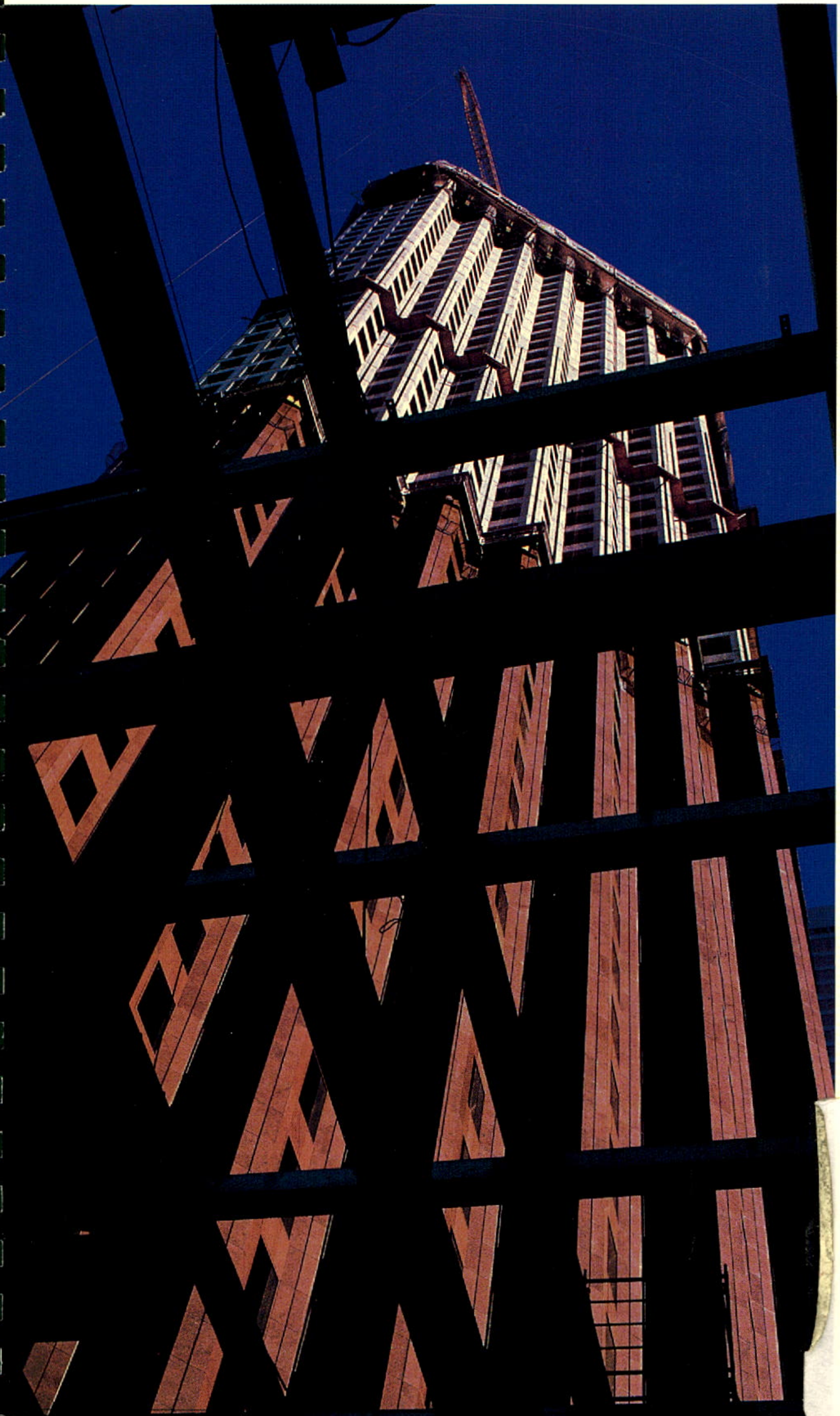
Scotiabank



The Bank of Nova Scotia Annual Report 1987

Cover Photo
Scotia Plaza reaches for the Toronto sky. The 68-storey tower will be connected to historic 44 King Street West address by ar glass atrium which will be the main banki The partially completed tower was photo through the steel framework of the atrium

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

A limited quantity of spiral-bound Annual Reports is produced by the Bank to facilitate repeated use of the document throughout the year by members of the financial community.

Scotiabank is one of North America's largest financial institutions, with assets of more than $71 billion.

Founded in 1832 in Halifax, Scotiabank now has more than 26,000 dedicated employees, and offers a wide range of personal, commercial, corporate and investment banking services. In Canada, Scotiabank serves the financial needs of its customers through a comprehensive network of 1,016 branches and specialized offices.

Scotiabank has extensive global operations, serving customers in a total of 45 countries through a network of branches, agencies, representative offices, affiliates and subsidiary companies. In 1987, structural reorganization, technological investment and a broadening of our traditional business base ensured that we remained successful in a highly competitive global environment.

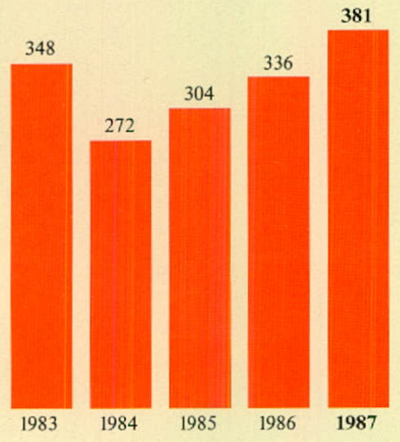
Construction of Scotia Plaza, a 68-storey office tower in downtown Toronto, is scheduled for completion in September 1988. The new tower will be integrated with the existing Bank building through an 11-storey atrium. The Bank is participating in the project through ownership of the land.

This graceful tower will feature some of the most advanced technology and systems available, and is a fitting symbol of both the Bank's historic success and its commitment to strengthening its operations for the future.

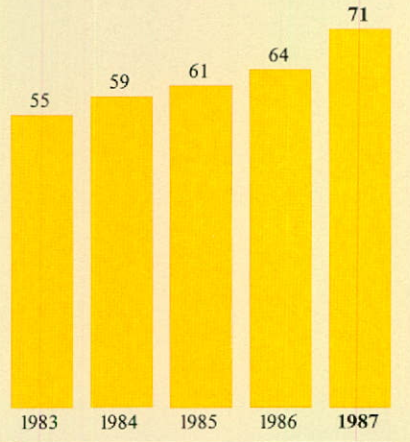
Contents

2 Highlights
4 Report to Shareholders
8 Scotiabank 1987
18 Map: Scotiabank around the world
20 Muddling Through No Longer Enough
25 The Bank of Nova Scotia Financial Report, 1987
Financial Review
Consolidated Financial Statements
72 Board of Directors
74 Executive Officers
Corporate Administration
75 Canadian Commercial and Retail Banking
76 Canadian Regional and Provincial Offices
78 Canadian subsidiaries
Investment and Corporate Banking
81 International Banking
84 Other associated international organizations

