



Corporate Social Responsibility Report

> 2004 PUBLIC ACCOUNTABILITY STATEMENT



Scotiabank

Corporate Social Responsibility Report

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Scotiabank's 2004 Public Accountability Statement/Corporate Social Responsibility Report 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.



> **Front cover photo:** Scotiabank and its employees strive to be a positive influence in the communities where we live and work, such as Vancouver, B.C. From left, Arie Villanueva and Tiffany Bingham from the Vancouver main branch are actively involved as community volunteers, while Bill Wilson, Point Grey branch, and John Ellis, Broadway and Oak branch, both cycle to work as a way of exercising and conserving energy.

Our commitment to corporate social responsibility

We are committed to being a leader in corporate social responsibility – which encompasses the way we interact with our stakeholders to meet our social, economic, environmental and ethical responsibilities.





"Scotiabank is committed to becoming a leader in corporate social responsibility – and we have made this one of our continuing objectives."

> LETTER FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Charting our CSR progress

At Scotiabank, we recognize that our job involves more than helping our customers become financially better off and creating value for our shareholders. We realize that we have a responsibility to assist a much broader spectrum of stakeholders, because the health and vitality of our Bank is closely tied to the well-being of the communities we serve, both in Canada and internationally.

As a result, we pay close attention to the issues that are important to each of our stakeholder groups – shareholders, customers, employees and the community – and that touch directly and indirectly on various aspects of our Bank's operations, such as environmental protection, and fair and equal access to employment and banking services, as well as funding for small businesses and community development.

In recent years, we have begun using the term corporate social responsibility (CSR) to describe this broad relationship. We define CSR as the way we interact with all of our stakeholders to meet our social, economic, environmental and ethical responsibilities.

Scotiabank is committed to becoming a leader in corporate social responsibility – and we have made this one of our continuing objectives. We believe that our

CSR objective is intrinsically linked to the goals we have set for ourselves as an organization – to provide a good return on our shareholders' investments, to be a great place for our customers to do business, to offer our employees a great place to work, and to be a positive influence in the communities where we do business.

This report, now in its fourth year of publication, is a key tool in marking and communicating our progress toward our CSR goals. In order to reflect the expanding scope of issues addressed in our Public Accountability Statement and the increased focus on CSR issues at Scotiabank, we have adopted a new name for this publication: the Public Accountability Statement/ Corporate Social Responsibility Report.

As another indication of CSR's growing importance at Scotiabank, we have dedicated additional resources to CSR issues, specifically to work closely with various areas of the Bank to identify the social, environmental and ethical issues that affect our business, raise CSR awareness and build employees' commitment.

As you will read in this report, we made good progress toward many of our CSR-related goals in 2004. Among our accomplishments during the past year, we:

"Looking ahead, we are planning a number of new initiatives in 2005 that will further strengthen CSR within the Bank."

- made significant corporate contributions – more than \$33 million in donations and sponsorships – in the areas of education, health, social services and arts and culture, and supported employee involvement through volunteer-focused programs,
- maintained our leadership in customer satisfaction in many of our key markets, including Canada,
- increased our overall employee satisfaction levels to 82 per cent,
- improved the diversity of our organization; in particular, by increasing the representation of women in senior management positions,
- trained 95 per cent of our Canadian employees on anti-money laundering and anti-terrorist financing issues,
- joined the United Nations Environmental Program's Financial Institutions North American Task Force, which aims to expand sustainable financial practices in North America, and
- completed an assessment of the Bank's major environmental impacts, policies and processes.

Looking ahead, we are planning a number of new initiatives in 2005 that will further strengthen CSR within the Bank. We have created a cross-functional team to review the Bank's CSR policies and programs and drive appropriate changes and improvements.

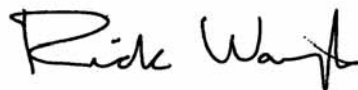
In January 2005, we adopted the Equator Principles, international standards designed to help major lenders address environmental and social issues in their inter-

national project financing. In the coming months, we will work toward integrating the principles into the Bank's internal policies.

We are supporting Environment Canada's One-Tonne Challenge, a federal government initiative to encourage Canadians to reduce their greenhouse gas (GHG) emissions. Our participation in the challenge is part of our broader objective to partner with other stakeholders, in Canada and internationally, to address the important issue of climate change. We are also looking forward to participating in the United Nations International Year of Microcredit 2005, given our own longstanding microcredit programs in Guyana and Jamaica.

And for the first time, with the help of Canadian Business for Social Responsibility (CBSR), we will be surveying our employees to evaluate their awareness of CSR issues and get their input on potential future activities.

For Scotiabank, looking beyond our financial bottom line is not new. What is new is taking this concept and dedicating specific resources to it to ensure we have well-defined CSR goals and accountabilities, combined with the ability to measure progress. We look forward to continuing our efforts in 2005 and reporting our progress to you again next year.



Rick Waugh
President & Chief Executive Officer

Corporate profile

Scotiabank is one of North America's premier financial institutions and Canada's most international bank. With approximately 48,000 employees, the Scotiabank Group and its affiliates serve about 10 million customers in some 50 countries around the world. Scotiabank offers a diverse range of products and services including personal, commercial, corporate and investment banking. With \$279 billion in assets (as at October 31, 2004), Scotiabank trades on the Toronto and New York stock exchanges.

Business lines

Domestic Banking

Retail and Small Business Banking | Wealth Management | Commercial Banking

Domestic Banking provides a full range of banking and investment services to retail, small business, commercial and wealth management customers across Canada. These services are delivered through a national network of more than 950 branches, more than 2,550 ABMs, call centres, plus telephone, wireless and Internet banking. Among the investment and advisory services offered by the Wealth Management group are full-service brokerage, direct investing, mutual funds and private client services.

International Banking

Scotiabank has built on more than a century of international experience, and today serves close to three million customers in the Caribbean, Latin America and Asia. Our broad multinational network – unparalleled by other Canadian banks – provides a complete range of financial services to both local and international customers in more than 40 countries. International Banking serves customers through a network of more than 770 branches and offices, 1,660 ABMs and expanding Internet banking services.

Scotia Capital

The Scotiabank Group's corporate and investment banking operations focus on client relationships and provide specialized solutions to corporate, institutional and government clients in Canada, the United States, and Europe, and select services to clients in Mexico and Asia. Scotia Capital has recognized strengths in specialized and syndicated lending, corporate debt and equity underwriting, mergers and acquisitions, derivatives, fixed income, foreign exchange and precious metals, as well as equity sales, trading and research.



Scotiabank in the community

An important part of being a **leader in corporate social responsibility** is being involved in the communities where we operate. With our national reach and resources, and the active involvement of our employees in Canada and around the world, we support thousands of charities, community fundraisers and non-profit organizations that have a positive influence on society.



Education, page 6

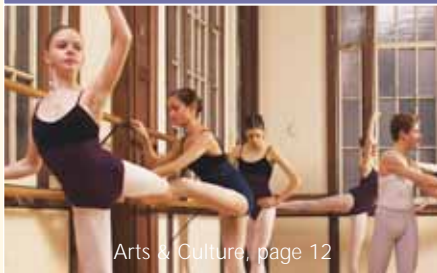


Health, page 8



Social Services, page 10

www.scotiabank.com



Arts & Culture, page 12



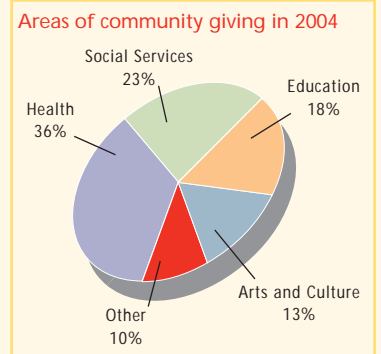
SEVP, page 14



Team Scotia, page 16

In 2004, Scotiabank contributed more than \$33 million to worthy causes globally, with \$20 million directed to individual charitable donations and another \$13 million in sponsorships. In Canada, this investment in community giving programs makes us one of the country's largest philanthropic organizations.

Although we support a diverse range of causes, we dedicate a large portion of our community contributions to the areas of education, health, social services, and arts and culture. The following pages include more detail on our contributions in each of these areas, plus guidelines for applying for a donation or sponsorship on behalf of a non-profit organization. We also profile activities undertaken by our employees, who volunteer countless hours for important causes that matter to them.





EDUCATION

We support a wide range of educational initiatives, including the expansion of academic facilities, innovative learning programs and leading research. We are committed to backing these projects because we recognize the need to strengthen the quality of education available to Canadians and the potential to make a lasting, positive impact for future generations. In 2004 alone, Scotiabank donated **more than \$4 million in education-related giving**.

Here are a few examples:

- In Pictou County, N.S., we are helping to establish two new high schools to serve the rising educational needs of rural residents. Scotiabank's \$30,000 commitment will help create larger gymnasiums and multi-purpose presentation centres in each new building.
- Simon Fraser University's Segal Graduate School for Business received a \$250,000 gift from Scotiabank to establish the Scotiabank Global Asset and Wealth Management MBA Graduate Scholarship, which awards one \$10,000 scholarship per year for the next five years to a full-time student entering the MBA program with professional experience in the financial sector.
- Since its inception in 1969, the Université du Québec à Trois-Rivières has often been cited as a model medium-sized university, with many of its programs offered nowhere else in the province. A \$50,000 commitment by Scotiabank will help the university maintain its areas of expertise, including chiropractic, recreational sciences, management of small and medium-sized enterprises, occupational health and safety and midwifery.
- The University of Saskatchewan in Saskatoon is in the midst of its largest renewal in decades, by investing millions in new research and teaching programs, student endowments and improved buildings and infrastructure. Our pledge of \$250,000 will continue our commitment to the university.
- Scotiabank is putting its support behind Seneca College's mandate of providing practical career-oriented education and business training with a \$300,000 donation to the Ontario-based institution. This contribution will help Canada's largest college

meet the demands of rapidly rising full and part-time enrolment. The funds will be used for the naming of the Scotiabank Seminar Room and an endowment for Business and Financial Management.



> **Photo above:** Scotiabank's donation to Seneca College will help meet the demands of increased enrolment. From left is Professor David Hoffman with first-year accounting students Liana Ditta and Andrew Chou.

> **Main photo:** Donald Fraser, Executive Director, Global Asset and Wealth Management MBA Program, Simon Fraser University, and alumnus Mari Jensen, program graduate, Class of 2004, and now a Scotia Private Client Group employee.



HEALTH

Canadians take great pride in our high-quality, accessible health care system but, today, these institutions require our support to meet the demands of an aging population and costly medical research needed to develop treatments and cures for pressing health issues. Through our donations to construct new medical facilities, our contributions to research, and the support of employees who volunteer for fundraisers and awareness campaigns, we are contributing to the long-term health of our communities. In 2004, Scotiabank donated **more than \$8 million in health care-related giving.**

Here are a few examples:

- Scotiabank has committed \$50,000 to the Alberta Shock Trauma Air Rescue Society's (STARS) Vision Critical Campaign which is raising funds to purchase two new technologically advanced helicopters and create an education centre. STARS operates the province's emergency helicopter transport system, which helps critically injured and ill patients receive timely, life-saving treatment.
- To help the Valley Regional Hospital effectively serve Nova Scotia's Annapolis Valley, Scotiabank made a \$10,000 contribution to support a campaign to acquire sophisticated CT scanner, X-ray and computer imaging equipment that helps doctors recommend better treatments for their patients.
- When Whitehorse General Hospital urgently needed to replace cardiac monitoring equipment in its intensive care unit, Scotiabank stepped forward with a \$5,000 donation to the campaign. The donation will allow the hospital to provide crucial services as the only acute care centre serving the Yukon, northern British Columbia and parts of Alaska.
- Support from Scotiabank is helping L'Hôpital Sainte-Justine, a leading children's hospital in Quebec and the Maritimes, to improve its physical configuration and infrastructure. Our \$500,000 commitment to the hospital's Growing Up Healthy campaign will assist in the construction of two ultra-modern, eight-storey towers to accommodate the facility's growing needs, including a new integrated research centre, an academic wing and a tele-health network.
- We have made a \$150,000 commitment to a \$6 million research program by the Canadian Cystic Fibrosis Foundation called Breathe (Basic Research and Therapy). World-class investigators will study the basic defect in cystic fibrosis, with the overall goal of alleviating or lessening the symptoms of adults and children living with the disease.
- The Unionville Home Society in suburban Toronto will be able to continue caring for 400 resident seniors, thanks to a \$50,000 pledge from Scotiabank, which will help construct a new Union Villa building with improved wheelchair access and a specialized Alzheimer care centre.



> **Photo above:** L'Hôpital Sainte-Justine nurse Marie-France Desrochers comforts patient Vincent Agoues-Richard. Scotiabank contributed \$500,000 to the hospital's "Growing Up Healthy" campaign.

> **Main photo:** Dick Baycroft (second from left) and his wife, Doris (right), have been married for 62 years and are now residents at Union Villa in Unionville, Ont. With them are executive members of the Villa's Brick by Brick Capital Campaign, Glenn Crosby and Barb Taverner.



SOCIAL SERVICES

Every day, many Canadians require immediate assistance to overcome health, social or economic difficulties in their communities. Through our corporate donations and the volunteer work of employees across the country, Scotiabank dedicates significant support to social service programs that aid families, seniors, children or individuals facing many types of personal challenges. We also contribute to important civic projects and institutions that strengthen local community spirit. In 2004, Scotiabank donated **more than \$5 million to social services causes.**

Here are a few examples:

- Montreal's Old Brewery Mission provides vital food, shelter and care to many of the city's most needy men, women and children. Scotiabank's donation of \$25,000 is helping the shelter assist the needy and homeless, including the provision of medical, rehabilitation and counselling services, job training and social reintegration support.
- Scotiabank is supporting Canadians living with disabilities by sponsoring the Whistler Adaptive Sports Program (WASP), which makes winter sports accessible to all. Specially trained WASP staff and volunteers provide instruction in downhill skiing, snowboarding and cross-country skiing, and offer progressive adaptive equipment at British Columbia's Whistler and Blackcomb resorts. Through this outdoor recreation program, many individuals have increased their self-confidence, motivation and independence.
- As the hub of community activities and services in Port Hawkesbury, N.S., a new cultural and recreational civic centre will house municipal offices, a fitness facility and a 1,000-seat arena, thanks to a \$30,000 commitment from Scotiabank.
- We have committed \$75,000 to the Alberta Adolescent Recovery Centre, an organization dedicated to treating teens addicted to drugs and alcohol. Our funds will help the centre continue to offer its long-term, intensive treatment program, which includes counselling from program graduates, recovery housing for participants and an onsite learning centre to help youth continue their studies.
- The Canadian Foundation for Physically Disabled Persons strives to improve awareness in the general public, business community and government of the impressive contributions of persons with disabilities, in part through the foundation's premier event, The Rolling Rampage. Scotiabank made a \$25,000 donation at this 10-kilometre race to showcase the skills, dedication and perseverance of Paralympic and other physically disabled athletes from Canada and around the world.



> **Photo above:** Whistler Adaptive Sports Program volunteer staff member Tracy Higgs (right) provides on-hill ski instruction to adaptive skier Dave Calver.

> **Main photo:** From left, peer counsellors Ben Goresky and Jennifer Hazard, with clinical supervisor, Lisa Luciano, counsel teens at the Alberta Adolescent Recovery Centre.



