

Scotiabank delivers record earnings

PERFORMANCE VS TARGETS FOR 2001

RETURN ON EQUITY TARGET:

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

Q3 Performance:
ROE of 17.3%

EPS GROWTH TARGET:

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

Q3 Performance:
Year-over-adjusted*
growth in diluted earnings
per share was 12%.

PRODUCTIVITY TARGET:

Maintain a productivity ratio
of less than 60%.

Q3 Performance: 55.4%

TIER 1 CAPITAL TARGET:

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

Q3 Performance: 9.1%

* Adjusted for one-time gains of \$53 million (after tax) in the third quarter of last year from the sale of businesses.

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

Third quarter highlights

- Third quarter compared to third quarter of last year (adjusted*)
 - Net income of \$554 million, up \$59 million or 12%
 - Earnings per share of \$1.04, up \$0.11 or 12%
 - ROE 17.3%, compared to 17.8%
 - Productivity ratio of 55.4%, an improvement from 55.9%
- Addition of \$75 million to general provision this quarter
- Reduction in net impaired loans to \$395 million from \$696 million last quarter
- Quarterly dividend increase of 3 cents to 34 cents per share

Toronto, August 28, 2001 – Scotiabank delivered record earnings in the third quarter with net income of \$554 million and diluted earnings per share of \$1.04. In comparison to last year (excluding the one-time gains), both net income and diluted earnings per share rose by 12%.

Including last year's one-time gains on the sale of the Bank's stock transfer business and Solidbank, totaling 11 cents per share, net income increased by \$6 million or 1% and diluted earnings per share were unchanged at \$1.04.

For the nine-month period ended July 31, 2001, net income was \$1,603 million or 16% higher than the same period a year ago, excluding the one-time gains. On the same basis, diluted earnings per share were \$3.00, an increase of 41 cents, while

return on equity was 17.4%, compared to 17.1%.

"Solid earnings and revenue growth continued across all business lines in the third quarter, keeping us on track to meet or exceed our performance targets for 2001," said Peter Godsoe, Chairman and CEO. "Our broad-based revenue streams and a consistent focus on cost control have enabled us to maintain our strong earnings momentum.

"We continued to proactively manage our credit portfolios, resulting in a significant reduction in net impaired loans," said Mr. Godsoe. "We strengthened our general provision by another \$75 million this quarter. Our strong corrective action is keeping us on track to meet our credit quality targets for the end of the year."

Financial Highlights

<i>(Unaudited)</i>	As at and for the three months ended			Change	For the nine months ended		Change
	July 31 2001	April 30 2001	July 31 2000	July 2001/ July 2000	July 31 2001	July 31 2000	July 2001/ July 2000
Operating results (\$ millions)							
Net interest income (TEB ⁽¹⁾)	1,684	1,584	1,437	247	4,691	3,949	742
Total revenue (TEB ⁽¹⁾)	2,738	2,598	2,427	311	7,773	6,749	1,024
Provision for credit losses	325	350	227	98	1,075	539	536
Non-interest expenses	1,518	1,394	1,310	208	4,172	3,828	344
Net income	554	539	548	6	1,603	1,429	174
Operating measures (%)							
Return on equity	17.3	17.9	19.8	(2.5)	17.4	17.8	(0.4)
Productivity ratio	55.4	53.7	54.0	1.4	53.7	56.7	(3.0)
Balance sheet information (\$ millions)							
Loans and acceptances	181,965	184,682	170,713	11,252			
Total assets	271,178	274,944	243,124	28,054			
Deposits	178,474	181,188	167,725	10,749			
Common shareholders' equity	12,294	11,932	10,719	1,575			
Assets under administration (\$ billions)	158	156	150	8			
Assets under management (\$ billions)	18	18	18	-			
Balance sheet measures							
Tier 1 capital (\$ millions)	14,793	14,383	13,047	1,746			
Total capital (\$ millions)	20,556	20,011	18,593	1,963			
Risk-adjusted assets (\$ millions)	161,880	160,237	152,977	8,903			
Tier 1 capital ratio (%)	9.1	9.0	8.5	0.6			
Total capital ratio (%)	12.7	12.5	12.1	0.6			
Net impaired loans as a % of loans and acceptances	0.22	0.38	(0.10)	0.32			
Specific provision for credit losses as a % of average loans and acceptances	0.54	0.55	0.54	-	0.67	0.44	0.23
Common share information							
Per share (\$)							
Basic earnings	1.05	1.02	1.05	-	3.04	2.72	0.32
Diluted earnings ⁽²⁾	1.04	1.01	1.04	-	3.00	2.70	0.30
Dividends	0.31	0.31	0.24	0.07	0.90	0.72	0.18
Book value	24.48	23.85	21.60	2.88			
Share price (\$)							
High	47.75	47.85	39.05	8.70	47.85	39.05	8.80
Low	37.50	37.30	33.15	4.35	37.30	26.05	11.25
Close	45.35	38.05	37.55	7.80			
Shares outstanding (thousands)							
Average-Basic	501,156	499,826	495,772	5,384	499,801	494,964	4,837
Average-Diluted ⁽²⁾	509,383	507,847	502,279	7,104	508,028	499,858	8,170
End of period	502,240	500,366	496,364	5,876			
Market capitalization (\$ billions)	22.8	19.0	18.6	4.2			
Valuation measures							
Dividend yield (%)	2.9	2.9	2.7	0.2	2.8	2.9	(0.1)
Market value to book value multiple	1.9	1.6	1.7	0.2			
Price to earnings multiple (trailing 4 quarters)	11.4	9.5	10.8	0.6			

Certain comparative amounts in this quarterly report have been reclassified to conform with current period presentation.