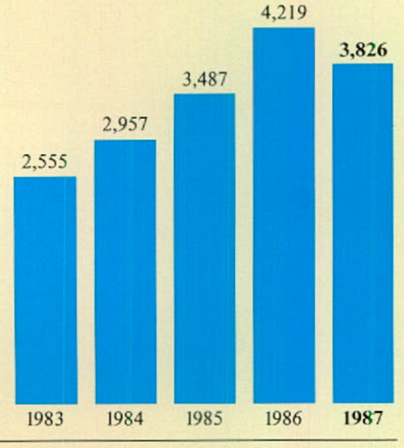
Net income before Special Provision
($ millions)
For the financial years



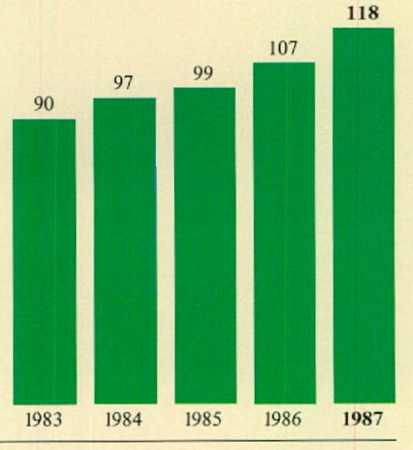
Total assets
($ billions)
As at October 31



Capital, reserves and subordinated debentures
($ millions)
As at October 31



Common dividends paid
($ millions)
For the financial years



Highlights

		1985	1986	1987	% Change 86/85	% Change 87/86
Earnings and dividends ($ millions) For the financial years	Net interest income	$ 1,476	$ 1,643	**$ 1,734**	11.3	5.6
	Net income from operations before Special Provision for Losses on Transborder Claims	$ 304	$ 336	**$ 381**	10.7	13.3
	Special Provision for Losses on Transborder Claims	–	–	**(693)**	–	–
	Net income (loss)	$ 304	$ 336	**$ (312)**	10.7	–
	Dividends paid on preferred shares	23	26	**23**	15.1	(10.4)
	Net income (loss) available to common shareholders	$ 281	$ 310	**$ (335)**	10.4	–
	Return on assets (%)					
	–before Special Provision	0.51	0.54	**0.57**	–	–
	–after Special Provision	0.51	0.54	**(0.46)**	–	–
	Return on equity (%)					
	–before Special Provision	13.1	12.6	**13.1**	–	–
	–after Special Provision	13.1	12.6	**(12.3)**	–	–
Earnings and dividends per common share ($) For the financial years	Net income (loss) per common share					
	Basic, before Special Provision	$ 1.92	$ 1.98	**$ 2.18**	3.1	10.1
	Basic, after Special Provision	1.92	1.98	**(2.05)**	3.1	–
	Fully diluted, before Special Provision	1.82	1.94	**2.18**	6.6	12.4
	Fully diluted, after Special Provision	1.82	1.94	**(2.05)**	6.6	–
	Dividends paid	0.68	0.69	**0.72**	1.5	4.3
Financial position ($ millions) As at October 31	Cash resources	$10,644	$10,122	**$11,353**	(4.9)	12.2
	Securities	4,373	5,856	**6,201**	33.9	5.9
	Loans	41,624	43,217	**48,079**	3.8	11.3
	Other assets	4,428	4,818	**5,797**	8.8	20.3
		$61,069	$64,013	**$71,430**	4.8	11.6
	Deposits	$52,244	$53,351	**$60,801**	2.1	14.0
	Other liabilities	5,338	6,443	**6,803**	20.7	5.6
	Capital, reserves and subordinated debentures	3,487	4,219	**3,826**	21.0	(9.3)
		$61,069	$64,013	**$71,430**	4.8	11.6
Capital ratios As at October 31	Ratio of gross assets to net base capital	25.7:1	20.8:1	**25.4:1**	–	–
	Ratio of gross assets to equivalent base capital	23.3:1	19.4:1	**23.6:1**	–	–
	Ratio of total assets to capital, reserves and subordinated debentures	17.5:1	15.2:1	**18.7:1**	–	–
Other statistics As at October 31	Number of employees	25,753	26,215	**26,187**	1.8	(0.1)
	Number of branches and offices	1,192	1,194	**1,183**	0.2	(0.9)
	Number of common shareholder accounts	25,808	26,728	**26,600**	3.6	(0.5)

The year just past was a pivotal one for this Bank and every other. Caught in the crosswinds of uncertainty, the global financial industry is undergoing fundamental change, literally a revolution in the way the industry must operate and in the opportunities available to the Bank.

In 1987, the decades-old regulatory framework that guided Canadian banks and other financial institutions underwent substantial change. New rules are being put in place. A basic realignment and restructuring of the financial industry is underway, bringing changes – and challenges – that we sought and now welcome.

C.E. Ritchie,
Chairman of the Board and
Chief Executive Officer

This revolution is being hurried forward by some signal events. To the immense challenge of reshaping the Bank to the needs of the Canadian environment were added the critical developments on debt among lesser-developed countries and on world stock markets in October.

As nothing before, the debt issue and stock market volatility demonstrated the interconnectedness of markets and the need to operate on a global basis, a need we have long recognized as essential both to protect the long-term interests of the Bank and to profit by the opportunities change casts up. The reality is that we now operate in a single, complex and often contradictory world market.

In this past year particularly, we have concentrated on maintaining our capacity to compete effectively in that market.

Our report on the Bank's performance in 1987 reflects the complexities and the contradictions of this environment, and our determination to stick by the course we have set.

As shareholders already know, in the third quarter of the year, the Bank made a special provision for possible losses on loans to certain lesser-developed countries (LDCs). This affected the income statement not only for the quarter but for the year as a whole. Because of the special provision, the Bank registered a net loss of $312 million in 1987.

In contrast, however, Scotiabank's income from operations in 1987, before the special provision, was a record $380.9 million. Moreover, net income in the fourth quarter recovered strongly to $106.9 million, also the highest in the Bank's history.

With regard to the special provision, shareholders will recall that, in February, Brazil suspended interest payments on its sovereign debt. This ultimately led major international banks in Canada and elsewhere to make substantial increases in loan loss provisions. For Scotiabank, the special provision was $692.9 million after tax. While this was a difficult decision, it was prudent and realistic. We believe that it will serve the best interests of the Bank, its shareholders and customers in the years ahead.

With regard to operating performance, we were able to take good advantage of reasonably buoyant economic conditions in North America. In Canada, for example, growth of 4.9% in real GDP year over year helped to increase our mortgage and Scotia Plan Loan outstandings by

J.A.G. Bell,
Deputy Chairman of the Board, President and Chief Operating Officer

P.C. Godsoe,
Vice-Chairman

21.4% and 13.6%, respectively. These conditions were also beneficial in terms of our domestic non-performing loans, which fell by $332.9 million. Total assets of the Bank rose $7.4 billion during the year to $71.4 billion on October 31.

A continuation of these conditions in 1988 depends on several factors. Important among them will be the impact of the stock market shock on consumer confidence. Concern regarding a slowdown or recession cannot be dismissed. But this seems less likely in light of the apparent determination of the major governments to avert a significant downturn. It remains to be seen if the required co-operation in global economic management will be forthcoming.

