Scotiabank delivers record results for the 12th consecutive year

Fiscal 2001 Highlights (year over year)

- Net income of $2.169 billion, up $243 million or 13%
- Earnings per share of $4.05, up from $3.63, or 12%
- ROE 17.3%, versus 17.6%
- Productivity ratio of 53.9%, an improvement from 56.5%

Fourth Quarter Highlights (versus Q4 2000)

- Net income of $566 million, up $69 million or 14%, and a quarterly record
- Earnings per share of $1.05, up from $0.93, or 13%
- ROE 17.0%, unchanged
- Productivity ratio of 54.6%, an improvement from 55.9%

Toronto, December 5, 2001 – Scotiabank reported record results in 2001, exceeding virtually all performance goals despite considerable challenges. Net income was $2.169 billion, 13% higher than last year. Earnings per share (diluted) rose to $4.05, up 12% from 2000 and ROE was a solid 17.3%. The Bank's industry-leading productivity ratio further strengthened to 53.9% and continues to be a significant factor in the Bank's ability to produce record results.

Scotiabank also delivered record earnings in the fourth quarter ended Oct. 31, with net income of $566 million and diluted earnings per share of $1.05, in comparison to $497 million and $0.93 in the fourth quarter last year. ROE was 17.0% and the productivity ratio was 54.6%.

"This marked the 12th straight year of record operating income, despite challenges from weaker global economic conditions and the tragic events of Sept. 11," said Peter Godsoe, Chairman and CEO. "We saw earnings growth across all of our business lines. These results are the direct outcome of our overall strategy, which remains grounded in our core strengths and focused on sound fundamentals – solid execution of our plans, careful management of risk and expenses, and a tireless commitment to customer satisfaction by a team of 51,000 skilled and dedicated employees."

"We took strong corrective action early in the year to get ahead of the curve on a difficult credit cycle we saw unfolding in the U.S. market. Our aggressive action began in the first quarter with conservative loan classifications and higher specific provisioning, and continued throughout the year by selling a number of loans, while continuing to work out problems. We have made significant progress, bringing down our net impaired loans to our year-end target," said Mr. Godsoe.

Performance vs Targets for 2001
Return on Equity Target:
Earn a return on equity of 16% to 18%
Full-year performance: 17.3%

EPS Growth Target:
Generate growth in earnings per common share of 12% to 15% per year
Full-year performance: year-over-year growth in earnings per share was: 12%

Productivity Target:
Maintain a productivity ratio of less than 60%
Full-year performance: 53.9%

Tier 1 Capital Target:
Maintain Tier 1 capital ratio of 8.0% or better
Full-year performance: 9.3%

Financial Highlights

(Unaudited)	As at and for the three months ended **October 31 2001**	July 31 2001	October 31 2000	Change Oct. 2001/ Oct. 2000	For the year ended **October 31 2001**	October 31 2000	Change Oct. 2001/ Oct. 2000
Operating results ($ millions)							
Net interest income (TEB[1])	**1,739**	1,684	1,444	295	**6,430**	5,393	1,037
Total revenue (TEB[1])	**2,728**	2,738	2,309	419	**10,501**	9,058	1,443
Provision for credit losses	**350**	325	226	124	**1,425**	765	660
Non-interest expenses	**1,490**	1,518	1,291	199	**5,662**	5,119	543
Net income	**566**	554	497	69	**2,169**	1,926	243
Operating measures (%)							
Return on equity	**17.0**	17.3	17.0	-	**17.3**	17.6	(0.3)
Productivity ratio	**54.6**	55.4	55.9	(1.3)	**53.9**	56.5	(2.6)
Balance sheet information ($ millions)							
Loans and acceptances	**184,733**	181,965	175,710	9,023			
Total assets	**284,425**	271,178	253,171	31,254			
Deposits	**186,195**	178,474	173,900	12,295			
Common shareholders' equity	**12,833**	12,294	11,200	1,633			
Assets under administration ($ billions)	**142**	161	155	(13)			
Assets under management ($ billions)	**19**	19	19	-			
Balance sheet measures							
Tier 1 capital ($ millions)	**15,294**	14,793	13,407	1,887			
Total capital ($ millions)	**21,340**	20,556	19,029	2,311			
Risk-adjusted assets ($ millions)	**164,755**	161,880	156,112	8,643			
Tier 1 capital ratio (%)	**9.3**	9.1	8.6	0.7			
Total capital ratio (%)	**13.0**	12.7	12.2	0.8			
Net impaired loans as a % of loans and acceptances	**0.14**	0.22	(0.03)	0.17			
Specific provision for credit losses as a % of average loans and acceptances	**0.75**	0.54	0.52	0.23	**0.68**	0.46	0.22
Common share information							
Per share ($)							
Basic earnings	**1.08**	1.05	0.95	0.13	**4.12**	3.67	0.45
Diluted earnings[2]	**1.05**	1.04	0.93	0.12	**4.05**	3.63	0.42
Dividends	**0.34**	0.31	0.28	0.06	**1.24**	1.00	0.24
Book value	**25.47**	24.48	22.49	2.98			
Share price ($)							
High	**50.50**	47.75	45.65	4.85	**50.50**	45.65	4.85
Low	**42.50**	37.50	36.40	6.10	**37.30**	26.05	11.25
Close	**43.85**	45.35	43.50	0.35			
Shares outstanding (thousands)							
Average-Basic	**503,043**	501,156	496,985	6,058	**500,619**	495,472	5,147
Average-Diluted[2]	**511,863**	509,383	505,408	6,455	**508,995**	501,253	7,742
End of period	**503,795**	502,240	497,965	5,830			
Market capitalization ($ billions)	**22.1**	22.8	21.7	0.4			
Valuation measures							
Dividend yield (%)	**2.9**	2.9	2.7	0.2	**2.8**	2.8	-
Market value to book value multiple	**1.7**	1.9	1.9	(0.2)			
Price to earnings multiple	**10.6**	11.4	11.9	(1.3)			

Certain comparative amounts have been reclassified to conform with current period presentation.
(1) Tax-equivalent basis.
(2) Reflects the dilutive effect of stock options under the treasury stock method.

