers may choose to defer up to 100% of their MIP bonus to deferred stock units ("DSUs").

Senior officers decide whether or not to participate in the plan at the start of each fiscal year.

When the MIP bonus awards are determined following the end of the fiscal year, the amount will be converted to DSUs based on the market price of the common shares of the Bank on the Notification Date under the Plan.

The DSUs accumulate additional units based on notional equivalents of dividends on the Bank's common shares. They can be redeemed only when an officer ceases to be a Bank employee and must be redeemed within 12 months thereafter. Their redemption value will be the market value of an equal number of Bank common shares.

Long-term Incentives

Stock Option Plan

Scotiabank's Stock Option Plan links the interests of officers and employees directly with increases in shareholder value by encouraging a long-term focus on business decisions. It also encourages share ownership and enhances the Bank's ability to attract and retain key employees. See Executive Compensation – Stock Options.

Restricted Share Unit (RSU) Plan

This plan provides compensation opportunities that facilitate recruitment and retention and promote alignment of interests between senior officers and the shareholders of the Bank.

Under the RSU Plan, selected senior officers receive an award of restricted share units (RSUs). The RSUs accumulate additional Units based on notional equivalents of dividends on the Bank's common shares. The RSUs vest and are redeemable in the 35th month from the grant date. The redemption value will be the market value of an equal number of Bank common shares.

Scotia Capital

The Scotia Capital short and long-term plans are structured to attract and retain top performers and relationship managers in this highly competitive business and to support the business strategy. Scotia Capital's strategy focuses on client needs and solutions and requires significant teamwork between the relationship management and product functions in order to be successful.

Annual Incentive Plan

The annual bonus plan is designed to focus senior management on maximizing client profitability and return on equity and on creating a culture of teamwork. A single bonus pool is funded based on the profitability of Scotia Capital. While individual awards are discretionary, allocations are based on business unit results, individual contribution and market practice.

Long-Term Incentive Plan

The incentive pool is created based on the profitability of Scotia Capital and can increase based on actual performance against a risk-adjusted return on equity target. Notional units are allocated to selected employees at fiscal year end. Once the pool value is determined, 25% is paid in cash with the remainder invested in Scotiabank common shares that vest in equal parts over three years.

Executive Stock Ownership Guidelines

The Bank has minimum shareholding requirements for its Executive Officers (inclusive of share-based units such as DSUs), proportionate to their base salary and position level, as follows: the Chairman and CEO is required to hold three times his base salary; President and Vice-Chairs two times base salary; and Co-Chair/Co-CEO Scotia Capital, Senior Executive Vice-President and Executive Vice- Presidents one times base salary. The Bank's shareholding requirements contribute to the continued alignment of executive and shareholder interests.

Chairman and CEO Compensation and Corporate Performance

The components of total compensation for the Chairman and CEO, and the manner in which they are reviewed and evaluated by the Committee, are similar to those for other Executive Officers.

Scotiabank recorded another year of record earnings in 2001, despite challenging economic conditions. Net income reached $2,169 million, a year-over-year increase of 13%. This marked the twelfth consecutive year of record operating income. In line with this consistent record of earnings growth, Scotiabank has delivered dividend increases every year over the past decade. In fact, in 2001, the dividend was increased twice – up 24% over last year. In addition, the Bank has strengthened its balance sheet, with its Tier 1 capital ratio reaching 9.3%, an increase of 70 basis points from last year and well above regulatory standards.

Under the leadership of Chairman and CEO Peter Godsoe, the senior management team has positioned the Bank not only for strong results today, but also for continued growth in the future. This has been accomplished by consistently focusing on the Bank's key strengths: executing the fundamentals well in all four core businesses; developing organizational capability; managing expenses effectively; maintaining significant diversification of earnings and risk; and capitalizing on the strength of the Scotiabank Group's excellent team of people worldwide.