By 1987, it had become clear that a capability to underwrite and distribute securities would be increasingly important if we were to continue to meet the needs of our important corporate clients. Corporate borrowers had the option of placing debt instruments directly with investors, thus bypassing bank intermediaries. And even retail products such as mortgages and car loans were being repackaged and issued as securities to investors. On the distribution side, these same investors, as customers of the Bank, were looking for an increasing variety of income-related products.

Scotiabank had already formed a new subsidiary in the securities field when deregulation became official on June 30, 1987. Scotia Securities Inc. was registered in both Quebec and Ontario during the year, and provided discount brokerage services and participated in several underwriting deals.

Scotiabank's strategy for investment banking is not without risk. But the Bank has recognized these risks and discussed them with shareholders in previous reports. The balance of risk and benefit favours our continuing on the course we have set to expand our capabilities in the securities area. The greater risk would have been a failure to adapt to a fundamentally changed market.

As the demand by large borrowers for conventional loans has declined, our corporate bankers in particular have demonstrated their success in augmenting interest revenue with greater fee income. That achievement was most evident in the generation of total commercial and corporate fee income of $317.1 million during fiscal 1987, an increase of 38% from the previous year.

The past year has been a challenging one for Scotiabank. The strength of our underlying financial results—despite the reported loss in net income—is indicative of the hard work and dedication to quality of more than 26,000 Scotiabankers around the globe. We look forward to 1988 with confidence and with the objective of significantly improving our earnings performance.

Board of Directors

It is a pleasure to cite the dedicated service rendered to the Bank and its shareholders by members of the Board of Directors. Scotiabank must operate in a business and financial environment that seems to grow in complexity every day. Against this background, the wide range of business knowledge and experience contributed by our Directors is essential to the success of the Bank. We gratefully acknowledge that contribution.

Newly elected as Directors during the year were Mr. Laurent Lemaire, First Vice-President and Director, Cascades Inc., Kingsey Falls, Quebec; Mr. Rémi Marcoux, Chairman of the Board and Chief Executive Officer, Groupe Transcontinental G.T.C. ltée., Saint-Laurent, Quebec; and Mr. David Morton, President and Chief Operating Officer, Alcan Aluminum Ltd., Montreal.

Because of the age limitation provision in the By-laws of the Bank, Mr. Malcolm H.D. McAlpine and Mr. Ray D. Wolfe, C.M., will not be standing for re-election to the Board at the upcoming Annual Meeting of Shareholders. With regret, the Board has also accepted the resignation, for personal reasons, of Mr. Gerald H.D. Hobbs. These three gentlemen have all served the Bank and the Board with distinction over a long period of time – 43 years collectively – and we will miss their wise counsel. On January 27, 1987, Mr. W. Scott McDonald, Vice-Chairman, resigned from the Bank and from the Board of Directors.

During the year, the Directors were saddened to learn of the deaths of two Honorary Directors – our former colleagues The Honourable Salter A. Hayden, O.C., Q.C., M.A., Ph.M., LL.D., and Mr. William C. Harris. These gentlemen had served the Bank and the Board faithfully and well.

C.E. Ritchie,
Chairman of the Board and
Chief Executive Officer

J.A.G. Bell,
Deputy Chairman of the
Board, President and
Chief Operating Officer

P.C. Godsoe,
Vice-Chairman

Scotiabank enjoyed much success in '87 by responding quickly to the demands of a competitive environment with innovative products, advanced technology and renewed emphasis on training and development. This year also saw a major reorganization of our domestic and international operations, increasing our capacity to serve international markets in a cohesive and responsive way, and ensuring that our operations remain cost-effective.

Retail Banking

For Retail Banking, 1987 was an excellent year. Mortgage growth was very strong, with an increase over last year of $1.4 billion, or 21.4%. Demand for mortgage financing was strongest in central Canada. But significant growth occurred across the country, with the other markets gaining strength as the year progressed.

Strong marketing by the Bank's Home Mortgage Centres contributed to success in this area. Features such as pre-approved mortgages, weekly and bi-weekly payments, portability and early renewal options ensured that the Bank's mortgage products remained fully competitive.

The Bank's Consumer Credit portfolio had the best year in its history. Scotia Plan Loans, the Bank's premier personal loan service, increased 13.6% year over year, with automotive and home equity loans contributing significantly.

Late in the year, a number of automated features were introduced to the Scotia Plan Loans system, including an on-line loan evaluation process and computer-generated loan documentation, which will result in greater processing speed and efficiency in future years.

Also, new features added to the Bank's personal revolving line of credit service, ScotiaLine, were instrumental in a 32.6% growth of this service.

These results reflected a significant gain in loan plan market share for 1987. In fact, the combined increase of 15.8% in ScotiaLine and Scotia Plan Loans signifies a record gain for the Bank.

Increased emphasis was placed on our Getting There Savings Program for young people. The Getting There Savings Account is the foundation of the program, offering a competitive, tiered daily interest rate, and Cashstop card access. As well, the Getting There magazine, produced

Providing quality personal banking services is a Scotiabank specialty. It happens every business day at more than 1,000 banking locations across Canada. Here, Teller Rita DeLaurentis gives first class service at Toronto main branch.

In mortgages, an increase of $1.4 billion over last year was achieved, thanks in part to the special efforts of representatives such as Roberta Pennell (R), Assistant Manager, Mortgages, Pickering Town Centre, Pickering, Ontario.

New facilities for Toronto branch's Securities Department opened for business this fall on the service level of Scotia Plaza. Scotiabank is one of North America's leading gold dealers, offering a complete range of coins, wafers, bars and certificates.

four times a year for account holders, has been enhanced to provide a more appealing format through which young Canadians can learn about banking and other topics of interest to them.

Recognizing the growing importance of retirement savings instruments, Scotiabank began offering two distinctive new mutual funds in 1987, designed with our RRSP customers in mind. The Scotia Income Fund and the Scotia Stock & Bond Fund achieved substantial growth during 1987 in their dollar portfolios and number of unit holders. More important, conservative portfolio management sheltered the funds from the brunt of this year's stock market decline.

Other marketing initiatives which were undertaken to promote personal deposit growth included a print advertising campaign to promote Scotia Mortgage Corporation's personal term deposit vehicles, which have been drawn together under a new name, Scotiabank Guaranteed Investment Certificates. Deposit RRSPs, Scotia Powerchequing, and U.S. dollar personal deposits also received vigorous media promotion.

Greater customer convenience was achieved by a variety of means. Six new branches were opened across Canada, and some 50 automated banking machines

Over 50 automated banking machines were added to the Cashstop network in 1987. Scotiabank VISA and Cashstop cards can now be used in any ABM displaying the Ideal, Interac or VISA-Electron symbols.

Attractive new Point-of-Sale display units were introduced in 1987 to effectively present current customer information on products and services. Rowland Fleming, Executive Vice-President, Canadian Commercial and Retail Banking (R), discusses some of these new tools with (from left) Bob Lounsbury, Ramsay Holmes and Jackie Orange.

were added to the Cashstop network. Scotiabank VISA and Cashstop cards can now be used for certain transactions in any ABM displaying the Ideal, Interac or VISA-Electron symbols. In 1988, our banking machines will also be linked to the U.S.-based PLUS network.