Review of Operating Performance
Full-Year Review

Revenues
This year's results were driven by strong revenue growth, with total revenue for the full year rising to $10.5 billion (on a tax-equivalent basis), from $9.1 billion last year, a substantial increase of 16%.

Net Interest Income
Net interest income on a taxable equivalent basis was $6.4 billion, up 19% from 2000, which resulted from a 14% increase in average assets and a wider margin.

The Bank's net interest margin was 2.37% or 11 basis points higher than last year, as both the Canadian and foreign currency margins widened.

Other income
Other income was $4.1 billion for the year, an increase of $406 million or 11% from the previous year. Excluding Grupo Financiero Scotiabank Inverlat (Inverlat), the underlying growth rate was 5%.

Fees in deposit and payment services rose by 24%, with particularly strong growth in the Caribbean and Latin America. Card revenues in Canada and in International experienced strong growth year over year, as the Bank continued to build market share.

Investment banking revenues of $1,045 million were $289 million higher than last year, as derivative revenues and underwriting fees reached record levels.

Gains on the sale of investment securities eased in 2001 from the near-record levels achieved last year. Other income included $82 million of interest on a tax refund, following a settlement of a long outstanding claim, and a $65-million gain from the sale of the Bank's corporate trust business.

Expenses
Exceptional expense control remains a key characteristic of the Bank's performance. Our productivity ratio – non-interest expenses as a percentage of total revenues – continues to lead the industry and, at 53.9%, improved from 56.5% last year.

Non-interest expenses for the year totalled $5.7 billion, an 11% increase compared with 16% growth in revenues. The majority of this increase was related to the consolidation of Inverlat and performance-related compensation; partially offset by the sale of branches and the stock transfer and corporate trust businesses, as well as one-time restructurings and writedowns of property and equipment in 2000. Adjusting for these items, expense growth was under 2% year over year.

Credit Quality

Aggressive management of the Bank's credit portfolios continued as net impaired loans fell for the third consecutive quarter, ending the year at $259 million, a 34% drop from last quarter. Net impaired loans as a percentage of loans and acceptances improved substantially during the quarter to 0.14% at October 31, 2001. This ratio is close to the lowest level achieved over the past decade.

In the first quarter, recognizing deterioration in credit conditions in the U.S., net impaired loans rose to $1,084 million. Strong corrective action reduced this level of net impaired loans during the year through asset sales, loan workouts and aggressive provisioning, allowing us to meet our year-end net impaired loan target of approximately $250 million.

The Bank's specific provisions for credit losses for the year were $1,250 million compared to $765 million in 2000. In the fourth quarter, specific provisions were $350 million.

As well, given the weak and uncertain economic situation in Argentina, a reserve of $100 million was established against the Bank's Argentine exposure in 2001. This includes $50 million in specific provisions for credit losses and $50 million in other areas.

The general provision for credit losses was increased by $175 million this year to $1,475 million, which continues to be among the highest of the Canadian banks.

Balance Sheet

Total assets as at October 31, 2001 were $284 billion, an increase of $31 billion from last year, and $13 billion above last quarter. The year-over-year growth included $21 billion from the consolidation of Inverlat, $5 billion in securities, $3 billion in retail loans – mainly mortgages and ScotiaLine Visa – growth in our Caribbean franchise, as well as the impact of changes in foreign exchange rates. Partly offsetting this growth was $2 billion of additional loan securitizations, the sale of $2 billion in assets to Laurentian Bank, and a reduction in U.S. corporate loans due to loan sales and a greater focus on improving returns.

Average deposits increased $14.2 billion or 9% year over year. Of this, approximately $6 billion was from Inverlat, with the remainder comprised of widespread gains in current accounts, savings and chequing balances and personal term deposits in both Canada and the Caribbean.

The surplus of market value over book value in the Bank's investment securities portfolio was $537 million as at October 31, 2001, compared to $693 million at the end of the third quarter, reflecting lower values in the equity and emerging market bond portfolios, in line with weaker markets.

Capital

The Bank continued to add to its already strong capital position. Total shareholders' equity grew to $14.6 billion, $1.6 billion higher than last year, largely from growth in retained earnings. The Bank's Tier 1 Capital was $15.3 billion at October 31, 2001, up from $13.4 billion at the end of 2000.

The Bank's Tier 1 capital ratio was a strong 9.3%, an increase of 20 basis points over last quarter, and a substantial 70 basis points over last year. The Bank's total capital ratio was 13.0%, compared to 12.2% last year and 12.7% in the preceding quarter.