ARTS & CULTURE

Arts and cultural events help build stronger ties within our communities by bringing us together to enjoy unique celebrations, discover art in all of its forms, and learn through many national, regional and local institutions that deliver enriching public programs. By funding new facilities, arts-related education and training, and sponsorships of colourful local festivals, we are helping many Canadians enjoy and appreciate the cultural diversity around us. During 2004, Scotiabank donated **roughly \$3 million to arts and cultural programs or sponsorships.**

Here are a few examples:

- For 35 years, the Cape Breton Miners' Museum has paid tribute to the self-reliance, spirit and strength of the people of Cape Breton, sharing area history with locals and visitors. Scotiabank contributed \$10,000 to help the museum expand its attractions, to add more interactive exhibits, an auditorium and meeting rooms to stimulate more educational events at the centre.
- Scotiabank is helping Opera Atelier, Canada's baroque theatre company, through its School of Atelier Ballet Youth Initiative program. We provided \$25,000 to the institution to sponsor training for dozens of ballet students and also to subsidize student tickets to their unique performances.
- Scotiabank is proud to support the Vancouver Recital Society, one of the few remaining recital series in North America dedicated to presenting internationally acclaimed artists, as well as emerging talent. The society provides strong community outreach through morning and free youth concerts, and outdoor events.
- For the sixth consecutive year, Scotiabank was title sponsor for the Canadian Aboriginal Music Awards, held in Toronto. The awards were created to celebrate the huge diversity of Aboriginal music, ranging from traditional pow wow to hip hop and rock. They also give Aboriginal youth the motivation and inspiration to believe they can achieve whatever they are passionate about in life.
- The new Canadian Museum for Human Rights, located in Winnipeg, will be an international icon for the human

equality, dignity and freedom of all people, and a symbol of Canada's commitment to human rights education. Scotiabank proudly committed \$1,500,000 to help make this visionary project a reality.

- We support the internationally renowned National Ballet School by contributing to their scholarship program, which enables 10 talented students to attend the school. We have also pledged \$500,000 to help the school build a new state-of-the-art dance training centre, which will double the size of the current school and include 12 studios, eight classrooms and many other arts and learning resource facilities.



> **Photo above:** Scotiabank's Automotive Finance & Indirect Lending division organized a fundraiser attended by employees and customers, which raised \$55,000 for Opera Atelier. Bank employees Alberta Cefis (left), Brian Budgell (fourth from left), and John Leigh (kneeling, right), are pictured here with customers and members of Opera Atelier.

> **Main photo:** Scotiabank's support of Canada's National Ballet School scholarship program allows talented students to attend the school.



OUR EMPLOYEES IN THE COMMUNITY

A key component of Scotiabank's community involvement is the incredible activism of our employees who generously share their time – individually and in teams – to volunteer for local causes and raise funds to benefit the community. We reward and support their volunteer efforts through two formal employee community programs, the **Team Scotia Community Program (TSCP)** and the **Scotiabank Employee Volunteer Program (SEVP)**.

Under TSCP, the Bank matches up to \$5,000 raised by teams of two or more Scotiabank employees. In 2004, more than 1,000 fundraising activities received roughly \$3 million from the TSCP.

Through 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 2004, a wide range of charities received in excess of \$500,000 in total from SEVP.

Here are a few examples of the contributions our employees made:

- When Scotiabank employees in Happy Valley, Newfoundland & Labrador, learned that the Peacock Primary School was having trouble funding its student lunch program, they went into action, selling tickets for a Christmas basket raffle. The team raised \$360, which was matched by TSCP, allowing the school to continue serving 20 to 25 lunches to children in need each week. The funds also add nutritious food items to 80 other children's lunches weekly.
- Hillsborough, N.B. branch employee Paulette Steeves feels strongly that, by promoting literacy, we can give the next generation the skills to build satisfying lives. Steeves volunteers as a member of the local public library's Board of Trustees and also assists at pre-school story time sessions which help toddlers gain a love for books. To recognize her efforts, SEVP made a donation to help the library purchase books, shelving units and puppets for the preschool program
- Since 1996, New York-based Ken Irvine of Citadel Hill Advisors has been an active volunteer with the Alpha-1 Foundation, which strives to eradicate the genetic, hereditary disorder which causes liver and lung disease. Irvine's involvement as a foundation committee member resulted in a \$1,000 SEVP donation to support

research and new therapies. Irvine's wife, Bettina, recently received a successful double lung transplant to help reduce her severe respiratory problems.



> **Photo above:** Employees in Happy Valley, Nfld. – including Wayne Neil (left) and Dawn Goudie (right), with student Denae Whelan – used TSCP to match funds raised for a school lunch program.

> **Main photo:** Paulette Steeves of Hillsborough, N.B., secured funds through SEVP for the Hillsborough Public Library, where she is a longtime volunteer.

- More than 55 Montreal Scotiabank employees took part in the fourth annual “Concrete Camping for Kids” overnight camping event on May 27. They collected \$33,000, including a TSCP contribution, to help camp organizers, the West Island Women’s Shelter, send young victims of abuse and domestic violence to summer camp.
- April Oliver, Customer Relations Representative, Midland, Ont., volunteers with North Simcoe RAINBOWS, a group that assists children who are grieving painful family transitions. For the past three years, Oliver has facilitated weekly support groups for grieving children. To recognize her volunteer service, Scotiabank donated \$1,000 to RAINBOWS through SEVP.
- When staff member Cheryl Batke’s father-in-law was diagnosed with ALS (Lou Gehrig’s Disease), Scotiabank branches in Langley and Surrey, B.C., showed their support by raising funds for the cause. Three employees joined the Batke family in the ALS Society’s 5K Walk in Vancouver, raising more than \$12,000 for the cause, with \$5,000 in matching funds from TSCP. The contribution will be used to fund research and purchase new equipment for people living with the neuromuscular disease.
- Bracebridge, Ont., branch employees enjoyed helping out a local hospital this summer by hosting a bake

sale and a barbecue. The branch has hosted “Working for our Hospital Day” for the past five years and, this year, raised \$1,150, which was matched by the Bank, resulting in a total of \$2,300.

- Peter Lougheed Hospital in Calgary has benefited in many ways from the volunteer efforts of Scotiabank employee Wendy Anderson of the Horizon branch. Anderson helps patients’ family members and serves on the hospital’s Volunteer Advisory and Development Council. She also played a key role in organizing volunteers for the Sunridge Mall holiday gift wrapping program, which raised more than \$13,000 for the hospital’s pediatric ward. The hospital has received a yearly contribution of \$1,000 through the SEVP for the past four years in recognition of Anderson’s work.
- Children and families coping with autism in the Cambridge, Ont., area are benefiting from one Scotiabanker’s love of animals. Chris McArthur, from our branch in that town, is a puppy-raiser for the National Service Dogs Centre (NSDC). During the past four years, she has trained three service dogs to guide and protect autistic children in their daily lives. Now a member of the NSDC’s board of directors, McArthur was rewarded for her work through the SEVP, which provided the organization with a donation.



> **From left:** Brenda Lupick, Cheryl Batke, Diane Summers and other Scotiabank employees took part in the ALS Society’s 5K Walk in Vancouver, raising funds that were matched through TSCP.



> Chris McArthur, shown here with her breeding dog Abbey, uses her love of animals to help families with autistic children.

Regional community development

Our regional support

Across Canada, Scotiabank operates more than 950 retail branches, employs more than 34,600 Canadians, and incurred almost \$700 million in tax expenses in 2004.

Scotiabank's domestic banking operations are divided into six regions, which are closely tied to geographic or political boundaries. In each region, our retail branch network and wealth management group – together with Scotia Capital, our wholesale banking operation – make a significant impact on their regional economy. Not only is the Bank a provider of financial services to individuals, small and medium-sized businesses and large corporations, we are also a major employer, consumer of goods and services from local suppliers, and significant contributor of taxes in provincial and municipal jurisdictions.

In addition, we are committed to improving the well-being of the communities where we work and live through our corporate charitable giving (see pages 5-13) and the dedicated community involvement of our employees, who are supported in their efforts by two employee involvement programs (see pages 14-16 for details).



Scotiabank in your
community:

www.scotiabank.com



Atlantic Provinces

Scotiabank recognizes that it plays a strong role in the economies of Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador. In this region in 2004, the Bank:

- employed close to 3,660 full and part-time employees*;
- served more than 874,700 personal banking customers;
- authorized more than \$3.7 billion in consumer loans and lines of credit;
- provided customer mortgages valued at close to \$5.5 billion;
- authorized more than \$4.9 billion in credit to more than 17,400 commercial customers (including close to 16,000 small businesses with credit limits below \$250,000);
- paid close to \$25.0 million in direct and indirect taxes in the region.

(All figures as at Oct. 31, 2004)
* individual employees

A large number of community organizations and charities in the region were the recipients of Scotiabank's corporate contributions, totalling more than \$1.2 million. Our employees also generously contributed their time and energy to fundraise and volunteer for many important causes:

- In Saint John, N.B., Scotiabank helped beautify the city and provide local children with a sense of pride and achievement by sponsoring "Marigolds on Main Street." As part of the civic project, Scotiabank



> Staff at the Atlantic Contact Centre in Halifax, including, from left, Yvonne MacDonald, Tina Barry and Darlene White Beaulieu, worked hard to organize support for the IWK Health Centre.

employees helped 800 school children plant 30,000 flowers around the downtown area.

- Employees at Scotiabank's Atlantic Contact Centre in Halifax dedicated countless hours in 2004 to fundraise for the IWK Health Centre. They solicited donations and organized many events, including a war canoe challenge, to help the busy hospital serve patients from three Maritime provinces.
- During the hectic 2003 holiday season, more than 80 employees from Newfoundland and Labrador volunteered at the Salvation Army Kettles event, collecting some \$5,000, plus matching funds through the Team Scotia program, to provide Christmas dinner and toys to needy St. John's families.
- Scotiabankers in P.E.I. proved their competitive community spirit as part of the Children's Wish Foundation Survivor Challenge in January 2004. By hosting raffles, a bake sale, and competing in a challenge event based on the popular reality TV show, they raised more than \$3,800, well over their \$1,600 target.

2004 Taxes in Canada

Scotiabank pays a number of taxes, including direct taxes on income by Canadian federal and provincial governments and the governments of foreign jurisdictions in which the Bank operates, as well as several indirect taxes. In 2004, this totaled \$1.5 billion (taxable equivalent basis), representing approximately 31 per cent of the Bank's pre-tax income for the year.

Direct and indirect taxes incurred in Canada are shown in the accompanying chart. For additional information on the Bank's tax expenses in 2004, please refer to Scotiabank's 2004 Annual Report, available online at www.scotiabank.com.

| (\$ thousands) | Income taxes | Capital taxes | Other taxes ⁽¹⁾ |
|------------------------|----------------|---------------|----------------------------|
| Federal | 163,355 | 0 | 146,252 |
| Provincial | | | |
| Newfoundland | 2,048 | 1,323 | 2,970 |
| Prince Edward Island | 611 | 323 | 267 |
| Nova Scotia | 5,402 | 2,325 | 4,092 |
| New Brunswick | 2,448 | 1,176 | 1,998 |
| Quebec | 25,783 | 7,383 | 9,547 |
| Ontario | 114,530 | 32,035 | 100,767 |
| Manitoba | 2,996 | 1,490 | 2,735 |
| Saskatchewan | 2,406 | 2,213 | 1,277 |
| Alberta | 9,812 | 0 | 3,741 |
| British Columbia | 11,676 | 4,833 | 8,384 |
| Territories | 175 | 0 | 9 |
| Total provinces | 177,887 | 53,101 | 135,787 |
| Total | 341,242 | 53,101 | 282,039 |

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



> Debralyn Gordon (shown here with Tamia McLeod), from the Van Horne Shopping Centre branch in Montreal, educates youth in her community about black history.



> On hand to present the United Way of Greater Toronto with our donation (from left): Scotiabank's campaign co-chair Tom Russell, Susan McIsaac of the United Way, and Rick Waugh, Scotiabank President and CEO.

Quebec

Each year, Scotiabank makes a significant economic contribution in the province of Quebec. In 2004, the Bank:

- employed close to 1,900 full and part-time employees*;
- served more than 394,600 personal banking customers;
- authorized more than \$2.1 billion in consumer loans and lines of credit;
- provided customer mortgages valued at more than \$4.2 billion;
- authorized more than \$6.4 billion in credit to close to 7,900 commercial customers (including more than 6,500 small businesses with credit limits below \$250,000);
- paid more than \$42.7 million in direct and indirect taxes in the province.

(All figures as at Oct. 31, 2004)

* individual employees

Scotiabank contributed to a range of community organizations and charities in the province, equaling more than \$1.4 million. Our employees also took part in numerous fundraisers, team events and volunteer opportunities to support countless important regional causes:

- Scotiabankers in Montreal have long been passionate in their support for the Montreal Children's Hospital. Recently, local branches teamed up with ScotiaMcLeod and Scotia Capital to raise funds for the hospital's "Pedal for Kids" event, selling hospital teddy bears in branches. Team Scotia was the top fundraising team, collecting more than \$30,000 for pediatric care.
- Scotiabank's Debralyn Gordon volunteers with the Black Family Association of the West Island (BFAWI), organizing cultural and education programs about black history for youth ages 3-15. The Scotia Employee Volunteer Program recognized Gordon's nine years of volunteer work by providing BFAWI with a grant for a weekly workshop.

Ontario

Scotiabank and its employees make a major impact on the economy of Ontario each year. In 2004, the Bank:

- employed close to 21,400 full and part-time employees*;
- served almost 3.2 million personal banking customers;
- authorized more than \$13.1 billion in consumer loans and lines of credit;
- provided customer mortgages valued at more than \$41.3 billion;
- authorized more than \$42.2 billion in credit to more than 63,000 commercial customers (including almost 57,000 small businesses with credit limits below \$250,000);
- paid more than \$247.3 million in direct and indirect taxes in the province.

(All figures as at Oct. 31, 2004)

* individual employees

Roughly 900 community organizations and charities in the province benefited from Scotiabank's corporate contributions, roughly \$16 million. Our employees also generously contributed their time and skills to raise funds and volunteer for many great causes:

- The United Way of Greater Toronto received its largest donation ever from Scotiabank, on Jan. 8, 2004, when we presented our annual contribution to the agency. The record \$4.7 million gift, which included \$3.8 million raised as part of the employee fundraising campaign, represented a 27 per cent increase from the previous year's total.
- Scotiabankers from around the National Capital Region teamed up to support the Motorcycle Ride for Dad for prostate cancer research and awareness. Employees raised \$55,000 to sponsor six Scotiabank riders, plus 55 employees and family volunteers helped stage the 1,200-rider event.



> From left are Serving Seniors Inc. representatives Pat Porter and Dianna White with Scotiabankers Guy Comeault and Iris Kornelsen from the Steinbach branch in Manitoba.



> Scotiabankers Kathy Raine and Janice Sorochnan were just two of the more than 3,600 people who took part in the Sixth Annual Scotiabank Vancouver Half-Marathon and 5K Run/Walk.

Prairies & Northwest Territories

Scotiabank is proud of its role in the economies of Manitoba, Saskatchewan, Alberta and the Northwest Territories. In 2004, the Bank:

- employed close to 4,650 full and part-time employees*;
- served more than 946,000 personal banking customers;
- authorized more than \$4.3 billion in consumer loans and lines of credit;
- provided customer mortgages valued at more than \$10.0 billion;
- authorized almost \$14.5 billion in credit to more than 58,200 commercial customers (including almost 55,800 small businesses with credit limits below \$250,000);
- paid more than \$26.7 million in direct and indirect taxes in the region.