There are now 34 Commercial Banking Centres established across Canada. Pictured here is the first one opened, in Etobicoke, Ontario.

Commercial Banking

The increasingly complex needs of the commercial market were successfully met in 1987 through a variety of programs.

We now have 34 Commercial Banking Centres across Canada. These centres provide officers specially trained in commercial banking, as well as a full range of banking services at each location. We have also placed separate account management teams at some centres to better meet the needs of small business customers.

As a further enhancement, the Bank has integrated its international trade services specialists at Commercial Banking Centres in major markets across Canada, making our specialists more accessible to businesses of all sizes and better able to accommodate customers' international export and import financing requirements.

The franchising sector continues to be an important source of new business for the Bank. During 1987, our Franchising group successfully negotiated a number of new financing arrangements with major franchisors, thereby enhancing available support to franchisees.

Providing specialized commercial expertise, Larry Laycock, Senior Vice-President, Canadian Commercial Banking (L), and Hugh Wylie, Assistant General Manager and Centre Manager, Etobicoke Commercial Banking Centre (R), consult with client T. Robert Beamish, Chairman and Chief Executive Officer of The Woodbridge Group, a major automotive parts supplier in North America.

Services offered by Scotia Leasing Limited were actively promoted during 1987 through the Commercial Banking Centres as well as by our Corporate Banking group. As a result, outstandings increased by 43% year over year (excluding inter-company leases). We will be placing even greater emphasis in 1988 on marketing these services.

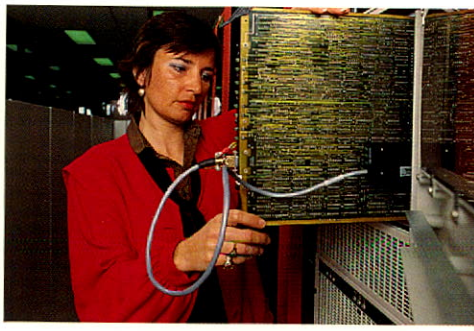
Scotiabank has also seen rapid growth in the number of companies seeking competitive cash management and automated banking and lending packages. As a result, revenues from non-interest fees, commissions and other sources increased substantially in 1987.

Investment Banking

In fiscal 1987, Scotiabank moved decisively to ensure its full participation in the growth of global securities markets. The incorporation of Scotia Securities Inc. and its regulatory approval as a full service securities dealer, initially offering a discount brokerage service in Ontario and Quebec, was an important step in this direction. During the year, Scotia Securities served as an underwriter for several debt and equity issues. According to *The Economist,* the establishment of this subsidiary "lit the deregulatory fuse in Canada," bringing fundamental changes in securities legislation that will provide many new opportunities for the Bank.

During the year, Investment Banking was restructured to provide London, England, with greater decision-making and dealing authority for Europe and Asia. Business line reporting and reorganization were also introduced in Europe and the Far East, sharpening our business focus and improving communication. With more senior-level investment banking expertise now assigned to our offices in London and Tokyo, Scotiabank is able to

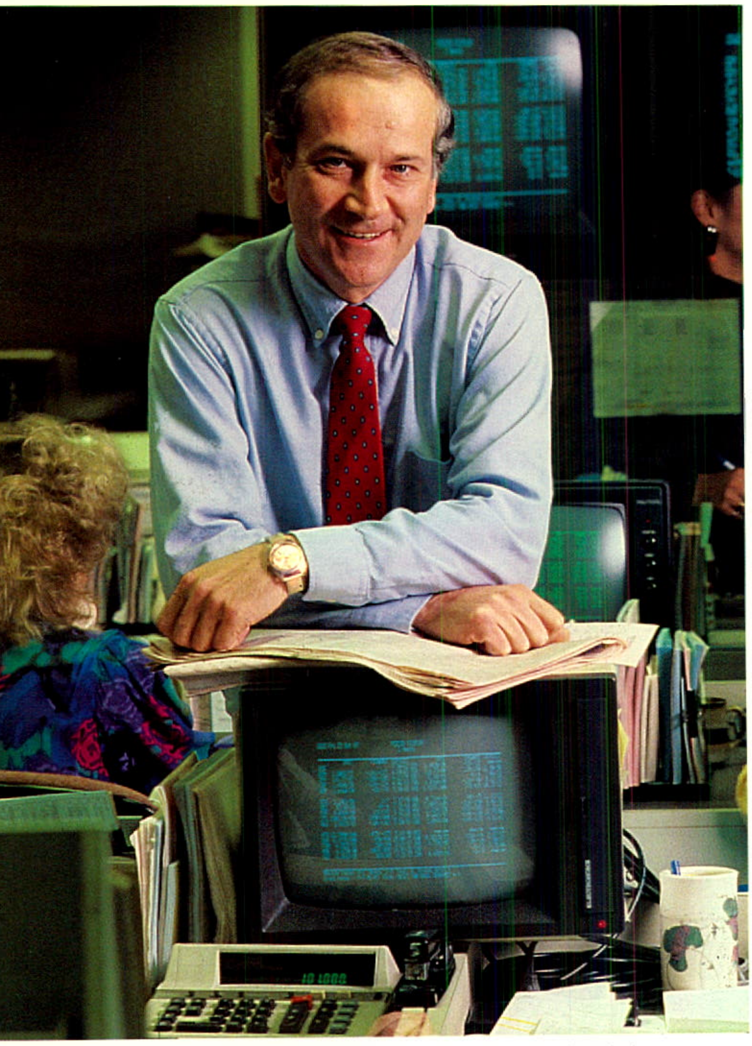
Scotiabank provides commercial services tailored to the requirements of specific customers as diverse as automotive dealers and dairy farmers.



In the emerging field of electronic data interchange and corporate trade payments, the Bank supplies state-of-the-art software and backup capabilities throughout the world.

react more quickly to local developments in the global market.

In order to maintain our strong domestic base, five Investment Banking Centres were established in Halifax, Montreal, Winnipeg, Calgary and Vancouver during fiscal 1987. The centres provide local expertise to meet regional foreign exchange and money market needs.



Deregulation of the Canadian financial services industry has created many new business opportunities for the Bank. In the trading room at General Office is Robert L. Brooks, Executive Vice-President, Investment Banking, North America, surrounded by some of the technology required to support the Bank's activity in this area.

Scotiabank remains one of the leading North American gold dealers and has been expanding its lending, sales and trading capabilities in London and Toronto. The Bank's retail product line includes Canada's Maple Leaf gold coins and the American Eagle gold coins, as well as a complete range of wafers, bars and certificates.

For the Capital Markets group, the growth of interest rate and currency swaps was a major priority in fiscal 1987, along with increased corporate and government banking business. For example, the Bank, in conjunction with a large U.S. bank, designed and implemented a U.S.$460-million seven-year amortizing interest rate swap which, when linked with the underlying bank credits, provided an important customer with tailor-made project acquisition financing.

On the funding side, the Bank extended the term of its liability structure and that of two of its subsidiaries, Scotia Mortgage Corporation and BNS Properties Inc. In addition, a medium-term note program launched in the United States, enabling the Bank to have outstandings up to U.S.-$1 billion, will supplement our deposit and commercial paper funding sources, as well as our swap activities.