Across all businesses, good success has been achieved in improving profitability by building deeper, more profitable relationships with customers and carefully controlling expenses over the past year. Internationally, the Bank has continued to enhance its position as a leading multinational bank, especially in Mexico and certain other high potential markets.

The Bank's ability to execute well was acknowledged in a number of independent studies in 2001. Among these, the research firm, Market Facts, ranked Scotiabank as the best of the major Canadian banks in overall customer satisfaction, and *Banker Magazine*, a U.K.- based industry publication, named Scotiabank "Bank of the year in Canada."

Overall, Scotiabank exceeded virtually all performance goals again in 2001 and was successful in continuing to build long-term shareholder value.

Mr. Godsoe's salary was increased to $1,350,000 to reflect a competitive market position. Based on the Bank's overall performance in 2001, the Committee awarded

Mr. Godsoe an incentive bonus equal to 215% of his base salary. In 2001 Mr. Godsoe was awarded 350,000 options at an exercise price of $42.05, the market price at that time, and 38,265 RSUs.

This compensation package rewarded his contribution to the Bank's overall performance, and was consistent with current practice among comparator groups which include the larger Canadian banks, certain Canadian and U.S. financial services companies and other large corporate employers. Based on research conducted by external, independent compensation consultants, the Committee believes that the total compensation received by Mr. Godsoe was appropriate.

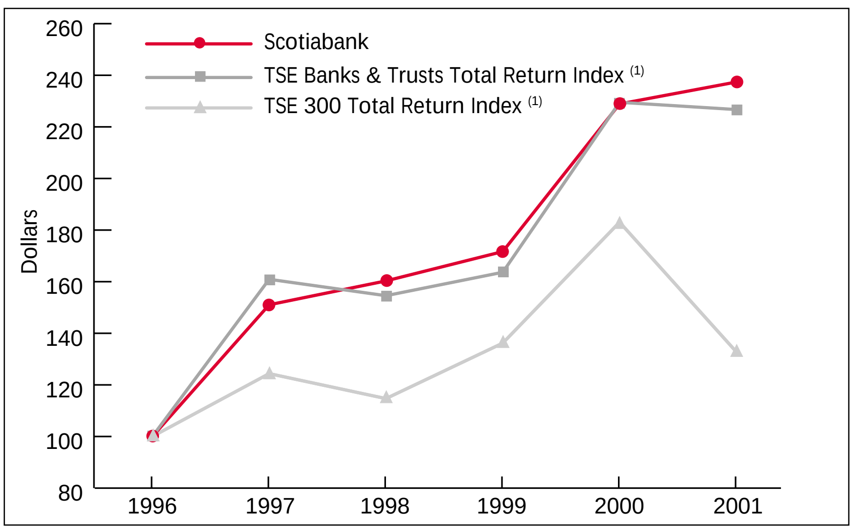
Submitted by the Human Resources Committee:
Pierre J. Jeanniot – Chair

Sir Graham Day	Gerald W. Schwartz
Laurent Lemaire	Isadore Sharp
John T. Mayberry	Allan C. Shaw

SHARE PERFORMANCE GRAPH

The following graph shows changes over the past five-year period in the value of $100 invested in:
(1) Scotiabank's common shares; (2) the TSE Banks & Trusts Total Return Index; and (3) the TSE 300 Total Return Index as of October 31, 2001.

Scotiabank Comparison of 5 Year Total Common Shareholders' Return



For the financial years	1996	1997	1998	1999	2000	2001
Scotiabank	100.00	151.05	160.30	171.67	228.89	237.38
TSE Banks & Trusts Total Return Index [1]	100.00	160.93	154.57	163.65	229.52	226.71
TSE 300 Total Return Index [1]	100.00	124.37	114.69	136.19	183.05	132.78

[1] Scotiabank is one of the listed companies.