(All figures as at Oct. 31, 2004)

* individual employees

A wide variety of community initiatives in the region received more than \$1.6 million in corporate contributions from Scotiabank in 2004. Our employees also enthusiastically donated their time and energy to fundraise and volunteer for many great causes:

- Vince Stevens, Branch Manager in Milo, Alta., and his six employees organized the Snake Valley Hoedown, raising more than \$60,000 for cancer research and care in the province. The hoedown included a barbecue, kids' carnival, street dance and a head-shaving event.
- When Weyburn, Sask., hosted the 2004 Saskatchewan Summer Games for more than 1,200 athletes, local Scotiabankers Jacquie Van De Woestyne and Tara Porte volunteered their time as manager and assistant coach to the 11 to 13-year-old girls' soccer team, helping local youth enjoy healthful athletic competition.
- Staff at the Steinbach, Man., branch came to the aid of Serving Seniors Inc. (SSI) when they learned the local community group was in need of a new facility. Branch raffles, a banquet and a variety show helped make the down payment on the new centre.

British Columbia & Yukon

We are committed to supporting the British Columbia and Yukon economies. In 2004, the Bank:

- employed close to 3,100 full and part-time employees*;
- served more than 673,000 personal banking customers;
- authorized close to \$2.8 billion in consumer loans and lines of credit;
- provided customer mortgages valued at almost \$9.1 billion;
- authorized almost \$4.7 billion in credit to more than 16,000 business customers (including more than 14,600 small businesses with credit limits below \$250,000);
- paid close to \$25 million in direct and indirect taxes in the region.

(All figures as at Oct. 31, 2004)

* individual employees

Scotiabank's corporate contributions of more than \$1.5 million have benefited numerous community organizations and charities in the British Columbia and Yukon region. Our employees also teamed up to fundraise and volunteer for many great causes:

- More than 3,600 people took part in the Sixth Annual Scotiabank Vancouver Half-Marathon & 5K Run/Walk, including 100 Scotiabank employees who raised almost \$40,000 for the Vancouver General Hospital and UBC Hospital's Breast Reconstruction Program.
- Thanks to employees at the Prince Rupert, B.C. branch, 34 new spots were available for campers at Roosevelt Community School's Holiday Fun Seekers Camp. Employees raised funds through a hot dog sale during the city's annual Seafest celebration.
- ScotiaMcLeod's White Rock office hosted its annual golf tournament, with 144 competitors raising \$33,000 for the local hospice, Peace Arch Community Services and Surrey YMCA. The event has raised more than \$280,000 for the community over the past 13 years.

Global community development

The Scotiabank Group applies its philosophy of active community involvement in every country where we operate. We contribute more than C\$4 million to areas that complement our domestic giving approach, including health, education and social services. Scotiabank also supports community development programs, customized to meet region-specific needs that have the potential for long-term, positive influence. We are proud of the volunteerism for global causes demonstrated by both our international and Canadian-based employees.



> Around the world, the Scotiabank Group supports health, social services and educational programs that benefit communities, families and youth, such as these children playing near a Scotiabank Inverlat location in Mexico City.

Here are a few examples:

- With the Caribbean region representing an important part of Scotiabank's operations, we launched extensive efforts to assist those countries stricken by hurricanes Charley, Frances, Ivan and Jeanne in August and September 2004. Scotiabank made donations of more than C\$750,000, accepted donations for the Canadian Red Cross Hurricane Relief fund through Canadian branches, and arranged for shipments of fresh water and other urgently needed supplies. Additionally, employees worldwide raised more than \$100,000 to aid their colleagues who had been directly affected, but who nevertheless worked feverishly to restore banking services in their communities.
- The annual Terry Fox Run for cancer research, which was initiated and continues to be held each fall in Canada, has become a global event, attracting participants in 48 countries. Scotiabank employees help organize and take part in the run in many countries outside of Canada, including India, Malaysia, Hong Kong and Vietnam.
- In Chile, Scotiabank Sud Americano supports the María Ayuda Charity Foundation, a national charity that provides poverty relief, shelter and education to children, battered women and cancer patients. In 2004, Scotiabank Sud Americano donated C\$80,000 towards establishing a new school in a troubled Santiago neighborhood. In addition to a \$25,000 corporate donation from the Scotiabank Group, Bank employees in many Chilean communities took part in fundraising campaigns which raised an extra C\$40,000 for children's school supplies and holiday gifts. Many employees also volunteer at local María Ayuda chapters, including tree-planting with students from a refuge for abused children.



> Minna Israel, former Scotiabank Jamaica Deputy Managing Director (now Managing Director of Scotiabank Bahamas), with students at St. Peter Claver Primary School on Teachers' Day.



> Sergio Báez Duarte of Scotiabank Inverlat helps children at a local orphanage.

- To mark Jamaica's annual Teachers' Day on May 5, 170 Scotiabankers returned to class to volunteer as substitute teachers at schools ranging from kindergarten to university. Teaching subjects that ranged from life skills to mathematics, chemistry and economics, the event was a great way for employees to show their appreciation for the work and dedication of the country's teachers.
- In Mexico, Scotiabank Inverlat employee Sergio Báez Duarte takes time to teach math, religion, reading and writing to underprivileged youth living at Casa Hogar San Miguel Arcángel (CHSMA), an orphanage in Tlalnepantla. He also organizes activities to fundraise toward the daily cost of running the household. The Scotia Employee Volunteer Program recognized Duarte's work by providing a donation to CHSMA toward fresh water and payments on the group house.
- Employees in six Canadian cities stepped forward to help reduce global poverty by participating in the 20th annual World Partnership Walk (WPW) last spring. Some 56 employees donated almost 1,000 volunteer hours, and raised approximately C\$70,000, including a Team Scotia Community Program contribution. Funds raised are also matched by the Canadian government and Canadian International Development Agency, and help finance long-term international development programs offered by the Aga Khan Foundation Canada.
- When a catastrophic tsunami struck South Asian and East African coastlines on Dec. 26, we took action to support our employees in India, Thailand and Malaysia whose customers, families and loved ones were affected by the natural disaster. In addition to a C\$75,000 corporate donation to the Canadian Red Cross Asia Earthquake and Tsunami Relief Campaign, Scotiabank matched employee donations and employee-led fundraising, up to C\$100,000.

- Long-time Scotiabank Ireland employee Brendan Moloney took part in the 10th European Heart and Lung Transplant Games in Dublin last summer, thanks in part to a C\$10,000 donation from Scotiabank. Moloney, who received a heart transplant in 2000, joined 600 transplant recipients from 18 countries to compete in the games and raise international awareness for organ donation.

Supporting micro-credit

Scotiabank and our employees are also involved in several innovative microfinance initiatives that create new economic opportunities for local entrepreneurs, including women and the underprivileged.

For example, in Kingston, Jamaica, we developed Micro-Enterprise Financing Limited (MEFL) in collaboration with the Canadian International Development Agency and the Kingston Restoration Company, thanks to C\$2 million in loan capital from Scotiabank. MEFL offers clients access to credit (including loans without the requirement of collateral), business development training and savings facilities. A "peer lending" methodology makes MEFL members responsible for each other's loans and they serve on advisory boards to support each other's businesses.

Since establishing MEFL in November 2002, a total of almost C\$1 million in loan principal has been dispersed and, by October 2004, the organization served 944 active clients, 77 per cent of whom are women. A staff of 18 has helped clients in the retail, manufacturing, service or agricultural sectors amass savings of approximately C\$75,000.

There is also a micro-credit program in operation in Guyana, and plans are in development to expand the philosophy to other countries.

Respecting our environment

Scotiabank recognizes the serious global environmental challenges faced by our society. In our role as a major financial services provider, we can support the principles of sustainable development, both within our operations and by promoting them to our customers and suppliers. Our more than 950 branches and offices and over 34,600 employees in Canada have a direct impact on the environment by consuming energy and producing waste. We also have an important indirect impact through our financing and investment activities.

We understand that we have a responsibility to operate in an environmentally respectful way, to support efforts in this area among our stakeholders, and to ensure that our lending practices contribute to responsible project development activity.

We also collaborate with governmental and non-governmental organizations, and our peers in the business community, to encourage broad-based initiatives that can have an extended, positive global impact.

Key achievements in 2004

- | | |
|---|---|
| ✓ We renewed our position on the FTSE4Good Index of companies that satisfy global corporate responsibility standards. | ✓ We joined the UNEP Financial Institutions North American Task Force to encourage sustainable practices. |
| ✓ We joined Environment Canada's One-Tonne Challenge, to reduce greenhouse gas emissions. | ✓ We completed an evaluation of the Bank's major environmental impacts, policies and practices. |



- > **Photo above:** Scotiabank's support of the World Wildlife Fund helps finance research projects, such as Trent University's study of the North Atlantic right whale, an endangered species.
- > **Photo left:** Scotiabank's Kaz Flinn gears up to take part in the One-Tonne Challenge, an Environment Canada initiative supported by the Bank.

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Putting management structures in place

Our environmental activities are structured to support Scotiabank's long-standing environmental policy, which was introduced in 1991 and covers both our direct and indirect environmental impacts. Responsibility for the policy is shared by the Real Estate department (the officer

responsible is the Senior Executive Vice-President and CFO), the Operations department (the officer responsible is the Senior Vice-President, Shared Services), and the Head, Global Risk Management. On a day-to-day basis, employees across the Bank deal with environmental issues involving our resource conservation efforts, real estate holdings and lending practices.

Scotiabank Environmental Policy

Our core environmental policy, supported by additional specific policies and practices relating to individual business lines, 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.

Co-operating for the environment

To support co-operation on environmental issues, Scotiabank has participated in a number of domestic and international environmental initiatives this year.

We expanded our longstanding membership in the United Nations Environmental Program (UNEP) Financial Institutions (FI) initiative by joining its North American Task Force in 2004. Membership on the task force commits signatories to incorporate environmentally sound practices into their internal operations, risk assessment and management practices, and to develop environmentally sound products and services.

We also became a member of the Environmental Bankers Association (EBA), a U.S.-based organization which addresses environmental risk management and due diligence policies and procedures for major lenders, trust providers and insurers.

We continue to take part in the Canadian Bankers Association's Environmental Issues Group to review and participate in the development of standards and legislation relating to the environment, such as environmental assessments and land development.

Also during 2004, we demonstrated our ability to satisfy FTSE4Good's (Financial Times Stock Exchange) recently updated environmental management requirements for



> **Photo left:** Our Systems Acquisitions and Services team, which includes J. Courtland Elliott (left) and Earl MacLean, applies environmental standards to its disposing of old equipment.

> **Photo centre:** Scotiabank's donation to the Nature Conservancy of Canada will help promote conservation and protect endangered wildlife.

> **Photo right:** Mary Potts (left) and Valerie Marsh enjoy the natural light and improved air quality in their specially designed eco-friendly branch in Etobicoke, Ont.

financial institutions. The FTSE4Good Index is an international investment index which evaluates the performance of companies in meeting globally recognized corporate responsibility standards.

Waste management

We are taking steps across the organization to reduce, reuse and recycle materials used in our operations. With hundreds of retail branches, offices and other premises across Canada, our efforts can have a significant impact on waste reduction projects in hundreds of communities.

- Across our Canadian branch network, we take part in paper recycling programs. Our Executive Offices also maintains recycling centres for paper, glass and garbage. Within our Scotia Plaza offices in Toronto alone, we recycled 720 tonnes of paper, 60 tonnes of cardboard and 156 tonnes of food waste, achieving a 75% waste diversion rate, consistent with our 2003 performance.
- In 2004, we participated in a successful computer disk, tape and cartridge recycling program which converts technology waste into energy resources. Our donated materials produced more than 9,408 kWh of electricity – reducing the waste burden by the equivalent of 25 barrels of fuel oil or .02 acres of landfill.
- Scotiabank recycles 3,300 cartridges annually through its national toner cartridge recycling program, achieving nearly a 100 per cent yearly recycling rate for printer and facsimile machine cartridges in participating offices and departments.
- We recently joined Stewardship Ontario, a non-profit organization established as part of the province's Waste Diversion Act. Through this program, the Bank, and any company that introduces packaging and

printed paper into the Ontario consumer marketplace ("Stewards"), are required to share in the funding of Ontario's municipal Blue Box waste diversion programs.

- Our electronic services delivery channels help reduce paper consumption. For example, at 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.

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, and the group adheres to an Environmental Compliance Policy which reflects principles of sustainable development. Several of the department's efforts involve ensuring that our facilities minimize their energy consumption (see next page for details). The group also applies environmentally sensitive purchasing standards, including building materials, furniture and carpets in our branches and Bank-owned or managed premises. For example, across the Bank in 2004, new "totally green" fabric on office chairs was introduced to new projects and renovations. These highly durable natural fabrics are made of 41 per cent recycled materials and are 99 per cent recyclable.

Energy consumption

Since constructing a pilot "green" branch in Etobicoke, Ont., in 2002, Scotiabank has been incorporating several of its best features when it opens new locations or renovates existing ones. During 2004, we adopted some

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of the components listed below in five new branches and 36 renovated locations:

- exterior metal awnings to shade windows and reduce cooling needs;
- interior lighting shelves to increase natural lighting;
- E-glass windows in our standard specifications;
- energy efficient T-8 or T-5 light bulbs and fixtures;
- energy-efficient economizer heating, ventilation and air conditioning systems (HVAC);
- heat exchangers that efficiently vent exhausts while moving naturally warmed or cooled fresh air indoors;
- programmable thermostats with set-back controls; and
- exterior lighted signs controlled with photo sensors and/or timers.

In 2004, the Real Estate Department signed a national heating, ventilation and air conditioning maintenance contract with a third-party supplier to ensure all of these systems across our branch network operate as efficiently as possible. The Bank is also negotiating to put in place a similar contract to centrally manage all interior and exterior branch lighting systems, which will reduce energy usage.

During the year, we also retained a consultant to pilot a process to measure energy consumption and green-

house gas emissions in typical branches to help evaluate Bank-wide energy usage.

In addition, branch administrative manuals contain instructions and information to help employees reduce environmental impacts in the workplace.

Climate change

We understand that global warming is one of the most important issues facing our planet, and we are committed to playing our part in reducing harmful greenhouse gas (GHG) emissions through our operations and activities. With the Kyoto protocol coming into force, the Bank is aware that GHGs will begin to measurably affect the financial results of companies. In addition to addressing climate change in credit risk policies, we believe that collaboration among business, government and the public is essential to limiting climate change and, therefore, we co-operate with various stakeholder groups. For example, in addition to our membership on the UNEP FI North American Task Force, we are among the global companies that take part in the Carbon Disclosure Project, which reports annually on the emissions levels of large corporations globally. We are also partnering with Environment Canada in the One-Tonne Challenge (see page 28 for details).

The supply chain

The Bank is a major purchaser of products and services, ranging from printing and copying of forms, reports and marketing materials, to the acquisition of equipment and technology, such as computers, software, photocopiers and facsimile machines. We are committed to incorporating environmental standards into our acquisition processes to ensure our purchasing decisions are sensitive to the environment.

- Our centralized Shared Services department, the Bank's largest producer of forms and photocopied materials, makes certain that the majority of materials are produced on recycled, acid and chlorine-free paper stock and use vegetable-based inks. Their print suppliers ensure a high degree of efficiency in paper and ink stock, and printing contracts request that packaging uses paper and corrugated cartons that are made from reclaimed products and can be recycled.
- The Bank includes environmental criteria in all of our selection processes for equipment and technology,



> Many of the Bank's major publications – including this report – are printed on SFI (Sustainable Forestry Initiative) paper. Scotiabank's Nancy Howard, Senior Manager, Design and Production (left), checks the quality of the 2004 annual report with Gord Luck (right) and Corrinne Hodgins of Quebecor.

including many Canadian Standards Association environmental procurement guidelines. For example, we evaluate potential providers of office devices on criteria such as: the energy efficiency and electrical power consumption ratings of their devices, and their process for decommissioning and disposing of old equipment in an environmentally sensitive way.