Fourth Quarter Review

<u>Revenues</u>

Revenues continued to be strong, totalling $2.7 billion (on a tax-equivalent basis) in the fourth quarter, a substantial increase of 18% over the same quarter last year. Broad-based increases in both net interest income and other income contributed to this performance, principally in our foreign operations.

<u>Net Interest Income</u>

Net interest income (on a tax-equivalent basis) was $1,739 million this quarter, a significant $295 million or 20% increase from the fourth quarter last year.

Foreign currency interest profits increased sharply, up $207 million or 33% over 2000. This growth came mainly from our foreign branch banking operations in the Caribbean and Mexico, and lower funding costs across all our businesses.

Canadian currency interest profits were $88 million higher than one year ago, as the interest margin widened with the decline in interest rates.

The Bank's overall interest margin for the fourth quarter was 2.46%, an improvement of 14 basis points from the same quarter last year.

<u>Other Income</u>

Other income for the fourth quarter increased substantially by $124 million or 14% year over year. This growth resulted from the consolidation of Inverlat and contributions from several areas, including credit card revenues and foreign exchange. Results for this quarter also include the recognition of $65 million related to the sale of the Bank's corporate trust business. Partly offsetting these increases were lower retail brokerage commissions as a result of reduced customer trading activity.

<u>Expenses</u>

Our productivity ratio, at 54.6% for the quarter, improved by more than 1% from the same quarter last year.

Fourth-quarter non-interest expenses, excluding the impact of the consolidation of Inverlat, rose by $21 million, or less than 2%. On a similar basis, quarterly salaries and staff benefits decreased by $23 million or 3% from last year, due to ongoing streamlining and efficiency programs and lower performance-based compensation.

Dividend

The Board of Directors, at its meeting held on Dec. 5, 2001, approved a quarterly dividend of 34 cents per common share, payable on Jan. 29, 2002, to shareholders of record at the close of business on Jan. 2, 2002.

The dividend was increased twice during the year, rising 24% to $1.24. The annual payout ratio – dividends per share as a percentage of earnings per share – was 30%, up from 27% in 2000.

Outlook

Looking toward the future, we expect slower conditions to extend through the first two quarters of 2002, with recovery starting to emerge in the spring or summer. Despite these economic challenges in the near term, our long-term prospects are solid.

The 2002 outlook for Domestic Banking, including Wealth Management, remains positive. In retail, small business and commercial banking, we will continue to focus on providing superior service, targeting our sales efforts, enhancing our product offerings and effectively using new technology while relentlessly managing costs. With a solid foundation in Wealth Management now in place, we expect earnings to grow in the coming years in all areas – full-service and discount brokerage, mutual funds and our high-end offering for affluent clients through our newly established Scotia Private Client Group.

We expect a modest improvement in Scotia Capital's performance over the next year, despite the continued slowdown in the North American economy, particularly in the U.S. Several initiatives are under way to further enhance our credit risk management, use our capital more efficiently and grow our businesses, including broadening our product capabilities and deepening client relationships.

Scotiabank continues to anticipate higher earnings in 2002 in most of our International Banking markets. Grupo Financiero Scotiabank Inverlat, already producing solid results, is positioned for more rapid growth in 2002 in the expanding Mexican market. In Latin America, we are closely monitoring the economic and financial developments, particularly in Argentina where there is considerable volatility and uncertainty. The Caribbean and Central American operations should see continued growth, despite short-term challenges in these tourism-based economies.

2002 Targets

The Bank has established the following targets for 2002:

- ROE – 15% to 17%
- Earnings per share growth – 7% to 12%
- Productivity ratio – below 60%
- Capital ratios and credit ratings – maintain strong capital ratios and credit ratings.

Business Line Highlights

Domestic Banking

Full Year

Together with Wealth Management operations, Domestic Banking achieved a net income of $960 million, a 9% increase from last year, and accounted for 45% of the Bank's total net income. Return on equity was excellent at 28.1%. "The cornerstone of the Bank's overall success continues to be the Canadian retail and commercial operations, including our Wealth Management group," said Mr. Godsoe. "We saw continued growth in the Bank's retail lending portfolio, particularly in mortgages and innovative products like ScotiaLine Visa."

Net interest income increased $203 million or 7%, reflecting both a stronger interest margin and asset growth, partially offset by lower fee income. Other income declined $124 million year over year, due to the sale of the stock transfer and corporate trust businesses last year, and lower trading activity in retail brokerage as a result of slower equity markets. However, there was strong underlying growth in transaction fees, card revenues and electronic banking revenues, driven by higher customer volumes and successful sales efforts across all areas.

Fourth Quarter

Domestic Banking, which includes our Wealth Management business, reported net income of $292 million in the fourth quarter, up $36 million or 14% from last year. This business line contributed more than half of the Bank's total net income in the quarter.

Net interest income rose $90 million, mainly from a widening of the margin. Also contributing was the growth in the Bank's retail lending portfolio, particularly mortgages and ScotiaLine Visa.

Other income increased $62 million from the same quarter of last year, as a gain on the sale of the corporate trust business was recognized this quarter. Underlying growth in card revenues and commercial credit fees was partially offset by lower retail brokerage fees, following a decline in customer trading volumes.

Credit quality remained excellent in the retail portfolio. As well, the provision for credit losses in commercial lending was minimal in the quarter.

Operating expenses grew $82 million from last year, partly due to a reversal of $34 million of the National Trust restructuring provision in the prior year. In addition, there were higher costs associated with a number of business initiatives.