(1) Tax-equivalent basis.

(2) Reflects the dilutive effect of stock options under the treasury stock method.

Review of Operating Performance

Revenues

Total revenue (on a tax-equivalent basis) grew by 13% to a record \$2.7 billion, driven by broad-based increases in net interest income and other income. The more noteworthy contributions came from International Banking, and the Bank's investment banking operations.

Net interest income

Net interest income (on a tax-equivalent basis) increased substantially by \$247 million, or 17% from the third quarter last year to \$1,684 million. Compared to last quarter, net interest income grew by a sizeable \$100 million or 6%.

Foreign currency interest profits climbed \$257 million or 49%, due to strong revenue contributions from the Caribbean, Grupo Financiero Scotiabank Inverlat (Inverlat) and from lower funding costs across the majority of the Bank's businesses. Foreign currency assets increased by 23% from the same period a year ago with the inclusion of Inverlat, along with growth in many areas in the Caribbean. This growth was partially offset by lower levels of deposits with banks, and a reduction in U.S. corporate loans, due to asset sales and greater focus on improving returns.

Canadian currency net interest profits were marginally lower as a result of above average securities income in the same period last year. Retail assets grew through the continued success of ScotiaLine Visa and a sharp rise in mortgages this quarter.

The Bank's overall interest margin in the third quarter was 2.43%, up from 2.37% in the same quarter a year ago and up from 2.34% last quarter.

Other income

The third quarter's other income rose \$64 million or 6%, notwithstanding the \$82 million of one-time gains on the sale of the Bank's stock transfer business and Solidbank in the third quarter of last year.

Deposit and payment services income continued to grow, particularly in card revenues in Canada, as well as transaction-based revenues in the Caribbean and Latin America. This quarter also included \$82 million of interest on a tax refund, following settlement of a long outstanding claim.

Both the Bank's capital markets and underwriting businesses generated record revenues this quarter, accompanied by a strong contribution from foreign exchange. Gains realized on the sale of securities were \$7 million in the quarter, compared to \$115 million last year, as there were fewer opportunities in the equity markets.

Expenses

Operating expenses remained well controlled. Third quarter expenses were \$1,518 million, an increase of \$208 million over last year, largely due to the first-time consolidation of Inverlat. Excluding Inverlat, expenses grew 2%, mainly due to higher performance and stock-based compensation, following an increase in the Bank's share price this quarter. As well, computer-related expenses rose in the quarter, mainly from initial costs associated with outsourcing certain computer operations. Other operating expenses grew marginally from the same period last year and from the last quarter.

The productivity ratio (non-interest expenses as a percentage of total revenues) – a key measure of cost effectiveness – was 55.4% in the third quarter and continues to be the best among Canadian banks.

In the third quarter, the Bank recorded a \$15 million reduction to income tax expense, arising from a refund of taxes paid in prior years. This was largely offset by an income tax cost of \$14 million, the result of a reduction to the Bank's net deferred tax assets, following decreases in the Ontario income tax rate enacted in the quarter.

Credit quality

Net impaired loans fell sharply to \$395 million this quarter from \$696 million last quarter, as a result of continued strong action taken by the Bank. Net impaired loans as a percentage of loans and acceptances fell substantially to 0.22% from 0.38% at the end of the previous quarter.

The third quarter's specific provision for credit losses was \$250 million, the same level as last quarter, and up from \$227 million last year. The general provision was strengthened by \$75 million in the third quarter, in addition to the \$100 million last quarter, bringing the outstanding balance to \$1,475 million. This remains among the highest of the Canadian banks.

Balance sheet

Total assets, as at July 31, 2001, were \$271 billion, an increase of \$28 billion from a year ago, but \$4 billion below April 30, 2001. The year-over-year growth included: \$5 billion in retail lending, mainly mortgages and ScotiaLine Visa; \$19 billion from Inverlat; \$9 billion of securities; increases in Asia and the Caribbean; as well as the impact of changes in foreign exchange rates. This growth was partially offset by \$2 billion of assets sold to Laurentian Bank, \$1 billion of additional loan securitizations, and lower levels of corporate loans due to loan sales and more selective lending in the U.S. and Canada.

The year-over-year increase in liabilities, excluding the sale to Laurentian Bank, included growth of \$7 billion in

personal deposits. This comprised \$5 billion from Inverlat and broad-based gains in chequing, savings and term deposits in Canada and the Caribbean.