- Many of the Bank's principal publications, including our annual report, community wall calendar and this corporate social responsibility report, are printed on paper that follows the Sustainable Forestry Initiative (SFI) program for the harvesting of forests. This program provides paper manufacturers with exacting standards for environmental principles, objectives and performance measures that protect wildlife and plants, and meet other conservation goals. For more details, visit www.aboutsfi.org.

Addressing environmental risk in our lending activities

Scotiabank has an environmental lending policy in place which seeks to identify and mitigate environmental risks in all of the Bank's commercial and corporate lending activities. As part of the overall credit assessment process, the policy requires account managers to consider, review and document potential environmental risks associated with the business operations of each borrower on initial, annual and periodic reviews.

Lending officers must take all necessary steps to know the borrower and its business. This includes assigning an Industry Environmental Risk Rating and, where required, completing environmental checklists covering the borrower's business and the security offered. Once these steps have been completed, the lending officer may proceed with the borrowing application or pursue further environmental investigation where indicated by the risk assessment process.

Detailed policies and procedures are in place applicable to small and medium-sized businesses and large corporate clients. The Bank's standards for due diligence include gathering and assessing pertinent information so that we can sufficiently identify all actual or potential environmental problems, with respect to the borrower's property or business; evaluating the nature and severity of the problem; and appropriately addressing it in the credit analysis and loan structuring process.

Environmental credit risk training is provided to our Scotia Capital officers as a part of their standard training, and the Bank maintains a list of more than 250 environmental consultants to ensure lending officers can access the necessary expertise to complete a sound due diligence assessment process.

Since changes in environmental legislation or a deterioration in the borrower's environmental management practices may result in an environmental problem, banking officers are instructed to make every effort to keep informed of any potentially serious environmental matter affecting the borrower.

Sustainable project finance

As a leading corporate and investment bank, in 2004, Scotia Capital provided advice and financing support to a number of innovative environmental projects. For example, we acted as lead arranger and administrative agent in providing debt financing to Commercial Alcohols Inc. (CAI). As CAI's main banker since 1996, we have helped them become one of Canada's largest manufacturers and suppliers of the fuel ethanol, an EcoLogo™-approved gasoline additive that reduces greenhouse gas emissions.



> Stewart Davidson, Commercial Alcohols Inc.'s Vice-President of Finance and Administration (right), shows Scotia Capital's James Rhee and Sangeeta Shah the EcoLogo™-approved ethanol fuel that his company manufactures and supplies.

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Scotia Capital also provided part of the financing to two project companies, ultimately controlled by Creststreet Power and Income Fund L.P., to construct clean power-producing wind farms. Once completed in 2005, a 30-turbine site in Mount Copper, Que., is expected to produce 54 megawatts of electricity, and a 17-turbine site at Pubnico Point near Yarmouth N.S., will have generating capacity of 30.6 megawatts of clean power.

Scotiabank's International Project Finance department has also been involved in significant eco-friendly development projects around the world, including its role as lead arranger for a US\$35 million loan facility to Mexico's Comexhidro to develop three hydroelectric plants and transmission lines that will generate 51.9 megawatts of electricity. The plants, which are being built according to International Labour Organization and United Nations conventions and World Bank guidelines, use existing irrigation and flood control dams and reservoirs to minimize environmental damage.

Meeting global standards for international project finance

Scotiabank has a long history of abiding by stringent environmental criteria in its global project finance activities. In 2004, we consulted with the International Finance Corporation (IFC), the private sector arm of the World Bank, in preparation for adopting the Equator Principles, and, subsequent to the fiscal year end, we adopted them. These principles, which are currently signed by 28 financial institutions in 14 countries, form an international standard designed to help major lenders address environmental and social issues in their international project finance activities.

By endorsing these principles, Scotiabank will review all borrowing proposals of more than \$50 million in accordance with World Bank and IFC criteria regarding issues such as: the protection of human health, biodiversity, the impacts on indigenous communities and consideration of feasible environmental and socially preferable alternatives. Since 1999, Scotiabank employees have been participating in IFC workshops that focus on managing environmental risks in emerging markets, and we are in the process of drafting a policy that satisfies the specific requirements of an Equator Principles declarant.

Contributing to environmental initiatives

The Scotiabank Group also supports significant environmental initiatives through partnerships and charitable giving programs. For example:

- Scotiabank has partnered with Environment Canada to support the One-Tonne Challenge, a federal government initiative to encourage individual Canadians to reduce their personal greenhouse gas (GHG) emissions by one tonne, or about 20%.
- Scotiabank provided \$100,000 over five years to support the Nature Conservancy of Canada's "Campaign for Conservation." With the support of its partners, the Conservancy is able to protect old growth forests, internationally significant wetlands, and threatened prairie grasslands, while providing safe havens for Canada's endangered wildlife and plants.
- Scotiabank has donated \$10,000 to support the World Wildlife Fund's Endangered Species Recovery Fund. This fund helps finance research projects to protect and recover Canadian species at risk of extinction. Projects include: a Trent University study of the reproduction biology and habitat use of the North Atlantic right whale; the Labrador Inuit Association's study of the occurrence and distribution of wolverines in northern Labrador; and the Haida Tribal Society's northern abalone recovery work.

Going forward

Scotiabank has set the following environmental objectives for the next three years. We look forward to communicating our progress through our annual corporate social responsibility reports. We will:

- measure paper consumption across Canada;
- enhance climate change risk assessments in environmental credit risk policies;
- facilitate access to banking products that promote sustainability; and
- increase dialogue on environmental issues with NGOs, environmental experts and governments.

Our customers

At Scotiabank our core purpose is to be the best at helping our customers become financially better off, by providing relevant solutions to their unique needs. With more than 10 million customers around the globe, we must develop and adapt our services to satisfy very diverse communities, accommodate their access needs, effectively respond to their feedback and provide education on key financial issues. Above all, we recognize our responsibility to provide the highest level of integrity and ethical standards, strictly follow all laws where we do business, and protect our customers and their finances – whether it is by keeping their personal information accurate, confidential and secure, or training our employees to be alert for money-laundering activity.

Scotiabank's success in meeting these objectives is indicated by our continued leadership in customer satisfaction. We are proud that we retained our top ranking among Canada's five largest banks in the annual Customer Service Index survey of personal banking customers by the international research firm Synovate. We also won customer service awards in several international markets, including Mexico and Costa Rica.



Key achievements in 2004

- ✓ 236 Scotiabankers trained or provided financial education seminars for 4,533 students.
- ✓ The Progressive Aboriginal Relations Program awarded Scotiabank Silver Recognition status.
- ✓ We surveyed more than 115,000 retail banking customers to gauge customer satisfaction.
- ✓ We renovated 36 domestic branch locations and opened four new locations to improve customer accessibility.

> Scotiabank's diverse workforce reflects the multicultural communities in which we operate. Employees of the Ouellette and Park branch in Windsor, Ont., can serve their customers in 16 different languages – plus English. Song Li (left) and Meenal Sharma display a sign promoting the branch's multilingual services.

Access and accommodation

Scotiabank maintains an official policy that we will make every reasonable effort to accommodate the needs of persons with disabilities in the delivery and design of products, and in employment, in a manner which respects the dignity of each individual.

New Scotiabank branches, or facilities that have undergone major renovations, meet the Canadian Standards Association's (CSA) accessibility guidelines. During 2004, we performed significant renovations on 36 domestic branches and opened four new locations. We are also currently updating our standards to reflect new guidelines issued in the fall of 2004, and most of our existing branches will be upgraded to meet the CSA standards over the next eight years.

For example, close to 100 per cent of our ABM units now incorporate new facades which are lower and have more leg room to give customers in wheelchairs better access to the card reader, keypad, screen and transaction receipt door. 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.

Scotiabank has introduced additional ABM features, such as grab bars to help customers position and support themselves, and ABM lead-thru lights that direct customers to the transaction they have chosen. We are working closely with a number of vendors to develop hardware and software solutions that fully comply with the CSA standards.

Scotiabank and the Canadian banking industry have been leaders in introducing electronic banking services, including telephone and Internet banking, which deliver affordable banking services directly to the homes of persons of all abilities.

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

Branch services

Our customers have shown that they prefer to use a variety of delivery channels to conduct their personal banking – including our more than 950 Canadian 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 relation-



> **Photo above:** New Scotiabank branches or facilities that have undergone major renovations meet CSA accessibility guidelines.

> **Photo left:** Customer Adam Cohoon appreciates recent renovations that have made our Bloor and Spadina branch in Toronto more accessible.

ships, and we constantly review and improve our network to ensure it meets current customer needs. In 2004, we opened 10 new or consolidated branches and closed or consolidated 17 locations (see Appendix, page 51).

Basic banking

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

- 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. This account addresses federal government and consumer group recommendations to limit the monthly fee and to include some in-branch transactions. Individuals can open an account, with certain basic identification, without a minimum deposit or employment as a condition for opening it.
- We are also committed to serving individuals, including low income Canadians, who do not maintain banking accounts but require the ability to cash government-issued cheques. We provide training to help employees serve these individuals and communicate service options in a helpful, straightforward manner*.
- A list of acceptable identification needed to open an account, cash government cheques, 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. For example, our Account Selector *Reality Check*[®] tool is a convenient way for customers to determine the right account for the way they choose to bank and to help them 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.

Meeting unique customer needs

In addition to offering low-fee basic banking services to Canadians of modest income, Scotiabank also offers various specialized products and services designed for youths, students and seniors:

- The *Getting There Savings Program*[®] for youths is designed to help young people under age 19 learn banking basics. This no-fee plan offers up to 20 free debit transactions per month and cash prizes to encourage young people to save.
- 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 provides customers aged 59 or older a no-fee banking plan that includes up to 40 free debit transactions per month, plus other free or discounted services.

Providing consumer education

Each year, Scotiabank employees dedicate considerable time sharing their financial expertise with the public, through seminars, special events and educational programs that raise consumer awareness and understanding of banking and investing topics. A few examples include:

- Since 1996, Scotiabank has provided the Scotiabank Fraud Awareness Program: ABCs of Fraud – a Canada-wide fraud education and prevention program for seniors. As part of the program, Scotiabank distributes fraud alert videos to educate seniors and community groups about the risk of telephone and marketing fraud. In 2004, we updated our program to include the timely issues of identity theft, Internet frauds and investment scams. During the year, more than 370 presentations were held for over 12,000 people at service clubs, churches and community centres.
- In 2004, 236 Scotiabank employees volunteered their time to take training and prepare presentations as part of the Canadian Bankers Association's (CBA) financial education programs. For example, 69 Bank staff collectively dedicated more than 828 hours to deliver *There's Something about Money* seminars to grade 10, 11 and 12 students, helping more than 4,500 young people prepare for their financial future.

* Visit the websites of the Financial Consumer Agency of Canada (www.fcac-acfc.gc.ca) and the Canadian Bankers Association (www.cba.ca) for more detailed information on consumer protection.

Protecting our customers

The Scotiabank Group is a leader in ensuring the protection of our customers and their financial information, whether they bank through our branches or via electronic channels, including Cashstop automated banking machines, Scotia OnLine banking and brokerage services, and point-of-sale debit.

We are committed to complying with several industry voluntary commitments and codes of conduct designed to protect and serve customers by informing them of their rights and our responsibilities. These voluntary undertakings cover such areas as consumer debit card services, electronic commerce, transfers of registered plans, authorized insurance activities and the marketing and provision of new unsolicited services (see Appendix, page 55).

We maintain a comprehensive information security program to protect the Bank's electronic information and databases from intrusions or computer viruses. Over many years, the Bank has developed extensive internal expertise on the issues of data and information security, safeguarding our electronic banking services, protecting customers from financial crimes, securing Bank premises for our customers and employees, and providing fraud and security investigation. We collaborate with task forces within the financial industry and with law enforce-

ment authorities at all levels of government to share information and address emerging security issues.

We also promote and communicate safe banking tips to our customers to help them protect themselves from fraud. For example, we publish safe computing practices tips on www.scotiabank.com to keep Internet users informed about online security issues.

Addressing privacy issues

Privacy is the cornerstone of customer trust, and Scotiabank has a group-wide privacy program designed to keep our customers' electronic personal information accurate, confidential and secure. The Scotiabank Group Privacy 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. The Privacy Code, as well as our brochure, *The Scotiabank Group and You: A Question of Trust*, is available to the public in our branches and offices and on our website. We also have a Privacy Committee, made up of senior management, which meets quarterly to discuss privacy trends and related policy issues and identify action steps when required.

Responding to customer concerns

To address small business and individual customer concerns and complaints effectively, Scotiabank has a three-step internal process. Customers can first try to resolve the issue at their branch or by contacting the call centre. If the manager at the branch or call centre cannot resolve their concern successfully, customers can then contact Scotiabank's Office of the President. If they remain dissatisfied after this step, they can contact Scotiabank's Ombudsman, who will launch a thorough, impartial investigation.

In 2004, the Office of the President received 8,746 complaints, about the same number as the previous year. Surveys of 1,460 customers who filed a concern with the Office of the President in 2004 indicate that 89 per cent were fully satisfied with the handling of their complaint. In addition, the Office of the President reviews issues raised by customer complaints with the Bank's business lines to improve our policies, processes and products. It also received 325 staff commendations in 2004, a 10 per cent increase from the previous year.



> **From left:** Daniela and Michael Magarelli appreciate the good service they get from employees at the Islington and Rexdale branch in Etobicoke, Ont., including Gina Manza (right).

If a customer still feels their concern has not been satisfactorily addressed, they may then contact the Ombudsman for Banking Services and Investments (OBSI), an independent organization that investigates customer complaints about financial services providers. Also, the Centre for the Financial Services OmbudsNetwork (CFSON) helps customers who are 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. Areas of improvement identified from this feedback are translated into improvement targets and performance appraisals at the branch level, and form part of the balanced scorecard targets of senior management. For example:

- Every year, we survey more than 115,000 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, specific to their own customers, on the independent survey results. Similar surveys also provide regular feedback from commercial and small business customers, Scotia Private Client Group, ScotiaMcLeod and ScotiaMcLeod Direct Investing.
- Scotiabank performs extensive customer research to design and enhance our products and services, including frequent focus groups, mystery shopping and surveys, and we track, analyze and report on trends identified through customer complaints data.
- Since we know that employees are the most knowledgeable about which products and services work well and which do not, we also welcome their ideas on ways to improve the customer experience through Team Voice, a toll-free phone and e-mail service. Employees can anonymously comment on policies, programs or issues that affect their ability to deliver outstanding service.
- Twice a year, we survey our domestic branches about the help they receive from internal support areas in meeting customers' needs. In 2004, the confidential Scotiabank Satisfaction Survey, which was distributed to 30,000 domestic employees, plus those in Jamaica and Trinidad & Tobago, indicated very high satisfaction levels with the majority of our support areas that partner with our branches and contact centres.
- We carefully monitor mystery shopping surveys conducted by the Financial Consumer Agency of Canada (FCAC). The FCAC is an organization which provides consumer information and oversees financial institutions to ensure they comply with federal consumer protection laws. It does this through reviews of 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. Although 89.3 per cent of our branches were compliant in 2003, the most recent year feedback was available, we recognize that there is always room for improvement, and we continuously incorporate new employee training and processes to address areas of weakness.
- Scotiabank invites and receives comprehensive input from stakeholders such as members of the Consumers



> **From left:** Judi Baker, Anita Galbraith, Janice Nairn, Kirbi Jeevanand and Linda Mossman of the Bank Card Security unit in Toronto, work to identify, contain and shut down fraudulent credit and debit card activity.

