

2003 Public Accountability Statement



2003 Scotiabank Public Accountability Statement

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Scotiabank's 2003 Public Accountability Statement (PAS) is published in accordance with regulations of the Financial Consumer Agency of Canada. The PAS contains all necessary information as required under section 3 of Public Accountability Statements (Banks, Insurance Companies, Trust and Loan Companies) Regulations.

Canada is a member of the **Organization for Economic Co-operation and Development (OECD)**, and subscribes to the 40 Recommendations and Eight Special Recommendations of the Financial Action Task Force (FATF). The initial 40 recommendations, developed in 1990, set out a comprehensive plan of action to fight money laundering. Eight additional special recommendations were issued by the FATF after the events of Sept. 11, 2001, to combat terrorist financing. Scotiabank complies with the recommendations.

It is the policy of the Scotiabank Group of Companies to comply with the laws and regulations of the countries in which we do business.

Scotiabank is a member of the following organizations:

- The **Canadian Employers Council**, which was party to the creation of the United Nations International Labour Organization and the Declaration of Fundamental Principles and Rights at Work. This declaration addresses core labour standards, such as freedom of association and the prohibition of child labour.
- The Ontario chapter of **Canadian Business for Social Responsibility**, a non-profit network of innovative companies working to improve their social, environmental and financial performance.
- The **Consumers Council of Canada**.



Commitment to Stakeholders

At Scotiabank, we are committed to working towards leadership in corporate social responsibility, which we define as the way we interact with our stakeholders to meet our social, economic, environmental and ethical responsibilities. We do this by setting goals and measuring our performance, not only in terms of creating value for our shareholders, but also by our success in building customer and employee satisfaction and supporting the well being of the communities where we operate.

We consult broadly with all of our stakeholders to determine how well we are meeting their needs and fulfilling their expectations, and their input was invaluable in developing this year's public accountability statement. We are pleased to provide you with information in this report about our progress, including details about our social and community commitments, our relationships with customers and employees, the effectiveness of our corporate governance and our efforts to enhance environmental performance. This report is available through our network of branches and offices, and on www.scotiabank.com.



Todd Flick works for Scotia Cassels in Halifax and serves as a member of the Windsor, N.S., Volunteer Fire Department. The young firefighter is his nephew, Caleb Matheson.

Cover: Young customers with *Getting There Savings Program*® for Youth programs: Daisy, Sally and Will Wright.

A Message to Our Stakeholders

At Scotiabank, we manage our business to benefit all of our major stakeholders – our customers, employees, shareholders, and the communities where we all live and work. We aim to create long-term value for shareholders, provide excellent service to customers and satisfying, rewarding careers for employees, and be a positive influence in the communities we serve.

In 2003, we met with success in all these areas. Once again, we provided record returns to shareholders: over the past 10 years, total shareholder returns – including dividends and stock price appreciation – have exceeded 20 per cent. We were recognized for excellence in customer service, not only in Canada, but in several of the international markets where we operate. In a confidential internal survey, a large majority of our employees – 83 per cent – said their area was a great place to work. And total donations, sponsorships and other forms of community giving – about 15 per cent of it directed outside of Canada – totalled \$30 million. Over the past decade, Scotiabank has increased its community giving more than five-fold, making us one of the largest corporate donors in Canada. Once again, Corporate Knights recognized us as one of Canada's top 10 corporate citizens.

Corporate social responsibility (CSR) – the way we interact with our stakeholders to meet our social, economic, environmental and ethical responsibilities – is an important part of our commitment to stakeholders. Apart from simply being the right thing to do, CSR makes good business sense. Potential and current employees welcome the opportunity to work for a socially responsible company and appreciate our support for their local communities. Increasingly, too, customers and shareholders are seeking to do business with and invest in such companies.

We have committed ourselves to the goal of becoming a leader in corporate social responsibility and have incorporated it into our list of strategic objectives. To focus our

efforts toward achieving this goal, we have recently taken the following steps:

- convened executive steering and working committees last year to develop a longer-term CSR strategy for Scotiabank and look for opportunities to step up our contribution;
- made the decision to appoint a dedicated senior officer to build and maintain the Bank's relationships with the Canadian and global CSR communities;
- created a Reputational Risk Committee to support the Bank's other risk management committees, and provide business units with advice and guidance in assessing complex products and transactions for the possibility that they may negatively affect the Bank's public image; and
- became a founding member of the Ontario chapter of Canadian Business for Social Responsibility, a not-for-profit association that encourages and supports its member companies in developing responsible and profitable business practices.

Our Public Accountability Statement (PAS) is a key component of our CSR commitment. Besides telling our stakeholders about the good things we are doing in their communities, we are using it as a tool to manage and refine our long-term CSR strategies. Already, the PAS has helped us improve relationships with our stakeholders – to find out what we are doing well, where we need to improve, and how we can better address issues that affect our operations, our reputation, our communities, and our world.



We have committed ourselves to the goal of becoming a leader in corporate social responsibility and have incorporated it into our list of strategic objectives.

Richard E. Waugh

We have also generated greater awareness of our CSR strategies and performance through our annual report, Scotiabank's website, and Guidelines for Business Conduct. Our employees have shown a great interest in CSR-related issues. We encourage their participation in community-based causes, and keep them informed of the Bank's and each other's efforts, through internal publications, websites and other media. Our Board of Directors has been briefed on our progress, and we have listened to our customers and shareholders through a variety of channels. For example, we have met with the Consumers Council of Canada on numerous occasions to obtain their feedback on our past efforts and their input in preparing this report.

Although much of the basic information required for the PAS is already collected and reported by the Bank, it does require effort to pull it all together in a coherent and consistent way. Each year, we have tried to improve on the amount and depth of data we include to measure our performance on

a variety of economic, social and environmental indicators. However, this kind of complex, specialized reporting is still a relatively new concept, and one that continues to evolve as interest in CSR issues grows. We will continue tracking the development of international reporting standards, and we are confident that, over time, we will be able to provide even better information that reflects a more comprehensive picture of our CSR efforts and progress to our stakeholders.

We are proud of our efforts in the global communities where we live and work, and pleased to share some of the highlights of our 2003 contributions with you in the pages of this report.

Richard E. Waugh
President & Chief Executive Officer

The Scotiabank Group of Companies

Our goal is to be the best and most successful Canadian-based financial services company, responsibly managing the Bank to serve all our stakeholders – customers, shareholders, employees and the community. To reach this goal, we have set the following objectives:

<p>Stakeholder Objectives</p>	<ul style="list-style-type: none"> • Customers <ul style="list-style-type: none"> • To be leaders in overall satisfaction • To consistently focus on the needs of our customers in all of our businesses • Fiduciary/regulatory <ul style="list-style-type: none"> • To provide a strong, consistent level of safety and soundness • To maintain best practices in corporate governance and compliance processes • Employees <ul style="list-style-type: none"> • To be an “employer of choice” • To always strive for our values, culture, corporate goals and objectives to be shared among staff in all areas of the Scotiabank Group of Companies • Shareholders <ul style="list-style-type: none"> • To earn a premium over our cost of capital • To maintain a productivity ratio of less than 58% • To build shareholder value through consistent increases in dividends and through stock price appreciation • Community <ul style="list-style-type: none"> • To be leaders in corporate social responsibility • To be seen as a positive influence in the communities we serve
<p>Core Purpose</p>	<p>To be the best at helping customers become financially better off by providing relevant solutions to their unique needs.</p>
<p>Core Values</p>	<ul style="list-style-type: none"> • Integrity Interact with others ethically and honourably • Respect Empathize and fully consider the diverse needs of others • Commitment Achieve success for clients, team and self • Insight Use high level of knowledge to proactively respond with the right solutions • Spirit Enrich the work environment with teamwork, contagious enthusiasm and “can-do” attitude
<p>Corporate Strategies</p>	<ul style="list-style-type: none"> • Build deeper, more profitable relationships through a true sales and service organization and culture • Optimize the use of our resources – shareholder capital, human capital and technology • Build on our core strengths – customer satisfaction, our people, diversification, expense management, risk management and execution

Business Lines

Scotiabank – founded in Halifax, Nova Scotia, in 1832 – is one of North America’s leading financial institutions. The Bank provides a broad range of personal, small business, commercial, corporate, investment and international banking services, serving 10 million customers in some 50 countries in the Americas, the Caribbean, Europe and Asia.

QUICK FACTS

Global presence: 1,850 branches and offices worldwide, in some 50 countries, including 964 in Canada

Automated banking machines (ABMs): close to 4,000 worldwide, including nearly 2,400 across Canada

Online customers: 1.1 million, up 29% from 2002

Employees: Almost 48,000[†] worldwide

[†] including affiliates. The employee numbers elsewhere in this report reflect the number of individual staff members, which differs from the full-time equivalent basis numbers used in other documents, such as the annual report.

DOMESTIC BANKING – RETAIL BANKING/WEALTH MANAGEMENT/ SMALL BUSINESS/COMMERCIAL BANKING

Scotiabank’s retail, small business and commercial operations in Canada provide a full range of financial services to more than six million customers, including individuals, and small and medium-sized businesses. The Wealth Management group provides clients with investment and advisory services, including retail brokerage, mutual funds and private client services.

Products and services include:

- day-to-day banking – chequing and savings accounts (including low-fee options), traveller’s cheques and foreign exchange
- borrowing – mortgages, credit cards, personal loans and lines of credit
- ScotiaOne™ Account Plan for small business™ and a full range of commercial banking options
- investments – guaranteed investment certificates and mutual funds (including asset allocation services);
- protection – creditor insurance, travel insurance;
- financial planning; retail brokerage, including full-service and self-directed
- private banking; discretionary money management; personal trust services

INTERNATIONAL BANKING

International Banking provides retail, commercial, corporate and trade finance services to almost three million local and global clients through branches, agencies, representative offices in more than 40 countries. Active in the Caribbean since 1889, Scotiabank is the leading provider of financial services in the region. Scotiabank also has the broadest Latin American and Asian networks among the Canadian banks.

Products and services include:

- retail services, day-to-day banking, lending, mutual funds and insurance
- commercial services, including electronic cash management services
- trade finance, correspondent banking, foreign exchange corporate lending, including project finance

SCOTIA CAPITAL

Scotia Capital manages the Bank’s global relationships with large corporate, institutional and government clients, marketing the full capabilities of the Scotiabank Group to these clients. In Canada, Scotia Capital serves clients with a full range of products – from corporate finance to specialized hedging strategies and a range of financial advisory services. In the United States and Europe, Scotia Capital offers specialized coverage, based on selected industries in each market.

Products and services include:

- corporate lending, fixed income and derivatives
- mergers and acquisition advisory services
- equity underwriting and research
- institutional equity sales and trading
- structured finance/securitization/leasing
- foreign exchange, money market instruments, precious metals

For a list of affiliates and subsidiaries > See Appendix p. 59

Shareholders

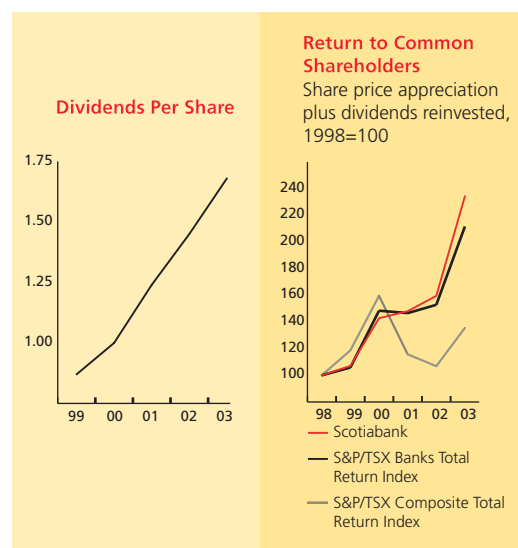
Scotiabank is a widely held public company. With approval, an investor can own up to 20 per cent of any class of voting shares and up to 30 per cent of any class of non-voting shares. Common shares of the Bank are listed on the Toronto, New York and London stock exchanges.

At the end of 2003, the Bank had approximately 182,000 registered and non-registered shareholders. Among them are employees, individual investors and institutional investors, including mutual funds and pension funds. Most shareholders are non-registered, with their shares held in the name of an intermediary, such as a securities broker or trustee.

Shareholder returns

Scotiabank has one of the most consistent records for dividend growth among major Canadian companies. Fiscal 2003 marked the 12th consecutive year of dividend growth for the Bank, with dividends increasing 16 per cent over the prior year. Furthermore, a dividend increase of six cents to 50 cents per share was announced effective in January 2004. With this increase, dividends have more than doubled since 1999, and have risen by a compound annual rate of 11.6 per cent over the past 10 years. Scotiabank's strong capital position and earnings in 2003 have also allowed it to increase the target dividend payout ratio to 35 to 45 per cent of earnings per share. The 2003 payout ratio was 35 per cent.

The total return to common shareholders (which includes dividends and appreciation in the price of the Bank's common shares) for fiscal 2003 was 47 per cent. The compound annual return to shareholders over the past five years was 18.6 per cent, outpacing the average of the other major Canadian banks. The 10-year return was even better at 20.1 per cent. Scotiabank continues to substantially outperform the S&P/TSX Composite Index.



Key Financial Information

Financial Data

For the years ended October 31	2003	2002	Excluding charges for Argentina*
Net income (\$ millions)	2,477	1,797	2,337
Return on equity (%)	17.6	13.0	16.6
Productivity ratio (%)	54.9	54.9	52.2
Assets under management (\$ billions)	20.0	21.5	
Total assets (\$ billions)	285.9	296.4	
Tier 1 capital ratio (%)	10.8	9.9	

Expenses

Salaries & staff benefits (\$ millions)	3,361	3,344	
Direct and indirect taxes (\$ billions)	1.5	1.3	

* Refer to details of the 2002 charges related to Argentina discussed in footnote (1) on page 2, Table 26 on page 70 and Note 23 on page 108 of the 2003 Scotiabank Annual Report.

2004 Key Financial Targets

- Earnings per share growth: 10-15 per cent
- Return on equity: 16-19 per cent
- Productivity ratio – below 58 per cent
- Maintain strong capital ratios and credit ratings

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INFORMATION
> Annual Report

Corporate Governance

Sound and effective corporate governance is a priority for Scotiabank. Indeed, we consider it essential to the Bank's long-term success.

Scotiabank's corporate governance policies are designed to ensure the independence of the Board of Directors and its ability to effectively supervise management's operation of the Bank.

Board independence ensures that the Bank is managed for the long-term benefit of its major stakeholders – customers, employees, the communities in which the Bank operates, and shareholders.

Board Committees

The committees of the Board assist the Board in fulfilling its mandate and ensure that The Scotiabank Group is governed effectively. At fiscal year end there were five committees:

The Audit Committee

fulfills oversight responsibilities for the integrity of the Bank's annual consolidated financial statements, compliance with legal and regulatory requirements, the hiring, assessment and compensation of the external auditors, the performance of the Bank's internal audit function and internal controls over financial reporting.

The Conduct Review and Pension Committee

scrutinizes Bank procedures and practices regarding transactions with related parties of the Bank and oversees compliance with certain other Bank Act provisions. The committee also monitors and supervises the Scotiabank Pension Plan and the administration and investment of the fund.

The Corporate Governance Committee

ensures that the Bank adheres to high corporate governance standards through continuous assessment and adjustment processes. Among the committee's responsibilities is the annual evaluation of the Board, Board committees and individual directors.

The Executive Committee

advises executive management on highly sensitive or major strategic issues and on special risk situations, in part by reviewing, monitoring and approving risk-related policies, procedures and standards.

The Human Resources Committee

reviews the compensation to be paid to senior executives and senior officers, the general design of incentive bonus and stock option plans and the distribution of related awards. The committee reviews and approves the corporate goals and objectives of the Chief Executive Officer and evaluates his or her performance. The committee also reviews the senior organization structure, including staffing and succession planning.

See Scotiabank's 2003 Annual Report at www.scotiabank.com for more information on our continuing focus on corporate governance issues, as well as:

- Scotiabank's Board of Directors;
- the TSX Guidelines for Improved Corporate Governance;
- NYSE Corporate Governance Rules;
- and the Sarbanes-Oxley Act and related U.S. requirements.

A strong and effective Board

We believe a strong and effective Board of Directors plays a crucial role in protecting the interests of shareholders and maximizing the value they receive from their investment in the Bank.

The Board's mandate is to supervise the management of the Bank's business and affairs and to maintain its strength and integrity. It also oversees the Bank's strategic direction, its organizational structure and the succession planning of senior management. Other important functions include appointing executive officers, including the Chief Executive Officer, and assessing management's performance, based on both qualitative and quantitative information. In addition, the Board regularly reviews the performance of the Bank on a consolidated basis, as well as the performance of business lines.

Board composition

At fiscal year end, the Bank's Board of Directors numbered 18 members, of whom more than 80 per cent are not related. They are business and community leaders active at the regional, national and international levels and, collectively, provide an invaluable breadth of experience.

In keeping with best practices, following the retirements of Peter Godsoe and Sir Graham Day from the positions of Chairman of the Board and Lead Director, respectively, the Board will appoint Arthur Scace as Non-Executive Chairman of the Board, subject to his re-election as a director by shareholders at the annual meeting of shareholders in March 2004.

Compliance with regulatory and internal standards

The Bank's corporate governance practices are regulated on a number of levels and by many different parties, including the Toronto Stock Exchange (TSX), the New York Stock Exchange (NYSE) and various government regulations.

Of particular consideration are the new corporate governance rules of the NYSE and the Sarbanes-Oxley Act of 2002. Any company that trades on the NYSE – which includes Scotiabank – must comply fully with these rules, which include, among other things, rules relating to the independence of the board of directors and board committees, internal controls and how companies disclose information in public documents.

The accountability of Scotiabank's Board is assured partly by the Bank's strict compliance with the guidelines and rules of these governing bodies, and partly by the Bank's own internal rules and standards.

All directors, officers and employees of the Bank must comply with Scotiabank's Guidelines for Business Conduct, the Bank's written code of ethics and conduct, which has been in place for many years (see page 10).

Strong internal compliance procedures are a permanent part of the everyday structure and operations of the Bank. Scotiabank's Group Compliance department ensures that various internal compliance initiatives and programs are current with industry best practices and evolving market conditions.

Governance enhancements

The Board of Directors and its Corporate Governance Committee have been, and continue to be, proactive and diligent in developing, reviewing and strengthening the Bank's corporate governance structure and procedures.

In fiscal 2003, the Board approved a number of initiatives to enhance and protect the Bank's integrity and promote its commitment to corporate social responsibility, including key elements of the Bank's anti-money laundering policy, and new procedures for employees to voice concerns regarding accounting and internal controls.

Steps were also taken during the year to increase disclosure of information about the Board and how it operates. This information can be found in the 2003 Annual Report and the corporate governance section of the Bank's website, www.scotiabank.com. Expanded profiles of the Bank's directors and executives, and copies of the charter and structure of each Board committee are also included.

The Bank's 2003 Annual Report provides an updated checklist that outlines how the Board measures up to the TSX corporate governance guidelines.

Details of Scotiabank's alignment with the requirements of the corporate governance rules of the NYSE and the Sarbanes-Oxley Act are provided in the Corporate Governance section of Scotiabank's 2003 Annual Report, and are also available on the Bank's website.

Going forward

One of the Bank's clear objectives is to maintain best practices in corporate governance and compliance processes at all times. In the face of an increasingly complex regulatory environment – not only in Canada, but also in the United States – sound and effective corporate governance remains a priority.