The year-end values of each investment shown in the preceding graph are based on share price appreciation plus dividends reinvested.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Loans to buy Bank shares

The table below shows the outstanding amounts that directors and Executive Officers borrowed from the Bank or its subsidiaries in order to buy common shares of the Bank. The amounts exclude routine indebtedness (see note after Table 8). Executive Officers are the senior officers of the Bank in charge of principal business units and/or performing a policy-making function in respect of the Bank.

As at December 2, 2001, the amount, excluding routine indebtedness, outstanding to the Bank and its subsidiaries for loans to present and former directors, officers and employees in connection with purchase of securities of the Bank totalled approximately $1,907,166.

Table 7 — Indebtedness Under Securities Purchase Program

NAME AND PRINCIPAL POSITION (A)	INVOLVEMENT OF ISSUER OR SUBSIDIARY (B)	LARGEST AMOUNT OUTSTANDING DURING THE FINANCIAL YEAR ENDED OCTOBER 31, 2001 ($) (C)	AMOUNT OUTSTANDING AS AT DECEMBER 2, 2001 ($) (D)	FINANCIALLY ASSISTED SECURITIES PURCHASES DURING THE FINANCIAL YEAR ENDED OCTOBER 31, 2001 (#) (E)
Chairman & CEO:				
P.C. Godsoe (1)	Lender	270,000	270,000	0
Vice-Chairmen:				
R.W. Chisholm	Lender	398,572	383,326	24,208
R.E. Waugh	Lender	399,683	395,217	0
Executive Vice-Presidents:				
S.D. Chrominska	Lender	95,216	91,939	0
S.S. Marwah	Lender	200,000	180,745	14,472

(1) Loans are at prime.

Effective March 1, 2001, the Bank discontinued its reduced rate loan program available to employees. Any loans granted prior to March 1, 2001, are grandfathered until maturity. Prior to March 1, 2001 the Bank had a general loan policy which enabled officers and employees of the Bank and its subsidiaries to borrow funds in order to buy common shares in the Bank. These were demand note loans with an interest rate linked to the dividend yield on common shares of the Bank with a minimum rate of 4% for a maximum term of ten years. Shares purchased with the loan proceeds, sufficient with respect to loan balances, are held in safekeeping until such time as the loan is repaid.

Loans for other purposes

Table 8 shows the outstanding amounts that directors and Executive Officers borrowed from the Bank or its subsidiaries for reasons other than to buy Bank shares. The amounts exclude routine indebtedness (see note after Table 8).

As of December 2, 2001, the amount, excluding routine indebtedness, outstanding to the Bank and its subsidiaries for loans to present and former directors, officers and employees, in connection with other than purchase of Bank securities, was approximately $5,546,780.

Table 8 — Other Indebtedness

NAME AND PRINCIPAL POSITION (A)	INVOLVEMENT OF ISSUER OR SUBSIDIARY (B)	LARGEST AMOUNT OUTSTANDING DURING THE FINANCIAL YEAR ENDED OCTOBER 31, 2001 ($) (C)	AMOUNT OUTSTANDING AS AT DECEMBER 2, 2001 ($) (D)
Chairman & CEO:			
P.C. Godsoe	Lender	89,321	12,454
Vice-Chairmen:			
R.W. Chisholm	Lender	146,227	138,032
R.E. Waugh	Lender	234,519	234,197
Senior Executive Vice-President:			
J.F.M. Crean	Lender	41,067	28,534
Executive Vice-Presidents:			
R.L. Brooks	Lender	28,753	12,844
S.S. Marwah	Lender	222,842	130,315
M.J. Mulligan	Lender	57,505	38,559
R.H. Pitfield	Lender	700,121	349,544

Effective March 1, 2001, the Bank discontinued its reduced rate loan program available to employees. Any loans granted prior to March 1, 2001, are grandfathered until maturity. For mortgages, this grandfathering period will be extended until the next maturity/renewal date. At such time, the mortgage will be renewed at a customer rate.