The surplus of market value over book value in the Bank's investment securities portfolio was \$693 million as at July 31, 2001, versus \$826 million at the end of the immediately preceding quarter, reflecting softer equity and emerging bond markets.

Capital

The Bank continued to strengthen its capital base in the quarter. Total shareholders' equity grew to \$14.1 billion, \$362 million higher than the preceding quarter, driven by substantial internal capital generation of \$313 million. The Bank's Tier 1 capital was \$14.8 billion at quarter end, up from \$14.4 billion at the end of the preceding quarter.

The Tier 1 capital ratio was a strong 9.1%, an increase of 10 basis points from the preceding quarter. The Bank's total capital ratio was 12.7%, compared to 12.5% in the prior quarter.

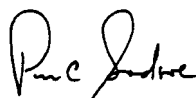
Dividend

The Board of Directors, at its meeting on August 28, 2001, approved a quarterly dividend increase of 3 cents to 34 cents per common share, payable on October 29, 2001, to shareholders of record as of October 2, 2001. This brings the total rise in the quarterly dividend to 6 cents since the beginning of the year and continues a decade of uninterrupted annual dividend increases.

Economic outlook

Economic growth continued to decelerate in most industrial nations during the third quarter. This adjustment is increasingly global in nature, but is being led by the rapid slowdown in the United States. Canada remained somewhat insulated from this broader slowdown because of solid competitive fundamentals. At the same time, growth, inflation and interest rates are all expected to move lower in the Bank's major markets over the next several months. We anticipate seeing the beginning of a revival of business activity around year end.

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



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

Business Line Highlights

Domestic Banking

Domestic Banking, which includes our wealth management business, generated \$212 million in net earnings. Adjusting for a \$44 million after-tax gain on the sale of the stock transfer business last year, earnings rose a solid 12%.

Net interest income increased \$32 million, reflecting strong growth in retail mortgages and continued momentum in ScotiaLine Visa. The interest margin also widened slightly year over year.

Other income declined \$96 million year over year, due to the sale of the stock transfer business last year, and lower trading activity in retail brokerage. However, there was strong underlying growth in transaction fees and card revenues.

Credit quality remained stable in the retail portfolio, accompanied by a moderate rise in the provision for credit losses in commercial lending.

Operating expenses fell \$56 million year over year, from the sale of businesses, good ongoing cost control and efficiencies realized from the realignment of branch operations.

Other highlights for the quarter:

- Scotia Mutual Funds was #1 in net fund sales in Canada for the month of June, building on strong momentum in April and May. Increased sales support, particularly in the branches, has been effective in generating leads, augmented by direct mail campaigns.
- We continued to provide our customers with expanded product choice. The Cottage and Leisure Home Financing Program was launched, providing flexible financing for a variety of cottage and leisure homes.
- Scotia OnLine was upgraded to provide greater convenience for our residential mortgage customers, adding features such as prepayments and changing payment frequency and amounts.
- Scotia Discount Brokerage (SDBI) introduced a simplified commission schedule for equities, options, and mutual fund transactions, lowering commissions for online trading. As well, SDBI now offers convenient fund transfer capabilities between bank and brokerage accounts through Scotia OnLine Internet Banking and TeleScotia telephone banking.
- The Montreal Call Centre was recognized as "Call Centre of the Year" by the Direct Marketing & Call Centre Society. Awards of Excellence were presented to the team for best demonstrating Customer Focus, Satisfaction and Excellence in Service Delivery.

Scotia Capital

Scotia Capital reported net income of \$198 million this quarter, down slightly year over year. However, earnings rose for the third consecutive quarter resulting from both

continued improvement in credit quality and very strong results in capital markets.

Trading and underwriting revenues reached record levels this quarter. While corporate lending volumes fell year over year due to more selective lending, the accompanying revenue decline was moderated by wider spreads and higher credit fees.

The provision for credit losses was stable quarter over quarter. Net impaired loans in the U.S. portfolio declined sharply, reflecting ongoing corrective action, including loan sales.

Operating expenses rose \$41 million year over year, due to higher performance-related compensation.

Other highlights include:

- Scotia Capital was ranked by *Euromoney* as the #1 Canadian bank, and the only Canadian bank in the top 25 globally, for overall debt arranging (global lending, bonds and medium-term notes) for the 12 months ending March 31, 2001.
- Scotia Capital continued to strengthen its performance in Canadian institutional equities. We were ranked #1 for overall reputation by Brendan Wood International in its 2001 Equity Research, Sales and Trading Performance Report. Scotia Capital also received 10 All-Star research analyst rankings.
- *M&A Review* ranked Scotia Capital #1 among Canadian banks for merger & acquisition transactions in the first six months of this year.
- We led or participated in several innovative and significant transactions in Canada and globally:
 - co-arranged one of the largest U.S. project financings of the year for TECO Panda, and was co-manager on a related investment grade bond deal;
 - led the swap syndication for the largest interest rate swap this year in Canada – the US\$1 billion high yield issuance of Quebecor Media.