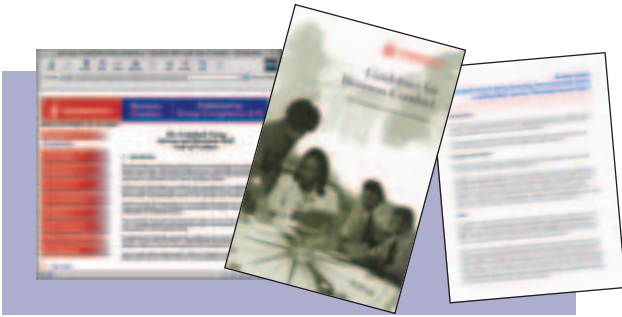
Codes of Conduct and Supporting Policies

Since our founding more than 170 years ago, Scotiabank has been committed to ensuring the strength and integrity of its service. Our reputation is critical to our success, and our policies and procedures are designed to reflect our commitment to high ethical standards in all our dealings. The minimum standards of business conduct required of all Scotiabank employees are stated in the Scotiabank Guidelines for Business Conduct which, together with various supplemental guidelines and other policies and procedures, are based on the following principles:

- Follow the law wherever the Bank does business.
- Avoid putting yourself or the Bank in a conflict of interest.
- Conduct yourself honestly and with integrity.
- Keep Bank transactions, communications and information accurate, confidential and secure, and Bank assets safe.
- Treat everyone fairly and equitably – whether customers, suppliers, employees or others who deal with the Bank.



All Scotiabank Group employees, officers and directors must annually acknowledge receiving, reading and complying with the Scotiabank Guidelines for Business Conduct. (From left): Linda Krisman, Scotia Plaza branch, Toronto; John McDonald, Scotia Plaza branch, and Natalie Araujo, College & Bathurst branch, Toronto.



Guidelines for Business Conduct

All Scotiabank Group employees, officers and directors must annually acknowledge receiving, reading and complying with the Scotiabank Guidelines for Business Conduct. This also includes reporting any breaches of which they have become aware during the previous year.

These guidelines describe minimum standards of business conduct in order to maintain the public's confidence in the competency, honesty and integrity of everyone who works at Scotiabank. Adherence to the guidelines is a condition of employment at Scotiabank, and any breach is a very serious matter that can result in action up to and including dismissal. All new employees are provided with a copy of the guidelines and applicable supplemental codes when they are hired. The Guidelines for Business Conduct are also available on the Bank's website.

At the same time as they acknowledge adherence to the Guidelines for Business Conduct, Scotiabank employees are also required to acknowledge adherence to all applicable supplemental guidelines. These include the Scotiabank Group Internet and Electronic Mail Code of Conduct and the Scotiabank Policy for Raising Accounting, Internal Accounting Control or Auditing Matter Concerns. Certain business units have additional guidelines, which consider specialized aspects of their operations. All Scotiabank directors acknowledge adherence to the Directors' Addendum to the Guidelines.

Internet and Electronic Mail Code of Conduct

Guidelines for the appropriate use of Scotiabank's Internet and electronic mail facilities have been developed as a supplement to the Guidelines for Business Conduct. The code stipulates that the Bank's Internet and e-mail facilities are to be used only for legal and ethical activities, are not to be used to harass or annoy others, and are not to be used to access, view, post, transmit, download or distribute material that would cause or contribute to a breach of the Guidelines for Business Conduct, or any other Scotiabank Group policy.

Harassment Policy

The Scotiabank Group believes strongly that every employee is entitled to harassment-free employment and every customer is entitled to harassment-free financial services. The Bank makes every reasonable effort to ensure that neither employees nor customers are subjected to harassment, and it maintains a Harassment Policy. Harassment is defined as any conduct, comment, gesture or contact that is likely to cause offense or humiliation to any employee or customer, or that might reasonably be perceived as placing a condition on employment or employment opportunities, or on the provision of financial services.

Accounting Concerns Policy

Financial misconduct involving accounting practices or the lack of adequate internal or audit controls can be profoundly damaging to any organization. The Guidelines for Business Conduct contain a provision for an employee or officer who has a concern about any policy, procedure or practice and is uncomfortable using normal channels, to report their concern confidentially and anonymously, using the Staff Ombuds Office.

The Accounting Concerns Policy provides an additional avenue for employees, officers and directors to report – anonymously, if desired – concerns, problems or irregularities specifically with respect to accounting, internal accounting controls or auditing matters to the Chief Auditor, who will, if necessary, escalate the concern to the Audit Committee of the Board of Directors.

The Bank will protect from admonishment, discipline or retaliatory action of any kind, any employee, officer or director who, in good faith, reports any concern, including an accounting concern.

Reputational Risk Committee

Scotiabank has a Reputational Risk Committee with a mandate to protect the reputation of the Scotiabank Group by reviewing structured transactions, loans, merchant banking transactions or underwritings, or other transactions or new products which the sponsor believes may embody a degree of reputational risk, and recommending either for or against proceeding, based on an assessment of the reputational risk involved. The committee examines transactions from a broad public and stakeholder point of view to ensure that Scotiabank is, and is seen to be, acting in a manner both legal and congruent with high ethical standards.

Business Conduct: Vendor Relations Policy

This policy is directed at individuals within the Scotiabank Group who are responsible for ongoing vendor (service provider) relationships or involved in bid and tender situations. It identifies the kinds of conduct issues which may arise and the Scotiabank Group's expectations in dealing with those issues. All vendor relations processes must conform to both the Guidelines for Business Conduct and the Business Conduct: Vendor Relations Policy.

Small and Medium-Sized Businesses Code of Conduct

Scotiabank, in conjunction with the Canadian Bankers Association, has established a code of conduct governing relations with small and medium-sized businesses (SMEs). The code comprises four elements:

- Openness: the code is made readily available to current and prospective SME customers and is also available on the Bank's website;
- Accountability: staff are committed to serving clients and ensuring that problems are satisfactorily resolved;
- Credit process: a detailed description of how SMEs may apply for credit at Scotiabank, and our commitment to treating them fairly and with respect. In the event we cannot approve a credit application, we'll tell the applicant why and, where appropriate, suggest other potential sources of financing; and
- Complaint handling: a detailed description of the complaint resolution process.

Privacy Code

Scotiabank has always been committed to keeping customers' personal information accurate, confidential, secure and private. This is reflected in the Scotiabank Group Privacy Code, which is consistent with federal legislation. Our code deals with all aspects of privacy, such as: obtaining customer consent; limits on collection, use and disclosure of personal information; and customer access to personal information.

Privacy is the cornerstone of customer trust, and Scotiabank is committed to ensuring the security of personal information.

Statement on Coercive Tied Selling

A person cannot be unduly pressured or coerced to buy an unwanted product or service from a bank or one of its affiliates as a condition for obtaining another bank product or service. The Bank Act requires banks to inform customers and the public in plain language that coercive tied selling is illegal. To comply with the law, Scotiabank has posted a Statement on Coercive Tied Selling on its website, which clearly explains what coercive

tied selling is, what coercive tied selling is not, and how to contact Scotiabank if you have any questions, complaints or concerns. In addition, the brochure entitled *What you need to know about Coercive Tied Selling* is available in our branches.

Anti-Money Laundering Policy

Scotiabank has developed extensive policies and procedures designed to effectively manage the risks of money laundering and terrorist financing in our Canadian and international operations. Overall compliance is the responsibility of the Chief Security Officer, who is accountable to senior management and the Board of Directors. At the branch level, the manager or another senior officer are responsible for ensuring compliance with money laundering deterrence and detection procedures.

In accordance with regulations, our Canadian operations report suspicious and other required transactions to the Financial Transactions and Reports Analysis Centre of Canada. Our international operations report all suspicious transactions to the agency designated by local law and regulation for this purpose.

Other regulatory & compliance matters

Strong internal compliance procedures are a permanent part of the everyday structure and operations of the Bank. The Group Compliance Department ensures that various internal compliance initiatives and programs are current with industry best practices and evolving market conditions. The compliance initiatives and programs include the Scotiabank Guidelines for Business Conduct, the Scotiabank Group Compliance Program and infrastructure (including the Groupwide Compliance Network, a network of compliance officers who have specific subsidiary, business line and/or departmental compliance responsibilities), the Bank Act Legislative Compliance Management System and other specialized compliance programs.

Adherence

For the fiscal year ended October 31, 2003, all employees, officers and directors of the Bank and its active subsidiaries acknowledged their adherence to the Bank's guidelines, with the exception of one employee.

Going forward

Scotiabank's codes are not empty promises. We work diligently to promote a culture of ethical conduct, seeking ways to improve our codes and policies, and to ensure compliance by all employees. We want all our stakeholders to know they can be assured of the highest ethics and utmost respect from people throughout the Scotiabank Group.

Communities

SCOTIABANK IN YOUR COMMUNITY:

> www.scotiabank.com

As a major international company – with diverse operations scattered across five continents – we know that we can have the greatest impact at the local community level. By supporting charities, civic causes and non-profit organizations, we link to our customers, employees, shareholders and communities.

Our goal is to be a leader in corporate social responsibility and, as part of this objective, to be seen as a positive influence in the communities we serve.

Scotiabank has maintained this philosophy for more than 170 years and, today, the Bank's community commitments total \$30 million, with \$17 million dedicated to individual charitable donations and an additional \$13 million in sponsorships. In Canada alone, we invested \$25 million to community giving programs and, as a result, we are recognized as one of the country's largest philanthropic supporters. We give about 15 per cent of our total charitable donations internationally.

Our community giving consists of three main elements: corporate support through donations and sponsorships, community involvement programs and employee fund-raising initiatives. While the range of causes we support is diverse – based on individual community needs – we emphasize activities, projects and organizations that we believe will produce tangible, positive results in local communities, particularly in the areas of education, health,



Scotiabank is committed to the well-being of the communities where our shareholders, employees and customers – such as Jeannine Amber and her daughter, Niko – live and work.

social services, arts and culture.

In addition to the financial support we provide as an organization, our employees play a crucial role by donating their time, energy, skills and funds. Throughout the year, thousands of employees take the initiative and volunteer for causes that matter to them, their friends, neighbours and customers, raising millions of dollars through their enthusiasm, spirit and teamwork.

To recognize the incredible dedication and achievements of our staff, the Bank has two programs – the Scotia Employee Volunteer Program (SEVP) and the Team Scotia Community Program (TSCP). (See pages 22 to 25 for more information on these two highly popular programs.)

In the following pages, we've highlighted some of the great causes and community events supported by the Bank and its employees during 2003. Since we are always interested in discovering new opportunities to assist important community programs, on page 60, you will find our guidelines for applying for a donation or sponsorship on behalf of a particular organization.



Education

SCOTIABANK IN YOUR COMMUNITY: > www.scotiabank.com



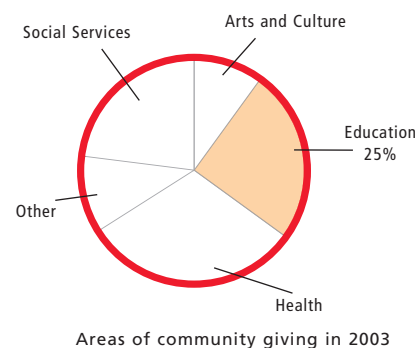
By supporting a diverse range of educational programs, Scotiabank hopes to give young people the skills, tools and experiences to develop to their potential, ultimately enriching themselves and the broader community around them. The initiatives we support benefit all stages of learning – from early education through to post-secondary graduate studies – and improve the quality and access to leading education for many Canadians. In 2003 alone, Scotiabank donated more than \$4.5 million in education-related giving including donations to colleges and universities across the country.

- The acclaimed Robarts Research Institute in London, Ont., received a \$150,000 donation from Scotiabank to facilitate in-depth cell research of major diseases by purchasing state-of-the-art microscopy that provides 3-D computer images of living cells in real time. Since the institute was opened in 1986, Scotiabank has donated \$340,000, and this latest gift is the first instalment of a multi-year commitment.
- With its historical roots in Nova Scotia, Scotiabank was pleased to announce a commitment of \$500,000 to Dalhousie University's Management Without Borders campaign to help construct an urgently needed building for the Faculty of Management. Scotiabank has donated more than \$2.1 million to Dalhousie over the past 30 years.
- Southern Alberta Institute of Technology (SAIT) is one of Canada's premier schools of advanced technology, successfully helping 97% of its students find employment within nine months of graduation. A five-year, \$150,000 donation from Scotiabank will allow SAIT to build and restore facilities, upgrade equipment and create a new electronic infrastructure.
- To give high school students the chance to demonstrate their engineering abilities and teamwork, Scotiabank helped sponsor the FIRST (For Inspiration and Recognition of Science and Technology) Robotics Canadian Regional Competition. FIRST combines the practical application of science and technology with the excitement of a sporting event, as teams build robots and compete for awards. The Bank also provided funding to four qualifying Canadian schools to travel to the international competition and several executives from Scotia Capital and Scotia *intek*, Scotiabank's systems and operations division, served as judges.
- Scotiabank has been a dedicated, longtime supporter of the Canadian Merit Scholarship Foundation, which identifies and supports talented students who show promise of leadership and a strong commitment to community service. For more than 10 years, Scotiabank has funded awards to national and provincial finalists.
- For the second year in a row, Scotia Capital hosted a special "Invest in Kids Day," by which the investment dealer and its institutional clients donated more than \$670,000 in equity trading commissions to the Invest in Kids Foundation to fund research and educational programs that give young children a good start in life.
- The City of Langley, B.C., is able to double the size of its public library and provide patrons with a pleasant environment to read, study and relax, thanks to a \$50,000, five-year contribution by Scotiabank to the community's new City Hall and Library complex.
- Branch staff in Sussex, N.B., in partnership with committee members from the Sussex Elementary Home and School Association, helped to organize a wooden duck race and raised \$10,000 in support of upgrades to the school's track and field area.

(Top photo) Our Sussex, N.B., branch staff joined with other community members to raise funds for the Sussex Elementary School through a duck derby.

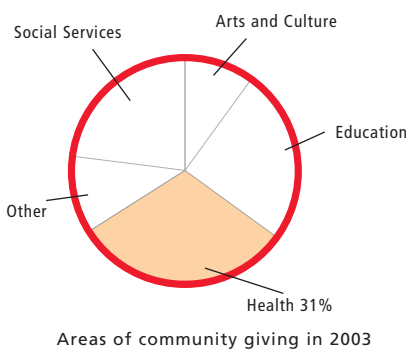
(Bottom right) During the Bank's 171st annual general meeting in Halifax, 70 Bank employees who graduated from Dalhousie gathered to announce a \$500,000 commitment to the school's Management Without Borders campaign.

(Bottom left) Scotia Capital's Jim Mountain (seated) and Mark Vader work with young assistants on Invest in Kids Day.



Health-related initiatives are an important foundation of the Scotiabank Group’s charitable giving strategy and an area in which our employees volunteer a significant amount of their time each year. Since issues of health touch so many members of society, including our customers and our staff, we believe that our support for these causes – through contributions that modernize health care facilities, support medical research, or through employee-led campaigns to raise donations and public awareness – is essential to building stronger communities.

- Every September, Scotiabankers across Canada, and around the globe, take part in the Terry Fox Run to support cancer research and, in 2003, more than 680 employees got involved. For example, our staff in Nova Scotia have supported the cause for the past 23 years by hosting the Scotiabank Terry Fox Slo-Pitch Tournament. This year, more than 200 employees converged on Amherst, N.S., for the popular tourney, which raised \$108,000.
- Scotiabank won a “Golden Wheel Award” in The Becel Ride for Heart for being the top corporate fund-raising team in Canada’s largest charity cycling and in-line skating event held in Toronto. More than 130 employees signed up and raised almost \$60,000 in support of life-saving heart disease and stroke research.
- Scotiabank helped improve the level of Canadian-based expertise in pediatric orthopedics by sponsoring the annual Walter C. MacKenzie – Scotiabank Fellowship in Surgery, offered through the Royal College of Physicians and Surgeons of Canada. The 2003 recipient, Dr. Paul Moroz of the Children’s Hospital of Eastern Ontario, completed a one-year clinical fellowship at the Harvard Medical School and Children’s Hospital of Boston. He is now sharing his skills as a faculty member at the University of Ottawa School of Medicine.
- Scotiabank served as the Presenting Partner in the first annual Rick Hansen Wheels in Motion event, in support of the elite wheelchair athlete’s Man in Motion Foundation. Hundreds of employees in 161 communities across Canada gathered pledges and biked, inline skated, walked or jogged to raise \$180,000 for spinal cord research and quality of life programs.
- Since one in eight men will develop prostate cancer in their lifetimes, making it the leading cancer threat to men, Scotiabank donated \$50,000 to the Prostate Cancer Research Foundation to help develop more effective treatment plans and to raise public awareness of crucial prostate tests.
- On June 22, close to 2,000 people took part in the first annual Mount Sinai Hospital Run/Walk for the Best Medicine, presented by Scotiabank. The event, which raised \$165,000 for priority health programs at the major Toronto hospital, as well as the Marvelle Koffler Breast Centre, included family activities and entertainment at the Scotiabank tent.
- More than 250,000 spectators descended on Toronto’s historic St. Lawrence Market neighbourhood to enjoy Buskerfest 2003, a four-day festival featuring acrobats, jugglers, comics and musicians from around the world. Scotiabank’s \$100,000 sponsorship of the event, and voluntary admission donations by attendees, supported Epilepsy Toronto, a non-profit organization dedicated to supporting persons living with epilepsy and their families.
- Don Kirkpatrick, of Scotia *intek*’s Domestic and Wealth Management Systems Development group, has achieved an impressive dragon boat feat. He organized Canada’s first long-distance dragon boat paddle – more than 202 kilometres from Kingston to Ottawa – raising \$120,000 for breast cancer research.



(Left photo) Scotiabank was the top corporate fund-raising team in The Becel Ride for Heart in Toronto.

(Top right) Staff in McBride, B.C., raised funds for the Rick Hansen Man in Motion Foundation and held a barbecue to thank young fund-raisers.

(Bottom right) Scotiabank sponsored Toronto’s Buskerfest 2003 festival in support of persons with epilepsy and their families.



Health

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Social Services

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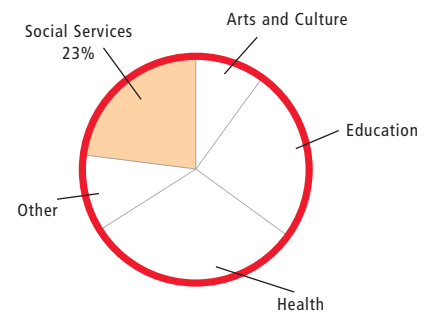
Across Canada, there are countless organizations that offer essential social services to a wide cross-section of our society. Scotiabank is very proud to provide financial assistance, plus the volunteer support of our employees, to these groups whose tireless, day-to-day efforts bring hope, support, awareness and encouragement to seniors, children, families or broad communities in need.

- Scotiabank joined volunteers from Second Harvest, Toronto’s largest perishable food recovery program, to make a run at the Guinness Book of World Records. In addition to the Bank’s \$100,000 donation to Lunch Money Day, on Feb. 24, 20 Scotiabankers helped prepare the “World’s Biggest Sandwich” to encourage Torontonians to strongly support the annual fund-raising event, so the Second Harvest can continue to feed 11,000 needy persons every day. The huge sandwich was subsequently sliced and distributed to shelters served by Second Harvest. It fed 2,000 people.
- With our \$25,000 donation to the Toronto Ronald McDonald House, we have partnered with McDonald’s to provide a “home away from home” for families with children receiving treatment for serious illness. Bank employees – many in costumes – volunteered at a Halloween party, helping children carve pumpkins, decorate cookies and make haunted houses.
- Todd Flick, a Portfolio Manager with Scotia Cassels in Halifax, serves as a member of the Windsor Volunteer Fire Department, responding to medical emergencies, car accidents and fires, and taking part in fire prevention programs for children. Last summer, he participated in the annual FireFit Challenge in Ottawa to demonstrate the physical demands of firefighting.
- Camp Oochigeas, a residential summer camp for children with cancer, is able to purchase new land in Ontario’s Muskoka vacation district, thanks to Scotiabank’s two-year, \$50,000 contribution. The camp can now construct a permanent home which will provide generations of children with unforgettable camping experiences.
- The Scotiabank Group and its employees came to the aid of communities right across the country when misfortune struck, including the forest fires in western Canada, hurricane Juan in the Atlantic provinces, and during the Severe Acute Respiratory Syndrome (SARS) crisis in Ontario.
- To help restore the reputation and financial health of the City of Toronto in the aftermath of SARS, Scotiabank, along with Canada’s other major chartered banks, made a joint donation of \$1 million towards a marketing campaign to promote Toronto as a great place to visit and do business.
- During the late-summer forest fires in Alberta and British Columbia, the Scotiabank Group donated \$55,000 to three different relief funds and accepted donations through our national branch network. Employees also stepped in with personal donations, including \$75,000 raised during a spur-of-the-moment fund-raiser at a ScotiaMcLeod awards dinner in Toronto.
- When hurricane Juan struck the east coast, the Bank and its employees pitched in to assist customers and neighbours in affected communities, and through charitable donations. For example, we pledged \$100,000 in an Oct. 12 radiothon towards rebuilding the Halifax Public Gardens, a national historic site that suffered severe storm damage.