Employees now qualify for Retail Lending products available to regular customers based on the best customer rate, with the exception of mortgages. Employees requiring mortgage financing will obtain the best customer rate that they are eligible to receive/negotiate, based on their relationship with the Bank.

House and mortgage loans under the Transferred Officer Policy are available on more favourable terms. Under that policy, house loans are available in the Toronto/Vancouver areas for the first $50,000 ($25,000 elsewhere) at interest rates of 1, 2, 3, and 4% for the first, second, third and subsequent years respectively for a term up to 25 years. Loans in excess of that amount are at 4%, subject to the one times salary limit on aggregate preferred rate loans. Mortgages under the Transferred Officer Policy in the Toronto/Vancouver areas provide up to the first $200,000 at 3¼% below customer mortgage rates for the first five years, 2¼% below for the second five year term and 1% below for the remaining term up to 25 years (in other areas up to $100,000 at 2¼% below, 1¼% below and 1% below regular customer mortgage rates for those periods respectively).

Scotiabank Classic VISA* accounts are available to employees, with interest charged at one-half standard customer rates.

For information purposes only, the following policies were in effect for those loans granted prior to March 1, 2001, and continue to be outstanding:

Eligibility for preferred rate loans was subject to satisfactory performance and customer lending criteria being met (including collateral). Preferred rate loans were subject to assessment of a taxable benefit on the difference between the preferred rate and the deemed rate in accordance with applicable tax legislation.

Interest rates on the loans varied, depending on the purpose. The best rate available to management employees for consumer loans was half the Bank's prime rate, with a minimum of 4%, or prime if less, for a maximum term of five years.

Management employees were eligible for house loans to assist with the purchase of a principal residence. The house policy allowed for a demand loan of up to the lesser of 20% of the purchase price or of the appraised value, to a maximum of $60,000 (this limit of $60,000 was not applicable to loans arranged prior to 1993), at an interest rate of half the Bank's most favourable conventional mortgage rate (1 to 5 year terms), to a minimum of 4% (prior to 1993, fixed at 4%), with a maximum term of 15 years.

Mortgages to finance a principal residence were available to all qualified employees, generally at a rate, which was 1% below the regular customer mortgage rate. Terms varied, at the option of the mortgagor, from 6 months to 7 years and with up to a maximum amortization period of 25 years.

For certain senior officers, the aggregate amount of all loans (including both preferred and customer rates), excluding mortgage loans secured by the employee's principal residence, is two times annual salary.

* Visa Int./Lic. user The Bank of Nova Scotia

NOTE: The foregoing tables exclude routine indebtedness. Routine indebtedness includes: (i) loans to employees, and loans of up to $25,000 to directors and Executive or senior officers, made on terms no more favourable than those made to employees generally; (ii) loans to directors and Executive or senior officers who are full-time employees, if these loans are fully secured by their residence and are not greater than their annual salary; and (iii) loans to people or companies other than full-time employees if they are made on substantially the same terms as available to other customers with comparable credit ratings and involve no more than usual risk of collectibility.

DIRECTORS' APPROVAL

The Board of Directors has approved the contents and the sending of this Management Proxy Circular.

George E. Whyte
Senior Vice-President, General Counsel and Secretary
December 31, 2001
Toronto, Ontario

PROPOSALS SUBMITTED BY SHAREHOLDERS

The following four shareholder proposals and accompanying statements were submitted by two shareholders. The proposals are matters that the shareholders propose to raise for consideration at the Annual Meeting of Shareholders.

Proposal No. 1 was submitted by The Association for the Protection of Quebec Savers and Investors Inc. (APEIQ), 425 de Maisonneuve Blvd. West, Suite 1002, Montreal, Quebec H3A 3G5. The proposal was submitted in French and translated into English by the Bank.

Proposals No. 2 to No. 4 were submitted by Mr. J. Robert Verdun, 29 Bristow Creek Drive, Elmira, Ontario N3B 3K6. They were submitted in English and translated into French by the Bank.