International Banking

International Banking net income rose to \$132 million, up \$28 million or 27% from last year. Adjusting for the gain on sale of Solidbank in 2000, the increase was even greater, at \$37 million or almost 40%.

The Bank's Caribbean operations continue to be very profitable, with higher lending volumes and revenues in almost all units.

Earnings from Latin America grew year over year. Inverlat reported solid results, contributing net income of \$21 million this quarter. Scotiabank Quilmes in Argentina remained profitable; however, we are carefully managing our cross-border risk given the country's current economic situation.

The increase in expenses from last quarter was primarily due to higher stock-based compensation charges.

Other International Banking highlights:

- We continue to expand our distribution network in the Caribbean. We opened another branch and added 10 ATMs in Jamaica, and opened branches in Puerto Rico and Costa Rica.
- Banco Sud Americano in Chile was again rated #1 for customer service by the independent group Punto De Vista.
- Product offerings were broadened, with a new deposit product, the Rate Booster CD, in El Salvador, and Stock Index GIC in Costa Rica. We are re-launching our popular Gana-Gana (Win-Win) campaign in Mexico to boost sales of deposits and savings accounts.
- We led the market in Mexico with Scotiabank Inverlat being the first bank to reduce interest rates below 20% on automotive and mortgage lending, with a positive impact on our volumes.

Other

The other segments reported net income of \$12 million this quarter, up slightly from last year. The contribution from Group Treasury rose, as higher interest profit was partially offset by a decline in securities gains. As well, a \$97 million tax settlement was received this quarter, and \$75 million was added to the general provision.

Other Initiatives

Electronic commerce

Scotiabank continues to play a leading role in the “smart card” market in Canada. We announced a pilot program, in partnership with the Solstice Alliance, of a card that combines credit, electronic purse, loyalty programs and other services, using microchip technology.

Scotia Alert, another Canadian first, was launched. The innovative wireless service will offer business customers the convenience of tracking activities in their commercial accounts, using any Internet-enabled wireless device.

As well, e-Scotia entered into an agreement with Diversinet Corp. to use their mobile digital certificate to provide end-to-end wireless security solutions for mobile commerce applications, using wireless devices such as personal digital assistants, pagers and smartphones.

We also joined with five other banks to form a global alliance that will give travellers free access to cash machines on three continents. The agreement is estimated to give a total of 40 million people access to more than

23,000 cash machines in Australia, Germany, Britain, France and North America.

Employees

Research has shown that employee satisfaction is directly linked to customer loyalty, which impacts profitability and growth. To this end, during the quarter we introduced a new process to measure employee satisfaction, which found that 83 per cent of domestic employees say their branch is a great place to work. An increased focus on coaching and training contributed to these positive results.

Additional training initiatives were launched in International and Commercial Banking focusing on sales management and relationship building.

A new automated Web-based hiring management system was introduced that will improve the Bank’s recruitment capabilities, speed up the hiring process and make it easier for the Bank to identify the most effective hiring sources. Potential employees, who can now apply for jobs electronically, will find the hiring process faster and easier.

Community involvement

Scotiabank and its employees play an important role in communities across Canada through sponsorships, donations and personal involvement. Some of the causes supported include:

- The Sick Kids Miracle Weekend telethon raised more than \$5.6 million for Toronto’s Hospital for Sick Children. Scotiabank dedicated 85 workstations at its Toronto Call Centre to take pledges.
- In the Hamilton Niagara Region, Scotiabankers raised a record \$170,000 for the Children’s Hospital of Hamilton through the annual “Smiles” campaign, bringing their total contribution over the past nine years to more than \$1 million. In recognition of their success, Scotiabank announced a \$500,000 donation to the hospital’s Neonatal Intensive Care Unit.
- The Bank committed \$50,000 to the Prince County Hospital equipment fund in P.E.I. Summerside branch staff have pledged to raise an additional \$12,000.
- 75 per cent of all Scotiabank employees in four northern Ontario communities – Sudbury, North Bay, Thunder Bay and Sault Ste. Marie – helped organize and participated in Relay for Life, a fund-raiser for the Canadian Cancer Society.
- In British Columbia, a \$75,000 contribution to the Salvation Army’s “Circle of Caring” capital campaign has funded the purchase of two vans for the organization’s crisis response work.

Forward-looking statements This report includes forward-looking statements about objectives, strategies and expected financial results. Such forward-looking statements are inherently subject to risks and uncertainties beyond the Bank’s control, including, but not limited to, economic and financial conditions globally, regulatory developments in Canada and elsewhere, technological developments and competition. These and other factors may cause the Bank’s actual performance to differ materially from that contemplated by forward-looking statements, and the reader is therefore cautioned not to place undue reliance on such statements.