Council of Canada (CCC), regarding the Bank's corporate social responsibility report and information disclosure to the public, and from the Canadian Federation of Independent Business on the calibre of our small business services. During the preparation of our 2003 report, the CCC's review committee provided us with 50 recommendations, and we completed 48 of them. We believe such input not only makes us more responsive to stakeholders' views, but helps us shape our future.

Anti-money laundering and anti-terrorist financing efforts

Scotiabank has in place a Global Anti-Money Laundering Compliance Unit within our Group Compliance Department, under the direction of the Chief Anti-Money Laundering Officer. The team oversees the design, implementation and maintenance of the Anti-Money Laundering/Anti-Terrorist Financing Program throughout the Bank and our subsidiaries.

During 2004, we published a new handbook that outlines Group-wide policies and standards, and launched

an online training program to Bank staff. The Anti-Money Laundering & Anti-Terrorist Financing training program, the Scotiabank Group's largest single training initiative to date, achieved a 95 per cent participation rate among our Canadian employees. These tools assist management and staff in preventing, detecting and reporting suspect activity to financial intelligence units in the jurisdictions in which we operate.

Serving diverse communities

To operate in and effectively serve Canada's multicultural population, we understand that our workforce should reflect the diversity of the communities in which we operate. Scotiabank actively recruits multilingual employees to help us accommodate the cultural and linguistic preferences of our customers. We also incorporate additional language options in our most in-demand services to serve customers in the language of their choice. A sample of our services includes:

- Our TeleScotia telephone banking call centres serve callers in English, French, Mandarin and Cantonese.
- ScotiaMcLeod Direct Investing (SMDI) offers Chinese-language services to clients, with a team of experienced investment representatives providing full trading support and client service to investors through a dedicated toll-free telephone number.
- To help branches build stronger links in distinct communities, the Bank's Local Area Marketing Program provides Chinese-language customer materials, including fact sheets and advertisements, which Chinese-speaking personal banking officers can customize and print for their customers.
- In 2004, branches were provided with the ability to create "We speak your language" signs that can be posted to advise customers of the languages spoken by branch staff (photo, page 29).

Serving Aboriginal customers

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 in the Aboriginal community, Scotiabank provides its branch

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其後，若您的戶口保持最少\$2,000結餘，便可繼續免繳月費。¹

詳情請致電我們或親臨本行查詢。

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¹ The Bank of Nova Scotia乃紐按揭使用此商標的機構。



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> To help branches build stronger links in distinct communities, the Bank's Local Area Marketing Program provides Chinese-language customer materials.

managers with a 26-page guide that offers a comprehensive working plan for serving native Canadians better, including tips on hiring and retaining people from these communities.

In addition to our on-site reserve branches, many other Scotiabank locations support local Aboriginal communities. For example, our Scotiabank Rama branch, near Orillia, Ont., has maintained a strong business relationship with the Chippewas of Mnjikaning First Nation for more than 25 years. The branch has also been involved in an innovative on-reserve housing project for several years by which members of the Ojibway reserve can receive mortgages or home renovation loans – normally a difficult process, since band-owned reserve properties cannot easily be pledged as collateral. In 2004, we funded \$1.5 million in housing as part of this innovative program.

To help build and maintain lasting relationships with the Aboriginal community, the Bank, in 2004, took part in a self-assessment process which is part of the Progressive Aboriginal Relations Program established by the Canadian Council for Aboriginal Business (CCAB). The process evaluated our progress in the areas of employment, business development, individual capacity

and Aboriginal community relations. The CCAB awarded Scotiabank Silver recognition, making the Bank one of the first financial institutions to reach this level of achievement. This report will help us refine how we continue to serve the needs of our Aboriginal relationships across Canada.

Going forward

Scotiabank has set a number of objectives to enhance customer services in the coming years, and we plan to communicate our progress through our annual corporate social responsibility reports. We will:

- continue to set aggressive goals for the percentage of customers who are satisfied with the handling of their complaints through the Office of the President;
- improve the number of our branches that are deemed compliant with legislative requirements through FCAC mystery shopping surveys; and
- increase customer satisfaction and loyalty levels, as measured by the “Through Your Customers’ Eyes” program.



> Bill McRoberts, a firefighter who lives on the Mnjikaning First Nation reserve in Ontario, purchased his family's home through the Rama branch's on-reserve mortgage program. He appears here with his son, Owen.

Small business

At Scotiabank, we recognize the value of small businesses in Canada: as economic drivers of the Canadian economy, as employers, and as an essential source of skills, innovation and growth for our country.

To support this important and distinct customer segment, we provide dedicated small business specialists in every Scotiabank branch. We offer a full suite of day-to-day banking, borrowing, saving and investing products and services – practical solutions to help satisfy the owners' personal and business banking needs, so they can concentrate on running their businesses.

Key achievements in 2004

- | | |
|---|--|
| ✓ Our Small Business Resource Centre answered 35 per cent more inquiries from employees to help them answer customers' questions. | ✓ We renewed and improved special banking packages with small business and professional association members. |
| ✓ We introduced a faster, fully automated Business Account opening system. | ✓ We continued to help cattle industry customers and communities weather the BSE crisis. |



> Scotiabank provides dedicated small business specialists to help clients such as Denis Benoit, owner of DB Embroidery Solutions, in Dartmouth, N.S.

Our small business team

Our small business team is composed of more than 1,512 small business bankers, including more than 950 branch managers with small business expertise and over 550 dedicated small business account managers, located in more than 360 branches. Many of these account managers also have extensive backgrounds in retail banking, so they can readily address all of the small business operator's personal and business banking needs.

Scotiabank's Small Business Resource Centre helps our team respond effectively to their customers' increasingly complex needs, by providing fast, detailed answers to employee questions via phone or e-mail. The Resource Centre's internal website experienced 35 per cent more questions over last year (with almost 90 per cent of inquires receiving an immediate response), and the centre's telephone staff fielded more than 1,378 calls per month, providing immediate answers to 80 per cent of inquiries. As a result, small business owners received the timely, expert information they needed to manage their finances. During 2004, expanded online training was also delivered to small business bankers to supplement their product and sales skills.

Enhancing our services

As part of our commitment to small business owners, we continuously fine-tune our services and processes to serve them well. For example, in 2004 we:

- introduced a fully automated account-opening process, which allows small business owners to open new accounts more quickly (up to 30 minutes faster, and typically requiring just one meeting, rather than two) and provides on-the-spot approval for overdraft protection, a ScotiaCard and other special offers.
- launched a fully automated and streamlined approach to our credit review system, allowing our branch managers or account managers to spend less time on administration and more time developing proactive advice and service for their customers.
- extended our very popular small business Cashback offer, which provides the customer with 1 per cent cash back on the value of new term loans up to \$250,000 and waives the loan application fees.

Dealing fairly with small business

We follow a Small and Medium-Sized (SME) Business Code of Conduct, developed with the Canadian Bankers Association, to govern our relationships with these businesses and to ensure we serve the small business community in a fair, clear and transparent manner*.

The code comprises five key elements involving:

Openness: the code is available to current and prospective SME customers and is accessible on the Bank's website;

Accountability: our employees are committed to serving clients and ensuring problems are satisfactorily resolved;

Credit process: we provide 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 suggest other potential sources of financing;

Changing credit relationship circumstances: if a customer experiences a significant change in their business, such as financial difficulty, we will carefully review our arrangement with the client before taking action. We will provide at least 15 calendar days notice of any Bank actions taken, and inform customers when changes are made to the terms or conditions specific to their credit relationship with the Bank; and

Complaint handling: a detailed description of the complaint resolution process.

* Visit the websites of the Financial Consumer Agency of Canada (www.fcac-acfc.gc.ca) and the Canadian Bankers Association (www.cba.ca) for more detailed information on consumer protection.

Partnering to support small business goals

To meet the needs of thousands of Canada's small business owners, we have renewed and improved our existing Preferred Banking Services packages, including service discounts to members of the Canadian Federation of Independent Business, Retail Council of Canada and the Canadian Professional Sales Association.

Since Canada's many professional groups also require tailored services, we maintain active partnerships with various health care associations, including the College of Family Physicians of Canada, Royal College of Physicians and Surgeons of Canada, and the Canadian Pharmacists Association. We also provided essential financial information to their members. For example, we participated in the Canadian Pharmacists Association's "Campus Tour," speaking to students at each of the nine pharmacy faculties across Canada. We've also committed over the next three years to help the College of Family Physicians expand its website to provide added educational content for its membership.

Scotiabank has a history of providing small-scale financing or financial advice to promote community economic development through regional economic development agencies across Canada and through the federal government's Canada Community Investment Plan.

In Ontario's Niagara region, we are a banking partner to the Niagara Canada Community Investment Plan, which helps small business owners access growth capital. The local Scotiabank branch is also a platinum sponsor of the Niagara Enterprise Centre's High School Business Plan Competition, which encourages young entrepreneurs, and Bank employees volunteer on the judging panel.

Supporting research on issues for female entrepreneurs

While Industry Canada reports that women wholly or partly own 45 per cent of Canadian businesses, female-owned firms are, on average, smaller, less profitable and less growth-oriented. To help investigate these issues, Scotiabank sponsored a panel of expert speakers at the Economic Forum on Women Entrepreneurs in Canada



> Scotiabank Small Business Manager Sandy Thar of St. Catharines, Ont. (centre), together with Marco Marino and Jessica Potts from the Niagara Enterprise Centre (NEC), volunteer their time to judge entries in the NEC's High School Business Plan Competition.

in October 2004. Scotiabank executives participated with academic experts, officials from federal and provincial government, Crown corporations, business associations and training agencies to discuss policies and programs to support the growth of female entrepreneurs.

Supporting Canada's agricultural sector

Scotiabank supports Canada's agriculture industry by playing a lead role in both traditional and vendor financing. We provide commercial and small business agricultural clients with a full range of financial solutions, including investment services and assistance in the transition of farm businesses from parents to children.

We continued in 2004 to grow our unique third-party financing alliance with Agricare United, providing the input financing for crop and livestock producers. We also offer input financing for producers through the independent dealer outlets of Univar Canada, and through the member dealer network of Quality Assured Seeds.

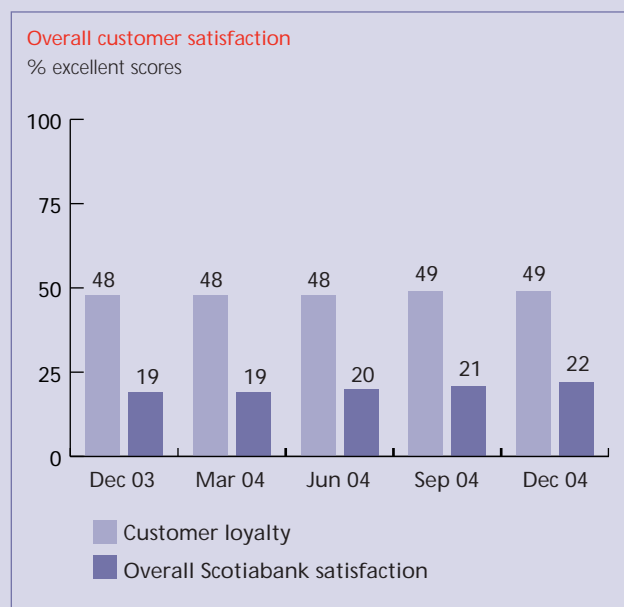
Scotiabank's commitment to the dairy industry is highlighted by our 20-year sponsorship of Canada's premier 4-H dairy show, the Scotiabank Hays Classic

at the Royal Agricultural Winter Fair in Toronto. This sponsorship encourages rural youth leadership across Canada, and helps build the next generation of farm business owners.

With the emergence of the issue of bovine spongiform encephalopathy disease (BSE) in 2003, Scotiabank made a commitment to our customers in the cattle industry to work with them individually, as well as with the surrounding rural communities, in which countless related businesses are economically affected by the beef export ban. Throughout 2004, we continued to assist our customers to find ways to manage their situation, often by helping them schedule loan payments, identify financing alternatives or by providing sound, straightforward financial advice.

During this time, Scotiabank, as a member of the Canadian Bankers Association, met regularly with the national Canadian Cattlemen's Association and federal and provincial government officials to provide our input on current industry issues and on proposed longer-term contingency measures for the beleaguered community of beef producers.

Scotiabank tracks customer loyalty and satisfaction trends through its Small Business Through Your Customers' Eyes survey.



Going forward

Scotiabank has set a number of objectives to enhance service to our small business customers in the coming years, and we plan to communicate our progress through our annual corporate social responsibility reports. We will:

- continue to expand the training and resources available to our small business bankers to help them provide better advice and service to their customers;
- strive to increase service satisfaction levels among our small business customers;
- continue to improve our customer experience by better understanding our customers' goals and suggesting relevant financial solutions that meet their needs; and
- participate in educational programs for entrepreneurs and partner with business and professional associations to provide useful financial information and services to their members.

Debt financing

The following charts indicate – by province and for Canada as a whole – the amount of business credit authorized and outstanding as at Oct. 31, 2004, and the number of customers to whom it was authorized. The listing reflects the credit needs of our business customers, and allows interested parties to track Scotiabank's year-over-year performance in the provision of credit to this important segment of the Canadian economy.

| 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 | 50,901 | 20,175 | 8,711 | 198,378 | 108,212 | 3,983 | 248,772 | 166,021 | 1,670 | 212,284 | 146,928 | 624 |
| Alberta | 53,320 | 24,094 | 8,942 | 212,352 | 127,398 | 4,223 | 278,624 | 186,057 | 1,835 | 187,306 | 123,471 | 559 |
| Saskatchewan | 23,505 | 14,601 | 2,606 | 106,821 | 75,181 | 2,123 | 112,694 | 83,415 | 768 | 55,692 | 39,855 | 174 |
| Manitoba | 179,330 | 36,547 | 16,236 | 879,585 | 258,283 | 17,453 | 180,039 | 96,172 | 1,459 | 89,478 | 45,168 | 275 |
| Ontario | 197,679 | 85,331 | 33,402 | 832,785 | 487,259 | 16,720 | 1,019,954 | 675,966 | 6,710 | 775,308 | 529,700 | 2,331 |
| Quebec | 21,692 | 9,876 | 3,245 | 108,577 | 63,178 | 2,187 | 159,189 | 109,487 | 1,070 | 150,848 | 108,576 | 431 |
| New Brunswick | 16,108 | 9,022 | 2,317 | 59,433 | 37,690 | 1,194 | 74,667 | 52,549 | 491 | 57,178 | 39,363 | 165 |
| Nova Scotia | 24,858 | 12,050 | 3,394 | 108,682 | 72,855 | 2,157 | 123,857 | 88,829 | 837 | 76,532 | 48,664 | 226 |
| P.E.I. | 4,545 | 2,646 | 576 | 22,394 | 15,443 | 438 | 29,389 | 22,460 | 189 | 28,726 | 20,668 | 83 |
| Newfoundland | 18,404 | 9,610 | 2,382 | 72,830 | 47,468 | 1,462 | 77,125 | 56,229 | 528 | 48,763 | 35,766 | 143 |
| Territories* | 1,434 | 511 | 298 | 4,238 | 2,346 | 86 | 5,176 | 3,232 | 33 | 2,705 | 1,757 | 8 |
| Canada | 591,776 | 224,465 | 82,109 | 2,606,075 | 1,295,313 | 52,026 | 2,309,487 | 1,540,418 | 15,590 | 1,684,819 | 1,139,916 | 5,019 |

| 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 | 247,947 | 172,144 | 366 | 723,667 | 509,380 | 368 |
| Alberta | 228,077 | 155,553 | 343 | 839,615 | 554,296 | 379 |
| Saskatchewan | 49,445 | 35,224 | 74 | 157,501 | 115,235 | 80 |
| Manitoba | 84,696 | 48,580 | 125 | 191,061 | 123,642 | 102 |
| Ontario | 905,450 | 622,647 | 1,339 | 3,485,623 | 2,255,686 | 1,637 |
| Quebec | 211,848 | 155,306 | 301 | 1,035,118 | 747,063 | 474 |
| New Brunswick | 65,539 | 45,203 | 96 | 201,755 | 128,319 | 100 |
| Nova Scotia | 100,758 | 70,984 | 149 | 332,501 | 223,466 | 156 |
| P.E.I. | 32,621 | 27,619 | 47 | 114,235 | 89,933 | 66 |
| Newfoundland | 37,432 | 28,262 | 55 | 81,105 | 56,288 | 41 |
| Territories* | 1,661 | 1,282 | 3 | 5,648 | 4,158 | 4 |
| Canada | 1,965,473 | 1,362,806 | 2,898 | 7,167,829 | 4,807,466 | 3,407 |

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 & Yukon** | 2,969,532 | 1,447,214 | 142 |
| Alberta & NWT** | 9,186,802 | 3,736,425 | 262 |
| Saskatchewan | 431,469 | 215,752 | 20 |
| Manitoba | 942,812 | 480,630 | 46 |
| Ontario | 35,030,383 | 14,037,377 | 993 |
| Quebec | 4,730,526 | 2,148,832 | 189 |
| New Brunswick | 1,011,880 | 580,698 | 35 |
| Nova Scotia | 1,647,348 | 900,991 | 79 |
| P.E.I. | 39,669 | 32,703 | 4 |
| Newfoundland | 421,214 | 269,677 | 19 |
| Canada | 56,411,637 | 23,850,298 | 1,789 |

* For reasons of client confidentiality, we have combined the Yukon and the Northwest Territories.