Scotiabank's domestic and Eurobond underwriting activities continued in 1987, focussing on Canadian entities, with over 80 issues involved. During the year, the

Bank launched a mortgage-backed security issue, the first in Canada where a bank distributed these securities through its branch network.

Further progress was also made during the year in strengthening the trading and distribution functions for bonds, money market products and foreign exchange in North America and Europe. Evening foreign exchange trading to 11 p.m., Sunday through Thursday, was introduced in Toronto to better serve customers' global exchange requirements.

In addition to wholesale and institutional trading, Investment Banking operates a large commercial and retail unit to provide our Canadian branch network with access to professional market expertise. During the year, this unit booked over 180,000 foreign exchange, money market, mid-term investment and precious metals transactions. During an average week, it receives some 30,000 telephone calls for precious metal prices alone.

In New York and London, our trading facilities were expanded and upgraded during 1987. The initial stage of our Internet software system was installed in London, with New York and Toronto to be added in 1988.

Considerable investment in this regard has been allocated for the new trading room in Toronto's Scotia Plaza, which will provide the Bank with advanced technological backup for its trading operators.

Corporate Banking

The past year was exceptionally challenging and successful for Scotiabank's Corporate Banking Division.

A key factor is that more companies are now securing direct access to global capital markets. Scotiabank is successfully adapting to this challenge. However, this has not diminished our commitment to traditional relationship banking through the assignment of an individual manager to each of our clients.

The globalization of financial markets and customer relationships represents a major challenge to all banks. At Scotiabank, we addressed this issue by restructuring and integrating our North American and International Corporate Banking groups, in order to co-ordinate our marketing efforts throughout Canada, the United States, Europe and the Far East. Scotiabank is now well-positioned to serve the needs of our multinational clients in markets throughout the world.

Meeting the requirements of our clients in the corporate banking marketplace overall demands an understanding of the needs unique to each market segment. We have continued to place our emphasis on identifying market niches where our resources and expertise bring a value-added component to the banking services we provide our clients.

In this regard, the Bank has been prominent in engineering sophisticated financings for clients involved with mergers, acquisitions and corporate restructurings. We have continued to expand our existing industry specialist units, including our mining group in Canada, and communications groups in New York and Toronto. Also, a number of other industry specialist groups were strengthened significantly, including such areas as utilities and cable television.

Other developments in 1987 included the establishment of Japanese and European marketing groups within Canada. The mandate of these units is to attract and support the banking requirements unique to Canadian subsidiaries of Japanese and European multinationals.

The Real Estate Banking group, through prudent portfolio management, has continued its effort of geographic and product diversification. As a major participant in the North American market, this group has managed or co-managed a number of major project financings during the past year.

One of our major objectives for the year was to increase the proportion of non-interest fee and commission income. At year end we had more than doubled the volume of non-interest income and as a result significantly improved the return on assets for the group.

Scotiabank's worldwide network enables it to play an important role in the finance of international trade. Photographed at Toronto dockside are Calum Johnston, Executive Vice-President, International Banking (centre); Audrey Vrooman, Manager, Trade Finance, Canada; and Bill Sutton, Senior Vice-President, International Banking.

International Banking

In 1889, Scotiabank opened its first offshore branch in Kingston, Jamaica. Since then, international operations have played a key role in the Bank's development and prosperity.

Today, Scotiabank operates almost 200 international offices in 45 countries, including Canada.

In 1987, Scotiabank continued to expand its international presence. New branches were opened in the Bahamas, Trinidad and Tobago, and Jamaica. New branches in Dominica and the Turks & Caicos Islands will be opened in early 1988.

In the Pacific area, a Representative Office was established in Taiwan to provide us with a presence in one of Asia's strongest economies.

Regional offices for the Pacific and for the Caribbean were restructured. International Banking, a unit located in Toronto, was created to manage international commercial and retail operations on a global basis and to streamline administration. A new Pacific Area Executive Office was established in Hong Kong to support the growth of business in the region. Our Representative Office in Jakarta was closed, with Indonesian business being served from Singapore.

During the year, the Bank developed a strategy for automating our retail branches and offices in the Caribbean over three years. In the year ahead, similar strategies will be developed for other international areas.

Changing economic, financial and regulatory environments have led to a reduction in cross-border lending. In response, we are increasing our capability to transact business in local currencies. For example, the Bank has agreed in principle to purchase a 40% equity interest in The Consolidated Bank and Trust Corporation, a bank in the Philippines with 57 branches.

Greater emphasis has been placed on developing products relating to trade and correspondent banking. TRADEXPRESS, an automated communications link with customers to facilitate the opening of letters of credit, and SCOTIACOLLECT, an innovative new service to handle commercial collection requirements, were added to our existing product line this year.

One of the most important tasks that faced us during the year was the management of our sovereign risk portfolio, particularly that group of 34 countries which is heavily indebted. The events of 1987 have laid the groundwork for both debtors and creditors to seek more innovative solutions to the problem, including debt-to-equity programs, which allow countries to reduce their overall debt levels. We have established a small team of professionals to manage the process and participate in debt-to-equity conversions. The debt-to-equity program in the Philippines, for example, provided the basis for our agreement in principle to invest in Consolidated Bank and Trust Corporation.

As international financial markets continue to change, Scotiabank is acting to ensure it is well positioned to meet new competitive challenges.

Operations Group

Fiscal 1987 was an active year for this vital support group. Within Canada, remaining branches were converted to a new generation of on-line delivery systems, completing a comprehensive four-year implementation program. This sophisticated network is the backbone of all automated functions in our branches.

Improvements were also made to one of the Bank's major corporate products, SCOTIACONNECT, which provides customers with access to their account information at banks throughout the world via a terminal or personal computer. Customers can also electronically initiate payment transfers between accounts to third parties in any currency in the world.

Core Support and Corporate Services

Scotiabank's strong commitment to education and training was particularly evident in 1987. During the year, 6,500 employees received formal classroom training, while thousands more attended Bank-sponsored internal and external classroom programs. In addition, more than 1,000 officers were registered in courses through the Institute of Canadian Bankers, and more than 300 employees registered in the Canadian Securities Course to acquire the skills necessary to provide brokerage services.

The Bank is committed to ensuring that its employees are recognized on the basis of merit, regardless of sex, race, ethnic origin or physical handicap. One example is ensuring that salary and benefits programs accord with federal equal pay legislation.

A new automated personnel system was completed and installed in 1987. Integration with the Bank's payroll system has significantly increased processing efficiency. On-line terminals located in each regional office have effectively decentralized a wide range of personnel data.

Our heritage: Built in 1931, the Bank's magnificent building at 1709 Hollis Street, Halifax, Nova Scotia, has won praise for its recent renovations.

Our future: Scotia Centre, one of the Bank's newest office buildings, opened in St. John's, Newfoundland, in October 1987.

The Employee Share Ownership Plan, now in operation for more than a year, has met with tremendous success. More than 9,000 Canadian employees are now Bank shareholders.