This quarter, Scotiabank was recognized for excellent customer service and rated number one in overall quality of customer service by Market Facts, a leading U.S.-based marketing research company. "Excellent customer service is something that we are firmly committed to and constantly invest in through extensive employee training, improved delivery channels and effective communications with our customers," said Mr. Godsoe. "These results would not have been possible without the tremendous efforts of our great team of employees."

Other Domestic Banking highlights:

- Implemented a new Network Sales Management structure to support retail, small business and commercial banking in the Bank's domestic branches.
- Named Bank of the Year in Canada 2001, by *The Banker*, a global banking magazine.
- Launched ScotiaOne Service for small businesses, which includes an all-in-one personal and business banking account package, as well as ScotiaOne Loan Source for business, using a revolutionary credit approval process that allows for faster loan decisions, either from the Bank or its partners, Business Custom Capital (a division of Wells Fargo) or National Leasing Group.
- RoyNat Capital opened RoyNat Business Capital Inc., a new merchant bank headquartered in Cleveland, Ohio, to provide mid-sized Canadian firms expanding or acquiring companies in the United States with access to long-term capital.
- Scotia Private Client Group centres debuted in five Canadian cities on Nov. 1, bringing together the expertise of Scotiatrust, Scotia Cassels, Private Banking and ScotiaMcLeod, in one location.
- Finalized an agreement with United Grain Growers (UGG) to provide expanded financial services, to western Canadian farmers under the banner of UGG Financial.
- Scotia CanAm US$ Income Fund named as Canada's Best Global Income Fund, at the annual Canadian Mutual Funds Awards Gala.
- Introduced 10 new mutual funds – including five RSP "clone" funds – in partnership with Capital International Asset Management Canada, Inc., and launched the Young Investors Fund to help educate young people about investing and personal finances.
- Scotia Discount Brokerage Inc. was singled out for the quality of its telephone brokerage service in 2001, coming first in a recent evaluation by Dalbar Inc.

Scotia Capital

Full Year

Scotia Capital net income increased to $686 million from $650 million in 2000, an improvement of 6%. This increase was achieved despite the difficult U.S. market, where earnings were lower than those reported last year, due to higher loan loss provisions in 2001. As a result of the lower contribution from the U.S., ROE for Scotia Capital was 12.5% this year.

Total revenue rose by a substantial 17%, driven by increases in almost all business. "Our Global Trading area, led by the Capital Markets Group, which includes derivatives and fixed income, put in an outstanding performance, delivering another record year with revenue up 45% and an increase in net income of over 90%," said Mr. Godsoe. "Foreign exchange also had a record year."

Fourth Quarter

Scotia Capital reported net income of $176 million this quarter, up over 50% from last year. However, earnings declined about 11% from last quarter due to a drop in underwriting revenues from record levels, and lower earnings in the U.S.

Global Trading had an exceptional year in 2001, and the strong performance continued in the fourth quarter. Year over year, there were revenue increases in fixed income and from our funding activities as interest rates continued to fall. Corporate lending revenue also rose due to wider spreads, partly offset by lower volumes as a result of more selective lending.

The provisions for credit losses declined slightly from last year, and have now been relatively stable for the past three quarters. As well, net impaired loans in the U.S. portfolio continued to decline, reflecting the close attention and corrective action being taken in the portfolio.

"Scotiabank Group's 417 employees in New York City were safely evacuated from their offices at One Liberty Plaza and other locations near by, on Sept. 11, following the terrorist attacks on the World Trade Center. Our thoughts and prayers continue to be with them and everyone who lost friends or family," said Mr. Godsoe. "We are deeply grateful to all the people right across the Scotiabank Group who worked under extraordinarily difficult conditions to quickly resume business from several backup locations."

Other Scotia Capital highlights:

- Named best Canadian foreign exchange bank in terms of market share *by Euromoney* magazine, and the only Canadian bank to make the top 15 globally. *Euromoney* also ranked Scotiabank as the No. 1 Canadian bank, and the only Canadian bank in the top 25 globally, for overall debt arranging.
- Ranked number one asset-backed securities underwriter for the second consecutive year by Dominion Bond Rating Service.
- Brendan Wood International ranked Scotia Capital number one for overall reputation, and ranked 10 Scotia Capital research analysts as "All Stars" in its 2001 Equity Research, Sales and Trading Performance Report.
- *M&A Review* ranked Scotia Capital number one among Canadian banks for merger & acquisition transactions in the first six months of fiscal 2001.
- Served as financial advisor to Berkley Petroleum Corporation, which was recently purchased by Andarko Petroleum Corporation for $1.5 billion.
- Co-arranged one of the largest U.S. project financings of the year for TECO Panda, and was co-manager on a related investment grade bond deal.
- Led the swap syndication for the largest interest rate swap this year in Canada – the US$1 billion high-yield issuance of Quebecor Media.
- The Capital Markets Group in London, England, launched a new credit derivatives team on Nov. 1, giving European clients access to a complete range of credit derivatives products, including credit default swaps, balance sheet management tools and credit investment programs.

International Banking

Full Year

The International Banking division contributed $489 million to the Bank's earnings this year, a 34% increase over 2000. This represented 23% of the Bank's net income, with a solid ROE of 18%.