(Top photo) Some 6,000 competitors took part in the 2003 Scotiabank Waterfront Half-Marathon in Toronto, raising money for 32 recognized charities.

(Bottom left) Todd Flick, Scotia Cassels, gives his time to the Windsor, N.S., Volunteer Fire Department.

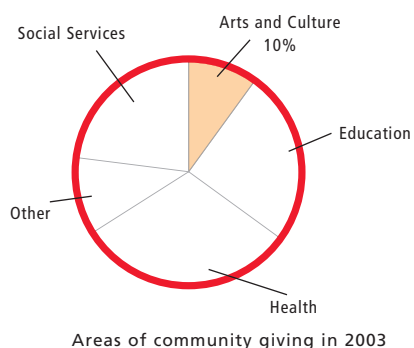
(Bottom right) A local fund-raising drive was launched with a donation to Kelowna Mayor Walter Gray, following the 2003 forest fires. From left: John Guidolin, Scotiabank; Mayor Gray; Grant Steven, ScotiaMcLeod; Kelowna Fire Chief Gerry Zimmerman; and local artist Alex Fong, with his painting honouring all the fire-fighting efforts.



Areas of community giving in 2003

Scotiabank is committed to supporting arts and cultural programs by sponsoring individual theatre companies, funding cultural festivals and by helping national, regional and local arts institutions improve their public facilities. Our support allows artists to express their unique talents – bringing fresh, creative energy to our society – and also inspires, entertains and enriches audiences of all ages and backgrounds.

- Scotiabank proudly sponsored a production of *Amadeus* last fall at the internationally acclaimed CanStage, Canada’s largest contemporary theatre company, in Toronto. In addition to our \$50,000 contribution, we also donated 50 tickets to the local school board so that less fortunate children could enjoy this captivating drama based on the life of the 18th-century composer, Wolfgang Amadeus Mozart.
- The Canadian Aboriginal Music Awards were created four years ago to bring well-deserved recognition to Canada’s wealth of Aboriginal talent. Each year, artists are rewarded for their achievements in both traditional and popular music, ranging from the Pow Wow genre to Hip Hop. Scotiabank has been a major sponsor of this event each year and, in 2003, provided \$45,000 to support the production.
- With assistance from Scotiabank, the Regent Park School of Music is helping inner-city Toronto youth discover music through vocal or instrumental training. Each week, more than 200 students receive subsidized music classes, including an instrument for a nominal fee, so they can develop a lifetime love of the arts, or even a possible vocation.
- Large civic festivals play an important role in boosting community spirit in Toronto, so Scotiabank is a significant sponsor of numerous annual festivals, including the three-day Celebrate Toronto Street Festival during July, at which we host the popular Scotiabank Jazz Café, and Mexican Independence Day celebrations at Nathan Phillips Square, sponsored in part by Grupo Financiero Scotiabank Inverlat.
- Scotiabank helps make cultural programs possible in rural communities, such as Fort Saskatchewan, Alta., where, to celebrate its 100th anniversary in 2004, the city is constructing the new Centennial Centre, which will include a 550-seat theatre, art gallery and pottery studio. Our \$15,000 contribution will create the Scotiabank Painting Studio, allowing local artists to come together with community and school groups to explore the area’s rich heritage and culture.
- Scotiabankers in Real Estate Lending held a highly successful black-tie fund-raiser for Opera Atelier, a unique baroque opera company. Department members raised \$100,000 by organizing a client dinner and performance of Mozart’s *Marriage of Figaro* at Toronto’s Elgin Theatre. Scotiabank is also a longtime sponsor of Opera Atelier’s School of Atelier Ballet through the Scotiabank Artistic Youth Mentorship program, which helps provide full scholarships to 25 per cent of the school’s students.
- Dance enthusiasts in British Columbia can enjoy the province’s vibrant dance institutions, including Ballet British Columbia and DanceArts Vancouver, at the spectacular Scotiabank Dance Centre. Scotiabank supported the centre and its programming through a \$25,000 donation in 2003, as part of a \$375,000 multi-year contribution.

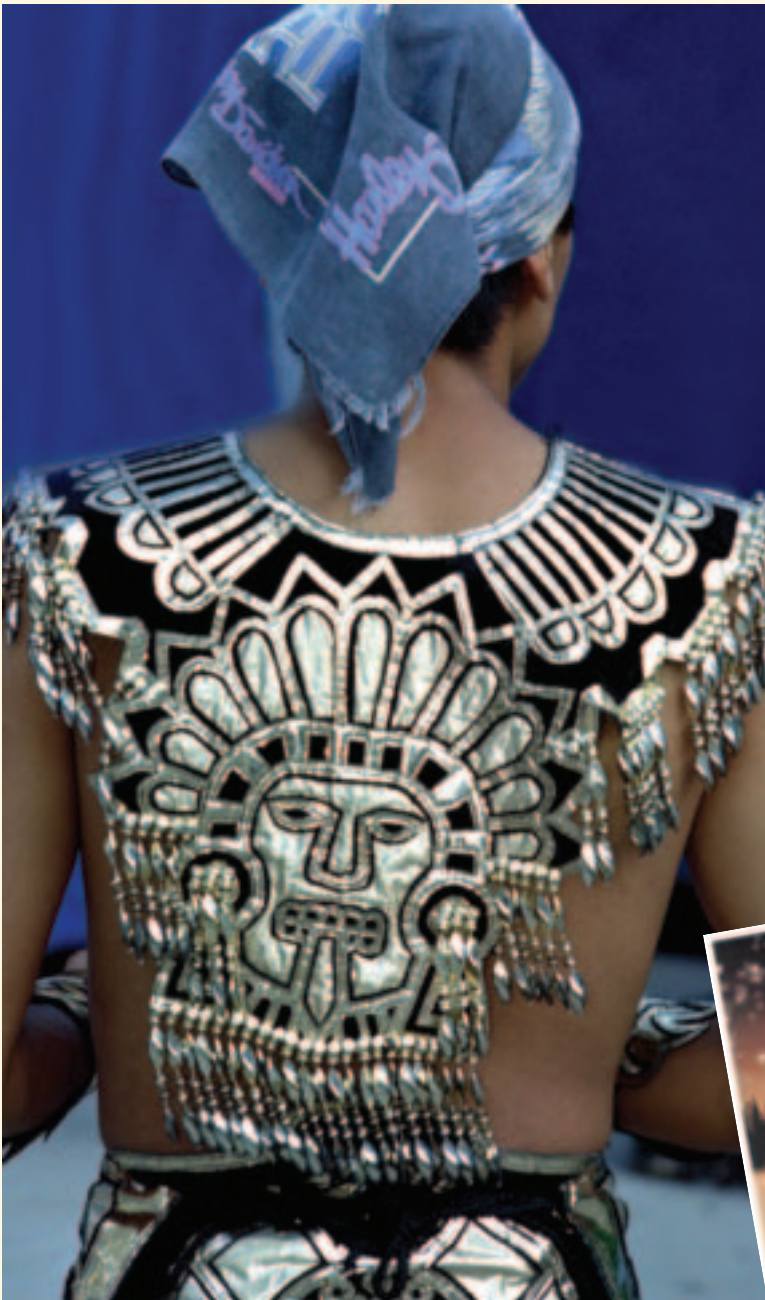


(Left photo) Scotiabank and Grupo Financiero Scotiabank Inverlat sponsored the 191st anniversary of Mexican independence celebrations at Toronto’s Nathan Phillips Square.

(Top right photo) Scotiabank hosted the popular Scotiabank Jazz Café during the three-day Celebrate Toronto Street Festival, of which the Bank was a significant sponsor.

(Middle) Presenting our contribution toward the Scotiabank Painting Studio are (from left): Warren Sandbeck, Manager, Fort Saskatchewan, Alta., branch; Ken Hodgins, Mayor, Fort Saskatchewan; and Chris Bruce, District Vice-President, Edmonton and Area.

(Bottom right) The Canadian Aboriginal Music Awards have been strongly supported by Scotiabank for the past four years.



Arts & Culture

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Employees from across the Scotiabank Group of Companies worldwide, individually and in teams, generously donate their own time and money to benefit the communities in which they live and work. We reward and support their volunteer efforts through two formal employee community programs, described on the following pages.

Through the Scotiabank Employee Volunteer Program (SEVP), the Bank donates up to \$1,000 to qualifying community-based organizations in which individual employees or retirees of Scotiabank have actively volunteered for a minimum of 50 hours per year. In 2003, more than 450 charities received in excess of \$440,000 from SEVP.

- Richard Walker, Account Manager, Small Business, at our branch in Yellowknife, N.W.T., has been involved with Northwest Territories and Nunavut Crime Stoppers for the past five years and has served as President since 2000. The SEVP acknowledged his volunteer work by providing a grant to the “Crime Stoppers Student of the Month” program.
- Amalia Dokos, Customer Support Representative at our Place Montreal Trust branch, is committed to making a difference in students’ lives at the Montreal Oral School for the Deaf (MOSD). She has spearheaded various fund-raising initiatives, which have enhanced school life for the children. On the recommendation of her boss, Dokos applied for the SEVP and was recognized for her efforts with a donation to the MOSD Foundation.
- Jennifer Crawford, a Learning Design and Development Specialist at our Executive Offices in Toronto, firmly believes that the art of storytelling is something that should be preserved. A former professional storyteller through the Storytellers School of Toronto (SST), Crawford now serves as Past President on the board and occasional guest host of “1001 Friday Nights of Storytelling.” The SEVP helped Crawford provide the SST with a grant toward a number of events.
- Anne Tucker’s love for working with young people is evident in her work with Scouts Canada. As District/Area Commissioner and a representative of the provincial training team, Tucker (Account Manager, Kelowna, B.C.) is involved in all areas of training, administration and program development for the Central Okanagan, B.C. area. The SEVP recognized her volunteer efforts with a donation to Scouts Canada toward supplies and registration fees for participants from low-income families.
- Angie Watson, Branch Manager, in Avonlea, Sask., helps to keep the memory of her town’s Aboriginal heritage alive through her long-time volunteer support of the Heritage House Museum. The SEVP recognized Watson’s efforts and provided a contribution toward the construction of an interpretative centre, which includes a diorama depicting Aboriginal culture.
- For the past three years, Matthew Hawkins from our Shoppers Mall branch in Brandon, Man., has been volunteering his time to coach the Brandon Comets, a slo-pitch softball team made up of Special Olympians. The SEVP supported the Branch Manager in his volunteer efforts by granting \$1,000 to Special Olympics Westman, which went toward the team’s travelling expenses, equipment and uniforms.

(Top photo) Scouting is a family affair for Anne Tucker, Kelowna, B.C., shown here with sons (from left) Aaron, Jason and Gregory.

(Bottom left) Richard Walker, Yellowknife, N.W.T., volunteers with Northwest Territories and Nunavut Crime Stoppers.

(Bottom middle) Jennifer Crawford, Executive Offices, devotes time to the community through the Storytellers School of Toronto.

(Bottom right) Amalia Dokos, Place Montreal Trust branch, reads to a student from the Montreal Oral School for the Deaf, where she volunteers.



Community Involvement Programs

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Community Involvement Programs

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Under the Team Scotia Community Program (TSCP), the Bank matches up to \$5,000 raised by teams of two or more Scotiabank employees. In instances where more than one team raises money for the same event, Scotiabank will match the amount raised up to \$15,000. In 2003, more than 600 organizations received more than \$2 million from the TSCP.

- Scotiabankers in the communities of Barrie, Wasaga Beach and Angus, Ont., have put their full effort into fund-raising for Victoria Hospital's proposed regional cancer centre. All eight branches in the area joined forces to sell paper "bricks" and, in less than eight weeks, raised \$107,000, including \$15,000 from the TSCP.
- Since Philippa Brysiuk at our branch in Stettler, Alta., was first diagnosed with multiple sclerosis (MS) in February 2002, staff have given their support to the Super Cities Walk for MS. In 2003, employees raised \$2,941, including matching funds from the TSCP, which went toward MS patient support and research in Central Alberta.
- Employees at our Pugwash, N.S., branch didn't hesitate to help out when an old railway bridge was severely damaged by fire. The bridge is an important part of the community and features safety rails and a deck, allowing residents to use it for various activities, such as cross-country skiing, cycling and walking. Staff co-ordinated various initiatives and raised \$1,224, including matching funds from the TSCP.
- For the past eight years, Scotiabankers in the Montreal North district have provided ongoing support to Maison de la Famille Pierre Bienvenu Noailles, a home for families in need. In celebration of the home's 10th anniversary, several branches in the area organized a major fund-raising campaign and collected \$4,040, including matching funds from the TSCP.
- Staff at the Huron and Highbury branch in London, Ont., participated in an annual ride/walk-a-thon in support of SARI Therapeutic Riding, a local organization which provides riding programs for children with special needs. The group hosted a barbecue for all participants and raised \$4,004 in pledges, including funds from the TSCP.
- Some 63 employees from the West Island Montreal district recently organized their third annual concrete camping initiative in support of West Island's Women's Shelter. Branches sold raffle tickets for tents and prizes donated by the local radio station, raising a grand total of \$41,600, including \$15,000 through the TSCP. All proceeds went towards sending children who are victims of abuse to summer camp.
- Scotiabankers in Burin, Nfld., feel it's important to actively support their local hospital. From selling tickets for a raffle to organizing a car wash, the team raised some \$2,320, including matching funds from the Team Scotia Community Program. Funds went toward the digital radiography unit and kidney dialysis fund at Burin Peninsula Health Care Centre.
- Victoria-area branches in British Columbia have supported the 24-Hour Relay for Disabled Children for the past eight years. To date, the team has raised more than \$65,000 for the cause, including \$7,742 this year. Thanks to their donation, which included funds from the TSCP, seven children with special needs attended Camp Shawnigan this summer.

(Top photo, from left) Pam Schindler and Harry Clout pose with Chris Durand, seated on Penny. Their London, Ont., branch raised funds for SARI Therapeutic Riding.

(Bottom left, from left) Jill Mundle, Jacqueline Keiver, Rebecca Latta and Janet Tuttle from our branch in Pugwash, N.S., which raised funds to restore a local railway bridge.

(Bottom right, from left) Philippa Brysiuk and Susan Ginther and the rest of our Stettler, Alta., staff support the Super Cities Walk for MS.



Regional Community Development

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Our regional support

Across Canada, Scotiabank operates more than 960 branches, employs close to 35,000 Canadians and incurred almost \$700 million in tax expenses in 2003 (see chart). Our domestic banking operations are divided into six regions, closely tied to geographic or political boundaries, and they make a significant impact on the communities in each of these areas.

In each region, our retail branch network, wealth management group and Scotia Capital together play a considerable economic role as a provider of financial services, including access to credit, for individuals, small and mid-sized businesses and for major corporations. We are also a large employer, and we contribute significantly to provincial and municipal economies through the payment of taxes in these jurisdictions.

We also make a positive contribution in each region through our corporate charitable giving and the enthusiastic involvement of our employees, who take part in fund-raising campaigns and outreach programs that are important to members of local communities, including our customers. For example, from coast to coast, employee groups participate in annual charity events such as the Relay for Life, Rick Hansen's Wheels in Motion and the Terry Fox Run.

Scotiabank incurred a variety of income and other taxes in 2003, which totalled \$1.5 billion (taxable equivalent basis) worldwide. Total taxes represented approximately 33 per cent of the Bank's pre-tax income for the year.

Included in this amount were direct taxes on income by Canadian federal and provincial governments and the governments of foreign jurisdictions in which the Bank operates. (For additional information on Scotiabank's tax expenses in 2003, please refer to Scotiabank's 2003 Annual Report.)

2003 Taxes in Canada

(as at Oct. 31, 2003)

(\$ thousands)	Income Taxes	Capital Taxes	Other Taxes ⁽¹⁾
Federal	240,372	–	138,963
Provincial			
Newfoundland	1,688	1,291	2,725
Prince Edward Island	492	267	216
Nova Scotia	4,815	2,314	3,699
New Brunswick	2,379	1,219	1,666
Quebec	27,709	8,018	9,350
Ontario	89,683	32,832	96,738
Manitoba	2,485	1,550	2,676
Saskatchewan	2,079	2,126	1,104
Alberta	9,078	–	3,528
British Columbia	9,279	4,598	7,539
Territories	113	–	9
Total Provinces	149,800	54,215	129,250
Total	390,172	54,215	268,213

(1) includes payroll taxes, GST and sales taxes, municipal taxes and deposit insurance.

Regional Support

British Columbia & Yukon

Economic impact in the region

Scotiabank is a major player in the region's economy, employing more than 3,100* full and part-time staff, and authorizing more than \$5.4 billion† in credit to almost 14,400 business customers (including nearly 13,000 small businesses with credit limits below \$250,000). The Bank also paid more than \$21 million in direct and indirect taxes in the region in 2003.

* individual employees. † as at Oct 31, 2003.

Community involvement

Numerous community organizations benefited from Scotiabank's corporate donations of more than \$1.8 million in 2003. For example:

- A \$250,000 gift by the Bank to Simon Fraser University in Vancouver has helped create the Scotiabank Student Scholars program, an endowment fund for students in each of the university's five faculties.
- Vancouver Island's population is expected to grow steadily over the next 15 years, including the numbers of elderly persons requiring health care. Scotiabank's five-year, \$75,000 donation to the Greater Victoria Hospital Foundation will assist in replacing outdated diagnostic and treatment equipment, and expand seniors' and acute care services.
- In Vernon, the Kindale Development Association is able to provide much-needed residential and day programs to adults and children with mental and physical handicaps, in part due to a 10-year, \$50,000 pledge by Scotiabank.

Employee involvement

Our local employees also make significant contributions to many worthy causes. For example:

- Private Banking Account Manager Winnie Shiu takes community involvement seriously. She volunteers with the RCMP Auxiliary Program as a community-based policing aide and as a Traffic Authority Member, directing traffic for the Vancouver Police Department.
- Some 29 employees from the 11 Surrey and Delta Scotiabank branches regularly take time during their workday to volunteer at the B.C. Cancer Agency's Fraser Valley Clinic.
- ScotiaMcLeod North Vancouver staff joined with clients and a local cycling shop to win the corporate team category in the 24 Hours of Adrenalin mountain bike race in Whistler, B.C. Our team of riders raced non-stop for 24 hours to raise \$7,500 for the Canadian Diabetes Association.
- In Campbell River, B.C., Scotiabank eagerly joined the community's first Relay for Life event to support the Canadian Cancer Society. The local "Scotia in Motion" team raised more than \$11,000 (including \$5,000 from the Team Scotia Community Program) and placed first for most funds raised. Team captain Nicole Henri was the top individual fund-raiser.

ScotiaMcLeod North Vancouver employees teamed up to participate in the 24 Hours of Adrenalin mountain bike race and raised funds for the Canadian Diabetes Association.