Business Line Highlights

Domestic Banking

<i>(Unaudited) (\$ millions)</i> <i>(Taxable equivalent basis)</i>	For the three months ended			For the nine months ended	
	July 31 2001	April 30 2001	July 31 2000	July 31 2001	July 31 2000
Net interest income	\$ 780	\$ 763	\$ 748	\$ 2,299	\$ 2,186
Provision for credit losses	(87)	(67)	(57)	(224)	(193)
Other income	383	367	479	1,151	1,337
Non-interest expenses	(735)	(725)	(791)	(2,188)	(2,295)
Provision for income taxes	(129)	(115)	(145)	(370)	(409)
Net Income	\$ 212	\$ 223	\$ 234	\$ 668	\$ 626
Average Assets (\$ billions)	\$ 90	\$ 90	\$ 89	\$ 90	\$ 89

Scotia Capital

<i>(Unaudited) (\$ millions)</i> <i>(Taxable equivalent basis)</i>	For the three months ended			For the nine months ended	
	July 31 2001	April 30 2001	July 31 2000	July 31 2001	July 31 2000
Net interest income	\$ 415	\$ 370	\$ 407	\$ 1,158	\$ 1,003
Provision for credit losses	(152)	(153)	(130)	(597)	(244)
Other income	314	318	269	936	744
Non-interest expenses	(259)	(241)	(218)	(721)	(636)
Provision for income taxes	(120)	(102)	(117)	(266)	(331)
Net Income	\$ 198	\$ 192	\$ 211	\$ 510	\$ 536
Average Assets (\$ billions)	\$ 113	\$ 117	\$ 103	\$ 114	\$ 98

International Banking

<i>(Unaudited) (\$ millions)</i> <i>(Taxable equivalent basis)</i>	For the three months ended			For the nine months ended	
	July 31 2001	April 30 2001	July 31 2000	July 31 2001	July 31 2000
Net interest income	\$ 550	\$ 537	\$ 348	\$ 1,455	\$ 982
Provision for credit losses	(21)	(43)	(46)	(114)	(135)
Other income	187	190	135	513	338
Non-interest expenses	(489)	(427)	(269)	(1,199)	(739)
Provision for income taxes	(63)	(82)	(55)	(187)	(140)
Non-controlling interest in net income of subsidiaries	(32)	(26)	(9)	(72)	(31)
Net Income	\$ 132	\$ 149	\$ 104	\$ 396	\$ 275
Average Assets (\$ billions)	\$ 51	\$ 51	\$ 32	\$ 45	\$ 30

Other⁽¹⁾

<i>(Unaudited)</i> (\$ millions)	For the three months ended			For the nine months ended	
	July 31 2001	April 30 2001	July 31 2000	July 31 2001	July 31 2000
Net interest income ⁽²⁾	\$ (118)	\$ (135)	\$ (118)	\$ (381)	\$ (365)
Provision for credit losses	(65)	(87)	6	(140)	33
Other income	170	139	107	482	381
Non-interest expenses	(35)	(1)	(32)	(64)	(158)
Provision for income taxes ⁽²⁾	69	67	45	159	113
Non-controlling interest in net income of subsidiaries	(9)	(8)	(9)	(27)	(12)
Net income	\$ 12	\$ (25)	\$ (1)	\$ 29	\$ (8)
Average assets (\$ billions)	\$ 21	\$ 20	\$ 17	\$ 20	\$ 19

(1) Includes all other smaller operating segments and corporate adjustments, such as the elimination of the tax-exempt income gross-up reported in net interest income and provision for income taxes, increases in the general provision, differences in the actual amount of costs incurred and charged to the operating segments, and the impact of securitizations.

(2) Includes the elimination of the tax-exempt income gross-up reported in net interest income and provision for income taxes for the three months ended July 31, 2001 (\$57), April 30, 2001 (\$49) and July 31, 2000 (\$52), and for the nine months ended July 31, 2001 (\$160) and July 31, 2000 (\$143).

Total

<i>(Unaudited)</i> (\$ millions)	For the three months ended			For the nine months ended	
	July 31 2001	April 30 2001	July 31 2000	July 31 2001	July 31 2000
Net interest income	\$ 1,627	\$ 1,535	\$ 1,385	\$ 4,531	\$ 3,806
Provision for credit losses	(325)	(350)	(227)	(1,075)	(539)
Other income	1,054	1,014	990	3,082	2,800
Non-interest expenses	(1,518)	(1,394)	(1,310)	(4,172)	(3,828)
Provision for income taxes	(243)	(232)	(272)	(664)	(767)
Non-controlling interest in net income of subsidiaries	(41)	(34)	(18)	(99)	(43)
Net income	\$ 554	\$ 539	\$ 548	\$ 1,603	\$ 1,429
Average assets (\$ billions)	\$ 275	\$ 278	\$ 241	\$ 269	\$ 236