Caribbean and Central American operations continued to lead the division's contribution, with net income of $252 million, reflecting strong growth in both assets and revenues of 11%. Latin American income was almost double last year's level, primarily due to improved investment income and the consolidation of Grupo Financiero Scotiabank Inverlat. Partially offsetting these gains were provisions established against the Bank's Argentine risk. In Asia, earnings rose 11% year over year, despite the gain on the sale of Solidbank included in 2000.

"This has been a good first year for Grupo Financiero Scotiabank Inverlat. It has reported solid results through the first three quarters. With an expanded delivery network and aggressive marketing campaigns, it has been able to reach out to new and existing customers with innovative products and services," said Mr. Godsoe. "Scotiabank remains committed to Mexico, and we look forward to building on the positive results seen thus far."

Fourth Quarter

International Banking reported net income of $93 million this quarter, up slightly from last year.

In the Caribbean, strong asset growth and broad-based increases in fee income across almost all markets drove revenues to a new high.

In Latin America, earnings were depressed this quarter, following the $90-million provision established against our Argentine risk. However, Inverlat in Mexico continued its upward quarterly trend in earnings with growth in both its retail and commercial portfolios. The Bank's other operations in the region remained stable.

The higher credit losses this quarter were mainly from the provision for Argentine exposure and volume-based additions in the Caribbean.

Other International Banking highlights:

- Grupo Financiero Scotiabank Inverlat of Mexico reported strong third-quarter results for the period ending Sept. 30, with a return on equity of 20%. Scotiabank Group's share of these earnings was $61 million.
- Scotiabank Inverlat was the first bank in Mexico to reduce interest rates below 15% on automotive and mortgage lending.
- Banco Sud Americano in Chile was again rated number one for customer service by the independent group Punto De Vista.
- Product offerings throughout Latin America were broadened, with a new deposit product, the Rate Booster CD, in El Salvador, and Stock Indexed GIC in Costa Rica.
- Scotiabank's well-established Caribbean network continued to expand, with 10 new ATMs in Jamaica, and new branches in Jamaica, Puerto Rico and Costa Rica.
- Scotiabank signed a memorandum of understanding with the Inter-American Agency for Co-operation and Development (IACD) for a US $100 million line of credit to support development in the Caribbean and Latin America, with a particular focus on education, information technology and social services.

Other

Net income for the other segments was $34 million, up slightly from 2000. The contribution from Group Treasury remained relatively stable, as higher bond gains replaced gains from the equity portfolio earned previously.

Other Initiatives

Electronic Commerce

“e-Scotia continues to play a leadership role in promoting e-commerce in Canada. Among many initiatives this year, we joined with five other banks to form a global alliance that give travellers free access to Automated Teller Machines (ATMs) on three continents. The agreement is estimated to give a total of 40 million people access to more than 24,000 ATMs in Australia, Germany, Britain, France and North America,” said Mr. Godsoe. “We also announced a pilot program, in partnership with the Solstice Alliance, of a card that combines credit, electronic purse, loyalty programs and other services, using microchip technology.”

Other e-Scotia highlights:

- Le Richelain and Roussillon transit systems became the first in Canada to use Scotia TranSmart, a smart card-based electronic fare collection system developed by e-Scotia.
- First Canadian bank to team up with Rogers Cable Inc. to provide digital cable subscribers with Internet access to financial services through their television sets.
- Launched Scotia Alert, another Canadian first. The innovative wireless service offers business customers the convenience of tracking activities in their commercial accounts, using any Internet-enabled wireless device.

Community Involvement

“Community involvement is not something we just talk about, it is an important part of the way we live, work and do business every day. This year we contributed more than $20 million to community groups and non-profit organizations in Canada and around the world,” said Mr. Godsoe. “Our employees are also extremely active in their communities, contributing many millions and giving their personal time to a wide variety of charitable organizations and projects.”

The Bank’s community efforts are focused on education, health, social services and arts/culture. Of particular interest are community-related initiatives that increase knowledge and empowerment.

Community giving highlights:

- The opening of Vancouver’s Scotiabank Dance Centre, the first facility to bring together combined dance companies in rehearsal and performance spaces under one roof. The Bank donated the land for the centre – the former site of the Granville and Davie branch – and contributed funding toward the construction of the building, representing a total donation valued at $1.4 million.
- $1 million to the Centre hospitalier de l’Universite de Montreal (CHUM) to create the Scotiabank Chair in Breast Cancer Diagnosis and Treatment. The centre will focus on developing new methods on the detection and treatment of this disease.

- $700,000 to Ryerson University for an endowment to establish two funds: a $500,000 Scotiabank Group International Student Scholarship Fund to support international students attending Ryerson University, and a $200,000 Scotiabank Group International Mobility Scholarship Fund to allow Ryerson students to study at other universities around the world.
- $500,000 donation to the Children's Hospital of Hamilton's neonatal intensive care unit.
- $375,000 for the launch of the Aboriginal Economics of Staying in School Program. This program, developed and delivered by Junior Achievement in more than 100 communities across Canada, helps Aboriginal students in Grade 9 to understand the importance of education and how it affects their future.
- $150,000 to the Canadian Red Cross in support of the U.S. Disaster Appeal after Sept. 11, and a matching program for our New York-based employees.
- $145,000 to sponsor and support the TVO Kids Don't Sit Still Tour, a 45-minute stage show travelling to communities across Ontario this year, demonstrating to children that exercise is an essential part of maintaining a healthy lifestyle.