Regional Support

Prairies & Northwest Territories

Economic impact in the region

Scotiabank is a substantial participant in the economy of the Prairie provinces and Northwest Territories, employing more than 4,600* full and part-time staff, and authorizing more than \$13.5 billion† in credit to over 54,700 business customers (including some 52,300 small businesses with credit limits below \$250,000). The Bank paid in excess of \$24 million in direct and indirect taxes in the region in 2003.

* individual employees. † as at Oct 31, 2003.

Community involvement

Scotiabank contributed more than \$1.4 million to community groups in the region in 2003. For example:

- A \$750,000 commitment by Scotiabank to the I.H. Asper School of Business will help the University of Manitoba prepare tomorrow's leaders. A portion of the donation will be directed to a bursary program to assist students in financial need.
- Saskatchewan has a high incidence of kidney diseases, so Scotiabank is helping St. Paul's Hospital renovate and equip a new Centre of Excellence for Nephrology Diseases. Our \$10,000 donation will allow the hospital to take a leadership role in research, education and treatments and establish a kidney transplant centre in Saskatoon.
- Close to 30,000 Albertans enjoyed a sampling of Mexico's diverse arts and culture when Scotiabank and Scotia Capital helped sponsor the Viva Mexico! Exhibition at Calgary's Glenbow Museum. Our \$15,000 donation allowed the museum to display works by legendary modernist Diego Rivera, plus an array of religious icons, artifacts, textiles and costumes.

Employee involvement

The efforts of local employees make a significant contribution to many causes. For example:

- Eight years ago, Calgary Scotiabankers launched the Annual Scotiabank Charity Classic golf tournament in support of the Calgary Women's Emergency Shelter. The 2003 event was a great success, raising \$70,000 for a children's therapy program at the shelter.
- ScotiaMcLeod branches in Calgary and Edmonton teamed up for the Bell Walk for Kids, collecting more than \$200,000 to support Kids Help Phone, a telephone and Internet counselling and referral service for troubled and abused youth.
- During the 2003 Terry Fox Run, employees in Saskatoon, Sask., raised \$7,845.24 in support of cancer research, bringing their total tally over the years to \$80,952.
- Selkirk, Manitoba, Branch Manager, Merv McCormack and Senior Personal Banking Officer, Chris Sellner of the Main and Polson branch in Winnipeg, took part in the popular annual Crowduck Lake fishing derby in aid of Ronald McDonald House. Through ticket sales and support for a charity auction, Scotiabank contributed more than \$5,000, which helped a Winnipeg toddler receive expensive medical treatment in the United States for a rare neurological disorder.
- Scotiabankers in Southern Alberta participated for the first time in the national Relay for Life event in support of the Canadian Cancer Society. The 144 participants in the relay race raised a total of \$20,817.



Stephen Carroll in Winnipeg volunteers to ensure the Manitoba Theatre Centre continues to bring theatre to communities across the province.

Taking a break during the Edmonton Relay for Life are (from left) Scotiabankers Marie Kuliak and Karen Thind, and Davis Clifford, son of employees Julie and Brent Clifford.

Regional Support

Ontario

Economic impact in the province

Scotiabank is a major force in the Ontario economy, employing close to 21,500* full and part-time staff, and authorizing more than \$41.3 billion† in credit to over 54,600 business customers (including some 48,200 small businesses with credit limits below \$250,000). In 2003, the Bank paid in excess of \$219 million in direct and indirect taxes in the province.

* individual employees. † as at Oct 31, 2003.

Community involvement

Scotiabank provided more than \$15 million in corporate donations to community groups in the region during the previous year. For example:

- The automotive industry is a driving force in the economy of Windsor, so Scotiabank has made a 10-year, \$120,000 pledge to St. Clair College to help create the Ford Centre for Manufacturing Excellence to train students for the highly technical jobs required by tomorrow's automotive sector.
- Civic leaders in Belleville are converting a former heritage high school into a multi-use arts, education and communications facility called the Quinte Cultural Centre, with assistance from Scotiabank's five-year, \$50,000 contribution.
- Frontier College continues to offer relief from poverty and isolation through literacy programs in inner city schools, prisons, homeless shelters and farm communities. Scotiabank has made a three-year, \$150,000 commitment to help this unique college increase the number of literacy volunteers.

Employee involvement

Employees across the province make significant contributions to many causes. For example:

- In London, the Scotiabank Commercial Banking Centre partnered with other Bank employees to sponsor and participate in the Scotiabank Charities Golf Classic, in support of six local charities, as well as the Easter Seals Power Play road hockey tournament, in which they took top fundraising honours, helping the charity raise \$20,000.
- McMaster Children's Hospital in Hamilton had a record-breaking "Smiles" button campaign in 2003, collecting more than \$217,000, in part thanks to 1,000 Scotiabankers from across south central Ontario who held numerous events to help the hospital buy new medical equipment.
- A team of Scotiabank parents and children from branches in Kitchener-Waterloo took part in the Mother-Daughter Walk for Heart and Stroke, raising close to \$4,000 for medical research and treatment.
- Sunnyview Public School, serving Toronto children with special learning needs, has added a new learning environment for children with sight and hearing difficulties. Our North Toronto district branches collaborated over several months with parents, teachers and students to raise \$80,000, including \$15,000 through the Team Scotia Community Program.

Staff members from six branches in Markham, Ont., (including Katy O'Brien and son Liam) joined forces to support Markham-Stouffville Hospital's Legacy 5km Run/Walk.



Regional Support

Quebec

Economic impact in the province

The Scotiabank Group's operations in Quebec employ close to 2,000* full and part-time staff, and authorized more than \$6.1 billion† in credit to over 7,100 business customers (including some 5,700 small businesses with credit limits below \$250,000). The Bank paid more than \$45 million in direct and indirect taxes in the province in 2003.

* individual employees. † as at Oct 31, 2003.

Community involvement

Scotiabank provided corporate support of more than \$1.3 million to community groups in the province during 2003. For example:

- A long-time supporter of Montreal's Concordia University, the Bank has made a 10-year, \$500,000 commitment to help complete major renovations and new construction on the campus.
- More than 90,000 young patients each year will benefit from new medical imaging technology acquired by the Montreal Children's Hospital, thanks in part to a \$25,000 donation by Scotiabank. By converting its film-based imaging to an electronic environment, physicians can provide better, faster and less intrusive diagnostic care to children.

Employee involvement

In addition to our corporate financial support, local employees make significant contributions to many causes. Here are a few highlights:

- The Centre de Bénévolat de Laval distributes meals and care to poor families and school breakfast programs. Five area Scotiabank branches collected \$8,000 to help the charity purchase a new van so they can transport donated food and shuttle needy residents requiring medical treatment to hospital.
- The Quebec Commercial Banking team, including some 90 volunteers, raised more than \$100,000 for Montreal's Jacques Viger Hospital at an annual dinner attended by 325 members of the business community. The hospital will construct an "Espace Vie" where patients can receive visitors in a comfortable atmosphere outside their hospital rooms.
- Montreal-area employees, including members of Income Property Lending and Scotia Private Client Group, hosted their 10th annual "Pasta Extravaganza," cooking up \$75,000 in donations for the United Way of Greater Montreal (Centraide).
- Quebec City Scotiabankers contributed to community development in distant Peru by helping to sponsor a benefit dinner and horse race which raised \$12,300, including \$2,500 in ticket sales by Bank staff, towards the creation of an agricultural school.



Each year, a team of employees (including, from left, Anna Covone, Amelia Stefani and Pierrette Barrie) help to serve dinner at the Old Brewery Mission, a Montreal shelter for homeless people.

Regional Support

Atlantic Provinces

Economic impact in the region

Scotiabank has long been a significant force in the economy of Canada's Atlantic provinces. The Bank employs close to 3,700* full and part-time staff in the region, and authorized more than \$5.1 billion† in credit to over 16,200 business customers (including some 14,800 small businesses with credit limits below \$250,000). The Bank paid in excess of \$22 million in direct and indirect taxes in the region in 2003.

* individual employees. † as at Oct 31, 2003.

Community involvement

Scotiabank provided roughly \$1.4 million to community groups in the region during the previous year. For example:

- Scotiabank has made a five-year, \$100,000 donation to the Innu Healing Foundation to assist in the construction and operation of two new recreation centres in the remote Labrador communities of Sheshatshiu and Natuashish. The centres will provide Innu children with a spiritual gathering place for recreational and social programs.
- The Cobequid Health Care Centre has one of the busiest emergency departments in Nova Scotia, providing co-ordinated health and social services to citizens of Bedford, Sackville and surrounding communities. Our five-year, \$50,000 donation will help the centre expand its treatment, diagnostic and physiotherapy areas and lab services.
- Scotiabank's five-year, \$25,000 donation to St. Thomas University – located on the campus of the University of New Brunswick in Fredericton – has helped create a 36,000 sq. ft. professional studies building to serve the school's 2,400 undergraduate liberal arts students.

Employee involvement

Local employee volunteer support is extended to many causes. For example:

- During March and April, Scotiabankers in Newfoundland dedicated all their fund-raising efforts to cancer research. Branches collected more than \$3,500 for Real Time for Cancer, and 20 staff teams took part in the Curl for Cancer Bonspiel, raising \$10,130, including matching funds from the Team Scotia Community Program.
- Our branches in Saint John, N.B., co-ordinated their fund-raising efforts to assist more local charities, including food banks, a women's shelter and a teen community centre. A charitable endeavours committee organizes city-wide events, raising more than \$100,000 in 2003.
- Scotiabank employees from O'Leary, P.E.I. presented a cheque for \$2,021 during the regional telethon for Halifax's IWK Health Centre in support of children's medical care across the Maritimes.
- Branches in Fredericton and Oromocto, N.B., worked together to raise donations for the Chalmers Regional Hospital Foundation "Little Kids, Big Needs" program. Through various events and prize draws, they raised more than \$5,000.
- When an ice jam caused three rivers to flood, forcing the evacuation of 1,100 Badger, Nfld., residents last February, Scotiabank and all 42 branches in Newfoundland and Labrador pitched in to raise funds to support the victims. In addition to a \$25,000 donation, Scotiabankers from across the country joined in to raise an additional \$6,400 to help the community rebuild.

Scotiabankers at our Broadway branch in Corner Brook, Nfld., (including Joan Knee, left, and Joan Langer) organized several fund-raisers for Western Memorial Regional Hospital.



Global Community Development

SCOTIABANK IN YOUR COMMUNITY:

> www.scotiabank.com

As Canada's most international bank, our philosophy of active community involvement and locally focused charitable giving is reflected in all of the countries where Scotiabank operates.

As in Canada, we concentrate on community development programs that can have a lasting, long-term impact on local communities. We also customize our community giving based on country and region-specific needs. These range from health and welfare initiatives in Latin America and Asia, to primary through post-secondary educational programs in the Caribbean. Here is a sampling of international community development efforts:

Members of Scotia Capital's Global Trading Group have for the past four years sponsored 72 children in Lipangalala, Tanzania, through Foster Parents Plan. Complementing the team's annual personal contributions of more than \$26,000, Scotia Capital and the Bank have made a \$90,000 gift to renovate community school facilities, complete with desks, chairs, playground equipment, improved latrines and text books. This is the third such project in recent years which, together, will benefit 4,700 local children.

After a devastating earthquake damaged Puerto Plata and surrounding Dominican Republic (DR) communities last fall, Scotiabank donated US\$50,000 to an earthquake relief fund to assist in local rebuilding efforts. The Bank has been an active supporter of DR community needs for more than 83 years.

To help Bahamians celebrate their colourful national festival, Junkaroo, Scotiabank makes an annual donation – and employees dedicate their time – to help stage the annual event, which includes a parade of historic costumes and rhythmic indigenous



Scotiabank branch managers around the world, such as Philip Haven, from our East St. & Soldier Rd., branch in Nassau, Bahamas (shown here with his daughter), are actively involved in their communities.

music in Nassau.

In the Caribbean, the Scotiabank Group supports scholarship and bursary programs to resident nationals at institutions in eight countries, including the College of the Bahamas, the Instituto Tecnico Salesiano in the Dominican Republic and the Colegio San Ignacio de Loyola in Puerto Rico.

Groundbreaking ceremonies took place in January for the Accident and Emergency Department of the University Hospital of the West Indies, thanks to the Scotiabank Jamaica Foundation, which provided J\$20 million towards the expansion project and the purchase of critical lifesaving equipment for the unit.

Scotiabank renewed its sponsorship of the West Indies Cricket Board's popular Kiddy Cricket program for another five-year term. The program helps children in 12 Caribbean countries develop self-confidence and self-discipline, and ensures the celebration of a sport that is an important part of Caribbean heritage.

In the Bahamas, Scotiabank has made annual donations to



Scotiabank sponsors the West Indies Cricket Board's popular Kiddy Cricket Program.

the All Saints AIDS Camp for the past three years. Its 55 residents work and assist each other while being treated for the disease in a positive atmosphere.

The Unidad de Cuidados Paliativos del Hospital de Niños received a US\$15,800 donation from Scotiabank de Costa Rica S.A. to help the national children's hospital, which is rated among the best in Latin America, upgrade its equipment and services. The Bank and its employees also made a donation to the World Transplant Foundation to help provide an urgently-needed bone marrow transplant for an underprivileged nine-year-old girl.

Six hundred children living in a social housing development in San Salvador can now attend a brand new school, thanks to Scotiabank El Salvador and its employees, who provided funding and co-ordinated the project. After touring the new facility last summer, Scotiabank President Rick Waugh announced an added donation for classroom furniture, which was bought from a religious order that teaches technical trades to underprivileged youth.

Hong Kong Scotiabank Group employees donated HK\$90,000 to the We Care Educational Fund. The fund is used

to address the immediate and long-term education and living expenses of 68 children, ranging from newborns to teenagers, whose parents have died from SARS.

Grupo Financiero Scotiabank Inverlat in Mexico provides extensive community support, particularly in the areas of education, health care and social services. For example, our Mexican subsidiary continues to support the Asociación Mexicana para la Superación Integral de la Familia (AMSIF) through Casa Scotiabank Inverlat-ASMIF, where a variety of courses are taught to support the advancement of women and to improve living conditions for underprivileged families.

Across our international operations, Scotiabank has been active in the fight against breast cancer. In Trinidad & Tobago, we donated \$69,700 to sponsor the Scotiabank Women Against Breast Cancer event, which raises funds and promotes breast cancer screening clinics. In Belize City, Scotiabankers joined the annual Belize Cancer Society Walkathon, and in Egypt, we organized a fund-raising dinner with the support of the local Canadian community in Cairo.

Supporting micro-enterprise financing

Globally, Scotiabank and our employees take part in innovative micro-enterprise financing initiatives. These projects create new economic opportunities and empower local leaders, including women and the underprivileged, to build and control businesses that support community development.

In Kingston, Jamaica, a micro-financing venture launched by Scotiabank, the Canadian International Development Agency and the Kingston Restoration Company is showing impressive results since its creation in November 2002. Micro Enterprise Financing Limited (MEFL) was created thanks to CDN \$2 million in loan capital from Scotiabank.

The only organization of its kind in the region, MEFL administers micro-finance services, such as loans, business development and personal development training, to low-income entrepreneurs with little or no collateral. MEFL members are responsible for each other's loans and they serve on advisory panels for each other's businesses, helping to deepen community bonds.

One year after its launch, MEFL has loaned more than

J\$10 million to 900 micro-entrepreneurs, granted working capital or fixed loans to 450 individuals, and achieved an exceptional 99 per cent loan repayment rate. In addition, 100 clients have received training in basic bookkeeping, marketing and product pricing. Scotiabank has actively supported MEFL management, and two Scotiabank Jamaica executive and senior management officers serve on the organization's board of directors. Other Scotiabank personnel contributed their expertise to the project advisory team, particularly in the areas of risk management and human resources.

The Bank of Nova Scotia in Guyana has actively managed a popular urban micro-credit program in Georgetown since May 1993. Based on a group lending philosophy, by which borrowers co-guarantee the group's loans, Scotia Enterprise provides collateral-free loans to very small businesses, such as food vendors, carpenters and dressmakers. Since more than half of the 500 plus loans outstanding in 2003 were provided to female entrepreneurs, Scotia Enterprise is an effective way of helping improve conditions for women in this developing nation.



(Left photo) Father Glenroy Nottage stands in front of a residence at the All Saints AIDS Camp for patients in the Bahamas. He owns and operates the camp.

(Right photo) Scotiabank's Micro Enterprise Financing Limited in Jamaica provides loans to low-income entrepreneurs such as this fruit vendor, who sells pineapples, papayas and melons in a busy capital city market.



Respecting the Environment

SCOTIABANK IN YOUR COMMUNITY: > www.scotiabank.com

Around the globe, there is growing public interest and awareness of the need to protect our fragile environment, including energetic consumer recycling and conservation programs and greater government and corporate commitment to support more environmentally sustainable practices. Scotiabank recognizes the impact that our shared actions have on the health and quality of life of all stakeholders, including future generations, as well as the long-term economic benefits from using our planet's resources wisely. We have implemented policies, practices, and employee-driven initiatives to ensure that we operate in an environmentally responsible way.

Paul Martel is the architect for the Ecology Park project and a member of its working group. Scotiabank has provided a donation towards the development of the Toronto park.

Scotiabank Environmental Policy

Scotiabank has a long-standing environmental policy, in place since 1991, as well as specific policies and practices relating to individual business lines. The Bank's Board of Directors reviews and approves these policies, and executive officers are designated responsible for their implementation. On a day-to-day basis, employees across the Bank deal with environmental issues involving our branch operations, real estate holdings and lending practices.

Our policy includes:

- Maintaining recycling and resource management programs that meet or exceed legislated environmental requirements;
- Conducting our internal operations in a manner consistent with environmental protection and the principles of sustainable development, with due regard for associated benefits and costs;

- Promoting an environmentally responsible workplace by educating and motivating employees to become more involved in the conservation of resources;
- Monitoring the effectiveness of all our environmental activities by conducting environmental audits and assessments of compliance with the Bank's requirements;
- Incorporating and maintaining environmental assessment criteria in our risk management procedures and in the ongoing management of our assets;
- Including environmental criteria in assessing relationships with contractors and suppliers; and
- Contributing to an ongoing dialogue with government, industry and relevant stakeholder groups to establish environmental goals.

Environmental risk lending policy

Scotiabank has an Environmental Lending Policy in place which factors environmental considerations into the Bank's credit evaluation procedures. The policy and related procedures, which identify industries and business areas of high environmental risk, are designed to ensure appropriate consideration of the environmental risks associated with the business operations of each borrower throughout the borrowing relationship.

Environmental real estate practices

Scotiabank's Real Estate Department is committed to developing real estate solutions for the Bank and its customers, with due consideration of environmental matters. The group adheres to an Environmental Compliance Policy to ensure responsible management of Bank assets, with both an

appreciation of the benefits of sustainable development and due regard for sound business principles.

The Real Estate Department piloted a more environmentally efficient branch, located at Queensway and Islington in Toronto. The design for this branch location incorporates environmentally friendly materials and energy-saving technologies. In recognition, the Bank received an Energy Innovators award from the federal government. The lessons learned from this branch were assessed in 2003 and rolled out into our standard branch specifications, where appropriate.

Conservation efforts

The Aug. 14, 2003, blackout in Ontario and the northeastern United States – the largest power outage in North American history – clearly highlighted our dependence on essential resources, such as electricity. Scotiabank played its part, by taking special steps during the crisis, and by building conservation and efficiency initiatives into our everyday operations.

- During the crisis, we heeded the provincial government's call to reduce power usage by encouraging employees to work from home, reduce non-essential operations, and minimize our usage of premises lighting, computers and air conditioning until power was fully restored the following week. Scotiabank was cited in the media by the Province of Ontario for its exceptional efforts.
- We were also recognized by Natural Resources Canada for our commitment to energy efficiency and reducing greenhouse gas emissions throughout the year.
- To further reduce energy consumption, branch administrative manuals require that employees shut off equipment and dim lights after business hours. The Bank is also updating older lighting systems with more efficient fixtures.
- As a result of our national toner cartridge recycling program, nearly 100 per cent of printer and photocopier toner cartridges are being reused each year.