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

Employee satisfaction

The Bank's success can be traced to the efforts of the more than 48,000 employees of the Scotiabank Group and its affiliates around the world. Through a wide variety of programs and policies, we have built a highly diverse workforce and fostered a culture that is based on a strong sense of community and teamwork. We focus on recognizing and rewarding performance, providing opportunities to learn and grow, ensuring employees' health and well-being, and encouraging open communication. We carefully measure our performance in these areas, as shown in the following pages, so that we can continue to increase employee satisfaction and be recognized as an employer of choice.

Key achievements in 2004

- | | |
|--|--|
| ✓ Achieved 82% – our highest ever score – on our Employee Satisfaction Index, reported through our global employee opinion survey. | ✓ Named one of the 50 best employers in Canada in a national study published in <i>The Globe and Mail Report on Business</i> magazine. |
| ✓ Named among the top 100 training organizations in the world by <i>Training</i> magazine. | ✓ Recognized by <i>Canadian Business</i> magazine as a top employer for minorities and Aboriginal peoples. |



> Scotiabank's commitment to being an employer of choice spans the globe. In 2004, employees in our Scotiabank de Costa Rica subsidiary scored highest on the employee satisfaction index of ViewPoint, our annual employee opinion survey.

Who we are: our diverse workforce

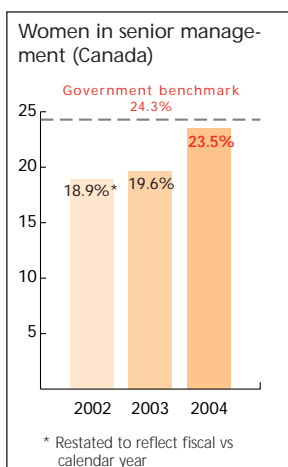
As Canada's most international bank, we believe that the diversity of our team is one of Scotiabank's key strengths. Based in one of the world's most multicultural nations, and operating in some 50 countries, we understand that a diverse workforce helps us to more effectively serve our communities. This year, we have continued to follow and fine-tune our People Planning process, which integrates diversity and employment equity initiatives into established business practices. A quarterly Employment Relationships People Report measures our progress toward diversity goals in each Scotiabank Group business line, in the areas of diversifying the workforce, employee engagement and satisfaction, and employee turnover.

The advancement of women

The Scotiabank Group is striving to be a recognized leader in the advancement of women and a destination workplace for women seeking careers in the financial services industry. More than 72 per cent of Scotiabank's employees in Canada are women and, currently, they fill 23.5 per cent of the Bank's senior leadership positions (vice-president and above). We are committed to further strengthening our representation in this area.

Programs that support the advancement of women include:

- flexible work arrangements (described on page 46) and a variety of family-focused programs, including special needs support for children, family advisory services, marital counseling, parenting support and homecare (through the Employee Assistance Program).
- networking initiatives, such as Scotiawomen's Connection, a global network of senior women throughout the Bank. In 2004, it presented its "Strive for Success" speaker series in which top female Scotiabank Group leaders shared their career



strategies with other female Scotiabankers. In 2004, Scotiabank sponsored high-profile events and organizations dedicated to supporting women, such as Catalyst, the Queen's University's Women in Leadership program and Ivey School of Business's Women in Management, the Women's Executive Network (WXN), the Canadian Women's Foundation (CWF) and the Legal Education and Action Fund (LEAF).

Visible minorities

To ensure our workplace is a welcoming environment for visible minorities, the Scotiabank Group has been highly involved in recruitment, promotion, compensation, training and career planning programs. For example, it continues to sponsor the Career Bridge program, which provides valuable work experience to visible minorities. *Canadian Business* magazine recently named Scotiabank one of Canada's top employers for minorities and Aboriginal peoples.

Today, almost one in five Scotiabank employees is a member of a visible minority, or 19.2 per cent of our workforce. The representation of visible minorities at the senior management level is 9.5 per cent, and we are actively seeking to improve our progress in this area through various sponsorship initiatives and further entrenchment of bias-free employment practices.



> Debbie Lomow, Senior Vice-President, Corporate Pensions (left), exchanges business cards with Branch Manager Amanda Faber at a Scotiawomen's Connection networking event, one of many initiatives under way to support the Bank's advancement of women strategy.

Aboriginal peoples

We are committed to integrating members of Canada's Aboriginal communities into our workforce and, in 2004, 1.2 per cent of the Bank's employees in Canada identified themselves as Aboriginal. We undertake a variety of recruitment activities to expand our team of Aboriginal employees. For example, we have partnered with the Aboriginal Human Resources Council of Canada, and we maintain a national membership in the Aboriginal Inclusion Network, an online job-posting and resume service for Aboriginal job-seekers.

Scotiabank also sponsors 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 Canadian Aboriginal Music Awards.

Persons with disabilities

Scotiabank is dedicated to supporting the efforts of employees with disabilities to become integrated in the Canadian workforce. To do so, Scotiabank is proactive in targeted recruitment activities and provides the tools and facilities that employees with disabilities need to perform their jobs and advance in their careers, including flexible work hours, a range of telecommuting options, assistive technologies and workstation modifications.

We have an in-house team of employees, known as Scotiabankers for Universal Access, who meet to identify a range of workplace issues, raise awareness and provide mentoring and support to employees with disabilities. In addition, the Scotiabank Accommodation Fund provides resources to ensure employees with disabilities have the tools they require to do their jobs. Through this fund, we spent \$204,000 in 2004 on equipment, furniture and facilities to support these employees.

Scotiabank has also collaborated with the Disabled Persons for Employment Equity Human Rights Group, comprising external experts and internal members, to develop action plans to recruit, develop and retain more employees with disabilities. Begun in 2001, we have since successfully completed our joint initiatives.

In 2004, 3.0 per cent of employees in Canada were persons with disabilities.

Providing a rewarding employment experience

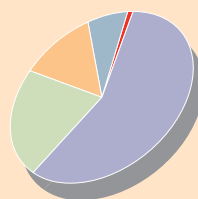
Scotiabank endeavours to provide a rewarding experience to our employees by ensuring that we recognize their performance through a variety of compensation programs, and through opportunities to advance, learn new skills and assume new challenges.

Scotiabank's employment across Canada (individuals*)

| | Full-Time | Part-Time | Total |
|------------------|-----------|-----------|--------|
| Alberta | 2,127 | 1,059 | 3,186 |
| British Columbia | 1,897 | 1,164 | 3,061 |
| Manitoba | 486 | 242 | 728 |
| New Brunswick | 561 | 336 | 897 |
| Newfoundland | 506 | 295 | 801 |
| Nova Scotia | 1,273 | 510 | 1,783 |
| NW Territories | 12 | 5 | 17 |
| Ontario | 16,735 | 4,645 | 21,380 |
| PEI | 121 | 56 | 177 |
| Quebec | 1,464 | 408 | 1,872 |
| Saskatchewan | 416 | 302 | 718 |
| Yukon | 13 | 11 | 24 |
| Canada | 25,611 | 9,033 | 34,644 |

* The number of regular, contract and casual employees, including employees on leave and on settlement, in Canada as at Oct. 31, 2004.

Geographic distribution of employees



■ Canada
■ Caribbean
■ Latin America
■ Asia Pacific
■ Other



> Michele Baptiste, Scotiabank's National Manager of Aboriginal Relations, introduced Wellington Staats, President, Board of Directors, Indian Art-I-Crafts, at the Scotiabank-sponsored Canadian Aboriginal Music Awards.

Performance management process

To ensure our employees are engaged in helping our organization achieve its goals, we adhere to a performance management process that helps employees connect their on-the-job performance with the broader organizational strategy. This process is designed to foster open, frequent discussions between employees and their managers to ensure individual development and success. In 2004, we continued to integrate a “balanced scorecard” approach in our performance assessments for the senior management team, including vice-presidents and above. This approach helps focus our leaders on achieving a balance of financial, operational, customer and employee results. Employee indicators measured with the balanced scorecard include workplace diversity targets, turnover rates and employee satisfaction levels. During the year, we also increased our emphasis on employee development and the use of informal feedback and coaching.

Training and development

Training and development are key aspects of our overall corporate culture. Not only do we provide an extensive range of internal and external courses through a combination of classroom, web-based and self-study formats, but we also support informal development activities, including coaching, mentoring and networking.



> Employee training and development is essential to maintaining employee and customer satisfaction. Jeananne Weagle (left), Mirna Jeha and Jonny Kung attend a training session in Atlantic Canada.

Investing in training at the Scotiabank Group (Canada)

| | 2004 | 2003 | 2002 |
|--|---------|---------|---------|
| Total training investment (\$ millions) | \$59 | \$51 | \$53 |
| Training investment per employee (approximate) | \$2,100 | \$1,800 | \$1,800 |

Employee training usage at the Scotiabank Group (Canada)

| | 2004 | 2003 |
|---|---------|---------|
| Online training via My Learning Centre (course completions) | 238,788 | 172,934 |
| External courses (course completions) | 5,147 | 7,154 |

Domestically, we spent approximately \$59 million on training in 2004, roughly \$2,100 per employee – and nearly 28,000 Canadian employees completed thousands of internal and external courses.

Also during the past year, we further enhanced My Learning Centre, our web-based learning management system that gives employees access to training information and courses from anywhere at anytime. In 2005, we are bringing this system to more areas of the Bank, with the goal of expanding it to all Canadian employees.

We were selected by *Training* magazine as one of the top 100 training companies in the world as a result of the programs, policies and metrics that support our commitment to learning and development. Scotiabank was ranked number 80, the second-highest ranking received by a Canadian bank.

Competitive compensation

Scotiabank is committed to providing a competitive total compensation package in the form of base pay (salary), incentive pay (both long and short-term incentives), a pension plan and benefits, which include health care, group life, disability income protection, share ownership, banking services, paid time off and an employee assistance program. In 2004, Scotiabank provided approximately \$1.23 billion in base salaries to non-executive employees in Canada.

Here are a few highlights of our compensation programs and philosophy:

- In 2004, we developed Global Total Compensation Principles that form the foundation of our compensation programs in all countries where we operate. These principles define our competitive stance, pay for performance philosophy and our commitment to ensuring employees completely understand how they are paid.

- The Scotiabank Group rewards performance through a variety of incentive pay programs. Through these programs, all Scotiabank Group employees can share in the success of the organization as they achieve individual performance standards and the organization achieves specific goals.
- Approximately 27,530 Canadian employees participate in the Canadian Incentive Pay Program, the largest of all incentive pay programs at the Bank. In 2004, the funding pool for this program was \$100.7 million.
- Internationally, approximately 4,300 employees in 31 countries participate in the Bank's International Incentive Program, which rewards employees in their local currency and takes into account competitive local rates. In 2004, the program paid out the equivalent of approximately C\$9.89 million.
- Competitiveness of our compensation programs is ensured through comprehensive market analyses undertaken in each country, regular market reviews and participation in more than 50 third-party surveys. For example, our benefits package is designed to be on par with those provided to employees in similar roles in the same markets.
- In 2004, we improved our flexible benefits plan by contributing an additional \$3.2 million to the plan in the form of more flex credits to employees.
- Globally, we offer seven competitive employee share ownership plans so that employees can share in the Bank's success. In 2004, 88.4 per cent of our Canadian employees participated in the plan, while internationally, 73 per cent of eligible employees took part in available employee share ownership plans.
- We offer our employees a variety of pension plans, the largest of which is the Scotiabank Pension Plan – a defined benefit plan whose assets exceeded liabilities by more than \$97,700,000 as at November 1, 2003. More than 25,000 people in Canada were active members of a Scotiabank Group pension plan as at the end of fiscal 2003.

Our ability to provide a rewarding employee experience and attract and retain top talent is partly demonstrated by our below-average voluntary* turnover rates of high-performing** employees (see table above).

Employee participation in Scotiabank Employee Share Ownership Plans

| | 2004 | 2003 |
|--------------------------|---------------|---------------|
| Canada (Scotiabank Plan) | 24,497 | 23,421 |
| US/USVI | 612 | 648 |
| Puerto Rico | 424 | 384 |
| Jamaica | 1,411 | 1,347 |
| United Kingdom | 187 | 212 |
| Ireland | 26 | 17 |
| Global ESOP | 2,380* | 919** |
| TOTAL | 29,537 | 26,948 |

* 16 locations in 2004

** 12 locations in 2003

Performance-related incentive pay at Scotiabank*

| (\$ millions) | 2004 | 2003 |
|--|-------|-------|
| Performance-related incentive pay | 991 | 920 |
| Performance-related pay as % of total compensation** | 28.7% | 27.4% |

* Includes all incentive pay issued across the organization.

** "total compensation" includes base pay, incentive pay, pensions and benefits.

Total voluntary* turnover of high-performing employees**

| | 2004 | 2003 |
|------------|------|------|
| Scotiabank | 2.7% | 2.8% |

* "Voluntary" denotes those who have left due to resignation, voluntary settlement or contract expiration. **High-performing are those who have received performance ratings of either "exceptional" or "superior" – the highest rating categories.

Recognizing our employees

Through Bank-wide recognition programs, and many customized ones in individual business areas, we recognize the performance of our team members beyond monetary compensation. Here are a few examples:

- Scotia Applause is the Bank's Canadian multi-dimensional, web-based recognition program that rewards employees' outstanding contributions by way of peer recognition and other tools. The program strengthens employees' focus on our corporate values and on delivering exceptional customer service. In 2004, nearly 470,000 Applause peer recognitions were sent by Scotiabank employees to their colleagues.
- Scotia Excellence Awards recognize and reward employees in our International Banking units, including their global branches, subsidiaries and affiliates, who provide excellent service and are living by the Bank's five core values, particularly those whose behaviour goes beyond regular responsibilities.