Employees

"The main reason for our continued success – and our confidence in the future – is our great team of people. We believe our ability to satisfy our customers depends directly on how well we satisfy the needs of our employees. We strive to provide our staff with training and development programs that will help them meet their customers' needs and fulfil their own ambitions, offer attractive compensation and benefit packages, and support them through the many changes we are facing," said Mr. Godsoe.

The Bank is dedicated to following policies and practices that make us an employer of choice. We recognize the importance of developing our staff to face the challenges of tomorrow by providing convenient opportunities and financial support to upgrade skills on an ongoing basis. This year Scotiabank spent more than $40 million on training (approximately $1,000 per employee) and was recognized by the Ontario Society for Training and Development as the winner of the 2001 Otter Award in the *Best Internal Training Program* category.

We have been surveying our employees for many years, and have made it a priority to use employee feedback to guide strategies and enhance our employment relationships. For example, we introduced a new process to measure employee satisfaction this year, which found that 83% of domestic employees say their branch is a great place to work.

This year we launched a new recruitment campaign designed to show prospective employees why Scotiabank is a great place to work. A new web site, www.whatsinitforme.ca demonstrates Scotiabank's award-winning people practices.

Business Line Highlights

Domestic Banking

	For the three months ended			For the year ended	
(Unaudited) ($ millions)	**October 31**	July 31	October 31	**October 31**	October 31
(Taxable equivalent basis)	**2001**	2001	2000	**2001**	2000
Net interest income	**$ 836**	$ 780	$ 746	**$ 3,135**	$ 2,932
Provision for credit losses	**(59)**	(87)	(17)	**(283)**	(210)
Other income	**431**	383	369	**1,582**	1,706
Non-interest expenses	**(759)**	(735)	(677)	**(2,947)**	(2,972)
Provision for income taxes	**(157)**	(129)	(165)	**(527)**	(574)
Net income	**$ 292**	$ 212	$ 256	**$ 960**	$ 882
Average assets ($ billions)	**$ 91**	$ 90	$ 90	**$ 90**	$ 89

Scotia Capital

	For the three months ended			For the year ended	
(Unaudited) ($ millions)	**October 31**	July 31	October 31	**October 31**	October 31
(Taxable equivalent basis)	**2001**	2001	2000	**2001**	2000
Net interest income	**$ 440**	$ 415	$ 382	**$ 1,598**	$ 1,385
Provision for credit losses	**(157)**	(152)	(168)	**(754)**	(412)
Other income	**260**	314	257	**1,196**	1,001
Non-interest expenses	**(263)**	(259)	(273)	**(984)**	(909)
Provision for income taxes	**(104)**	(120)	(84)	**(370)**	(415)
Net income	**$ 176**	$ 198	$ 114	**$ 686**	$ 650
Average assets ($ billions)	**$ 114**	$ 113	$ 108	**$ 115**	$ 101

International Banking

	For the three months ended			For the year ended	
(Unaudited) ($ millions)	**October 31**	July 31	October 31	**October 31**	October 31
(Taxable equivalent basis)	**2001**	2001	2000	**2001**	2000
Net interest income	**$ 565**	$ 550	$ 389	**$ 2,020**	$ 1,371
Provision for credit losses	**(136)**	(21)	(50)	**(250)**	(185)
Other income	**178**	187	113	**691**	451
Non-interest expenses	**(471)**	(489)	(318)	**(1,670)**	(1,057)
Provision for income taxes	**(13)**	(63)	(33)	**(200)**	(173)
Non-controlling interest in net income of subsidiaries	**(30)**	(32)	(12)	**(102)**	(43)
Net income	**$ 93**	$ 132	$ 89	**$ 489**	$ 364
Average assets ($ billions)	**$ 55**	$ 51	$ 32	**$ 47**	$ 31

Other[1]

(Unaudited) ($ millions)	For the three months ended October 31 2001	July 31 2001	October 31 2000	For the year ended October 31 2001	October 31 2000
Net interest income[2]	**$ (172)**	$ (118)	$ (124)	**$ (553)**	$ (489)
Provision for credit losses	**2**	(65)	9	**(138)**	42
Other income	**120**	170	126	**602**	507
Non-interest expenses	**3**	(35)	(23)	**(61)**	(181)
Provision for income taxes[2]	**62**	69	59	**221**	172
Non-controlling interest in net income of subsidiaries	**(10)**	(9)	(9)	**(37)**	(21)
Net income	**$ 5**	$ 12	$ 38	**$ 34**	$ 30
Average assets ($ billions)	**$ 20**	$ 21	$ 17	**$ 20**	$ 18

(1) Includes all other smaller operating segments and corporate adjustments, such as the elimination of the tax-exempt income gross-up reported in net interest income and provision for income taxes, increases in the general provision, differences in the actual amount of costs incurred and charged to the operating segments, and the impact of securitizations.
(2) Includes the elimination of the tax-exempt income gross-up reported in net interest income and provision for income taxes for the three months ended October 31, 2001, ($70), July 31, 2001 ($57) and October 31, 2000 ($51) and for the year ended October 31, 2001 ($230) and October 31, 2000 ($194).

