

To Our Shareholders

The Directors are pleased to announce that the Scotiabank Group reported net income after tax of \$405.8 million for the nine months ended 31 July, 2013, which was a solid performance year over year. Total Assets ended the period at \$18.7 billion, representing growth of \$1.5 billion over the comparative period in 2012.

During the quarter, the Group realised solid earnings in foreign exchange trading and consistent market share growth in mortgage and auto loans. While general loan demand remains subdued in the economy, the Group implemented numerous marketing initiatives to grow business in core lending. The Group continues its keen focus on prudent risk

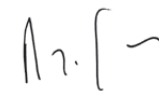
management, which resulted in lower loan loss expenses of \$3.2 million when compared to the same period in 2012.

On the basis of performance to date, the Directors have resolved that the Bank pay a third interim dividend of 40 cents per ordinary share (2012 – 32 cents) on 8 October, 2013 to shareholders on record at 9 September, 2013.

28 August, 2013



Sylvia D. Chrominska
Chairperson



Anya M. Schnoor
Managing Director

Significant Accounting Policies

Basis of preparation

These financial statements, in all material aspects, have been prepared in accordance with International Financial Reporting Standards. The accounting policies used in the preparation of the financial statements are the same as were followed in the financial statements as at 31 October, 2012.

Comparative information

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

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

	UNAUDITED As at 31 July 2013	UNAUDITED As at 31 July 2012	AUDITED As at 31 October 2012
ASSETS			
Cash on hand and in transit	\$ 132,578	\$ 137,580	\$ 158,931
Due from banks and related companies	1,200,263	778,650	1,353,909
Treasury bills	2,327,894	1,968,301	1,816,020
Deposits with Central Bank	2,986,797	2,979,099	2,901,172
Net loans to customers	10,494,813	9,905,849	9,958,378
Investment securities	1,152,977	981,419	1,097,400
Investment in associate companies	17,899	15,555	18,823
Property, plant and equipment	242,716	274,763	288,087
Miscellaneous assets	154,127	137,959	128,830
Goodwill	2,951	2,951	2,951
TOTAL ASSETS	\$ 18,713,015	\$ 17,182,126	\$ 17,724,501
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits	\$ 13,627,505	\$ 12,455,435	\$ 12,930,857
Due to banks and related companies	102,829	89,042	72,107
Other liabilities	292,189	293,395	287,752
Securities sold under repurchase agreement	-	26,934	12,315
Provision for taxation	26,350	35,560	23,010
Policyholders' funds	713,305	611,370	630,974
Debt security in issue	618,000	618,000	618,000
Deferred tax liability	41,763	20,854	31,961
TOTAL LIABILITIES	15,421,941	14,150,590	14,606,976
SHAREHOLDERS' EQUITY			
Stated capital	267,563	267,563	267,563
Statutory reserve fund	477,563	417,563	417,563
Investment revaluation reserve	51,482	34,551	36,835
Retained earnings	2,494,466	2,311,859	2,395,564
TOTAL SHAREHOLDERS' EQUITY	3,291,074	3,031,536	3,117,525
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 18,713,015	\$ 17,182,126	\$ 17,724,501

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

	UNAUDITED Three months ended		UNAUDITED Nine months ended		AUDITED Year ended
	31 July 2013	31 July 2012	31 July 2013	31 July 2012	31 October 2012
NET INTEREST AND OTHER INCOME					
Net Interest Income	\$ 224,075	\$ 229,776	\$ 667,200	\$ 691,726	\$ 922,316
Other Income	100,657	95,494	337,773	273,959	365,180
Net Interest and Other Income	324,732	325,270	1,004,973	965,685	1,287,496
NON-INTEREST EXPENSES					
Loan loss expense	(3,250)	(2,582)	4,714	7,961	8,269
Other	149,341	146,537	468,033	432,645	570,675
Non-Interest Expenses	146,091	143,955	472,747	440,606	578,944
INCOME BEFORE TAXATION	178,641	181,315	532,226	525,079	708,552
Provision for taxation	(44,208)	(44,597)	(126,444)	(119,661)	(162,999)
INCOME AFTER TAXATION	\$ 134,433	\$ 136,718	\$ 405,782	\$ 405,418	\$ 545,553
Dividends Paid & Proposed for financial year	\$ 70,538	\$ 56,430	\$ 211,613	\$ 169,290	\$ 275,096
Dividends per share	40.0c	32.0c	120.0c	96.0c	156.0c
Earnings per share	76.2c	77.5c	230.1c	229.9c	309.4c
Return on Equity	16.39%	18.21%	16.93%	18.60%	18.47%
Return on Total Assets	2.87%	3.15%	2.98%	3.17%	3.14%
Market Value	\$ 70.01	\$ 62.10	\$ 70.01	\$ 62.10	\$ 65.00