Through our Queensway and Islington location in Toronto, we piloted a more environmentally efficient branch.

- Across our branches and all Bank departments, we maintain recycling centres for paper, glass and garbage. At our Scotia Plaza offices in Toronto, for example, employees recycled more than 600 tonnes of paper and 60 tonnes of cardboard. At this location, we achieved a 74 per cent waste diversion rate, up from 72 per cent the previous year.
- When the residents of the Annex community in central Toronto decided to revive an innovative but long-dormant ecology park, Scotiabank provided a donation to construct pathways and planting areas that include native plants, a meadow to encourage butterflies and birds, and a teaching garden.
- Scotiabankers at our Vankleek Hill, Ont., branch pitched in to protect an important part of their local ecosystem. Staff worked with members of the district nature society to hold a sale of mushroom compost and plastic planters, the proceeds from which went toward the purchase and protection of 13 acres of the nearby Alfred Bog.
- In 2003, Scotiabank was one of the first companies in Canada to use FSC (Forest Stewardship Council) certified paper in the production of our annual report, annual Scotiabank wall calendar and this public accountability statement. FSC paper guarantees that at least 17.5 per cent of the wood fibre used in the stock comes from well-managed forests, independently certified by the FSC, and the paper stock is acid free, chlorine free and contains at least 10 per cent post consumer waste. We also encouraged our printer, Quebecor World MIL, to successfully complete the rigorous FSC certification process.
- Scotiabank continued to make every effort to reuse surplus equipment and supplies, donating them to non-profit groups in nearly every country in which we operate. Last year, we donated more than 600 pieces of surplus computer equipment, with an approximate value of \$100,000, to charities and community groups across Canada and as far away as the Dominican Republic, India and Eritrea.
- We also donated surplus stationery and other re-useable materials, such as binders, videotape and CD covers, to the Toronto and Peel District school boards, for use in classrooms.

Environment-friendly practices

Whenever possible, we continuously strive to adopt environmental considerations into our operations, including the development of our products and services and our purchases of equipment, stationery and other supplies.

- The vast majority of the Bank's printed forms are on recycled paper stock, and our print suppliers ensure a high degree of efficiency in paper and ink usage.
- Our electronic service delivery channels help us reduce paper consumption. For example, at our Cashstop® ABMs, customers have the option of not printing receipts, and we do not send payment envelopes each month to VISA customers who routinely pay their credit card bills by electronic methods.
- Starting in April 2003, we phased out printed payslips for 90 per cent of our close to 35,000 Canadian employees. Instead, they receive online pay notification. This change is expected to save more than 830,000 sheets of paper and envelopes each year.

The Scotiabank Group also aims to incorporate environmental considerations in its global operations. For example, our Banco Sudamericano affiliate in Peru created and administers an environmental trust agreement on behalf of borrowing client Antamina, a major mining company. When Antamina sought financing for a new copper/zinc mine in the Ancash community, Scotiatrust developed the first and only trust agreement of its kind in Peru to avoid potential environmental harm in the event of a mine closure.

Scotia Capital's Dee Patterson (left) and David Santangeli (second from right) work with Clean Power Inc. CEO Stephen Probyn (far right) and CFO Peter Korth to finance environmentally friendly power projects (see page 38).





John Keating, CEO of Canadian Hydro Developers, stands in front of wind turbines at the company's Cowley Ridge facility in Pincher Creek, Alta.

Through the irrevocable trust, Antamina provides funds to guarantee that they will perform environmental restoration activities, including the construction of a water treatment plant, if the mine is closed in the future and an environmental impact assessment determines that environmental harm has been done.

Financing environmental initiatives

As a leading corporate and investment bank to the power industry, Scotia Capital assists a number of clients in financing environmentally friendly hydro, wind-farm, biomass and landfill-gas-fired generating facilities that aid long-term environmental sustainability.

For example, as sole lead underwriter to Clean Power Income Fund, we provided access to equity capital of \$142.5 million and bank credit of \$135 million to facilitate the client's investment in innovative projects such as Gas Recovery Systems (GRS) Inc., based in California. GRS is one of the largest privately owned bio-gas electricity producers in the United States, and its business is to capture and convert gases from landfill sites into electricity to satisfy consumer and industrial power needs.

Scotia Capital also participated in a \$120-million corporate banking syndication to assist Calgary-based Canadian Hydro Developers (CHD) to construct or expand two low-impact run-of-river hydroelectric plants and a new biomass plant. All of CHD's power plants in British Columbia, Alberta and Ontario are "Ecologo" certified by Environment Canada as emissions-free energy sources.

RoyNat Capital, Scotiabank's merchant bank to mid-sized companies, recently helped Waterloo Hydrogeologic Inc.

expand its environmental services that help protect the world's finite, fresh water resources. The Waterloo, Ont.-based company develops software that models groundwater flow, including industrial contaminants, and provides consulting and training to environmental professionals, including government officials, in 85 countries. RoyNat Capital provided financing so that the company could expand into new international markets that need support to ensure access to safe, clean water.

Environmental co-operation

To support co-operation on environmental issues within the financial services industry and to develop and implement consistent standards and practices, the Scotiabank Group has participated in a number of domestic and international environmental initiatives.

Scotiabank was among the first international banks to endorse the United Nations Environmental Program's (UNEP) Statement by Financial Institutions on the Environment and Sustainable Development. This initiative commits signatories to incorporate environmentally sound practices into their internal operations, their risk assessment and management practices, and the development of products and services.

We also participate with the Canadian Bankers Association's Environmental Issues Group to review the impact of environmental issues and regulations on our lending practices and participate in the development of standards and legislation relating to activities such as environmental assessments and land development.

Our Customers

SCOTIA ONLINE > www.scotiabank.com

Our core purpose is to be the best at helping customers become financially better off by providing relevant solutions to their unique needs. It's a responsibility we take very seriously – developing innovative products and services that reflect our customers' needs, enhancing our delivery network to provide increased capabilities and convenience, and providing our employees with the knowledge and skills to deliver the highest standard of service.



Denise Gordon-Mohamud likes the easy access to her financial affairs that Scotia OnLine offers.

Serving our diverse communities	Access and accommodation	Access through electronic channels
Basic banking	Meeting unique customer needs	Responding to customer concerns

We are extremely proud that, for the fourth year in a row, Scotiabank achieved the highest rating for customer service excellence among Canada's five major banks, according to an independent national survey by the research firm Synovate. In the 2003 survey, a higher proportion of Scotiabank customers considered the overall quality of service they receive to be excellent, compared to customers of the other major banks.

In the following pages, we show how Scotiabank is delivering on its commitment to customers: by being sensitive to and accommodating their diverse needs and preferences; by being highly responsive to their concerns, and by taking the time to clearly communicate essential financial information.

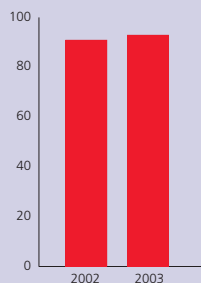
Serving our diverse communities

As Canada's most international bank, we want to ensure that our workforce reflects the diversity of the customers we serve. Scotiabank actively recruits multilingual employees, and we incorporate additional language options in our most in-demand services, so we can assist customers in their preferred language. To serve unique regional needs, many of our domestic banking branches create local initiatives to better serve their specific communities. Here is a sampling of our services:

- Our TeleScotia call centres can serve callers in English, French, Mandarin and Cantonese.
- To help branches build stronger links in distinct communities, Scotiabank's Local Area Marketing group develops Chinese-language customer service, product and marketing information. In 2003, with feedback from branches that serve large Asian populations, the group introduced online Chinese fact sheets about our eight most popular products and services, which Chinese-speaking personal banking officers can customize and print for their customers. The group is investigating expanding the service to include other in-demand languages in 2004.
- Each year, Scotiabankers in branches serving the Portuguese community in Toronto contribute countless hours to support local events. This year, Scotiabank was a major sponsor of Portugal Week, as well as the 50th anniversary celebration of Portuguese pioneers coming to Canada. Branches also held various customer appreciation activities to commemorate the occasion.
- ScotiaMcLeod Direct Investing (SMDI) offers Chinese services to serve the needs of Cantonese and Mandarin-

Scotia OnLine
Customer satisfaction

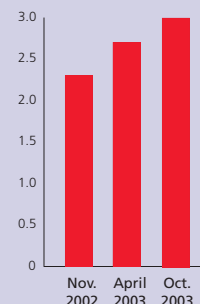
percentage



In a March 2003 survey of our online banking users, Scotia OnLine received a 94 per cent satisfaction score from customers, up from 92 per cent in 2002.

Customer website visits

millions



Customer visits to www.scotiabank.com climbed in fiscal 2003, peaking in October with more than 3 million visits, representing 8.5 million page views.

speaking clients. SMDI's team of experienced investment representatives provide full trading support and client service through a dedicated toll-free telephone number. Online clients enjoy access to real-time Chinese news, research and commentary from Dow Jones & Co. and receive trading support with Chinese help text. SMDI's branch in Richmond, B.C. serves the Chinese-speaking investing community and regularly conducts seminars to educate customers.

- Toronto-area Scotiabank employees participate in information programs on local multicultural television station OMNI TV, speaking about financial topics in their native languages. As well, employees of Caribbean, Asian and European backgrounds regularly hold seminars for small business owners, female entrepreneurs, seniors and youth at local branches, community centres and retirement homes.
- In Scarborough, Ont., local branches have combined efforts to take part in events for groups such as the Greek, Sri Lankan, Chinese and South African communities. For example, for the past three years, employees at our Eastown and Markham & Ellesmere branches have conducted mortgage and investment seminars in the Tamil language.
- Our Richmond, B.C., branch at No. Five Road & Bridgeport has partnered with the Immigrant Services Society of British Columbia to recruit prospective candidates for customer service roles. The branch has provided work experience to individuals from across Asia and the Middle East to better serve this multicultural community.

Access and accommodation

Scotiabank maintains an official policy that all facilities, delivery channels and products must be accessible to persons with disabilities, and a cross-functional team ensures co-ordination of all initiatives to improve access across the Bank.

New Scotiabank branches meet the Canadian Standards Association's (CSA) accessibility guidelines. Most of our existing branches will be upgraded to meet the CSA standards over the next nine years.

To give disabled customers better access to the card reader, keypad, screen and transaction receipt door, we've implemented ABM enhancements at 99 per cent of our branches. For example, new ABM facades are lower and have more legroom. Large high-resolution anti-glare colour screens and braille key caps have been installed, and all ABMs now provide longer lapse times between transaction steps to give customers more time to perform transactions without being rushed. These modifications comply with the CSA standards.

Scotiabank is introducing additional ABM features, such as grab bars to help customers position and support themselves, and we are working closely with a number of vendors to develop hardware and software solutions that are fully compliant with the CSA standards.

Scotiabank's general and marketing information is available upon customer request in alternate formats, including audiocassette, braille, large print or diskette, by calling 1-888-615-8991 or via www.scotiabank.com.



These Scotiabankers manage the Toronto-area branches that contribute countless hours to the Portuguese community.

Access through electronic channels

We provide our customers with easy access to their financial needs through numerous electronic channels that are available 24 hours a day, seven days a week, including Scotia OnLine, TeleScotia, wireless financial services, a growing ABM network and Interac[®] direct payment.

With a ScotiaCard[®], customers can withdraw cash, get account balances or VISA[®] cash advances through a network of 35,000 Canadian ABMs and 750,000 locations in more than 130 countries. In addition, technology such as POS (point of sale) has allowed customers access to some banking functions through other financial and commercial institutions.

Scotiabank is a founding member of the Global ATM Alliance, which allows Scotiabank customers to withdraw cash from participating member ATMs without paying access fees. Scotiabank will waive the international ABM access fee and alliance members waive terminal usage fees for any withdrawals performed at over 24,000 member bank machines in Australia, France, Germany, the United Kingdom and the United States.

Scotia OnLine financial services provides integrated, secure Internet access to banking, brokerage and small business accounts, products and services across the Scotiabank Group through an easy, single sign-on.

Gómez Canada, a performance measurement service group, gave Scotiabank a number one rating – up from third place in 2002 and seventh in 2001 – for our best-in-industry website navigation and design.

Other innovations

High levels of customer satisfaction with our alternate delivery channels demonstrate that we can effectively build customer loyalty by expanding and integrating the products we offer, improving ease of access, and adding new technology choices. Examples of other electronic service innovations:

- Scotiabank.com has adopted a number of interactive features, including Ask Scotia, a search function which allows customers to ask a question in their own words and quickly receive answers and relevant links, and ScotiaOne™ Business Plan Writer, a new online tool to help small business owners develop business plans.
- Scotiabank.com also offers online branch and ABM locator tools and a ScotiaMcLeod Investment Advisor Locator, to help customers quickly find the most convenient way to receive desired services.
- Scotiabank was among the first to enable customers to bank over the phone using voice recognition technology.
- ScotiaMcLeod Direct Investing (SMDI) offers Sounding Board – an innovative online service that provides self-managed investors with a personalized report that includes a framework for constructing their portfolios. SMDI is also the only bank-owned direct brokerage to provide industry-leading Regcognia technical analysis research to its clients.
- Shell Canada and Scotiabank announced that Scotiabank-branded ABMs will be installed in up to 500 Shell gasoline convenience stores across Canada. This will expand Scotiabank's domestic ABM network by 20 per cent to more than 2,700 machines.

Branches

Our customers have shown that they prefer to use a variety of delivery channels to conduct their personal banking – including our 964 retail branches – depending on the type of financial service they require. We recognize that our branch locations play an important role in developing excellent customer relationships, and we constantly review and improve our network to ensure it meets current customer needs. In 2003, we opened four branches and closed or consolidated 24 locations (see Appendix, page 56).

Basic banking

Ensuring that all Canadians can access basic banking services is a priority at Scotiabank, and we provide clear training and guidelines to employees, and straightforward account information to customers, so that they can quickly and easily understand how to open an account and manage their banking needs.

- A list of acceptable identification needed to open an account, and other helpful information, is available in our branches, over the phone and on our website.
- Our account options provide customers with choices that suit their transaction and service preferences and offer the best possible value. Our Account Selector *Reality Check*® tool is a convenient way for customers to determine the right account and services and minimize their banking fees.
- The *Scotia Simple Switch*® program is a free service that provides customers with a convenient, hassle-free way to transfer their day-to-day banking to Scotiabank from another Canadian financial institution.
- In 2003, we redesigned our savings and chequing account statements. We listened to our customers and made our



statements easier to read by reorganizing the information presented, introducing a running balance and date, and adding a summary of activity performed.

Meeting unique customer needs

Scotiabank offers various specialized products and services designed for youth, students, seniors and Canadians of modest income. These include:

- The *Getting There Savings Program*® for Youth is designed to help young people under age 19 learn banking basics. This no-fee plan offers up to 20 debit transactions per month and cash prizes to encourage young savers.
- The *Student Banking Advantage*™ plan provides discounted rates on regular banking fees and other benefits for full-time students of Canadian universities, colleges or other recognized post-secondary institutions.
- The *Scotia Plus*® program for seniors provides customers aged 59 or older a no-fee banking plan that includes up to 40 debit transactions per month, plus other free or discounted services.
- Our Basic Banking account is a low-cost banking option for customers who have only a few transactions each month and prefer to bank with a teller.

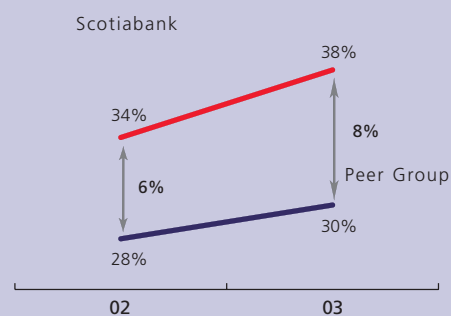
Aboriginal banking

Scotiabank was the first chartered bank in Canada to open an on-reserve branch, in Standoff, Alta., in 1971. We now operate four on-reserve branches, plus a network of Aboriginal banking centres.

To help the Bank build deeper relationships with the Aboriginal community, Scotiabank provides its branch managers with a 26-page Aboriginal Marketing and Resource Guide that provides a comprehensive working plan to serve Native Canadians better, including tips on hiring and retaining people from these communities.

Customer satisfaction and loyalty are fundamental to building stronger and deeper customer relationships. We use customer satisfaction to measure the customer's perception and attitude towards Scotiabank, while customer loyalty is a leading indicator of future customer behaviour. Scotiabank has created a "loyalty index," based on third-party surveys, that measures key indicators, such as "willingness to recommend Scotiabank." In 2003, Scotiabank's outstanding execution, engaged staff and customer relationship focus allowed us to maintain leadership in both customer satisfaction and customer loyalty among major competitors.

Market leader in customer loyalty



Our Scotiabank Rama branch, near Orillia, Ont., has been involved in an innovative on-reserve housing project for several years by which members of the Chippewas of Mnjikaning First Nation can receive mortgages or home renovation loans – normally a difficult process, since band-owned reserve properties cannot easily be pledged as collateral. In 2003, we funded six mortgages valued at more than \$402,000, with additional loans being processed for individuals who may not qualify for credit otherwise.

Providing financial information

Serving our customers and the public well means providing timely, practical information that addresses issues facing all consumers. With the Bank's expertise on an array of economic, personal finance, security, wealth management and borrowing matters, we frequently share our knowledge through seminars, special events and educational programs. A few examples include:

- For many years, Scotiabank has distributed fraud alert videos to educate seniors and community groups about the risk of telephone and marketing fraud. In fact, since 1996, the Scotiabank Fraud Awareness Program: ABCs of Fraud – a Canada-wide fraud education and prevention program for seniors, delivered in clubs, churches and recreation facilities – has made more than 1,400 presentations to over 57,000 people. The program is even more important today, as Internet fraud and identity theft pose serious risks to seniors, who comprise the fastest-growing group of Internet users.
- Scotiabank Group employees in Peterborough, Ont., developed an innovative way to educate seniors on important will and estate planning issues by sponsoring and helping to produce a 13-part television series on a local cable station called *Your Estate Matters Too*. From the comfort of their own homes, seniors can learn about issues ranging from succession planning for farms and businesses, to family law and disability benefits.
- Today's students need information to help them finance their post-secondary education, so Scotiabank has become a sponsor of Studentawards.com, a free online scholarship search service. Not only does Scotiabank provide a special scholarship offer through the website, but we recently improved the Student Reality Check® calculator on scotiabank.com to make it easier to receive information and apply online for banking, credit or insurance services.
- Scotiabank employees from a Scarborough, Ont., branch teamed up with their local Commercial Banking colleagues to provide a financial education to young people in the East Metro Youth Service's Residential Treatment Program. As part in the organization's "life skills" training program, staff invited 12 teenagers to learn the basics of banking, borrowing and investing.
- To help clients become better, more knowledgeable investors, ScotiaMcLeod Direct Investing provides online education from the Canadian Securities Institute – Canada's leader in investor education.
- We are committed to ensuring we provide information in a straightforward way, whether it is basic consumer



(Top photo) Morgan Parsons has a *Getting There Savings Program*® for Youth account with the Vanier, Ont., branch. She is a third-generation Scotiabank customer.

(Left photo) The Scotiabank Group in Peterborough, Ont., sponsors and helps produce *Your Estate Matters Too*, a television series directed at seniors. From left: Maria Gwilliam, Linda O'Connor, Pina Melchionna and Gordon Fallen.

education or explaining our products and services in a clear, easy-to-understand manner. We produce a number of helpful newsletters such as *Investment Matters*, provided quarterly with investment statements, and *ScotiaPlus* for members of the ScotiaPlus® Program for Seniors.