Total

(Unaudited) ($ millions)	For the three months ended October 31 2001	July 31 2001	October 31 2000	For the year ended October 31 2001	October 31 2000
Net interest income	**$ 1,669**	$ 1,627	$ 1,393	**$ 6,200**	$ 5,199
Provision for credit losses	**(350)**	(325)	(226)	**(1,425)**	(765)
Other income	**989**	1,054	865	**4,071**	3,665
Non-interest expenses	**(1,490)**	(1,518)	(1,291)	**(5,662)**	(5,119)
Provision for income taxes	**(212)**	(243)	(223)	**(876)**	(990)
Non-controlling interest in net income of subsidiaries	**(40)**	(41)	(21)	**(139)**	(64)
Net income	**$ 566**	$ 554	$ 497	**$ 2,169**	$ 1,926
Average assets ($ billions)	**$ 280**	$ 275	$ 247	**$ 272**	$ 239

Geographic Highlights

(Unaudited)	For the three months ended October 31 2001	July 31 2001	October 31 2000	For the year ended October 31 2001	October 31 2000
Net income ($ millions)					
Canada	**$ 411**	$ 366	$ 347	**$ 1,502**	$ 1,309
United States	**44**	39	39	**167**	308
Other international	**145**	180	112	**676**	472
Corporate adjustments	**(34)**	(31)	(1)	**(176)**	(163)
	$ 566	$ 554	$ 497	**$ 2,169**	$ 1,926
Average assets ($ billions)					
Canada	**$ 158**	$ 152	$ 148	**$ 152**	$ 143
United States	**40**	44	41	**44**	39
Other international	**79**	74	55	**72**	54
Corporate adjustments	**3**	5	3	**4**	3
	$ 280	$ 275	$ 247	**$ 272**	$ 239

Consolidated Financial Statements

Consolidated Statement of Income

(Unaudited) ($ millions except per share amounts)	For the three months ended **October 31 2001**	July 31 2001	October 31 2000	For the year ended **October 31 2001**	October 31 2000
Interest income					
Loans	**$ 3,094**	$ 3,225	$ 3,296	**$ 13,049**	$ 12,129
Securities	**765**	910	622	**3,062**	2,286
Deposits with banks	**177**	197	250	**872**	916
	4,036	4,332	4,168	**16,983**	15,331
Interest expense					
Deposits	**1,807**	1,981	2,213	**8,233**	8,192
Subordinated debentures	**66**	71	87	**303**	324
Other	**494**	653	475	**2,247**	1,616
	2,367	2,705	2,775	**10,783**	10,132
Net interest income	**1,669**	1,627	1,393	**6,200**	5,199
Provision for credit losses(1)	**350**	325	226	**1,425**	765
Net interest income after provision for credit losses	**1,319**	1,302	1,167	**4,775**	4,434
Other income					
Deposit and payment services	**217**	201	157	**772**	624
Investment, brokerage and trust services	**157**	157	156	**638**	733
Credit fees	**164**	153	164	**640**	632
Investment banking	**215**	300	202	**1,045**	756
Net gain on investment securities	**28**	7	46	**217**	379
Securitization revenues	**40**	49	50	**220**	206
Other	**168**	187	90	**539**	335
	989	1,054	865	**4,071**	3,665
Net interest and other income	**2,308**	2,356	2,032	**8,846**	8,099
Non-interest expenses					
Salaries and staff benefits	**832**	884	764	**3,220**	2,944
Premises and technology	**279**	303	209	**1,133**	995
Communication and marketing	**144**	128	123	**502**	428
Other	**235**	203	229	**807**	786
Restructuring provision for National Trustco Inc.	**-**	-	(34)	**-**	(34)
	1,490	1,518	1,291	**5,662**	5,119
Income before the undernoted	**818**	838	741	**3,184**	2,980
Provision for income taxes	**212**	243	223	**876**	990
Non-controlling interest in net income of subsidiaries	**40**	41	21	**139**	64
Net income	**$ 566**	$ 554	$ 497	**$ 2,169**	$ 1,926
Preferred dividends paid	**27**	27	27	**108**	108
Net income available to common shareholders	**$ 539**	$ 527	$ 470	**$ 2,061**	$ 1,818
Average number of common shares outstanding (thousands):					
Basic	**503,043**	501,156	496,985	**500,619**	495,472
Diluted(2)	**511,863**	509,383	505,408	**508,995**	501,253
Net income per common share:					
Basic	**$ 1.08**	$ 1.05	$ 0.95	**$ 4.12**	$ 3.67
Diluted(2)	**$ 1.05**	$ 1.04	$ 0.93	**$ 4.05**	$ 3.63