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

	UNAUDITED Three months ended		UNAUDITED Nine months ended		AUDITED Year ended
	31 July 2013	31 July 2012	31 July 2013	31 July 2012	31 October 2012
NET INCOME	\$ 134,433	\$ 136,718	\$ 405,782	\$ 405,418	\$ 545,553
OTHER COMPREHENSIVE INCOME					
Revaluation of available-for-sale investments, net of tax	9,372	8,988	14,647	3,953	6,237
TOTAL COMPREHENSIVE INCOME, NET OF TAX	\$ 143,805	\$ 145,706	\$ 420,429	\$ 409,371	\$ 551,790

Consolidated Cash Flows (Stated In \$'000)

	UNAUDITED Nine months ended 31 July 2013	UNAUDITED Nine months ended 31 July 2012	AUDITED Year ended 31 October 2012
Cash flows from operating activities			
Net income before taxes	\$ 532,226	\$ 525,078	\$ 708,552
(Increase)/Decrease in loans	(536,436)	761,116	708,588
Change in deposits	696,648	31,753	507,175
Change in securities sold under repurchase agreement	(12,315)	(19,190)	(33,809)
Taxation paid	(115,126)	(112,183)	(158,306)
Other adjustments to reconcile income before taxation to net cash from operating activities	32,319	(80,033)	8,044
Net cash from operating activities	\$ 597,316	\$ 1,106,541	\$ 1,740,244
Cash flows used in investing activities			
(Increase)/Decrease in Treasury bills with original maturity date over 3 months	\$ (596,333)	\$ (54,368)	\$ 1,827
Increase in investments	(38,180)	(290,918)	(403,321)
Purchase of property, plant & equipment	(42,081)	(16,570)	(37,168)
Proceeds from disposal of property, plant & equipment	61,702	473	531
Net cash used in investing activities	\$ (614,892)	\$ (361,383)	\$ (438,131)
Cash flows used in financing activities			
Change in debt security in issue	\$ -	\$ (182,000)	\$ (182,000)
Dividends paid	(246,881)	(169,290)	(225,720)
Net cash used in financing activities	\$ (246,881)	\$ (351,290)	\$ (407,720)
(Decrease)/Increase in cash and cash equivalents	\$ (264,457)	\$ 393,868	\$ 894,393
Cash and cash equivalents, beginning of period	2,186,262	1,291,869	1,291,869
Cash and cash equivalents, end of period	\$ 1,921,805	\$ 1,685,737	\$ 2,186,262
Cash and cash equivalents			
Cash on hand and in transit	\$ 132,578	\$ 137,580	\$ 158,931
Due from banks and related companies with original maturity date not exceeding 3 months	1,200,263	778,650	1,353,909
Treasury bills with original maturity date not exceeding 3 months	588,964	769,507	673,422
Cash and cash equivalents	\$ 1,921,805	\$ 1,685,737	\$ 2,186,262

Consolidated Statement Of Changes In Equity For The Period Ended 31 July 2013 (Stated In \$'000)