Responding to customer concerns

To effectively address small business and individual customer concerns or complaints, Scotiabank has a three-step internal process. Customers should first try to resolve the issue at their branch or call centre. If the problem cannot be successfully resolved, customers should contact the Office of the President. If they remain unsatisfied, they may contact the Scotiabank Office of the Ombudsman, which will launch a thorough, impartial investigation.

In 2003, the number of complaints directed to the Office of the President declined by 5 per cent overall, to 8,698, with an 18 per cent reduction in domestic branch service complaints. Following a survey of 1,545 customers who filed a concern with the Office of the President, 86 per cent were fully satisfied with the handling of their complaint. We are also proud that the office received 293 staff commendations, a 35 per cent increase from the previous year.

This multi-year trend reinforces the fact that, for the fourth year in a row, Scotiabank has been named the leader in customer service excellence among major Canadian banks in the annual Synovate customer survey (see page 39).

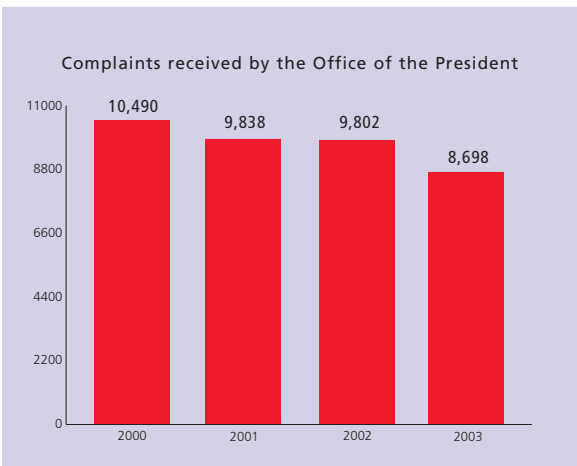
For information on the Scotiabank Office of the Ombudsman and its year in review, see the Scotiabank Ombudsman Annual Report at www.scotiabank.com.

If a customer still feels that their concern has not been satisfactorily addressed by our internal process, they may contact the Ombudsman for Banking Services and Investments (OBSI), an independent organization that investigates customer complaints against financial services providers. Also, the Centre for the Financial Services OmbudsNetwork (CFSON) helps customers uncertain about where or how to resolve a dispute with their financial service provider. More information can be obtained at www.obsi.ca, or by calling the CFSON toll-free at 1-866-538-3766.

Responding to customer feedback

In addition to our efforts to remedy individual customer complaints, we continuously improve our products and services, delivery channels, communications and operational processes by incorporating customer feedback from many internal and third-party sources. For example:

- Every year, we survey more than 100,000 randomly selected retail banking customers by telephone as part of “Through Your Customers’ Eyes,” Scotiabank’s customer satisfaction and loyalty measurement program. Report cards are distributed to senior management and branches so they can take action on the survey results. Similar surveys provide regular feedback for commercial and small business customers, Scotia Private Client Group, ScotiaMcLeod and ScotiaMcLeod Direct Investing.



(Right) To help branches build stronger links in distinct communities, Scotiabank’s Local Area Marketing group develops Chinese-language customer service, product and marketing information.



- Scotiabank performs extensive customer research to design and enhance our products and services, including frequent focus groups, mystery shopping and surveys, and we analyze trends identified through customer complaints data.
- Employees can contribute their ideas on ways to improve the customer experience through Team Voice, a toll-free phone and e-mail service by which they can anonymously (if desired) comment on issues that affect their ability to deliver excellent service.
- Three times a year, we survey our domestic branches about the help they receive from internal support areas in meeting customers' needs. In 2003, the confidential Scotiabank Satisfaction Survey, which was distributed to 25,000 domestic employees and expanded to those in Jamaica, indicated very high satisfaction levels with the majority of our support areas that partner with our branches to provide excellent service to our customers.
- We carefully monitor mystery shopping surveys conducted by the Financial Consumer Agency of Canada (FCAC). The FCAC reviews the banking industry's ability to meet

legislative requirements in areas such as disclosing current interest rates and service fees, and providing information on low-fee accounts. We recognize that there is room for improvement, and we continuously incorporate new employee training and processes to address areas of weakness.

- Scotiabank regularly invites and receives comprehensive input from members of the Consumers Council of Canada regarding the Bank's Public Accountability Statement and information disclosure to the public, and from the Canadian Federation of Independent Business on the calibre of our small business services.

Protecting electronic customer information

The Scotiabank Group of Companies has a comprehensive information security program in place to protect the Bank's electronic information and databases, and its customers, from online fraud and computer viruses. We share our extensive expertise by publishing safe computer and Internet practices on our website, and our security team often works one-on-one with customers to help them avoid potential fraud. To help protect all consumers from online threats, a member of Scotiabank's Information Security & Control department also participates on a federal government advisory group to develop policy regarding information security for Canadians.

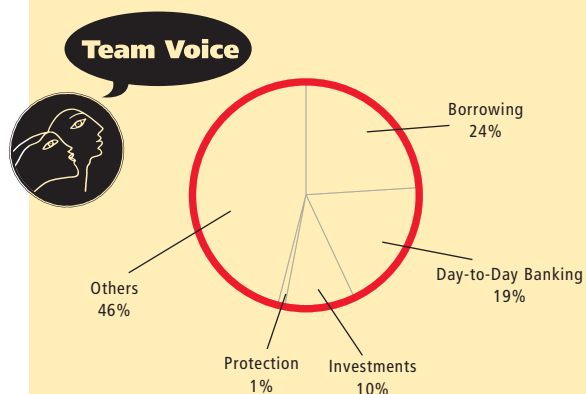
Preventing money laundering

We have extensive policies and procedures to help fight money laundering, terrorist financing and other criminal activities that put the Bank and our customers at risk. Scotiabank identifies, investigates and reports suspicious transactions to the financial intelligence units that are in place in most jurisdictions around the world to aid in the apprehension of money launderers. Training programs have been established for staff from all parts of the Scotiabank Group to assist them in carrying out their responsibilities with respect to prevention, detection and reporting. We continue to use leading-edge technology to support our staff in these efforts.

A safe and secure debit system

Debit card fraud is an issue that Scotiabank takes very seriously since the security of this payment system is important to all Canadians. We are working with our customers to educate them about precautions they can take and we're working together with law enforcement agencies, Interac and other financial institutions to protect our customers and ensure the safety and security of the debit card system in Canada.

The majority of Team Voice messages received in 2003 referred directly to the policies, processes and programs for specific products, which fall under one of the Four Cornerstones of Banking – day-to-day banking, borrowing, investments, protection. Other messages that cannot be related to a specific Cornerstone primarily involved the entire employee experience. These messages include issues relating to Sales & Service, goal setting, measurement, marketing programs, systems, equipment and Human Resource policies or administration.



54% of the messages received through Team Voice refer directly to the products, processes and procedures of the Four Cornerstones of banking
46% of the messages refer to the delivery environment.

Small Business

SMALL BUSINESS > www.scotiabank.com

Scotiabank recognizes that small businesses are a driving force in the Canadian economy, since they account for almost 80 per cent of Canada's total business market and create more jobs than any other sector of the economy. We are committed to providing easy access to our financial services and expertise, forging partnerships to support small business goals and developing products that respond to the challenges faced by small business owners.



Winner of the Grand Championship Senior Showmanship award at the 2003 Scotiabank Hays Classic was John Werry, shown here with Scotiabank's Peter Brown.

Convenient service and solutions

Dealing fairly with small business

Partnering to support small business goals

Helping provide education

Micro-credit programs

Innovative solutions for small business needs

Convenient service and solutions

Every Scotiabank branch in Canada has a small business banker who can provide guidance and advice for both business and personal financial needs. More than 1,500 dedicated bankers are available to offer a wide range of services that cover every stage in the development of a small business. We have developed a free online Business Plan Writer to help small business owners think through their needs and goals, forecast business decisions and plan for success.

Since small business needs extend beyond basic access to credit, we have designed a range of practical solutions with features that matter to small business customers, including our day-to-day business account packages. In January 2003, we introduced the Money Master *for business*™ account that offers a high rate of interest.

We also develop products that recognize the close connection between a small business owner's personal and business requirements. For example, we offer a mortgage that makes it easier for commissioned sales people or the self-employed to qualify to buy a home with as little as a 15 per cent down payment.

Today's small business owners have increasingly complex financial needs, so our branch staff receive support from a team of experts in the Small Business Resource Centre, which provides fast, detailed answers to customer inquiries via phone or e-mail.

As these organizations grow and prosper, we can refer

them to our Commercial Banking services or RoyNat Capital, our merchant bank for mid-sized enterprises, where teams with specialized expertise can serve their evolving business needs.

Partnering to support small business goals

We continue to work in partnership with key small business associations, such as the Canadian Federation of Independent Business and several professional organizations, to offer preferred banking services and discounts to thousands of small business owners.

We are a founding member of the new Dental Learning Centre, a facility offering professional education in dentistry and related areas. New alliances have been formed with the Ontario Real Estate Association and the Insurance Brokers Association of British Columbia to provide financing options for small business owners.

Micro-credit programs

Scotiabank provides small-scale financing to promote community economic development through the Community Futures program and regional economic development agencies across Canada. In the Niagara region, for example, we are investors in the Niagara Growth Fund, which provides equity investments to small businesses.



Dr. Mark Gonneau and Dr. Sasha Green, two Greater Metropolitan Toronto Area chiropractors took advantage of the mortgage product developed especially for the self-employed.

Dealing fairly with small business

To ensure that we serve the small business community in a fair, clear and transparent manner, we have worked with the Canadian Bankers Association to develop a Small and Medium-Sized Business Code of Conduct to govern relationships with these businesses. It is based on openness and accountability, and also outlines the credit application and complaint handling processes. (See more details on p. 12)

As part of Scotiabank's credit process, if we can't approve a credit application, we will explain why and, where appropriate, we will either work with the customer to improve the proposal or try to direct them to other sources of financing.

Helping provide education

In addition to the products and services we provide, Scotiabank believes that it can help Canadian small businesses grow and succeed by bringing small business owners together through special events and educational programs to meet, share ideas, and hear from financial and industry experts. In 2003, we held more than 20 town hall meetings in communities across Canada, where Scotiabank small business and economics experts, plus members of small business associations, shared information on issues such as planning, financing and marketing a start-up business.

In Toronto, the small business team hosted a well-attended seminar for the Italian business community to share timely business and economic information with entrepreneurs and professionals. The team has been focused on better serving the needs of the Italian, Portuguese, Greek, Caribbean and Asian business communities by hosting seminars and special events.

Supporting the farming community

Scotiabank supports Canada's agricultural industry by playing a lead role in traditional and vendor financing. We have provided financing for livestock and feed inputs for customers of Agricore United under a unique alliance, as well as crop input financing through the independent dealer outlets of Univar Canada.

For 19 years, we have sponsored Canada's premier junior dairy show – the Scotiabank Hays Classic – held annually at the Royal Agricultural Winter Fair in Toronto. The event fosters youth leadership in rural communities through the 4-H clubs of Canada, helping to build the next generation of agricultural business owners. This year, more than 300 finalists from across Canada brought their calf projects to this event.

In 2003, the discovery of a single case of bovine spongiform encephalopathy (better known as BSE or "mad-cow") disease, and the closure of foreign markets to Canadian beef

exports, significantly affected customers in the cattle industry. Scotiabank small business bankers proactively worked with their customers, taking a client-by-client approach and contacting each customer to discuss their projected cash needs and to develop a management plan. Our patient approach enabled clients, the cattle industry and governments to properly deal with the crisis. A number of western Canada Scotiabank branches also hosted charity barbecues, serving Alberta beef, to help support the beleaguered industry.

Innovative solutions for small business needs

Scotiabank continues to introduce new promotions and initiatives to serve small business owners. For example:

- In June, we brought back a popular cash back offer, in which customers could receive cash back for one per cent of the value of new term loans up to \$250,000. By putting money back into the pockets of small business owners, the cash back offer allows them to use the money where they need it most. The campaign was promoted actively via radio advertising, account statement stuffers to existing customers, in branch marketing materials, and on the small business section of scotiabank.com.
- We participated in a new VISA® Savings for Business program offered by VISA® Canada in September 2003 that provides online savings on all kinds of business expenses, – from office supplies to software and hardware.
- Scotiabank joined forces with Vubiz, an online learning organization, to provide low-cost certified business programs for small business owners. Courses involve practical training modules that are interactive and cover topics from financial and strategic management to international trade.



At Scotiabank’s St. George’s Square branch in Guelph, Ont., the small business team helped develop innovative financing for businesses that often have difficulty finding lending support. Positive word of mouth about Scotiabank attracted a fashion retailer in Erin, Ont., a motel operator in rural Barry’s Bay, and a Guelph-based hairdresser, as well as a restaurateur. “We take the time to listen to entrepreneurs and recognize the underlying strength in their ventures, often when they’ve faced resistance at other banks,” observes Mike Coombes, Account Manager, Small Business. He adds that branch staff often become patrons at their customers’ businesses.



(Top photo, from left) Scotiabank employees Mike Coombes and Shelley Spies with customer Jodie Gray at her Hush Salon & Spa in Guelph, Ont.

(Bottom photo) Mike Coombes (centre) with Sam Collins (left) and Rolf Christopherson, Scotiabank customers and co-owners of a local bar and grill.

Debt Financing

The following charts indicate – by province and Canada as a whole – the amount of debt financing authorized and outstanding as at Oct. 31, 2003, and the number of customers to whom it was authorized.

Authorization Levels of:	\$0 - \$24,999			\$25,000 - \$99,999			\$100,000 - \$249,999			\$250,000 - \$499,999		
	Authorized \$ thousands	Outstanding \$ thousands	Customers	Authorized \$ thousands	Outstanding \$ thousands	Customers	Authorized \$ thousands	Outstanding \$ thousands	Customers	Authorized \$ thousands	Outstanding \$ thousands	Customers
British Columbia	47,091	21,392	6,820	200,910	114,200	4,042	250,234	173,853	1,657	201,743	139,086	595
Alberta	50,904	25,505	7,146	210,434	131,608	4,221	266,613	186,868	1,755	171,807	124,930	509
Saskatchewan	23,985	16,003	2,372	108,506	77,886	2,163	110,298	83,041	737	56,927	42,993	174
Manitoba	179,185	35,213	15,663	865,262	260,710	17,055	154,159	93,523	1,162	88,829	46,504	274
Ontario	177,225	82,273	25,520	802,345	481,748	16,150	1,003,206	688,748	6,584	775,163	534,490	2,318
Quebec	21,041	10,271	2,555	109,179	64,370	2,191	149,116	103,239	995	142,629	106,438	403
New Brunswick	15,790	9,065	2,089	60,217	40,114	1,215	72,336	51,071	477	55,560	39,124	160
Nova Scotia	23,803	12,589	2,916	109,586	75,839	2,140	117,239	85,569	798	82,214	53,824	243
P.E.I.	4,590	2,904	538	22,128	15,789	445	30,775	24,705	192	27,917	21,261	77
Newfoundland	17,776	9,773	2,032	71,184	47,389	1,443	78,827	58,179	537	51,853	40,792	152
Territories	1,200	352	234	4,567	2,605	88	4,686	3,436	31	2,420	1,379	8
Canada	562,590	225,340	67,885	2,564,318	1,312,259	51,153	2,237,488	1,552,233	14,925	1,657,062	1,150,820	4,913

Authorization Levels of:	\$500,000 - \$999,999			\$1,000,000 - \$4,999,999		
	Authorized \$ thousands	Outstanding \$ thousands	Customers	Authorized \$ thousands	Outstanding \$ thousands	Customers
British Columbia	287,802	206,835	417	880,192	600,348	419
Alberta	196,284	142,104	295	712,574	463,043	327
Saskatchewan	51,951	37,487	78	151,330	107,356	75
Manitoba	102,110	59,926	149	270,995	189,129	136
Ontario	950,548	660,485	1,406	3,489,152	2,288,195	1,657
Quebec	236,690	182,295	338	970,533	703,649	442
New Brunswick	64,396	43,569	93	174,235	113,799	86
Nova Scotia	91,372	60,825	136	343,916	230,177	160
P.E.I.	38,460	30,945	56	90,881	66,820	53
Newfoundland	38,189	25,999	56	82,866	64,354	39
Territories*	1,734	1,233	3	4,785	4,632	3
Canada	2,059,536	1,451,701	3,027	7,171,459	4,831,503	3,397

Note: Minor differences in Canada totals from the sum of regional totals are due to rounding.

Authorization Levels of:	over \$5,000,000		
	Authorized \$ thousands	Outstanding \$ thousands	Customers
British Columbia & Northwest Territories*	3,530,899	1,756,984	172
Alberta & Yukon*	7,843,810	2,753,488	204
Saskatchewan	514,299	275,262	27
Manitoba	1,446,217	831,494	68
Ontario	34,108,853	14,212,882	966
Quebec	4,552,333	2,632,744	185
New Brunswick	1,014,515	470,148	31
Nova Scotia	1,870,259	763,108	69
P.E.I.	84,300	74,926	3
Newfoundland	429,444	258,083	18
Canada	55,394,930	24,029,121	1,743

* For reasons of confidentiality, we have combined British Columbia with the Northwest Territories and Alberta with the Yukon in this category.

Employee Satisfaction

SCOTIABANK CAREERS > www.scotiabank.com

For our customers, employees are the face and heart of Scotiabank. That's why we're committed to ensuring the highest levels of satisfaction and engagement possible among our employees. In this way, we can ensure the highest level of customer service excellence delivered by engaged, insightful, committed employees.



With Scotiabank's support, Ross Anderson, Senior Manager of Government Affairs (with his wife, Amy, and daughter, Sydney), participated in a two-month parental leave program.

Workplace flexibility

Open, two-way communication

A safe and healthy workplace

Competitive compensation

A diverse workforce

Recognizing achievement

To support and guide our employees in the delivery of superior customer service, Scotiabank focuses on five corporate values – integrity, respect, commitment, insight and spirit – incorporating them in all the programs and services that touch our employees.

In the following pages, we highlight some of the ways that we are building an organization in which all of our employees can flourish and take pride.

Workplace flexibility

Since 1996, the Scotiabank Group has offered alternative work arrangements as a means of providing workplace flexibility. To help employees balance their work with other life responsibilities,

Scotiabank offers job sharing, flexible work days, opportunities to work from home and part-time roles.

In 2003, 1,051 Scotiabankers took part in formal alternative work arrangements. Some took advantage of this to care for elderly parents, others returned to school. Some simply wanted to devote more time to their parenting responsibilities. To keep pace with ever-changing employee needs, we made revisions to our existing policy by creating broader program definitions and we streamlined the application and administrative procedures.

A safe and healthy workplace

Scotiabank has always taken steps to ensure the health and safety of employees and customers. In 2003, we implemented a

Scotiabank's diversity goals are driving the organization forward in its efforts to create a workforce and customer base that truly reflect Canadian society today:

Diversity Goal 1

To be recognized as the employer of choice – one that reflects the community and one that attracts and retains talent from a variety of backgrounds.

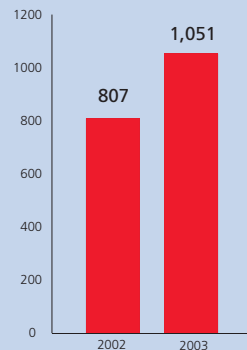
Diversity Goal 2

To re-affirm the bank's commitment to be a positive workplace for all employees.

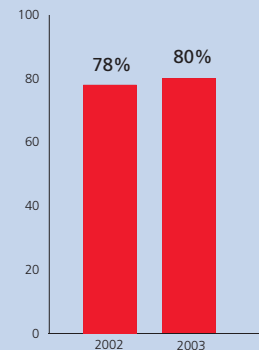
Diversity Goal 3

To strengthen our relationships and our brand image in diverse communities.

Participants in Alternative Work Arrangements



Employee Satisfaction (as measured in ViewPoint survey)



new Occupational Health and Safety (OHS) program that complies with recent federal government legislation. The OHS program introduces training, health and safety contacts and improved processes to address concerns and report incidents. Employees are encouraged to participate as health and safety representatives, as first aid attendants, or simply by helping to maintain a hazard-free workplace.