Providing active support to the communities in which we operate continues to be a vital concern. In 1987, the Bank committed some $2.5 million to more than a thousand charitable organizations and community support programs in Canada. Through our subsidiary banks in other countries, we also supported numerous community and charitable activities. At the University of the West Indies in Jamaica, for example, we established two scholarships and provided funds for research on sickle cell anemia. The Bank of Nova Scotia Jamaica Limited also continued its long association with the Laws Street Centre, a vocational training facility in Kingston, by donating J$75,000 for a new community centre.

In recent years, the Bank has placed increasing emphasis on youth sponsorships. In September, Scotiabank entered its third year as the major sponsor of the Canadian Intramural Recreation Association's Student Leadership Development Program. The program's success in helping students learn to plan and manage activities is reflected in the fact that 11,000 students from 902 junior and senior high schools are now members of the program.

Another major initiative in this area is the Scotiabank MBA Scholarship Program. The Bank has pledged $200,000 each to programs at McGill University in Montreal and Dalhousie University in Halifax. Two $12,500 scholarships are awarded annually at each university to outstanding students in the MBA programs. The McGill scholarship is open to Canadian and Asian students and the Dalhousie Scholarship to Canadian and Caribbean students. Recipients of the award are eligible for summer employment with the Bank.

In 1987, Scotiabank pledged $135,000 to support the Toronto Olympic Organizing Committee's bid to host the 1996 Olympics. Among the other sponsorships continued in 1987 were the Scotiabank Contact Hays Classic, a major agricultural event held annually at the Royal Ontario Winter Fair involving young 4-H Club members, and participation as a corporate sponsor in the annual Terry Fox Run.

Scotiabank's commitment to young people is demonstrated in our scholarship programs for MBA students. Jack Keith, Senior Vice-President, Atlantic Region (R), presents cheques to Dalhousie University recipients Brian Boothe and Robert Roth.

Thousands of Scotiabank employees have taken advantage of training and development opportunities offered by the Bank. Enrollment in both internal and external Bank-sponsored courses is at an all-time high.

Canada
1,016 offices across Canada
Executive Offices:
Toronto
Regional and Provincial Offices:
Calgary
Edmonton
Halifax
Montreal
Ottawa
Saint John
St. John's
Saskatoon
Toronto
Vancouver
Winnipeg

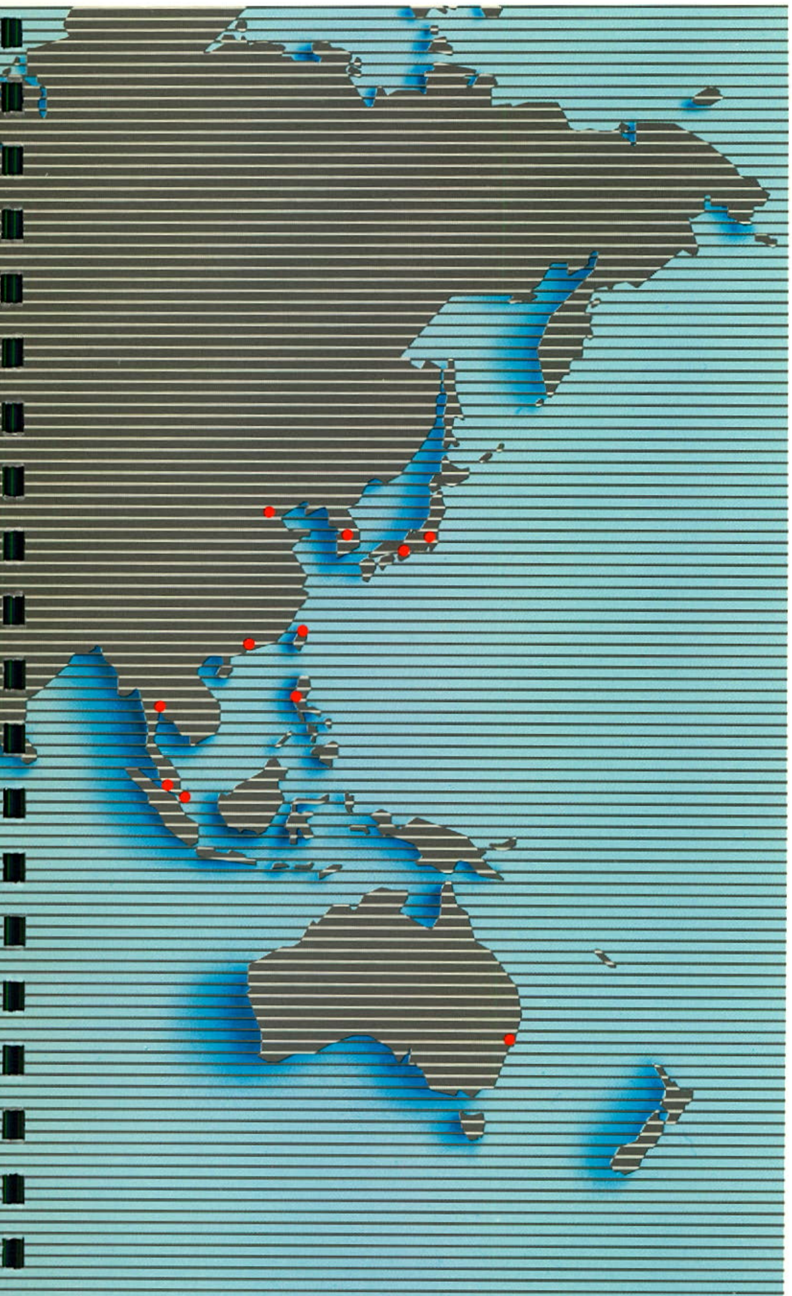
United States
Locations:
Atlanta
Boston
Chicago
Cleveland
Houston
Miami
New York
Portland
San Francisco

Caribbean
Locations:
Antigua
Bahamas
Barbados
Cayman Islands
Dominican Republic
Grenada
Haiti
Jamaica
Netherlands Antilles
Puerto Rico
St. Kitts/Nevis
St. Lucia
St. Vincent
Trinidad & Tobago
Turks & Caicos Islands
Virgin Islands (Brit.)
Virgin Islands (U.S.)

Central and South America
Locations:
Argentina
Belize
Brazil
Guyana
Mexico
Panama
Venezuela

United Kingdom, Europe and Africa
Locations:
Athens
Cairo
Channel Islands
Cork
Dublin
Edinburgh
Frankfurt
Glasgow
London
Madrid
Paris
Piraeus
Rotterdam
Thessaloniki

Scotiabank around the world



This map shows the extent of The Bank of Nova Scotia's worldwide network of administrative offices, branches, representative offices, and agencies, together with the locations of its subsidiary and affiliated companies.

Pacific
Locations:
Bangkok
Beijing
Bombay
Hong Kong
Kuala Lumpur
Manila
Osaka
Seoul
Singapore
Sydney
Taipei
Tokyo

● Head Office
◉ Executive Offices
○ Regional and Provincial Offices in Canada
• Other locations

The acute instability of trading conditions in most of the world's financial markets in late 1987 has been an experience without precedent in the careers of many of today's policymakers and financial managers. It is important that it is interpreted, and acted upon, in responsible ways.

One of the things that markets do, of course, is to give out signals. What we have recently heard has been a veritable crescendo. In part, this reflects the high degree of global integration of financial market influences. The signals are being generated and transmitted from everywhere. But more significantly, markets are expressing forcefully their collective concern regarding some of the genuinely complex "big picture" issues concerning the functioning of the international system. All are issues on which market participants are obliged daily to make some kind of working judgement.