	Stated Capital	Statutory Reserve	Investment Revaluation Reserve	Retained Earnings	Total Shareholders' Equity
NINE MONTHS ENDED 31 JULY 2013					
Balance as at 31 October 2012	\$ 267,563	\$ 417,563	\$ 36,835	\$ 2,395,564	\$ 3,117,525
Net income for the year	-	-	-	405,782	405,782
Other comprehensive income, net of tax - Revaluation of available-for-sale investments	-	-	14,647	-	14,647
Total comprehensive income	-	-	14,647	405,782	420,429
Transactions with owners, recorded directly into equity					
Transfer to statutory reserve	-	60,000	-	(60,000)	-
Dividends paid	-	-	-	(246,881)	(246,881)
	-	60,000	-	(306,881)	(246,881)
Balance as at 31 July 2013	\$ 267,563	\$ 477,563	\$ 51,482	\$ 2,494,465	\$ 3,291,073
NINE MONTHS ENDED 31 JULY 2012					
Balance as at 31 October 2011	\$ 267,563	\$ 397,563	\$ 30,598	\$ 2,095,731	\$ 2,791,455
Net income for the year	-	-	-	405,418	405,418
Other comprehensive income, net of tax - Revaluation of available-for-sale investments	-	-	3,953	-	3,953
Total comprehensive income	-	-	3,953	405,418	409,371
Transactions with owners, recorded directly into equity					
Transfer to statutory reserve	-	20,000	-	(20,000)	-
Dividends paid	-	-	-	(169,290)	(169,290)
	-	20,000	-	(189,290)	(169,290)
Balance as at 31 July 2012	\$ 267,563	\$ 417,563	\$ 34,551	\$ 2,311,859	\$ 3,031,536
YEAR ENDED 31 OCTOBER 2012					
Balance as at 31 October 2011	\$ 267,563	\$ 397,563	\$ 30,598	\$ 2,095,731	\$ 2,791,455
Net income for the year	-	-	-	545,553	545,553
Other comprehensive income, net of tax - Revaluation of available-for-sale investments	-	-	6,237	-	6,237
Total comprehensive income	-	-	6,237	545,553	551,790
Transactions with owners, recorded directly into equity					
Transfer to statutory reserve	-	20,000	-	(20,000)	-
Dividends paid	-	-	-	(225,720)	(225,720)
	-	20,000	-	(245,720)	(225,720)
Balance as at 31 October 2012	\$ 267,563	\$ 417,563	\$ 36,835	\$ 2,395,564	\$ 3,117,525

Segment Reporting For The Period Ended 31 July 2013 (Stated In \$'000)

	Corporate/Commercial & Merchant Banking	Retail Banking	Insurance Services	Other	Total Segments	Unallocated Amounts/ Eliminations	Total
UNAUDITED NINE MONTHS ENDED 31 JULY 2013							
Net interest income (expense)	\$ 129,863	488,958	46,617	150	665,588	1,612	667,200
Fees and commissions	92,008	106,613	54,227	84,684	337,532	241	337,773
Net segment interest and other income excluding inter-segment revenues	\$ 221,871	595,571	100,844	84,834	1,003,120	1,853	1,004,973
Inter-segment revenues	1,694	-	35	2	1,731	(1,731)	-
Net segment interest and other income	\$ 223,565	595,571	100,879	84,836	1,004,851	122	1,004,973
Net segment profit (loss) before taxes	\$ 195,090	265,273	84,032	(1,304)	543,091	(10,865)	532,226
Segment Assets	\$ 3,733,988	6,530,291	1,230,589	8,101,880	19,596,748	(883,733)	18,713,015
Segment Liabilities	\$ 4,619,018	8,351,367	744,580	4,989,731	18,704,696	(3,282,755)	15,421,941
UNAUDITED NINE MONTHS ENDED 31 JULY 2012							
Net interest income (expense)	\$ 160,172	498,508	41,785	(14,358)	686,107	5,619	691,726
Fees and commissions	85,351	90,512	42,259	33,083	251,205	22,754	273,959
Net segment interest and other income excluding inter-segment revenues	\$ 245,523	589,020	84,044	18,725	937,312	28,373	965,685
Inter-segment revenues	777	-	86	6	869	(869)	-
Net segment interest and other income	\$ 246,300	589,020	84,216	18,731	938,181	27,504	965,685
Net segment profit (loss) before taxes	\$ 210,713	250,910	67,652	(25,509)	503,766	21,313	525,079
Segment Assets	\$ 4,041,366	6,133,389	1,020,108	6,951,469	18,146,332	(964,206)	17,182,126
Segment Liabilities	\$ 3,681,242	7,697,012	634,173	5,375,325	17,387,752	(3,237,162)	14,150,590
AUDITED YEAR ENDED 31 OCTOBER 2012							
Net interest income (expense)	\$ 207,205	666,287	56,650	(19,889)	910,253	12,063	922,316
Fees and commissions	112,523	120,623	58,944	73,597	365,687	(507)	365,180
Net segment interest and other income excluding inter-segment revenues	\$ 319,728	786,910	115,594	53,708	1,275,940	11,556	1,287,496
Inter-segment revenues	1,205	-	120	7	1,332	(1,332)	-
Net segment interest and other income	\$ 320,933	786,910	115,714	53,715	1,277,272	10,224	1,287,496
Net segment profit (loss) before taxes	\$ 285,407	342,517	98,302	(21,433)	704,793	3,759	708,552
Segment Assets	\$ 3,886,956	6,157,510	1,064,064	7,084,674	18,193,204	(468,703)	17,724,501
Segment Liabilities	\$ 3,631,667	7,708,730	654,881	5,321,993	17,317,271	(2,710,295)	14,606,976