- At Scotia *intek*, Scotiabank's systems and operations division, the Beyond Expectations program recognized 125 department employees for their contributions to our business partners, leadership and the community.

Ensuring employee rights, health and well-being

Scotiabank makes the health and well-being of its employees a top priority. Our Guidelines for Business Conduct and supporting human resources policies are in place to address discrimination, human rights and harassment issues, and to ensure employment equity and diversity in our workplace.

- In Canada, the Bank prohibits discrimination in employment and in the provision of goods and services on all the grounds listed in the Canadian Human Rights Act.
- Since Scotiabank supports the right to dignity and self-respect for every employee, harassment is not tolerated, including any conduct, comment, gesture

or contact related to the prohibited grounds of discrimination in the Canadian Human Rights Act. Any employee whose actions violate these principles will be disciplined, up to and including dismissal. This includes sexual harassment.

Health and safety policies and programs

Scotiabank complies with the Canada Labour Code (Part II) and the Occupational Safety and Health Regulations. Our health and safety program includes guidelines, training requirements and processes that ensure we remain responsive to the evolving nature of our workplace. They also require committees in locations with more than 300 people. A Corporate Policy Committee meets quarterly to manage health and safety issues that arise, including matters escalated by our workplace committees.

Work-life balance

The Scotiabank Group provides employees with the means to meet the needs and challenges of their individual life circumstances through flexible work options known as "flexible work arrangements." They range from flextime, which provides flexible start and finish times, to telework options that allow an employee to work from home or another remote location at least once a week. Our employees also access numerous informal arrangements supported by line management.



- > Candice Choquette (left) and Barb Holizki have shared a job at Albert and 9th branch, Regina, Sask., for the past 10 years as a way of striking a better balance between work and family life.

Flexible work arrangements at Scotiabank

| | F2004 | F2003 | F2002 |
|--------------|--------------|--------------|------------|
| TOTAL | 1,016 | 1,047 | 867 |

Employee wellness

Scotiabank makes "wellness" a part of how its employees work and live. We focus on prevention through raising awareness; intervention through influencing behaviours; and recovery by providing a supportive environment. Programs include: personal obligation days, special leaves of absence (education, family, compassionate), disability management, flexible work arrangements and an employee assistance program (EAP). Through the EAP, employees can access – without cost to themselves – a wide range of services, including information, counseling, tools and other resources to help them better manage their personal challenges and wellness.

Usage of our Employee Assistance Program

| | F2004 | F2003 |
|-------------------------|-------|-------|
| Existing cases | 3,010 | 2,608 |
| At the Scotiabank Group | 9.8% | 7.2% |
| In the industry | 6.1% | 6.2% |

Listening to our employees

Employees across the Scotiabank Group, wherever they work in the world, are asked to complete the annual ViewPoint employee opinion survey to help us gauge important workplace issues, including employee satisfaction. Survey results influence change in the Scotiabank Group's practices and policies and, through branch/department discussions, in how individual teams conduct their work. In the past, when employees have spoken and action is taken, satisfaction levels have risen – on average by 3 per cent – each year across the organization. In 2004, more than 48,000 employees worldwide and from every business line were invited to take part, representing more than 99 per cent of all Scotiabank Group employees.

We are pleased that, in our 2004 survey, our Employee Satisfaction Index, which is an assessment of the satisfaction level of our employees, rose by two points, to 82 per cent, and our Diversity Index – an overall measure of our work environment's inclusiveness and fairness – rose by two points to 84. The largest increases in employees' agreement were seen in the following areas:

- “Area management is sensitive to the demands of my work and personal life” rose by four points to 81.

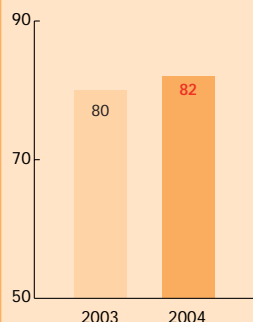
- “My area offers training that helps me perform my present job more effectively” rose by four points to 74.
- “I understand how my pay is determined” rose by four points to 79.

Our Staff Ombuds Office offers informal, confidential assistance to all Scotiabank Group employees on work-related matters to help prevent, manage and resolve conflicts, and provides mediation and dispute resolution coaching, if appropriate. The office, which reports to the CEO, is independent and not affiliated with any business line. From this neutral position, it advocates for, and proactively acts to ensure, fair practices exist across the Bank. The Staff Ombuds Office adheres to the Ombudsman Association Code of Ethics and Standards of Practice.

Going forward

Subsequent to fiscal 2004, Scotiabank was named one of the 50 Best Employers in Canada by *The Globe and Mail's Report on Business* magazine. This was the first time Scotiabank was named to this list, which is the only national study where employees and leaders decide which organizations make the 50 best. Going forward, we will continue our focus on making Scotiabank an employer of choice, and continue to participate in these types of surveys as a way of annually benchmarking our success in this area.

2004 Employee Satisfaction Index



> Attracting great employees, including recent university and college graduates, is a key element of Scotiabank's long-term success. Pictured here at a Bank-hosted luncheon and job fair for career centre staff from universities and colleges are: Scotiabankers Daniel Kennedy (centre) and Michael Telpner (second from right), with career centre staff from York University's Schulich School of Business (from left): Janice Joustra, Lisa Harper, Rita Murphy and Sybil Massey.

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 and New York stock exchanges.

At the end of 2004, the Bank had approximately 278,000 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.

Key financial information

2004 key financial targets vs. performance

| | Target | Performance |
|---------------------------|--------------------------------|-------------|
| Earnings per share growth | 10-15% | 20.5% |
| Return on equity | 16-19% | 19.9% |
| Productivity ratio | Below 58% | 56.0% |
| Tier 1 capital | Maintain strong capital ratios | 11.5% |

More financial information:
Annual Report

Financial data

For the years ended October 31

| | 2004 | 2003 |
|---------------------------------------|-------|-------|
| Net income (\$ millions) | 2,931 | 2,477 |
| Return on equity (%) | 19.9 | 17.6 |
| Productivity ratio (TEB')(%) | 56.0 | 54.9 |
| Assets under management (\$ billions) | 21.2 | 20.0 |
| Total assets (\$ billions) | 279.2 | 285.9 |
| Tier 1 capital ratio (%) | 11.5 | 10.8 |

Expenses

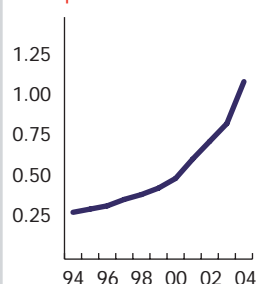
| | | |
|---|-------|-------|
| Salaries & staff benefits (\$ millions) | 3,452 | 3,361 |
| Direct and indirect taxes (\$ billions) | 1.5 | 1.5 |

1 Taxable equivalent basis

Shareholder returns

Scotiabank has one of the most consistent records for dividend growth among major Canadian companies. Our very strong earnings growth and capital position allowed us to increase dividends twice during the year. As a result, dividends rose 31 per cent year over year to \$1.10 per common share*. Furthermore, a quarterly dividend increase of two cents to 32 cents per share (\$1.28 per share, annualized) was announced, effective in January 2005. With this increase, dividends have risen by a compound annual rate of 15.2 per cent over the past 10 years. The dividend payout

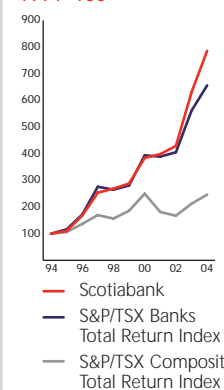
Strong dividend growth cents per share



ratio for 2004 was 38 per cent, up from 35 per cent last year, and well within the Bank's target range of 35-45 per cent.

The total return to common shareholders (which includes dividends and appreciation in the price of the Bank's common shares) for fiscal 2004 was 25 per cent. The compound annual return to shareholders averaged 22 per cent over the past five years and 23 per cent over the past 10 years. Scotiabank continues to substantially outperform the S&P/TSX Composite Index.

Return to common shareholders Share price appreciation plus dividends reinvested, 1994=100



* Amounts have been retroactively adjusted to reflect the stock dividend paid April 28, 2004, of one common share for each issued and outstanding common share. The stock dividend had the same effect as a two-for-one stock split.

Corporate governance

Sound and effective corporate governance is a priority for Scotiabank – indeed, it is considered essential to Scotiabank's long-term success.

Corporate governance is the platform by which a business is directed and controlled. In the broader sense, it is a framework designed to build sustainable financial performance, while ensuring proper accountability, openness and integrity in the conduct of an organization's business.

Scotiabank's corporate governance policies are designed to maintain the independence of the Board and its ability to effectively supervise management's operation of the Bank. Board independence promotes management of the Bank for the long-term benefit of all its major stakeholders – customers, shareholders, employees and the communities in which the Bank operates.

In 2004, Scotiabank ranked eighth (up from 13th in 2003) among the Top 25 Boards in *Canadian Business* magazine's annual survey of corporate governance practices at 121 of Canada's largest companies.

We tied for fifth place in *The Globe and Mail's Report on Business's* 2004 Board Games, its annual corporate governance ratings. Because three companies tied for second place, the Bank's score of 93 points out of a possible 100 was the third-highest ranking granted. Companies' boards were rated on composition, shareholding and compensation, shareholder rights issues and disclosure issues.

We were also awarded an AAA+ ranking – the highest of six categories – in the November 2004 Board Shareholder Confidence Index determined by the Clarkson Centre for Business Ethics & Board Effectiveness, Rotman School of Business at the University of Toronto. This was an improvement from our AAA ranking in 2003.

Corporate governance regulation

Scotiabank's corporate governance practices are regulated on a number of levels and by many different parties, including the Toronto Stock Exchange (TSX), New York Stock Exchange (NYSE), and various government regulations, including the U.S. Sarbanes-Oxley Act of 2002. 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. For example, all directors, officers and employees of the Bank and its subsidiaries must comply with Scotiabank's Guidelines for Business Conduct (see page 50).

* For detailed information about Scotiabank's corporate governance practices, including alignment with TSX and NYSE guidelines and the Sarbanes-Oxley Act, visit the Corporate Governance section of the Bank's website, or refer to the 2005 Management Proxy Circular.



In keeping with best practices in corporate governance, more than 80 per cent of Scotiabank's directors are independent*. The Board is led by a non-executive chairman who acts in an advisory capacity to the President and Chief Executive Officer and to other officers in all matters concerning the interests of the Board and relationships between management and the Board.

The Bank's directors are business and community leaders active at regional, national and international levels and, collectively, they provide an invaluable breadth of experience. Scotiabank's directors have been carefully selected for their qualifications – including, among other factors, their financial literacy, integrity and demonstrated sound and independent business judgment.

The Board of Directors and its Corporate Governance and Pension Committee have been, and continue to be, proactive and diligent in developing and reviewing the Bank's corporate governance structure and procedures. This committee reviews the Bank's corporate governance policies at least annually and recommends approval or changes to the Board.

Strong internal compliance procedures are a permanent part of the everyday structure and operations of the Bank. The Group Compliance department ensures that new business initiatives and 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.

Guidelines for Business Conduct** and supporting policies

The Scotiabank Guidelines for Business Conduct are an integral component of the Scotiabank Group's compliance program and set out minimum standards of business conduct required of all Scotiabank employees. The guidelines, 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 directors, officers and employees of the Bank must comply with the Scotiabank Guidelines for Business Conduct and all applicable supplemental guidelines, and are required to acknowledge their adherence annually. Supplemental guidelines 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 (Accounting Concerns Policy)**. As well, all Scotiabank directors acknowledge their adherence to the Directors' Addendum to the Guidelines**. Certain business units have additional guidelines, which consider the specialized aspects of their operations with which employees must comply.

Each Scotiabank employee must live up to the principles set out in the guidelines so that they can pass on the excellent reputation which the Bank has inherited to succeeding generations of Scotiabank employees.

To view our Corporate Governance policies, please visit www.scotiabank.com.

* As at Oct. 31, 2004.

** Available at www.scotiabank.com

Appendix Branches, Offices & ABMs

Openings, closings and consolidations

Scotiabank, with 957 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 2,559 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 employees, 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.

None of the branch closures or consolidations which took place in 2004 (see listing below) constitute market abandonment. This is defined as closing a branch and leaving customers without access to any deposit-taking financial institution within 2.5 km in urban areas, 5 km in suburban areas and 10 km in rural areas.

While the size of our branch network remains little changed from 2003, we are constantly enhancing the services we provide through our alternate channels to ensure our customers have 24/7 access to all available products, services and functions they want to use at their own convenience. For example, we expanded our domestic ABM network by more than 150 machines in 2004. TeleScotia, our telephone banking service, allows customers to carry out routine banking services around the clock from any touch-tone phone in North America. We also redesigned our general customer service line – 1-800-4SCOTIA – offering a simplified menu that features voice recognition and lets customers simply speak to access the products and services they need. Scotia OnLine, our electronic banking and brokerage service, continues to increase in popularity. The number of Scotia OnLine users now exceeds 1.4 million, and transaction volumes increased strongly to 151.7 million in 2004, up from 107.1 million the previous year. For our personal banking customers traveling to the United States, we launched our Cross-Border Debit Service, enabling them to pay by direct debit at nearly one million merchant locations.