The global stock market shock and the renewed sharp U.S. dollar decline have represented a huge display of market sentiments. This has been accompanied by a welter of post-mortems and prescriptions, many of which are conflicting.

The first point to register is, therefore, one of humility. The global stock market shock and the renewed sharp U.S. dollar decline have represented a huge display of market sentiments. This has been accompanied by a welter of post-mortems and prescriptions, many of which are conflicting. Major governments themselves have been far from consistent and unanimous in their own interpretations of affairs, partly reflecting the absence of expert consensus, but more importantly reflecting the diversity of national self-interest and cultural traits. "Savings-oriented" societies like Japan naturally will view the U.S. problem as simply one of consuming more than it produces. Americans, on the other hand, are acutely aware of their role as the market of last resort and defender of the Western Alliance. They naturally believe that U.S. deficits are substantially due to the reluctance of the strong trading nations to accept their share of responsibility for global economic management.

What is undeniable is the urgent need to find a new basis for confidence in the financial markets. But equally clearly, short-cut, one-shot approaches to regenerate confidence will be treated with suspicion. Single causes and single solutions are out. The issues are not the sort that can be easily packaged in the form of reassuring official communiqués. Undoubtedly, there are some formidable management challenges in the years ahead; but there is nothing in recent events to warrant a fatalistic resignation that affairs cannot be ordered better.

One starting point is to review the circumstances in which financial markets—for foreign exchange, equities, debt and many exotic hybrids—have come to play such a prominent role in the economic system. Governments found themselves, already by the 1970s, incapable of coming up with the degree of national official policy adjustments and financing arrangements required to cope with such challenges as maintaining relatively fixed exchange rates and recycling huge petrodollar surpluses.

So the markets, well known for their capacity to allocate resources, were enlisted to cover these shortfalls. And in what has been a highly turbulent era of economic history, the markets have been much acclaimed for their resilience and creativity.

The essential point is that this resort to markets has not relieved governments of the responsibility to impart through their mix of policies a reasonable degree of stability in the system as a whole. In the last two years especially, marked by repeated meetings of the G5 and G7, they have felt obliged to keep reassuring the markets, through a sequence of "accords" from Plaza to Louvre and on, about their co-operative policy intentions.

Indeed, if there is one general message that suggests itself from recent events it is this: financial markets are being conditioned by system-wide impediments such as outstanding debt and unsustainable imbalances of global payments and savings flows. The markets, by themselves, have been unable to resolve these problems and are unlikely to do so except at unacceptable cost. Therefore, claims being made in the name of "market solutions" and "market discipline" are bound to remain somewhat suspect. Some important pieces are missing.

What is undeniable is the urgent need to find a new basis for confidence in the financial markets. But equally clearly, short-cut, one-shot approaches to regenerate confidence will be treated with suspicion.

Stable markets require some perception of order and framework if adjustment mechanisms are to come into play effectively. Otherwise, volatility and overshooting will continue to inflict heavy costs, not just in financial terms but also in the form of serious distortions of trade and fixed investment. False signals from the financial markets—e.g., an overshooting of exchange rate values—can make the ultimate economic adjustments required in particular countries that much harder to achieve. The interdependence that we now hear so much about has come to link financial developments closely with the underlying pattern of economic policies and performance. The interactions run in both directions.

In one sense, the impression of normality given by the past five years of economic expansion has made the market turmoil seem like a bizarre side-show of sentiment. The major economies have continued to grow beyond the duration of the normal business cycle. But in terms of international finance, the past five years have been far from normal. They have been dominated by the overhang of debt in the international banking system, by the lopsided trade balances among industrial countries and by the new computer and communications technologies that have made possible unprecedented developments in financial "engineering" and global markets.

The testing which the financial markets are now exerting is therefore not just about how strong the economic and policy fundamentals happen to be in each individual country. It is also about how the new-style, market-driven system and official policymakers, between them, manage the difficult international adjustment process required to reduce unsustainable imbalances. These are uncharted waters. Because this external adjustment process has the United States as one of its prime parties, it matters a lot how a balance is going to be struck between international finance and domestic economic adjustment. The outcome is of importance to world economic growth and trade as well as to global financial markets. And these, in turn, will condition the prospects in many other fields, such as global debt management. Thus the fundamentals to some degree get established as part of the international adjustment process. They don't exist independently of it. It is completely naive to assume that the financial economy is simply some kind of paper economy and that strong real economic fundamentals will soon bring financial markets to their senses. The reality is intertwined in a far more complex way.

Undoubtedly, there are some formidable management challenges in the years ahead; but there is nothing in recent events to warrant a fatalistic resignation that affairs cannot be ordered better.

Clearly, then, given the present state of flux in the financial asset markets, and given the new challenges laid down to international policymakers, the immediate outlook will remain uncertain and possibly volatile. Economic projections must be at best tentative.

In earlier times, policymakers had to try to reconcile inflation and unemployment. That still applies, but now they also have to gear their policies, far more than before, to the needs of international adjustment. This is a dimension where conventional fiscal and monetary policy as well as structural adjustments at the level of firm and industry all have a role to play. The calls upon political leadership in each country to attend to global inconsistencies are now greater than ever, and no country has a monopoly of virtue. The market shocks will have had some benefit if they have helped to shatter complacency.

So far as financial management is concerned, the break in the stock market has been a turning point. Many observers of the financial scene, the Bank included, have for some time noted that the financial revolution – the trends towards globalization and securitization, and the merging of functions within single institutions – was accompanied by bull market conditions in the securities markets which would not last forever. No one should have been surprised except by the precise timing and magnitude. The change of climate has not come about through an actual recession but rather from within the markets themselves. It comes, moreover, at the end of a year when capacities in the highly competitive international securities markets were already beginning to be scaled down selectively amid a slackening in the underlying volume of financing business.

It would be to read too much into these recent shifts, however, to believe that they signal an about-face in the new directions that financial management has embarked upon in recent years. As we noted in our 1985 Annual Report, "There is a sizeable task of digestion still ahead in order for the new-style financial markets to be of ultimate economic service....newer, market-based opportunities also invite new risks."

The structural realignments in the financial industry never promised to be straightforward, given both the relentlessness and broadening basis of institutional competition and given the evident global system risks. But the basic rationale and impetus towards affiliation among different types of institutions – now possible in Canada as a consequence of the recent federal and provincial regulatory amendments – remains intact. As we put it in last year's Annual Report: "the real purpose of permitting a bank to be affiliated with other types of financial institutions under a financial holding company is to open the domestic market, in a controlled fashion, to greater competition; to permit a broader array of financial services to reach all Canadians; and to give banks and other financial institutions the flexibility to respond to new competitors and to the changing nature of global financial markets."