Geographic Highlights

<i>(Unaudited)</i>	For the three months ended			For the nine months ended	
	July 31 2001	April 30 2001	July 31 2000	July 31 2001	July 31 2000
Net income (\$ millions)					
Canada	\$ 366	\$ 357	\$ 377	\$ 1,091	\$ 962
United States	39	74	66	123	269
Other international	180	189	142	531	360
Corporate adjustments	(31)	(81)	(37)	(142)	(162)
	\$ 554	\$ 539	\$ 548	\$ 1,603	\$ 1,429
Average assets (\$ billions)					
Canada	\$ 152	\$ 151	\$ 142	\$ 151	\$ 141
United States	44	46	42	44	39
Other international	74	76	55	69	53
Corporate adjustments	5	5	2	5	3
	\$ 275	\$ 278	\$ 241	\$ 269	\$ 236

Interim Consolidated Financial Statements

Consolidated Statement of Income

<i>(Unaudited)</i> <i>(\$ millions except per share amounts)</i>	For the three months ended			For the nine months ended	
	July 31 2001	April 30 2001	July 31 2000	July 31 2001	July 31 2000
Interest income					
Loans	\$ 3,225	\$ 3,403	\$ 3,182	\$ 9,955	\$ 8,833
Securities	910	762	577	2,297	1,664
Deposits with banks	197	252	252	695	666
	4,332	4,417	4,011	12,947	11,163
Interest expense					
Deposits	1,981	2,202	2,118	6,426	5,979
Subordinated debentures	71	80	77	237	237
Other	653	600	431	1,753	1,141
	2,705	2,882	2,626	8,416	7,357
Net interest income	1,627	1,535	1,385	4,531	3,806
Provision for credit losses ⁽¹⁾	325	350	227	1,075	539
Net interest income after provision for credit losses	1,302	1,185	1,158	3,456	3,267
Other income					
Deposit and payment services	201	184	158	555	467
Investment, brokerage and trust services	157	170	178	481	577
Credit fees	153	152	168	476	468
Investment banking	300	266	201	830	554
Net gain on investment securities	7	109	115	189	333
Securitization revenues	49	49	52	180	156
Other	187	84	118	371	245
	1,054	1,014	990	3,082	2,800
Net interest and other income	2,356	2,199	2,148	6,538	6,067
Non-interest expenses					
Salaries	780	676	661	2,111	1,916
Pension contributions and other staff benefits	104	96	91	277	264
Premises and technology, including depreciation	303	290	270	854	786
Other	331	332	288	930	862
	1,518	1,394	1,310	4,172	3,828
Income before the undernoted	838	805	838	2,366	2,239
Provision for income taxes	243	232	272	664	767
Non-controlling interest in net income of subsidiaries	41	34	18	99	43
Net income	\$ 554	\$ 539	\$ 548	\$ 1,603	\$ 1,429
Preferred dividends paid	\$ 27	\$ 27	\$ 27	\$ 81	\$ 81
Net income available to common shareholders	\$ 527	\$ 512	\$ 521	\$ 1,522	\$ 1,348
Average number of common shares outstanding (thousands)					
Basic	501,156	499,826	495,772	499,801	494,964
Diluted ⁽²⁾	509,383	507,847	502,279	508,028	499,858
Net income per common share					
Basic	\$ 1.05	\$ 1.02	\$ 1.05	\$ 3.04	\$ 2.72
Diluted ⁽²⁾	\$ 1.04	\$ 1.01	\$ 1.04	\$ 3.00	\$ 2.70

(1) In prior years, the Bank estimated the provision for credit losses at the beginning of a year and recorded it evenly over the quarters, adjusting the amount as the whole year estimate changed during the course of the year. On November 1, 2000, the Bank began recording provisions as losses are identified in the quarter.

(2) Reflects the dilutive effect of stock options under the treasury stock method.

Condensed Consolidated Balance Sheet

<i>(Unaudited) (\$ millions)</i>	As at			
	July 31 2001	April 30 2001	October 31 2000	July 31 2000
Assets				
Cash resources				
Cash and non-interest bearing deposits with banks	\$ 1,478	\$ 1,339	\$ 1,191	\$ 1,461
Interest bearing deposits with banks	13,261	16,836	16,250	16,252
Precious metals	1,374	1,106	1,303	1,330
	16,113	19,281	18,744	19,043
Securities				
Investment	24,600	21,796	19,565	18,740
Trading	27,966	27,702	21,821	18,151
	52,566	49,498	41,386	36,891
Loans				
Residential mortgages	51,537	50,400	49,994	49,453
Personal and credit cards	18,658	17,564	17,704	16,972
Business and governments	73,886	76,774	75,646	74,188
Assets purchased under resale agreements	29,019	30,150	23,559	20,751
	173,100	174,888	166,903	161,364
Other				
Customers' liability under acceptances	8,865	9,794	8,807	9,349
Other assets	20,534	21,483	17,331	16,477
	29,399	31,277	26,138	25,826
	\$ 271,178	\$ 274,944	\$ 253,171	\$ 243,124
Liabilities and Shareholders' Equity				
Deposits				
Personal	\$ 74,572	\$ 75,102	\$ 68,972	\$ 68,588
Business and governments	78,042	79,921	76,980	74,742
Banks	25,860	26,165	27,948	24,395
	178,474	181,188	173,900	167,725
Other				
Acceptances	8,865	9,794	8,807	9,349
Obligations related to assets sold under repurchase agreements	31,251	33,583	23,792	21,242
Obligations related to securities sold short	8,162	5,796	4,297	4,916
Other liabilities	24,028	24,527	23,301	21,273
Non-controlling interest in subsidiaries	1,053	1,025	729	798
	73,359	74,725	60,926	57,578
Subordinated debentures	5,276	5,324	5,370	5,327
Shareholders' Equity				
Preferred shares	1,775	1,775	1,775	1,775
Common shares	2,878	2,829	2,765	2,727
Retained earnings	9,416	9,103	8,435	7,992
	14,069	13,707	12,975	12,494
	\$ 271,178	\$ 274,944	\$ 253,171	\$ 243,124