Scotiabank branches opened

| | |
|------------------|--|
| British Columbia | 2055 Lake Placid, Whistler |
| Alberta | 2335 – 162nd Ave. S.W., Calgary 6304 – 90th Ave., Edmonton* |
| Ontario | 3 Winchester Rd. W., Brooklin 2251 Islington Ave. N., Etobicoke* 859 Upper Wentworth St., Hamilton* 482 Hazeldean Rd., Kanata* 856 Britannia Rd. W., Mississauga* 160 Taunton Rd. W., Whitby* |
| Quebec | 139 boul. du Plateau, Gatineau |

Scotiabank branches closed

| | |
|------------------|--|
| British Columbia | 2748 Lougheed Hwy., Port Coquitlam** 4700 Kingsway, Burnaby |
| Alberta | 7460 – 82nd Ave., Edmonton** 6214 – 90th Ave., Edmonton** |
| Manitoba | 3055 Ness Ave., Winnipeg** |
| Ontario | 2267 Islington Ave., Etobicoke** 1025 St. Laurent Blvd., Gloucester** 171 Mohawk Rd. W., Hamilton** 999 Upper Wentworth St., Hamilton** 471 Hazeldean Rd., Kanata** 150 Katimavik Rd., Kanata** 1525 Bristol Rd. W., Mississauga** 6611 Falconer Dr., Mississauga 49 Matheson Blvd., Mississauga* 139 Union St. E., Waterloo 3050 Garden St., Whitby** 3559 Thickson Rd. N., Whitby** |

ScotiaMcLeod offices closed

| | |
|--------|---|
| Quebec | 38 rue St-Germain est, Rimouski 1365 rue Gauvin, St-Hyacinthe 455 rue King ouest, Sherbrooke 1500 rue Royale, Trois-Rivieres |
|--------|---|

* New, consolidated branch

** Closed and consolidated into a new branch

Appendix ABM Installations and De-Installations

ABMs Installed*

British Columbia

1081 Burrard St., Vancouver
4591 Blackcomb Way, Whistler
800 Robson St. (2), Vancouver
2929 Barnet Hwy., Coquitlam
4567 Lougheed Hwy., Burnaby
4461 Interurban Rd., Victoria
38049 Cleveland Ave., Squamish
2181 Clearbrook Rd., Abbotsford
1989 Sumas Way, Abbotsford
4177 Kingsway, Burnaby
4505 Canada Way, Burnaby
32588 Logan Ave., Mission
32770 Dahlstrom Ave., Abbotsford
2016 McCallum Rd., Abbotsford
2728 Spencer Rd., Victoria
20304 Lougheed Hwy., Maple Ridge
9240 - 200 St., Langley
1250 Lonsdale Ave., North Vancouver
1295 East 12 Ave., Vancouver
1896 East Hastings St., Vancouver
1705 E. Trans-Canada Hwy., Kamloops
1229 Eagle Pass Way, Sicamous
311 - 10 St. S.W., Salmon Arm
1850 K.L.O. Rd., Kelowna
2573 Runnel Dr., Coquitlam
10785 King George Hwy., Surrey
1291 Cliveden Ave., Delta
1190 Pitt River Rd., Port Coquitlam
15016 - 104 Ave., Surrey
2025 - 152nd St., Surrey
8686 Granville St., Vancouver
4314 West 10th Ave., Vancouver
1580 Hwy. 99, Squamish
6391 - 176th St., Surrey
3393 Douglas St., Victoria
550 Bay St., Victoria
8380 -112 St., Delta
9025 Granville St., Port Hardy

Alberta

2335 - 162nd Ave. S.W. (2), Calgary
201 Southridge Dr., (3), Okotoks
6304 - 90th Ave. (3), Edmonton
2 Hebert Rd., St. Albert
109 Centre Ave., Airdrie
529 - 2 Avenue S.E., Airdrie
17056 - 95 Ave., Edmonton
10231 - 170 St., Edmonton
7014 Fairmount Dr. S.E., Calgary
1260 Cassils Rd. E., Brooks
210 Scenic Dr. S., Lethbridge
31 Fairview Blvd., St. Albert
170 Jerry Potts Blvd., Lethbridge
11230 - 107 Ave., Edmonton
12206 Stony Plain Rd., Edmonton
704 Redcliff Dr., Medicine Hat
13610 - 66 St., Calgary
3001 Dunmore Rd. S.E., Medicine Hat
5309 Rundlehorn Dr. N.E., Calgary
15131 - 127 St., Calgary

10855 Bonaventure Dr. S.E., Calgary
3130 - 68 St. N.E., Calgary
1820 Uxbridge Dr. N.W., Calgary
8247 Elbow Dr. S.W., Calgary
539 - 17 Ave. S.W., Calgary
6833 - 177 St., Edmonton
142 Dickins Dr., Fort McMurray
211 Thickwood Blvd., Fort McMurray
12 Castleridge Dr. N.E., Calgary
8435 Bowfort Rd. N.W., Calgary
5003 Lakeshore Dr., Sylvan Lake
5919 Macleod Blvd., Fort McMurray
1968 Millwoods Rd., Edmonton
12925 -118 Ave., Edmonton
3518 -118 Ave., Edmonton
807 McKenzie Dr. S.E., Calgary
9824 Franklin Ave., Fort McMurray
13215 - 127 St., Edmonton
4933 Millwoods Rd. S., Edmonton
390 St. Albert Rd., St. Albert
975 Broadmoor Blvd., Sherwood Park
5205 Discovery Way, Leduc
14004 - 23 Ave., Edmonton
5022 - 50th St., Beaumont

Saskatchewan

825 Arcola Ave. E., Regina
5005 Sherwood Dr., Regina
810 McCarthy Blvd., Regina
4665 Albert Rd., Regina

Manitoba

One Forks Market Rd. (2), Winnipeg
31 Osborne St., Winnipeg
2501 Portage Ave., Winnipeg
1858 King Edward St., Winnipeg
1420 Jefferson Ave., Winnipeg
1790 Highland Ave., Brandon
766 Corydon Ave., Winnipeg
655 Notre Dame Ave., Winnipeg
701 Portage Ave., Winnipeg
229 Sherbrook St., Winnipeg
373 Salter St., Winnipeg

Ontario

40 Elm St., Sudbury
3000 Hwy. 69 N., Valley East, Sudbury
1021 St Laurent Blvd., Ottawa
381 Church St., Markham
1265 Military Trail, Scarborough
75 King St. W., Oshawa
36 Mill St. E., Acton
128 Queen St. S., Streetsville, Mississauga
221 Glendale Ave., St. Catharines
9 Pine St., Thorold
859 Upper Wentworth St. (3), Hamilton
301 Oxford St. W., London
472 Talbot St., St. Thomas
865 Britannia Rd. W. (4), Mississauga
160 Taunton Rd. (4), Whitby
3 Winchester Rd. E. (2), Brooklin
2251 Islington Ave. N. (4), Etobicoke
11 Argyle St. N., Caledonia

202 Main St. S., Mount Forest
75 King St. S., Waterloo
1271 Main St. (4), Stittsville
482 Hazeldean Rd. (4), Kanata
635 Grand Ave. W., Chatham
2737 Laurier St., Rockland
5 Main St., Chesterville
1213 Division St., Kingston
1221 Guelph Line, Burlington
396 North Front St., Belleville
204 Grove St., Barrie
135 Rexdale Blvd., Rexdale
9270 McCowan Rd., Markham
9240 Leslie St., Richmond Hill
1575 Warden Ave., Scarborough
705 Bath Rd., Kingston
360 Phillip St., Waterloo
908 Sheppard Ave. W., Toronto
2001 North Park Dr., Brampton
3020 Unity Gate, Mississauga
5 Great Lakes Dr., Brampton
1329 Regent St., Sudbury
816 Queenston Rd., Stoney Creek
8003 Airport Rd., Brampton
1528 Dundas St., Oakville
3178 Dougall Ave., Windsor
1400 Britannia Rd., Mississauga
2881 Major Mackenzie Dr., Markham
1548 Merivale Rd., Nepean
1390 Wellington St., London
2 Westney Rd. S., Ajax
504 Lancaster St., Kitchener
4574 King St. E., Kitchener
334 Hwy 401 Eastbound (Shell Service Centre), Mississauga
3051 Lawrence Ave. E., Scarborough
1812 Algonquin Ave., North Bay
4021 Yonge St., Toronto
780 South Sheridan Way, Mississauga
20 Beechwood Ave., Vanier
2695 Credit Valley Rd., Mississauga
3579 Tecumseh Rd., Windsor
3077 Carling Ave., Nepean
909 Wilson Ave., North York
386 Great Northern Rd., Sault Ste. Marie
720 March Rd., Kanata
548 Richmond St. E., Toronto
962 Merivale Rd., Ottawa
1607 Carling Ave., Ottawa
1670 McCowan Rd., Scarborough
2950 Woodroffe Ave., Nepean
1438 La Salle Blvd., Sudbury
369 Ontario St., Port Hope
2291 Keele St., Toronto
38 Spadina Ave., Toronto
577 Birchmount Rd., Scarborough
3381 Kennedy Rd., Scarborough
1857 Merivale Rd., Nepean
12985 Bathurst St., Richmond Hill
3101 Victoria Park Ave., Scarborough
2498 Bank St., Gloucester
999 Harwood Ave., Ajax
354 Dundas St. E., Mississauga

Appendix

ABM Installations and De-Installations

1077 Yonge St., Toronto
 900 Lansdowne St. W., Peterborough
 2238 Carling Ave., Ottawa
 1 Montreal Rd., Vanier
 2232 St. Laurent Blvd., Ottawa
 408 Hwy. 7 E., Richmond Hill
 18233 Leslie St., Newmarket
 321 St. Paul Ave., Brantford

Quebec

5185 ave. Park, Montreal
 5679 rue Sherbrooke ouest, Montreal
 139 boul. du Plateau (3), Gatineau
 1700 rue Montarville, St-Bruno
 1065 boul. Lafleche, Baie-Comeau
 555 boul. Dr. Albiny-Paquette, Mont Laurier
 2350 chemin Gascon, Terrebonne
 90 rue Gamble ouest, Rouyn-Noranda
 1380 boul. Lemire RR4, Drummondville
 450 boul. Rochette, Beauport
 102 Church, Cowansville
 905 Laurie, Sept-Iles
 231 rue de St Jovite, Mont Tremblant
 5000 boul. l'Ormier, Les Saules
 9080 Maurice Duplessis, Montreal
 1 rang St-Andre, Napierville
 7575 boul. Decarie, Montreal
 780 Bouvier, Quebec
 586 avenue Lariviere, Rouyn-Noranda
 473 boul. Greber, Gatineau
 2801 rue Jacques Cartier est, Longueuil
 569 rue Principale, Ste-Helene de Bagot

New Brunswick

180 Madawaska Rd., Grand Falls

Nova Scotia

1658 Bedford Hwy., Bedford
 45 Robie St., Truro

Newfoundland

165 Harbour Dr., Trepassey
 Blow-Me-Down Dr., Old Perlican

ABMs De-Installed*

British Columbia

2929 Barnet Hwy., Coquitlam
 4005 Whistler Way, Whistler
 2748 Lougheed Hwy., Port Coquitlam
 4700 Kingsway (3), Burnaby
 3393 Douglas St., Victoria
 742 Tranquille Rd., Kamloops
 3800 - 32 St., Vernon
 12389 Harris Rd., Pitt Meadows
 1290 Trans-Canada Hwy., Cache Creek
 3596 West 41 Ave., Vancouver
 4727 Rutherford Rd., Nanaimo
 1675 Fairview Rd., Penticton
 8380 - 112th St., Delta
 15428 Fraser Hwy., Surrey

Alberta

1-5A Elizabeth St. (2), Okotoks
 6214 - 90th Ave. (2), Edmonton
 7460 - 82nd Ave., Edmonton
 501 -1st Ave. S., Lethbridge
 9115 - 15th St. N.W., Calgary
 800 Riverbend Square, Edmonton
 5022 - 50 St., Beaumont
 1343 TransCanada Way, Medicine Hat
 5610 - 111 St., Edmonton
 169 East Lake Cres., Airdrie

Saskatchewan

1980 - 11th Ave, Regina
 4665 Albert St., Regina

Manitoba

3055 Ness Ave. (2), Winnipeg
 390 Main St., Selkirk

Ontario

27 Main St. E., Huntsville
 1460 Oxford St. E., London
 8 Prince Andrew Place, Don Mills
 1616 Wilson Ave., Downsview
 120 King George Rd., Brantford
 3000 Hwy 69 N., Valley East, Sudbury
 3050 Garden St. (3), Whitby
 3555 Thickson Rd. N. (2), Whitby
 6611 Falconer Dr., Mississauga
 1525 Bristol Rd. W. (2), Mississauga
 999 Upper Wentworth St. (2), Hamilton
 171 Mohawk Rd. E., Hamilton
 2267 Islington Ave. N. (2), Etobicoke
 139 Union St. E., Waterloo
 1025 St. Laurent Blvd. (3), Gloucester
 1271 Main St. (3), Stittsville
 150 Katimavik Rd. (2), Ottawa
 471 Hazeldean Rd. (2), Kanata
 49 Matheson Blvd. E. (2), Mississauga
 1271 Main St., Stittsville
 10178 Hurontario St., Brampton
 1670 McCowan Rd., Scarborough
 900 Lansdowne St. W., Peterborough
 408 Hwy 7 E., Richmond Hill
 2950 Woodroffe Ave., Nepean
 321 St. Paul Ave., Brantford
 18233 Leslie St., Newmarket
 1 Montreal Rd., Vanier
 1857 Merivale Rd, Nepean
 2238 Carling Ave., Ottawa
 2232 St. Laurent Blvd., Ottawa
 2831 Bayview Ave., North York
 355 Waverly Rd., Bowmanville

Quebec

8485 Viau, St-Leonard

New Brunswick

1 Market Square, Saint John

Newfoundland

143 Harbour Dr., Trepassey
 Blow-Me-Down Dr., Old Perlican

Nova Scotia

2727 Station Rd., River John
 977 Cole Harbour Rd., Dartmouth

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

Appendix

This 2004 Public Accountability Statement has been published by Scotiabank for the fiscal year November 1, 2003, to October 31, 2004, 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., and Scotia Merchant Capital Corporation.

Principal subsidiaries⁽¹⁾

A complete list of Scotiabank's major operating subsidiaries in Canada and abroad (as at Oct. 31, 2004) appears below. For more information, please see the 2004 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 |

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 |
| The Bank of Nova Scotia Asia Limited | Singapore |
| The Bank of Nova Scotia Trust Company (Bahamas) Limited | Nassau, Bahamas |

| | |
|---|------------------------------|
| Scotiabank & Trust (Cayman) Limited | Grand Cayman, Cayman Islands |
| Scotia Insurance (Barbados) Limited | Warrens, Barbados |
| Scotiabank (Bahamas) Limited | Nassau, Bahamas |
| Scotiabank (British Virgin Islands) Limited | Road Town, Tortola, B.V.I. |
| 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. (97%) | Mexico, D.F., Mexico |
| Nova Scotia Inversiones Limitada | Santiago, Chile |
| Scotiabank Sud Americano, S.A. (98%) | Santiago, Chile |
| Scotia Capital (USA) Inc. | New York, New York |
| Scotia Holdings (US) Inc. | 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%) ⁽²⁾ | Port of Spain, Trinidad |
| Scotia Capital (Europe) Limited | London, England |

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

(2) Associated corporation effectively controlled by the Bank.

Appendix

Voluntary commitments and codes of conduct

The Canadian banking industry has developed several voluntary commitments and codes designed to protect consumers and serve them better*. These include:

- Canadian Code of Practice for Consumer Debit Card Services
- Guidelines for Transfers of Registered Plans
- CBA Code of Conduct for Authorized Insurance Activities
- Principles of Consumer Protection for Electronic Commerce
- Model Code of Conduct for Bank Relations with Small and Medium-sized Businesses
- Plain Language Mortgage Documents

- Undertaking on Unsolicited Services, and
- Low-cost Accounts.

As a participant in this industry initiative, Scotiabank complies with the above-mentioned voluntary commitments and codes of conduct.

* Visit the websites of the Financial Consumer Agency of Canada (www.fcac-acfc.gc.ca) and the Canadian Bankers Association (www.cba.ca) for more detailed information on consumer protection.

Memberships

Scotiabank is a member of the following organizations:

UNEP FI is a global partnership between UNEP and the financial sector. More than 200 institutions, including banks, insurers and fund managers work with UNEP to understand the effects of environmental and social considerations on financial performance.



Imagine Canada is a national organization that champions corporate citizenship and encourages partnerships between charities, non-profit organizations and business to build stronger Canadian communities.



Canadian Business for Social Responsibility (CBSR) is a non-profit, business-led, national membership organization of Canadian companies that have made a commitment to operate in a socially, environmentally and financially responsible manner, recognizing the interests of their stakeholders, including investors, customers, employees, business partners, local communities, the environment and society at large.



The Consumers Council of Canada is an independent, not-for-profit, federally incorporated organization working with government, business and consumers to manage today's consumer issues.



Socially responsible investment

Scotiabank is included in a number of indices based on our performance on environmental, social and ethical criteria:

Jantzi Social Index® is a market capitalization-weighted common stock index consisting of 60 Canadian companies that pass a set of broadly based social and environmental screens.



FTSE4Good Index is a financial index series that is designed by the Financial Times Stock Exchange to identify and facilitate investment in companies that meet globally recognized corporate responsibility standards.



Real Assets Social Impact Balanced Fund measures com-



panies' performance according to six key measures. Those that derive significant income from objectionable industries, or that persistently refuse to address legitimate shareholder concerns, are considered ineligible for investment.

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
40 King Street West, 63rd 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 page 15).

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, CORPORATE AND GOVERNMENT 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

La version française de ce document peut être obtenue en communiquant avec le service des Relations publiques :

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



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