The Board of Directors recommends voting AGAINST these proposals for the reasons set out after each proposal. Unless otherwise instructed, the persons designated in the form of proxy intend to vote AGAINST these four proposals.

PROPOSAL NO. 1

It is proposed that The Bank of Nova Scotia's board of directors, in consultation with the Canadian Bankers Association and the federal government, study <u>the appropriateness of maintaining</u> its subsidiaries in tax havens and report back to the shareholders no later than five months before the 2003 general meeting.

Tax havens are the cancer of the global economy: tax evasion, money laundering, terrorism, criminal activity, illicit transactions, the sheltering of drug money, etc. They pose a constant threat to the legal economy. American author Jeffrey Robinson has revealed the extent to which tax havens are corrupting the world and particularly Canada, which he describes as a *"candy store"* in the eyes of criminal organizations.

Banks are one of the transit points, if not the primary one, for the fruits of the illegal economy. They would be acting as good "corporate citizens", in the best interests of the shareholders, if they took the initiative of undertaking specific measures to counteract the pernicious and noxious effects of the global plague of tax havens.

The Bank's position:

THE BOARD OF DIRECTORS RECOMMENDS VOTING **AGAINST** PROPOSAL NO.1.

While the proposal raises a general question about the appropriateness of tax havens, its explanation focuses solely on illegal activities around money laundering. The two issues are not related.

Tax structures are an integral part of a country's overall economic framework. Various incentives and other tax policies are often established by countries to attract and retain investment and are critical to the competitiveness of local economies. As a result, different rules are commonplace across many jurisdictions, and individuals and corporations will consider these differences with quite legitimate practices of tax planning in mind.

We have extensive international operations, including a very strong, successful and well-respected network throughout the Caribbean. We operate in all these countries – irrespective of tax regimes – essentially as a local bank, in full compliance with national and international laws.

At the same time, tax evasion, laundering the proceeds of criminal activity and terrorist funding are all concerns that the Bank, the Canadian banking industry and the Canadian government take extremely seriously. That's why Scotiabank has always been very aggressive in establishing rigorous policies and procedures for both our domestic and international operations to address these illegal activities.

Therefore, we believe the proposal is unnecessary.

PROPOSAL NO. 2

Half of any shares acquired under options must be held for at least one year.

It shall henceforth be the policy of the Bank to issue stock options under the following restriction: At least 50% of the shares of the Bank that are purchased with stock options must be retained by the purchaser for a minimum of one year.

Shareholder's Explanation:

The primary stated objective of stock options is to enhance the alignment of the option-holder's interests with those of the Bank as a whole, and particularly of its shareholders. When an officer, director, or other insider buys shares under a stock option plan and immediately sells them into the open market, any benefit of alignment is lost. This new policy requiring the phased sale of shares purchased under options ensures that the benefitting individuals continue to have a keen interest in the ongoing success of the Bank. In a typical situation, the option holder can recoup the cost of purchasing the stock under the terms of the option, but must wait a year before reaping a substantial profit. During that year, the individual will be the owner of a substantial number of shares and will be directly affected by fluctuations in market value, clearly in alignment with the interests of the shareholders at large.

The Bank's position:

THE BOARD OF DIRECTORS RECOMMENDS VOTING **AGAINST** PROPOSAL NO.2.

The objectives of the Bank's compensation programs are to attract, retain and motivate exceptional talent in a competitive and global marketplace. Option plans are integral to the Bank's executive and senior officer compensation programs and are assessed and reviewed by the Human Resources Committee based on best practices in the marketplace. This proposal would shift the Bank's program off-market and put the Bank at a significant disadvantage relative to other leading organizations with which we compete for talent.

We also believe the current option plan does help link individual and Bank performance and align shareholder and management interests. When options are granted, they vest over a period of time. In the Bank, only 25% of options granted vest in a given year and in many instances consideration is given on an annual basis to provide options to high performing officers – all of which serves to support this alignment. There are also clearly defined trading windows for employees that serve to reinforce the long-term nature of this compensation. In addition, executive stock ownership guidelines include minimum shareholding requirements.