The past year clearly demonstrated the importance of health and safety programs in the workplace, particularly during the Severe Acute Respiratory Syndrome (SARS) crisis in Canada and Asia. The Scotiabank Group actively communicated relevant information from public health authorities to employees. We accommodated any employees who received instructions from health-care providers to be in isolation, established an employee business travel moratorium to and from the Far East, and implemented business continuity plans to ensure that our critical business operations could continue to operate and serve clients.

A diverse workforce

As the most international of the Canadian banks, headquartered in the world's most multicultural nation, Scotiabank has a long history of treating all people fairly, equitably and with respect. Our leadership position was endorsed by the Canadian Human Rights Commission, when it deemed Scotiabank as the first of the major banks to be fully compliant with the Employment Equity Act, following an extensive audit of all of the Bank's policies and practices last October. The commission chose to spotlight several of our programs in its own 2002 report, including our Aboriginal programs, EmployAbility Forum and Transition Assistance Program sponsorship.

We continue to use the Employment Relationships Plan to integrate diversity and other workplace initiatives into our business processes. This year, in adopting our balanced scorecard approach (see competitive compensation, page 54), we



Subsequent to fiscal 2003 year end, four Scotiabank executive vice-presidents were named to the Women's Executive Network's Top 100 list of Canada's most powerful women. (From left) Alberta Cefis, Retail Lending Services; Sylvia Chrominska, Human Resources; Deborah Alexander, General Counsel and Secretary; and Peggy Mulligan, Systems & Operations.

included diversity targets as one of the performance measures used to evaluate company leaders.

The annual Employment Relationships Trend Report continues to measure progress within each business line in terms of diversity, workplace flexibility and employee satisfaction. We are working towards automating this report so that managers will be able to check, in real time, on their division or business unit's progress towards set goals.

Women

More than 72 per cent of Scotiabank's employees are women. To continue to remove barriers to career advancement, we assist them in developing skills and competencies to pursue senior management level positions through progressive policies and programs.

This year, the representation of women at the executive level (vice-presidents and above) is at 19.6 per cent, up 0.7% from 2002. While this represents an improvement, Scotiabank is committed to making greater progress in this area and to taking a leadership position among the top banks in Canada, against which it currently falls short. Backed by the full support of the organization's leadership, Scotiabank will initiate a comprehensive program that will aim to achieve a 22 per cent level of representation of women in senior leadership positions by the end of fiscal 2004.

Scotiabank has already launched Scotiawomen's Connection, a global network of senior women throughout the Scotiabank Group who are actively involved in sharing information on career advancement, mentoring others and reaching out to the community at large to support initiatives that help women become financially independent. Chapters of the women's network are also being launched in Scotiabank Jamaica and Scotiabank Inverlat in Mexico.

Female commercial bankers in central Ontario recently formed a network, wōBANKERS, to help increase the number of women in commercial banking roles and to support greater networking, mentoring, training and development.

Scotia Capital is a founding member of Women in Capital Markets (WCM), which promotes the entry, involvement, development and advancement of women in capital markets. More than 30 Scotiabank Group employees are actively involved in

WCM as mentors, personal and career development speakers and role models.

Other programs, including revisions to our recruitment program, a renewed focus on our career advancement program, and a robust mentoring program are being developed to help increase opportunities for women at Scotiabank.

Aboriginal peoples

In 2003, 1.2 per cent of Scotiabank employees were Aboriginal. Scotiabank's long-standing Aboriginal recruitment and retention strategy has resulted in various outreach activities and support mechanisms for Aboriginal persons once they enter the Bank's workforce. For example, members of the Toronto Region Aboriginal Employee Circle meet several times a year to network.

To help integrate members of the Aboriginal community into our workforce, employees from many Executive Offices departments took part in an Aboriginal Inclusion in the Workplace workshop. Participants learned about ways to create a supportive work environment to recruit and retain Aboriginal people.

Scotiabank also actively sponsors key initiatives and organizations, such as the National Aboriginal Career Symposium, the University of Toronto Aboriginal Mentor in Residence Program, the Council for the Advancement of Native Development Officers, the National Aboriginal Achievement Awards and the Aboriginal Music Awards.

Persons with disabilities

In 2003, 3.0 per cent of Scotiabank employees were people with disabilities – up 1.4 per cent from 2002. Scotiabank is collaborating with the Disabled Persons for Employment Equity Human Rights Group on action plans to recruit, develop and retain more employees with disabilities over a four-year period.



In 2003, Scotiabank hosted its first-ever EmployAbility Forum. The one-day forum provided Scotiabank recruiters with information on how to more effectively attract and retain disabled individuals. The event included case studies and role-playing to inform recruiters on how to deal with workplace accommodation and address attitudinal barriers to hiring persons with disabilities. Scotiabank intends to host similar forums in major urban centres across Canada.

Scotiabank recently accepted an award from the departments of National Defence and Veterans Affairs for its sponsorship of the Transition Assistance Program (TAP). TAP members of the Canadian Armed Forces who have been medically discharged from service post their resumes to the TAP website. Scotiabank recruiters are able to access the database, which contains an inventory of more than 400 skilled, trained and knowledgeable job applicants with proven work records.

The Scotiabank Global Learning Office hosted a forum for its training and development vendors to educate them on accommodation and accessibility requirements of participants with disabilities. The forum included demonstrations of adaptive technologies used by Scotiabank employees. Vendors were encouraged to consider the needs of learners with disabilities so that they can participate fully in training and learning initiatives.

Visible minorities

Today, one in five Scotiabank employees in Canada – just over 20 per cent – is a member of a visible minority group. We've used recruitment, promotion, compensation, training and career planning programs to successfully increase the number of visible minorities in management roles by 63 per cent in the last five years. In 2003, representation of visible minorities at the senior management level (vice-president and above) was 8.7 per cent.

The Bank continues to sponsor the Harry Jerome Awards and scholarships, which recognize the achievements of young African-Canadians. These young individuals are an important talent pool for recruitment purposes.

In April 2003, our Electronic Banking Contact Centre in Calgary hosted a one-day health fair to support all area Scotiabankers in their quest for better health and wellness.

Examples of other 2003 diversity initiatives:

- Scotiabank continues to support the Ability Edge program, a not-for-profit initiative that offers paid internships with various organizations to post-secondary graduates with disabilities. In 2003, 12 interns with disabilities participated in the program at Scotiabank.
- Scotiabank is again the lead sponsor for the Women's Executive Network's (WXN) breakfast series that brings together women from Scotiabank, and from all sectors of the Canadian workforce, to network and share important information on entrepreneurship and advancing women into senior management.
- In 2003, Scotiabank was also the lead sponsor of the Women in Leadership Foundation's career panels for female and Aboriginal students on several Canadian university campuses.
- The adaptive technology project was launched to ensure that employees who are blind or visually impaired have access to web-based and other technology tools necessary to perform their job duties. The project's ultimate objective is to integrate accessibility requirements into Scotiabank technology-based tools used by employees.
- As members of the independent, voluntary committee, Scotiabankers For Universal Access (SFUA), 46 employees work together to propose recommendations on issues concerning employees with disabilities.
- The Scotiabank Group hosts an annual luncheon to strengthen relationships for the purpose of recruitment. In 2003, it was held in Toronto and included representatives from First Nations/Aboriginal offices and special needs offices from universities in southern Ontario and surrounding areas.
- The Scotiabank Fund covers a number of costs relating to special employee accommodation requirements, with more than \$250,000 per year allocated from the fund. For example, we recently purchased specialized voice activation hardware and software for an employee, and installed braille premises markings for Executive Offices employees.

Telecommuting allows Kristine Lalonde, Toronto Contact Centre, Electronic Banking (shown here with son, Joe and daughter, Lily) to maintain full-time status while working from home 60 per cent of the time.

- We are also partnering with the Canadian Hearing Society, which resulted in the publication of *Breaking the Sound Barriers*, a resource to help employers attract and retain employees who are deaf, deafened or hard of hearing.

Open, two-way communication

In addition to keeping employees informed of all matters related to employment, Scotiabank believes strongly in the importance of enabling them to have their opinions heard. We encourage two-way communication to ensure that employees have a clear understanding of corporate goals and strategy, easy access to day-to-day information relating to their employment, performance, benefits and services, and the opportunity to freely express their views and preferences.

We support a direct dialogue between employees and their managers through our performance management process, which relies on regular, ongoing conversations between employees and their managers. We also support it when we implement new policies and programs, when we leverage the interactive capabilities of web-based communication, and through toll-free phone lines that employees can use for a variety of purposes. For example, in 2003, the HR Call Centre handled more than 106,000 calls and 7,000 e-mail enquiries, providing easy, one-stop answers to employees' human resources-related questions. And HR Passport, our intranet site for employment-related information, offers online access to training, benefits and employment information for all Scotiabank Group employees in Canada.

One of the principal means for employees to express their views is the annual employee satisfaction survey known as ViewPoint. This year, more than 43,000 employees in Canada and over 30 other countries participated – an 88 per cent response rate. Scotiabank is proud of its employees' interest in



being heard, and especially of the fact that 83 per cent of employees responded favourably when asked if their area was “a great place to work.”

Employees can participate directly in improving the employee and customer experience by contributing their ideas and feedback to help us improve how the company operates. A variety of employee surveys and a formal Chain of Communication process are in place to help employees voice any concerns or offer suggestions. In 2003, 7,861 calls were received by Team Voice, a toll-free phone and e-mail service that domestic employees can use to comment on policies, procedures and programs that affect their ability to deliver outstanding customer service.

The Staff Ombuds Office – a confidential, impartial resource to help employees resolve workplace conflict or facilitate positive change – responded to approximately 800 cases in 2003. The office aims to empower employees by providing them with the skills, tools and support they need to handle issues on their own and effect positive change in the workplace. In 83 per cent of cases in the past year, employees were able to handle the situation themselves (58 per cent), or the case required no further action (25 per cent). And in Jamaica, a parallel position was created to help employees there, the first such position to be created by an employer in that country.

Additional communications:

- The Ideas in Action program rewards employees for submitting suggestions which, when implemented, result in cost savings or other benefits for the Bank. In 2003, we received

3,235 employee submissions, and the ideas that were implemented generated \$220,260 in savings to the Bank. This year, we also created an intranet site to make it easier for employees to learn about and submit their suggestions.

- In 2003, we distributed voluntarily the first annual report of the Scotiabank Pension Plan to all active and inactive members, to keep them informed about the operation, governance standards and financial status of their pension plan. Communication feedback was very positive, with 95% of 4,000 survey respondents stating that the report was very or somewhat informative.

Wellness

Scotiabank recognizes the importance employees place on wellness – be it physical, emotional or general well-being. Scotiabank also views wellness as an important contributor to our business success.

Scotiabank has offered an Employee Assistance Plan (EAP) since 1990 to help employees deal with personal crises and obtain advice, tools and resources to manage any personal challenges via phone or in-person counselling. EAP recently improved its accessibility by introducing e-counselling, so that employees can interact with a counsellor in a confidential, online setting or access information via the newly redesigned website, WorkLife Plus online.

Respecting human rights

We believe that Scotiabank employees are entitled to a workplace where fairness is the rule and their basic human rights are respected. We will not tolerate any behaviour that conflicts with the spirit or intent of the Canadian Human Rights act, nor with any other human rights and anti-discrimination laws that apply to the Bank's operations, inside or outside of Canada. Any employee who does not uphold these principles will be disciplined, up to and including dismissal. We promote a fair and respectful work environment through measures such as our Guidelines for Business Conduct and a harassment policy (see page 11), training video, and the Chain of Communication procedure.

Competitive compensation

Scotiabank is committed to providing a total compensation package that is internally equitable, externally competitive and sustainable. Comprised of salary, long and short-term incentives, benefits, employee share ownership plans, pension and recognition programs, the package is designed to provide direction and focus for employees by aligning compensation with performance that supports business objectives. In 2003,

Employment across Canada

Scotiabank is one of Canada's largest employers and, in 2003, the Bank employed close to 35,000 people, including almost 26,000 full-time employees and more than 9,000 part-time staff, as shown in the chart below.

Number of employees in Canada (individuals)*

Province	Full-time employees	Part-time employees
Alberta	2,101	1,046
British Columbia	1,969	1,162
Manitoba	498	244
New Brunswick	559	369
Newfoundland and Labrador	508	293
Nova Scotia	1,288	507
NW Territories	11	6
Ontario	16,779	4,706
Prince Edward Island	114	60
Quebec	1,550	404
Saskatchewan	420	318
Yukon	13	11
Total	25,810	9,126

* as at October 31, 2003
(includes regular, contract and casual employees and employees on leave)

Scotiabank provided more than \$3.3 billion in salaries and benefits to employees in Canada and around the world.

Some highlights:

- To encourage behaviours and activities that support our corporate values, we have developed a performance management system at the Scotiabank Group that uses a balanced scorecard approach. The scorecard is a tool that takes into account both business and individual performance and focuses on financial, operational, customer and people objectives, including effective leadership.
- In 2003, we improved our flexible benefit plan by contributing an additional \$5.6 million to the plan. Enhancements included the elimination of medical/dental deductibles and the expansion of drug choices, health and vision services that employees can claim.
- More than 25,000 people in Canada are active members of a Scotiabank Group pension plan.
- In 2003, 84.1 per cent of our Canadian employees participated in our Employee Share Ownership Plan. Internationally, 76 per cent of eligible employees took part in available employee share ownership plans.
- Approximately 98 per cent of eligible Scotiabank employees participate in the Canadian Incentive Pay Program, which allows employees to share in the success of the organization if they achieve performance standards and the organization achieves performance goals based on criteria such as customer service and financial results. The Canadian Incentive Pay program distributed more than \$95 million to eligible employees in 2003.
- Overseas, approximately 3,800 employees in 31 countries participated in the Bank's International Incentive Program, which rewards employees in their local currency and takes into account competitive local rates and inflation levels. In 2003, the program paid out the equivalent of approximately CDN\$9.2 million.

Part of Scotiabank's ongoing leadership process involves identifying high-potential Scotiabankers in international locations, such as Arijeet Banerjee, Branch Manager from Bangalore, India, and bringing them to Toronto to give them exposure to Executive Offices through individually designed training experiences.

Recognizing achievement

Through a number of Bank-wide recognition programs, as well as specialized programs tailored to individual business areas, we celebrate the achievements of employees and teams to show our appreciation for their contributions. Here are a few examples:

- Scotia Applause is a web-based recognition program that rewards employees for demonstrating activities and behaviours that help improve customer loyalty and satisfaction. The program is currently available to more than 30,000 Canadian employees across the Scotiabank Group, with 82 per cent of eligible employees registered. It is being expanded to other areas of the Bank so that even more employees can take part.
- During the past year, Scotia *intek*, our systems and operation group, introduced Beyond Expectation, a new reward program that acknowledged 190 employees for their outstanding contributions to the group's business partners, leadership and the community.

Training and development

Training and development programs are an important investment by Scotiabank in the satisfaction and productivity of our employees. In 2003, we spent approximately \$51 million on training – roughly \$1,800 per employee. Last year, nearly 28,000 Canadian employees completed many thousands of internal and external courses.

Since launching My Learning Centre, the organization's online training and development resource, Canadian Retail and Commercial Banking employees have been better empowered to plan their career development and enroll in courses to build their skills. During 2003, 271,552 Canadian course registrations were processed on the website.

To keep pace with evolving training requirements and employee feedback, last year we offered 116 more courses to Scotiabank Group employees.



Appendix

Branches, Offices & ABMs

Openings, Closings and Consolidations

Scotiabank, with 964 branches in Canada, is committed to maintaining a strong branch network. Like any business, we are constantly evaluating our overall delivery network, which also includes 2,378 ABMs, to ensure it remains balanced, competitive and viable. In some communities, this may mean closing or consolidating branches and reinvesting resources where we can provide the greatest benefit for the most customers.

Whenever we find it necessary to close or consolidate branches, we are committed to providing staff, customers and the community at large with a minimum of four months' advance notice. In rural areas, where there are no other deposit-taking institutions within a 10-km radius of the branch being closed, we are committed to providing at least six months' notice. We also work closely with our customers and the community to ensure a smooth transition and to continue to find ways to meet their needs. For example, we look at solutions such as having members of our mobile sales force visit customers in their homes to discuss investment matters, and offering seminars on telephone banking, ABMs, Internet banking and direct deposit of monthly income. The important thing is to balance solutions that are right for the individual community and our customers.

While the size of our branch network remains little changed from 2002, we embarked on an expansion that will increase our domestic ABM network by 20 per cent to more than 2,700 machines. We enhanced the features of TeleScotia, our telephone banking service, which continues to see incremental growth in usage. The popularity and use of Scotia OnLine – our electronic banking and brokerage service – grew strongly again in 2003. The number of activated Scotia OnLine users now exceeds 1.1 million, and transaction volumes skyrocketed by more than 60 per cent in 2003 to over 107 million. We continue to build a robust and easy-to-use online service, adding a number of enhancements that contributed to higher usage, as well as an increase in customer satisfaction ratings.

Scotiabank Branches Opened

British Columbia	1139 56th St., Tsawwassen 2050 Main St., Penticton
Alberta	11300 Tuscany Blvd. N.W., Calgary
Ontario	3305 Monarch Dr., Orillia

Scotiabank Branches Closed

British Columbia	1220 East Hastings St., Vancouver
Alberta	15102 Stoney Plain Rd., Edmonton
Saskatchewan	1380 23rd Ave., Regina

Ontario	27 Main St. E., Huntsville, 12 West St. N., Orillia 198 Main St. S., Newmarket 4491 Hwy. 7, Unionville 1616 Wilson Ave., Toronto 2025 Guelph Line, Burlington 483 Hwy. 8, Stoney Creek Mill St., Consecon 945 Gardiners Rd., Kingston 50 Rideau St., Ottawa
Quebec	9166 rue Airlie, LaSalle

Newfoundland*	Hare Bay Port Au Port St. Mary's Western Bay Parson's Pond Ferryland English Harbour Dunville Carters Cove Bloomfield
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ScotiaMcLeod Offices Closed

Ontario	555 Legget Dr., Kanata
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* Offices closed in Newfoundland were part of a unique, two-year pilot project that proved unsuccessful.