Consolidated Statement of Changes in Shareholders' Equity

For the nine months ended

<i>(Unaudited) (\$ millions)</i>	July 31 2001	July 31 2000
Preferred shares		
Bank	\$ 1,525	\$ 1,525
Scotia Mortgage Investment Corporation	250	250
Balance at end of period	\$ 1,775	\$ 1,775
Common shares		
Balance at beginning of period	\$ 2,765	\$ 2,678
Issued	113	49
Balance at end of period	\$ 2,878	\$ 2,727
Retained earnings		
Balance at beginning of period	\$ 8,435	\$ 6,953
Net income	1,603	1,429
Preferred dividends	(81)	(81)
Common dividends	(450)	(357)
Cumulative effect of initial adoption of income taxes accounting standard	(39)	-
Net unrealized foreign exchange gains and losses, and other	(52)	48
Balance at end of period	\$ 9,416	\$ 7,992
	\$ 14,069	\$ 12,494

Condensed Consolidated Statement of Cash Flows

Sources and (uses) of cash flows (Unaudited) (\$ millions)	For the three months ended		For the nine months ended	
	July 31 2001	July 31 2000	July 31 2001	July 31 2000
Cash flows from operating activities				
Net income	\$ 554	\$ 548	\$ 1,603	\$ 1,429
Adjustments to net income to determine net cash flows	388	301	1,467	783
Trading securities	(303)	755	(3,130)	(3,772)
Net gains on investment securities	(7)	(115)	(189)	(333)
Other, net	(132)	(28)	(1,917)	(484)
	500	1,461	(2,166)	(2,377)
Cash flows from financing activities				
Deposits	(2,292)	(1,493)	(3,518)	9,300
Obligations related to assets sold under repurchase agreements	(2,303)	199	355	4,148
Obligations related to securities sold short	2,369	(207)	3,868	2,078
Subordinated debentures and capital stock	(5)	(25)	(29)	(39)
Cash dividends paid	(172)	(140)	(497)	(414)
Other, net	281	290	(679)	848
	(2,122)	(1,376)	(500)	15,921
Cash flows from investing activities				
Interest-bearing deposits with banks	3,515	2,201	4,859	(1,143)
Investment securities	(2,602)	554	(4,555)	1,634
Loans	707	(2,663)	1,823	(14,557)
Proceeds from loans securitized	300	–	1,364	1,299
Land, buildings and equipment, net of disposals	18	9	(110)	(84)
Other, net ⁽¹⁾	–	–	25	(118)
	1,938	101	3,406	(12,969)
Effect of exchange rate changes on cash and cash equivalents	(6)	(2)	4	(2)
Net change in cash and cash equivalents	310	184	744	573
Cash and cash equivalents, beginning of period	1,168	1,277	734	888
Cash and cash equivalents, end of period	\$ 1,478	\$ 1,461	\$ 1,478	\$ 1,461
Cash disbursements for				
Interest	\$ 2,926	\$ 2,608	\$ 8,824	\$ 7,267
Income taxes	156	161	673	674

(1) Includes cash investments in subsidiaries of \$58 for the nine months ended July 31, 2001 and \$230 for the nine months ended July 31, 2000 (net of cash and cash equivalents at date of acquisition).

Accounting Policies Used to Prepare the Interim Consolidated Financial Statements (Unaudited):

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended October 31, 2000, as set out in the 2000 Annual Report. The accounting policies used in the preparation of these interim consolidated financial statements are consistent with the accounting policies used in the Bank's year end audited financial statements of October 31, 2000, except for those standards which have changed subsequent to that date, as detailed below.

1. **Diluted earnings per share**

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

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

2. **Corporate income taxes**

On November 1, 2000, the Bank adopted the asset and liability method of accounting for corporate income taxes, as established by the CICA, on a retroactive basis, with no restatement of prior periods. Under this method, future tax assets and liabilities represent the cumulative amount of tax applicable to temporary differences between the carrying amount of the assets and liabilities, and their values for tax purposes. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Changes in future income taxes related to a change in tax rates are recognized in income in the period of the tax rate change.

In previous periods, the Bank followed the deferral method of accounting for income taxes, whereby income tax provisions or recoveries were recorded in the years the income and expense were recognized for accounting purposes, regardless of when the related taxes were actually paid or settled. Income tax provisions or recoveries were measured at tax rates in effect in the year the differences originated.