Taken together, we believe the Bank's total compensation program achieves the right balance, ensuring appropriate incentives for continued strong performance.

PROPOSAL NO. 3

Publicly-traded companies controlled by the Bank shall have a majority of independent Directors.

In any situation where the Bank is the controlling shareholder of a publicly-traded company, the Bank shall ensure that a majority of the Directors are clearly independent of the Bank. The majority of Directors must have no significant connections to the Bank, and must not fall within the legal definitions of "related" or "affiliated".

Shareholder's Explanation:

Offering shares of a company to the investing public is a serious matter that demands the highest standards of fairness and democratic procedure. Regardless of the percentage of voting shares actually held by a controlling corporation, the rights of the public shareholders must be paramount. This policy is essential if shareholders are to have confidence in the integrity of any publicly-traded company that is controlled by the Bank. Justice must not only be done, but it must also be seen to be done! In the absence of obvious assurance of fair corporate governance, individual shareholders are almost certain to discount the value of their investment in any Bank-controlled publicly-traded company, to the detriment of the shareholders of the Bank itself.

The Bank's position:

THE BOARD OF DIRECTORS RECOMMENDS VOTING **AGAINST** PROPOSAL NO.3.

In Canada, there has been a strong focus on developing and establishing the highest corporate governance practices and standards for Canadian businesses, including the issue of board independence.

The Bank Act, for example, has long-standing and very clear criteria for the make-up of the Bank's Board of Directors. In fact, only four of the Bank's 22 current members are "related."

In addition, within The Toronto Stock Exchange guidelines, there are already very specific requirements regarding the independence of directors in a corporation where there is a significant shareholder. These guidelines state:

> "…the board should include a number of directors who do not have interests in or relationships with either the corporation or the significant shareholder and which **fairly reflects the investment in the corporation by shareholders other than the significant shareholder."**
> [emphasis added]

With such well-established guidelines, we believe it is unnecessary to introduce additional requirements applicable to the Bank alone.

PROPOSAL NO. 4

The Bank shall not repurchase any shares of a publicly-traded spinoff company for a minimum of five years after the initial public offering.

In any situation where the Bank creates a new publicly-traded company in which the Bank continues to own more than 20% of the voting shares, the Bank shall make an irrevocable commitment not to repurchase any of the shares sold in the initial public offering (IPO) for a minimum of five years from the date of the IPO, unless such purchases are made at the IPO price plus 0.5% per month for each month that has elapsed since the date of the IPO.

Shareholder's Explanation:

Stock markets are subject to major fluctuations, and five years is the minimum period to fairly test the effectiveness of a new public-traded company. Investors need to have confidence that the Bank will continue to support the independent status of a spinoff enterprise for a period that is long enough for it to survive a recessionary period. This policy is essential if public shareholders are to have confidence in the integrity of any company that is controlled by the Bank. Without such assurance of a sufficient period to grow and prosper, public shareholders are almost certain to discount the value of their investment in the spinoff company, to the detriment of the shareholders of the Bank itself.

The Bank's position:

THE BOARD OF DIRECTORS RECOMMENDS VOTING **AGAINST** PROPOSAL NO.4.

The proposal is neither practical nor in the best interest of the Bank's shareholders. While the Bank has not been confronted by this hypothetical situation, there is little benefit to the Bank's shareholders that could come from restricting executive management's flexibility in taking decisions regarding the initial public offering of shares in any firm that the Bank has an interest in.

The proposal could be detrimental to shareholders if such restrictions resulted in missed opportunities. The arbitrary time frame suggested could also undermine share performance of an investment by limiting the scope of activities available to the Bank when responding to changing circumstances in the marketplace. In addition, there are securities commission regulations already in place to ensure the interest of shareholders are taken into account and addressed fairly in such circumstances.

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