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

Condensed Consolidated Balance Sheet

(Unaudited) ($ millions)	**October 31 2001**	As at July 31 2001	October 31 2000
Assets			
Cash resources			
Cash and non-interest deposit with banks	**$ 1,535**	$ 1,478	$ 1,191
Interest bearing deposits with banks	**16,897**	13,261	16,250
Precious metal	**1,728**	1,374	1,303
	20,160	16,113	18,744
Securities			
Investment	**25,450**	24,600	19,565
Trading	**27,834**	27,966	21,821
	53,284	52,566	41,386
Loans			
Residential mortgages	**52,278**	51,537	49,994
Personal and credit cards	**19,804**	18,658	17,704
Business and governments	**75,850**	73,886	75,646
Assets purchased under resale agreements	**27,500**	29,019	23,559
	175,432	173,100	166,903
Other			
Customers' liability under acceptances	**9,301**	8,865	8,807
Trading derivatives' market valuation	**15,886**	10,097	8,244
Other assets	**10,362**	10,437	9,087
	35,549	29,399	26,138
	$ 284,425	$ 271,178	$ 253,171
Liabilities and Shareholders' Equity			
Deposits			
Personal	**$ 75,573**	$ 74,572	$ 68,972
Business and governments	**80,810**	78,042	76,980
Banks	**29,812**	25,860	27,948
	186,195	178,474	173,900
Other			
Acceptances	**9,301**	8,865	8,807
Obligations related to assets sold under repurchase agreements	**30,627**	31,251	23,792
Obligations related to securities sold short	**6,442**	8,162	4,297
Trading derivatives' market valuation	**15,453**	9,825	8,715
Other liabilities	**15,369**	14,203	14,586
Non-controlling interest in subsidiaries	**1,086**	1,053	729
	78,278	73,359	60,926
Subordinated debentures	**5,344**	5,276	5,370
Shareholders' Equity			
Preferred shares	**1,775**	1,775	1,775
Common shares	**2,920**	2,878	2,765
Retained earnings	**9,913**	9,416	8,435
	14,608	14,069	12,975
	$ 284,425	$ 271,178	$ 253,171

Consolidated Statement of Changes in Shareholders' Equity

	For the year ended	
(Unaudited) ($ millions)	**October 31 2001**	October 31 2000
Preferred shares		
Bank	**$ 1,525**	$ 1,525
Scotia Mortgage Investment Corporation	**250**	250
Balance at end of year	**1,775**	1,775
Common shares		
Balance at beginning of year	**2,765**	2,678
Issued	**155**	87
Balance at end of year	**2,920**	2,765
Retained earnings		
Balance at beginning of year	**8,435**	6,953
Cumulative effect of adoption of new corporate income taxes accounting standard	**(39)**	-
	8,396	6,953
Net income	**2,169**	1,926
Dividends: Preferred	**(108)**	(108)
Common	**(621)**	(496)
Net unrealized foreign exchange gains	**79**	163
Net cost of issuance of shares, and other	**(2)**	(3)
Balance at end of year	**9,913**	8,435
Shareholders' equity at end of year	**$ 14,608**	$ 12,975

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

These consolidated financial statements should be read in conjunction with the Bank's audited consolidated financial statements for the year ended October 31, 2001. The accounting policies used in the preparation of these consolidated financial statements are consistent with the accounting policies used in the Bank's year-end audited financial statements of October 31, 2001.

Shareholder & Investor Information

Share data

(thousands of shares)	**October 31, 2001**
Preferred shares outstanding:	
Series 6	12,000
Series 7	8,000
Series 8	9,000
Series 9	10,000
Series 11	9,993
Series 12	12,000
Class A preferred shares issued by Scotia Mortgage Investment Corporation	250
Series 2000-1 trust securities issued by BNS Capital Trust	500(1)
Common shares outstanding	503,795
Outstanding options granted under the Stock Option Plan to purchase common shares	26,523

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

Further details are available in Note 12 and /or 13 of the October 31, 2001, Consolidated Financial Statements.

On April 26, 2001, the Bank redeemed all of the Series 10 preferred shares at their stated outstanding value of $10 per share for a total of $71,000.

Direct deposit service

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

Dividend and Share Purchase Plan

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

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

For more information on participation in the plan, please contact the transfer agent.

Dividend dates for 2002

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

Record Date	Payment Date
Jan. 2	Jan. 29
April 2	April 26
July 2	July 29
Oct. 1	Oct. 29

Duplicated communication

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

World Wide Web site

For information relating to Scotiabank and its services, visit us at www.scotiabank.com.

Web broadcast

A live audio Webcast of the Bank's analyst conference call will begin at 2:30 p.m. EST on Dec. 5, 2001. As well, media and retail investors will be able to join the conference call by telephone on a listen-only basis by dialing 1-877-823-6611 between five and 15 minutes in advance. The Webcast will include both audio and slide presentations by Bank executives, and a subsequent question and answer period. Listeners are also invited to submit questions by e-mail, to investor.relations@scotiabank.com for response.

A replay of the conference call will be available from Dec. 5, 2001, to Dec. 19, 2001, by calling (416) 640-1917 and entering the identification code 152332#. The full presentation will be archived on the Internet from approximately 5:00 p.m. EST on Dec. 5, 2001. For downloading instructions, please click on the Investor Relations area of the Scotiabank Web site at www.scotiabank.com.

Annual Shareholders Meeting

The Bank's 2002 Annual Meeting of Shareholders will be held at the Westin Bayshore Resort & Marina, 1601 Bayshore Drive, Vancouver, British Columbia, on Tuesday, March 5, 2002, at 9:30 a.m. (PST). The record date for determining shareholders entitled to receive notice of the meeting will be the close of business on Jan. 15, 2002.

Forward-looking statements

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

General information

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

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

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

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

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

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

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

Scotiabank is one of North America's premier financial institutions, with more than $284 billion in assets and approximately 51,000 employees worldwide, including affiliates. It is also Canada's most international bank with more than 2,000 branches and offices in more than 50 countries. Scotiabank is on the World Wide Web at www.scotiabank.com.

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For further information:
Sabi Marwah, Executive Vice-President and Chief Financial Officer, (416) 866-6808;
Kevin Harraher, Vice-President, Investor Relations, (416) 866-5982;
Diane Flanagan, Public Affairs, (416) 866-6806.