Appendix

ABM Installations and De-Installations

ABMs Installed*

<p>British Columbia</p> <p>370 East Island Hwy., Parksville 4025 - 208th St., Langley 5157 - 216 St., Langley 1125 Denman St., Vancouver 3114 East 49th Ave., Vancouver 3393 Douglas St. S., Victoria 23212 Dewdney Trunk Rd., Maple Ridge 2103 West Broadway, Vancouver 1157 Burrard St., Vancouver 15551 Fraser Hwy., Surrey 7670 Vedder Rd., Sardis 8908 - 96a St., Fort St. John 4293 5th Ave., Prince George 742 Tranquille Rd., Kamloops 3603 Voght St., Merritt 9507 Main St., Summerland 4110 Oak St., Vancouver 1198 Marine Dr., North Vancouver 3596 West 41 Ave., Vancouver 2315 Pitt River Rd., Port Coquitlam 4869 Continental Way, Prince George 1396 E. 41st Ave., Vancouver 1731 Capilano Rd., North Vancouver 12389 Harris Rd., Pitt Meadows 3800 32 St., Vernon 45740 Yale Rd. W., Chilliwack 7970 Lickman Rd., Chilliwack 110 2189 Springfield Rd., Kelowna 5277 48th Ave., Delta 4727 Rutherford Rd., Nanaimo 702 Nicol St., Nanaimo 380 Trans Canada Hwy., Duncan 2712 West Island Hwy., Qualicum Beach 728 Esplanade St., Ladysmith 1702 Bowen Rd., Nanaimo 2052 Comox Ave., Comox 581 Ryan Rd., Courtenay 6369 Hammond Bay Rd., Nanaimo 15184 56 Ave., Surrey 2148 Sooke Rd., Victoria 2728 Spencer Rd., Victoria 634 Harvey Ave., Kelowna 490 Island Hwy., Victoria 550 Bay St., Victoria 2502 Mt Newton Cross Rd., Saanichton 100 Esquimalt Rd., Victoria 1945 Oak Bay Ave., Victoria</p>	<p>British Columbia (continued)</p> <p>3690 Johnston Rd., Port Alberni 2574 South Island Hwy, Campbell River 1065 Lahakas Blvd., Kitimat 1139 56th St., Tsawwassen 3609 Shelbourne St., Victoria 2050 Main St., Penticton (2) 4100-2850 Shaughnessy St. (3), Port Coquitlam</p> <hr/> <p>Alberta</p> <p>156 Crowfoot Gate N.W., Calgary 1343 Transcanada Way, Medicine Hat 5610 111 St., Edmonton 2020 16 Ave. N.E., Calgary 2 Hebert Rd., St. Albert 230 Lynx Rd., Banff 117 - 64th Ave. N.E., Calgary 9115 - 15th St. N.W., Calgary 8251 Fairmount Dr., Calgary 17808 Stony Plain Rd., Edmonton 800 Riverbend Square, Edmonton 70 Macleod Ave., Spruce Grove 9431 149 St., Edmonton 9804 153 Ave., Edmonton 5022 50 St., Beaumont 5333 50th Ave., Vegreville 1304 14 St. S.W., Calgary 388 Country Hills Blvd., Calgary 37430 Hwy. 2 S., Red Deer 14 St. N., Lethbridge 8545 82 Ave., Edmonton 2904 50 Ave., Lloydminster 5830 104 St., Edmonton 1595 32 Ave. N.E., Calgary 700 12445 Lake Fraser Dr. S.E., Calgary 4216 72 Ave. S.E., Calgary 4828 Centre St. N.E., Calgary 4945 101 Ave., Edmonton 34 Midlake Blvd. S.E., Calgary</p> <hr/> <p>Northwest Territories</p> <p>482 Range Lake Rd., Yellowknife</p> <hr/> <p>Saskatchewan</p> <p>3330 8 St. E., Saskatoon 4403 - 45 Ave., Lloydminster 824 51st St. E., Saskatoon 275 Albert St. N., Regina 4665 Albert & Gordon Rd., Regina 3165 East Truesdale Dr., Regina 4125 Albert St. (3), Regina</p> <hr/> <p>Manitoba</p> <p>6620 Roblin Blvd., Winnipeg 1134 St Mary's Rd., Winnipeg 390 Main St., Selkirk 609 Regent & Brewster, Winnipeg 3086 Pembina & Dalhousie, Winnipeg</p>	<p>Ontario</p> <p>8330 Kennedy Rd., Unionville 2975 St. Joseph Blvd., Orleans 1440 Prince of Wales Dr., Ottawa 1480 Britannia Rd. E., Mississauga 404 St Clair St., Chatham 2950 Woodroffe Ave., Nepean 251 West Arthur St., Thunder Bay 1110 West Arthur St., Thunder Bay 888 Red River Rd., Thunder Bay 277 North Cumberland St., Thunder Bay 1765 Albion Rd., Rexdale 2525 Thomas St., Mississauga 914 Red River Rd., Thunder Bay 1183 Pinecrest Ave., Ottawa 10178 Hurontario St., Brampton 1201 Markham Rd., Scarborough 1195 Walker's Line, Burlington 2839 Jane St., North York Hwy. 48 & Durham 23, Pefferlaw 2650 Brimley Rd., Scarborough 5651 Hurontario St., Mississauga 405 Second St. S., Kenora 777 Tower St. S., Ferguson 145 Speedvale Ave. W., Guelph 839 Wonderland Rd. S., London 390 Lakeshore Dr., North Bay 1586 Bathurst St., Toronto 3685 Erindale Station Rd., Mississauga 7756 Hurontario St., Brampton 745 Courtney Park Dr. W., Mississauga 230 Lloydmanor Rd., Etobicoke 601 Yonge St., Barrie 408 Hwy. 7 E., Richmond Hill 4926 Bathurst St., Toronto 1974 Avenue Rd., Toronto 3670 Cawthra Rd., Mississauga 166 Davis Dr., Newmarket 2801 Midland Ave., Scarborough 2435 Finch Ave. W., North York 4235 Hwy. 7, Markham 7975 Trafalgar Rd., Hornby 6985 Hurontario St., Mississauga 3075 Bathurst St., Toronto 1670 McCowan Rd., Scarborough 407 Main St., Port Dover 34 Eglinton Ave. W., Mississauga 3505 Upper Middle Rd., Burlington 3305 Monarch Dr. (3), Orillia 155 Green Rd. (3), Stoney Creek Q.E.W. at Geneva St., St. Catharines</p>
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* The list includes a number of locations where branches were closed and consolidated.

Appendix

ABM Installations and De-Installations

Ontario (continued)	1500 Upper Middle Rd. W. & Third Line, Oakville 390 Springbank Dr., London Markville Shopping Centre (2), 5000 Hwy. 7 E., Markham 61 Lynden Rd. (3), Brantford York Plaza (2), 1603 Wilson Ave., Downsview 17900 Yonge St. (4), Newmarket 201 St. Andrews St. W., Fergus 828 Bank St., Ottawa 4184 Petrolia St., Petrolia 2095 Dorchester Rd., Dorchester 203 Roncesvalles Ave., Toronto Huntsville Place Mall, 70 King William St., Huntsville Five Points Mall (4), 285 Taunton Rd. E., Oshawa 1154 Chemong Rd., Peterborough 630 Upper James St., Hamilton 120 King St. W. & Bay, Hamilton 19 Bloor St. W., Toronto	ABMs De-installed*
		British Columbia 602 West Hastings St., Vancouver 1220 East Hastings St., Vancouver 4100-2850 Shaughnessy St. (2), Port Coquitlam
		Alberta 102-10201 Southport Rd. S.W., Calgary 16630 Mckenzie Lake Blvd. S., Calgary 4732-50th Ave., Legal
		Saskatchewan 1380-23rd Ave., Regina 4125 Albert St., Regina
		Ontario 1053 Carling Ave., Ottawa 1644 Dufferin Ave., Wallaceburg 200 Terrace Hill St., Brantford 3045 Baseline Rd., Nepean 3650 Victoria Park Ave., Thornhill 470 Gardiners Rd., Kingston 990 Division St., Cobourg 117 Rideau St., Ottawa 155 Green Rd., Stoney Creek 1616 Wilson Ave. (2), Downsview 17900 Yonge St. (2), Newmarket 276 Barton St. E., Stoney Creek Five Points Mall (3), 285 Taunton Rd. E., Oshawa 4491 Hwy 7, Unionville 555 Yonge St., Toronto 61 Lynden Rd., Brantford 660 Gardiners Rd. (2), Kingston Burlington Super Centre, 2025 Guelph Line, Burlington Markville Shopping Centre, 5000 Hwy. 7 E., Markham 12 West St. N. (2), Orillia
Quebec	1055 Jarry Est, Montreal 13200 Sherbrooke Est, Point-Aux-Trembles 8485 Viau, St-Leonard 7170 Jarry Est, Ville D'Anjou 475 - 25th Ave., St-Eustache 22 Sauvé, St-Eustache 780 boulevard St-Laurent Ouest, Longueuil 75 Eardly, Aylmer 515 Cote Vertu, St Laurent 11052 boul., Pie IX, Montreal 2222 Jules Verne, Sainte-Foy 444 boulevard Cure Labelle, Fabreville, Laval 1070 rue Lionel-Daunais (2), Boucherville 7083 boulevard Newman (3), LaSalle	Quebec 600 boulevard de Maisonneuve Ouest, Montreal 1070 rue Lionel-Daunais, Boucherville 7083 boulevard Newman, LaSalle 9166 Airlie, LaSalle
New Brunswick	89 Marr Rd., Rothesay 5 Road 172, Upper Letang	New Brunswick King St., Riverside-Albert 105 Ludlow St. W., Saint John 1381 Regent St., Fredericton
Nova Scotia	977 Cole Harbour Rd., Dartmouth 205 South Albion St., Amherst 8868 Commercial St., New Minas 412 Welton St., Sydney	Newfoundland 150 Old Placentia Rd., Mt. Pearl 48 Kenmount Rd., St. John's
Newfoundland	74 Old Placentia Rd., Mount Pearl 48 Kenmount Rd., St. John's	Nova Scotia 800 Sackville Dr., Lower Sackville Main St., River Hebert 21 Micmac Blvd., Dartmouth 2606 Agricola St., Halifax 9871 Hwy. 8, Caledonia

* The above list includes a number of locations where branches were closed and consolidated.

Appendix

This 2003 Public Accountability Statement has been published by Scotiabank for the fiscal year November 1, 2002, to October 31, 2003, and includes information for the following affiliates of the Bank in Canada: Scotia Capital Inc., The Mortgage Insurance Company of Canada, Scotia Mortgage Investment Corporation, National Trust Company, Scotia Mortgage Corporation, Scotia General Insurance Company, MontroServices Corporation, Montreal Trust Company of Canada, Scotia Life Insurance Company, The Bank of Nova Scotia Trust Company, RoyNat Inc., RoyNat Capital Inc., e-Scotia Acquisition Inc., and Scotia Merchant Capital Corporation.

Principal Subsidiaries ⁽¹⁾

A complete list of Scotiabank's major operating subsidiaries in Canada and abroad appears below. For more information, please see the 2003 Scotiabank Annual Report.

Canadian

BNS Capital Trust	Toronto, Ontario
BNS Investments Inc.	Toronto, Ontario
Montreal Trust Company of Canada	Montreal, Quebec
MontroServices Corporation	Montreal, Quebec
Scotia Merchant Capital Corporation	Toronto, Ontario
National Trustco Inc.	Toronto, Ontario
The Bank of Nova Scotia Trust Company	Toronto, Ontario
National Trust Company	Toronto, Ontario
RoyNat Inc.	Toronto, Ontario
Scotia Capital Inc.	Toronto, Ontario
Scotia Cassels Investment Counsel Limited	Toronto, Ontario
Scotia Life Insurance Company	Toronto, Ontario
Scotia Mortgage Corporation	Toronto, Ontario
Scotia Mortgage Investment Corporation	St. John's, Newfoundland
Scotia Securities Inc.	Toronto, Ontario
Scotiabank Capital Trust	Toronto, Ontario

Scotia Insurance (Barbados) Limited	Warrens, Barbados
Scotia Subsidiaries Limited	Nassau, Bahamas
Scotiabank (Bahamas) Limited	Nassau, Bahamas
Scotiabank (British Virgin Islands) Limited	Road Town, Tortola, B.V.I.
Scotiabank (Cayman Islands) Ltd.	Grand Cayman, Cayman Islands
Scotiabank (Hong Kong) Limited	Hong Kong, China
Scotiabank (Ireland) Limited	Dublin, Ireland
The Bank of Nova Scotia Jamaica Limited (70%)	Kingston, Jamaica
Grupo Financiero Scotiabank Inverlat, S.A. de C.V. (91%)	Mexico, D.F., Mexico
Nova Scotia Inversiones Limitada	Santiago, Chile
Scotiabank Sud Americano, S.A. (98%)	Santiago, Chile
Scotia Capital (USA) Inc. ⁽²⁾	New York, New York
Scotia Holdings (US) Inc. ⁽³⁾	Atlanta, Georgia
The Bank of Nova Scotia Trust Company of New York	New York, New York
Scotiabanc Inc.	Atlanta, Georgia
Scotia International Limited	Nassau, Bahamas
Corporacion Mercaban de Costa Rica, S.A.	San Jose, Costa Rica
Scotiabank Anguilla Limited	The Valley, Anguilla
Scotiabank de Puerto Rico	Hato Rey, Puerto Rico
Scotiabank El Salvador, S.A.	San Salvador, El Salvador
Scotiabank Europe plc	London, England
Scotiabank Trinidad & Tobago Limited (48%) ⁽⁴⁾	Port of Spain, Trinidad
Scotia Capital (Europe) Limited (formerly ScotiaMocatta Limited)	London, England

International

The Bank of Nova Scotia Berhad	Kuala Lumpur, Malaysia
The Bank of Nova Scotia International Limited	Nassau, Bahamas
BNS International (Barbados) Limited	Warrens, Barbados
BNS Pacific Limited	Port Louis, Mauritius
The Bank of Nova Scotia Asia Limited	Singapore
The Bank of Nova Scotia Channel Islands Limited	Jersey, Channel Islands
The Bank of Nova Scotia Trust Company (Bahamas) Limited	Nassau, Bahamas
The Bank of Nova Scotia Trust Company (Cayman) Limited	Grand Cayman, Cayman Islands

(1) The Bank owns 100% of the outstanding voting shares of each subsidiary unless otherwise noted. The listing includes major operating subsidiaries only.

(2) The carrying value of this subsidiary is included with that of its parent, Scotia Capital Inc.

(3) The carrying value of this subsidiary is included with that of its parent, BNS Investments Inc.

(4) Associated corporation effectively controlled by the Bank.

Guidelines for Donations

Scotiabank focuses donations and sponsorships at the community level in the areas of education, health, social services and arts and culture. We are particularly interested in partnering with non-profit and charitable organizations that empower people with skills, tools and information to improve their health, safety and well-being.

What to include in your request

All requests should include a covering letter and formal proposal, which should contain the following information:

- Organization name, contact name, address and phone number.
- Background information: history and purpose of organization, previous activities and/or projects, description of clients/groups served, list of Officers and Board of Directors, financial statements.
- Description of purpose of funding request (i.e., donation or sponsorship, community project, capital project, etc.), including timeframes, geographic location, community need, expected outcomes/impact and evaluation plan.
- Detailed project budget, and charitable registration number for tax purposes.
- Current support by Scotiabank and other donors (all grants, donations, ongoing support).
- Donation or sponsorship amount requested and period of time over which payments are to be made.
- Recognition: are there opportunities for Scotiabank and its employees to participate?

Funding is not generally provided for the following:

- Religious or advocacy groups, unless providing a secular service open to all.
- Individuals and/or individual pursuits.
- Fraternities, lodges, 12-step support programs, Toastmaster societies, and other recreational or self-improvement organizations, where participation is intended primarily for the personal advancement or benefit of the participant.

Where to send your requests

Requests for funding are reviewed by the Scotiabank donations/sponsorship committee which meets on a quarterly basis. The committee comprises representatives from our various business lines. Requests for support in excess of \$10,000 should be forwarded to:

Director, Sponsorships and Donations
Public & Corporate Affairs
40 King Street West, 6th Floor
Toronto, Ontario
Canada M5H 1H1

Scotiabank's regional offices review proposals below the \$10,000 threshold. These proposals can be directed to the appropriate regional office through your local Scotiabank branch.

As Canada's most international bank, we also provide community funding in the other countries in which we operate. International donation requests should be directed through the Scotiabank Group's local offices.

We also support our employees as ambassadors in their local communities through two programs, available to members of the Scotiabank Group only. Those who volunteer their time to local initiatives can apply for up to \$1,000 in funding to support their community organizations. Using a team approach, we also match funds raised by two or more Scotiabankers on behalf of non-profit organizations, up to a maximum of \$5,000 (see pages 22 & 25).

Your opinion counts

Let us know your thoughts on our 2003 Public Accountability Statement



To complete online, please go to www.scotiabank.com and click on community development.

1) Which Sections of the report did you find most useful and informative? [CHECK ALL THAT APPLY]

- ¹ Message to Stakeholders
- ² Corporate Governance
- ³ Communities
- ⁴ Environment
- ⁵ Customers
- ⁶ Employees
- ⁷ Financial
- ⁸ Other (Please specify)

2) How would you rate Scotiabank's performance on issues relating to corporate social responsibility?

- ⁵ Excellent
- ⁴ Very Good
- ³ Average
- ² Fair
- ¹ Poor

3) What issues or areas of our performance do you think Scotiabank should focus on in order to strengthen our position as a leader in corporate social responsibility?

4) How would you rate Scotiabank for enhancing its relationships with its stakeholders (i.e.: customers, the community, etc.)

- ⁵ Excellent
- ⁴ Very Good
- ³ Average
- ² Fair
- ¹ Poor

5) Please tell us how much you agree that the statements below apply to this report.

	Agree Strongly	Agree Somewhat	Disagree Somewhat	Disagree Strongly
The information was Easy to understand	<input type="checkbox"/> ⁴	<input type="checkbox"/> ³	<input type="checkbox"/> ²	<input type="checkbox"/> ¹
Contained the right amount of information	<input type="checkbox"/> ⁴	<input type="checkbox"/> ³	<input type="checkbox"/> ²	<input type="checkbox"/> ¹
The information was easy to read	<input type="checkbox"/> ⁴	<input type="checkbox"/> ³	<input type="checkbox"/> ²	<input type="checkbox"/> ¹
Showed that Scotiabank is trying to help its customers, not just sell them products	<input type="checkbox"/> ⁴	<input type="checkbox"/> ³	<input type="checkbox"/> ²	<input type="checkbox"/> ¹
Left me with a positive feeling about Scotiabank	<input type="checkbox"/> ⁴	<input type="checkbox"/> ³	<input type="checkbox"/> ²	<input type="checkbox"/> ¹
Was useful for me	<input type="checkbox"/> ⁴	<input type="checkbox"/> ³	<input type="checkbox"/> ²	<input type="checkbox"/> ¹

6) Please indicate your main affiliation: [CHECK ONE ONLY]

- ¹ Customer
- ² Community
- ³ Employee
- ⁴ Shareholder
- ⁵ Supplier
- ⁶ Other (Please specify) _____

Any questions or comments? Please feel free to add additional pages. Thank you.

For further information, please call (416) 866-3999.

Please return to your local branch or fax to (416) 933-7385, or mail to:

Public and Corporate Affairs,
44 King St. W.,
Toronto, Ont.,
M5H 1H1

Scotiabank employees may return to transit # 37622.

Corporate Headquarters

Scotiabank
Scotia Plaza
44 King Street West
Toronto, Ontario, Canada M5H 1H1
Tel: (416) 866-6161
Fax: (416) 866-3750
E-mail: email@scotiabank.com

Online

For product, corporate, financial and shareholder information: www.scotiabank.com and www.scotiacapital.com

For Shareholder Information

SECRETARY'S DEPARTMENT

Scotiabank
44 King Street West
Toronto, Ontario, Canada M5H 1H1
Tel: (416) 866-4790
Fax: (416) 866-5090
E-mail: corporate.secretary@scotiabank.com

FINANCIAL ANALYSTS, PORTFOLIO MANAGERS AND OTHER INSTITUTIONAL INVESTORS

Tel: (416) 866-5982
Fax: (416) 866-7867
E-mail: investor.relations@scotiabank.com

For further information

PUBLIC AND CORPORATE AFFAIRS

Scotiabank
44 King Street West
Toronto, Ontario, Canada M5H 1H1
Tel: (416) 866-3925
Fax: (416) 866-4988
E-mail: corpaff@scotiabank.com

CUSTOMER SERVICE CENTRE

1-800-4-SCOTIA

OFFICE OF THE PRESIDENT

Scotiabank
44 King Street West
Toronto, Ontario, Canada M5H 1H1
English Tel: (416) 933-1700; 1-877-700-0043
French Tel: (416) 933-1780; 1-877-700-0044
Fax: (416) 933-1777; 1-877-700-0045
E-mail: mail.president@scotiabank.com

OFFICE OF THE OMBUDSMAN

44 King Street West
Toronto, Ontario, Canada M5H 1H1
Tel: (416) 933-3299; 1-800-785-8772
Fax: (416) 933-3276
E-mail: ombudsman@scotiabank.com

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Tél. : (416) 866-3925
Télé.: (416) 866-4988
Courriel : corpaff@scotiabank.com



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17.5%

Minimum

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