As stated in note 2(a) of the Bank's 2000 Annual Financial Statements, an amount of \$39 million was charged to opening retained earnings in fiscal 2001 with an offsetting reduction to the future income tax asset.

3. **Employee future benefits**

On November 1, 2000, the Bank adopted the new accounting standard established by the CICA for employee future benefits. Employee future benefits include pensions and other retirement benefits, post-employment benefits, compensated absences and termination benefits.

The new accounting standard requires the accrual of the Bank's expected cost and obligation of providing other retirement benefits (such as health care costs and life insurance benefits) as the employees earn the entitlement to the benefits, in a manner similar to pension costs. In prior years, such costs were charged to income when paid by the Bank. The new standard also requires the use of current market interest rates to estimate the present value of future benefit obligations, whereas in prior years, an estimated long-term interest rate was used to determine the present value of the pension obligation.

The new accounting standard was adopted on a prospective basis with a transition date of November 1, 2000. The net transitional amount, an asset of \$169 million, will result in a reduction in pension expense in the Consolidated Statement of Income as it is recognized over the estimated average remaining service life of the employees of approximately 14 to 18 years.

Shareholder & Investor Information

Share data

<i>(thousands of shares)</i>	July 31, 2001
Preferred shares outstanding:	
Series 6	12,000
Series 7	8,000
Series 8	9,000
Series 9	10,000
Series 11	9,993
Series 12	12,000
Class A preferred shares issued by Scotia Mortgage Investment Corporation	250
Series 2000-1 trust securities issued by BNS Capital Trust	500 ⁽¹⁾
Common shares outstanding	502,240
Outstanding options granted under the Stock Option Plan to purchase common shares	27,969

(1) Reported in other liabilities in the Condensed Consolidated Balance Sheet. See Prospectus dated March 28, 2000, for convertibility features.

Further details are available in Notes 12 and/or 13 of the October 31, 2000, Consolidated Financial Statements presented in the 2000 Annual Report.

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

Direct deposit service

Shareholders may have dividends deposited directly into accounts held at financial institutions which are members of the Canadian Payments Association. To arrange direct deposit service, please write to the Transfer Agent.

Dividend and Share Purchase Plan

Scotiabank's dividend reinvestment and share purchase plan allows common and preferred shareholders to purchase additional common shares by reinvesting their cash dividend without incurring brokerage or administrative fees.

As well, eligible shareholders may invest up to \$20,000 each fiscal year to purchase additional common shares of the Bank. Debenture holders may apply interest on fully registered Bank subordinated debentures to purchase additional common shares. All administrative costs of the Plan are paid by the Bank.

For more information on participation in the Plan, please contact the Transfer Agent.

Dividend dates for 2001

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

Record Date	Payment Date
Jan. 2	Jan. 29
April 3	April 26
July 3	July 27
Oct. 2	Oct. 29

Duplicated communication

If your shareholdings are registered under more than one name or address, multiple mailings will result. To eliminate this duplication, please write to the Transfer Agent to combine the accounts.

World Wide Web site

For information relating to Scotiabank and its services, visit us at our World Wide Web site:

<http://www.scotiabank.com>

Web broadcast

A live audio Webcast of the Bank's analyst conference call will begin at 3:30 p.m. EDT on August 28, 2001. As well, media and retail investors will be able to join the conference call by telephone on a listen-only basis by dialing 1-877-823-6611 between five and 15 minutes in advance. A replay of the conference call will be available from August 28 to September 11, 2001 by calling (416) 640-1917 and entering the identification code 134465#.

The Webcast will include both audio and slide presentations by Bank executives, and a subsequent question and answer period. The full presentation will be archived on the Internet from approximately 6:00 p.m. EDT on August 28, 2001. For downloading instructions, please click on the Investor Relations area of the Scotiabank Web site at www.scotiabank.com.

General information

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

Computershare Trust Company of Canada
100 University Ave., 11th Floor
Toronto, Ontario, Canada M5J 2Y1
Telephone: (416) 981-9633; 1-800-663-9097
Fax: (416) 981-9507
E-mail: caregistryinfo@computershare.com

Financial analysts, portfolio managers and other investors requiring financial information, please contact Investor Relations, Finance Department:

Scotiabank
Scotia Plaza
44 King Street West, Toronto, Ontario,
Canada M5H 1H1
Telephone: (416) 866-5982
Fax: (416) 866-7867
E-mail: investor.relations@scotiabank.com

For other information and for media inquiries, please contact the Public and Corporate Affairs Department at the above address.

Telephone: (416) 866-3925
Fax: (416) 866-4988
E-mail: corpaff@scotiabank.ca

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

Scotiabank is one of North America's premier financial institutions, with more than \$271 billion in assets and approximately 51,000 employees worldwide, including affiliates. It is also Canada's most international bank with more than 2,000 branches and offices in more than 50 countries. Scotiabank is on the World Wide Web at www.scotiabank.com.

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