Together with the stock market crash, the other outstanding development of 1987

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was the decision, during the summer, of large international banks in several countries to make a sizeable, one-step increase in their provisions for possible losses in respect of loans to certain developing countries. These two big influences have brought a sharper focus to bear on the expected role of banks and on the key systemic importance of bank capital. The banks are still acting as shock-absorbers for adverse developments of the past decade or more – i.e., the overhang of LDC and other debt. At the same

The calls upon political leadership in each country to attend to global inconsistencies are now greater than ever, and no country has a monopoly of virtue. The market shocks will have had some benefit if they have helped to shatter complacency.

time, the earnings and capital-raising environment ahead is one in which competition is fiercely joined across national and functional boundaries.

In this situation, it may be seen that the fundamental law of economics, concerning allocation of scarce resources among alternative uses, is issuing some stern lessons which governments are being coy about accepting. If "problem-solving" of one sort (i.e., the official promotion of financial deregulation as a means of permitting the system to cope with higher risk perceptions) leads to a less banking-oriented global system, then "problem-solving" of another sort (i.e., hoping that the banks will keep involuntarily extending their loan exposure to troubled developing country borrowers) is bound to be affected. The two things are not necessarily mutually exclusive. But the telling factor is that each aspect is seen increasingly to be dependent on a satisfactory and benign global economic setting. If this is absent or if markets lack confidence that it can be sustained, then the vital incentives and disciplines needed, not just for market players but also for political courage, become eroded.

The major governments will have to realize that the existing approach, which has often been proudly characterized as "muddling through," has been brought seriously into question by the financial developments of the past year and by the deteriorating economic conditions that may ensue. Banks are willing to co-operate in protecting the systemic interest. But any really fruitful

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relationship from now on has to be based on some longer-term framework for problem-solving. The real implication of the recent market turmoil, judged in its wider dimensions, is that time is becoming short. Financial markets are prepared to bear risks, but not in isolation. The challenges ahead are not solely those of financial technique; they are those of old-fashioned political economy and need to be addressed as such—with a political will and leadership of a much higher order than has been apparent in the last few years.

The Bank of Nova Scotia
Financial Report, 1987

Financial Review

26 Economic and Interest Rate Environment

Special Provision for Losses on Transborder Claims

27 Net Income (Loss)

Earnings and Dividends per Common Share

28 Capital

30 Return on Equity

Return on Assets

32 Components of Assets

Total Loans and Mortgages

33 Major Foreign Currency Assets

Geographic Distribution of Earning Assets

35 Off Balance Sheet Financing

36 Deposits

37 Canadian Dollar Sources of Funds

Net Interest Income

39 Interest Rate Sensitivity and Liquidity

Loan Losses

40 Non-Performing Claims

42 Other Income

Non-Interest Expenses

43 Salaries and Benefits

Premises and Equipment Expenses

Other Operating Expenses

44 Taxation

Components of Net Income

45 Quarterly Components of Net Income Before Special Provision as a Percentage of Average Total Assets

46 Supplementary Financial Information

Consolidated Financial Statements

47 Report of Management

Auditors' Report

48 Consolidated Statement of Assets and Liabilities

49 Consolidated Statement of Income

50 Consolidated Statement of Appropriations for Contingencies

Consolidated Statement of Changes in Shareholders' Equity

51 Notes to the Consolidated Financial Statements

62 Subsidiaries and Associated Corporations

64 Ten-Year Statistical Review

Economic and Interest Rate Environment

Over the past year, North America experienced sustained expansion and generally high levels of economic activity—an impressive fifth year of growth. The Canadian economy was boosted by a major recovery in the resource sector, rising business investment and very strong residential construction. Disparities in regional performance narrowed, but central Canada remained the strongest region.

Global trade and fiscal imbalances created a volatile international financial market environment marked by recurring bouts of U.S. dollar weakness. From eight-year lows established early in the year, interest rates in Canada and the United States moved up nearly 3 percentage points to peak in mid-October.

Investors viewed the rise in rates as a threat to the outlook for growth and corporate earnings. The ensuing declines in equity prices and instability in financial markets prompted a shift to more accommodative monetary policies. Credit markets rallied, with the decline in interest rates retracing approximately one-half of the earlier run-up. At the end of October, short-term interest rates were little changed from a year earlier.

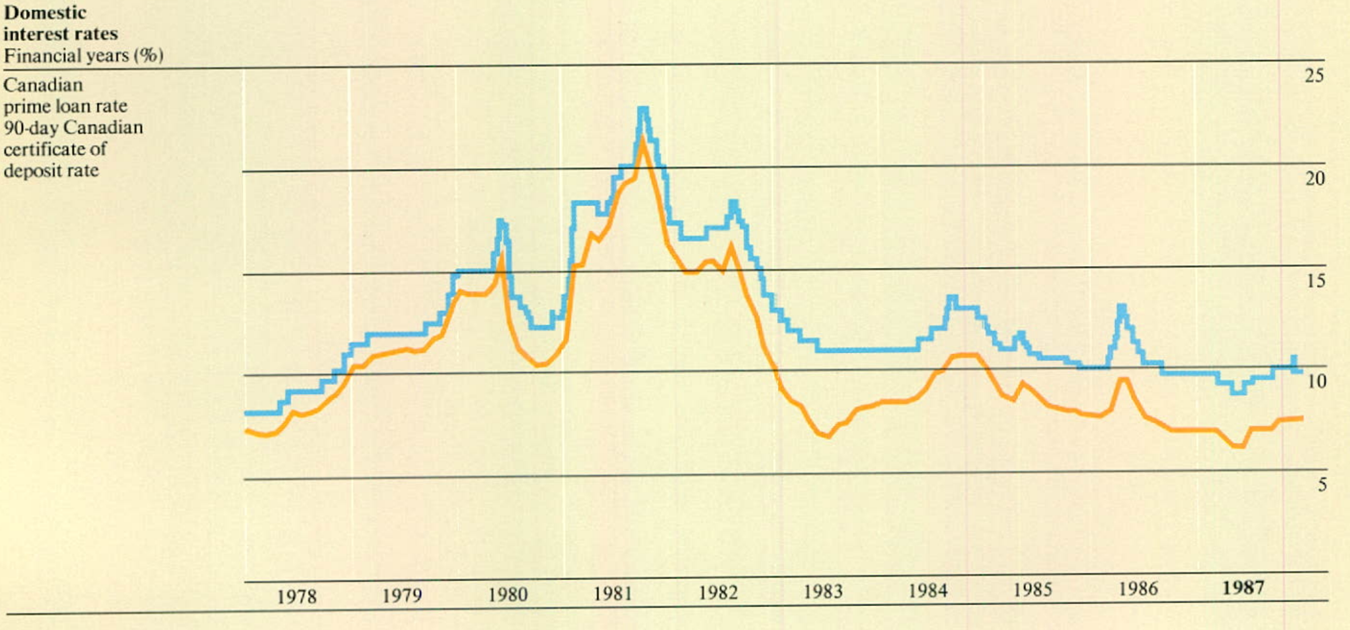
Amid uncertainty in global financial markets, the Bank of Canada kept domestic short-term interest rates well above comparable U.S. levels, thereby providing support for the Canadian dollar. This interest rate premium was a major factor behind the appreciation of the Canadian dollar from U.S.$0.72 to U.S.$0.76. More recently, rising commodity prices, wide Canada-U.S. interest rate differentials and the prospect of a North American free trade agreement continued to attract foreign investment and support the Canadian dollar.

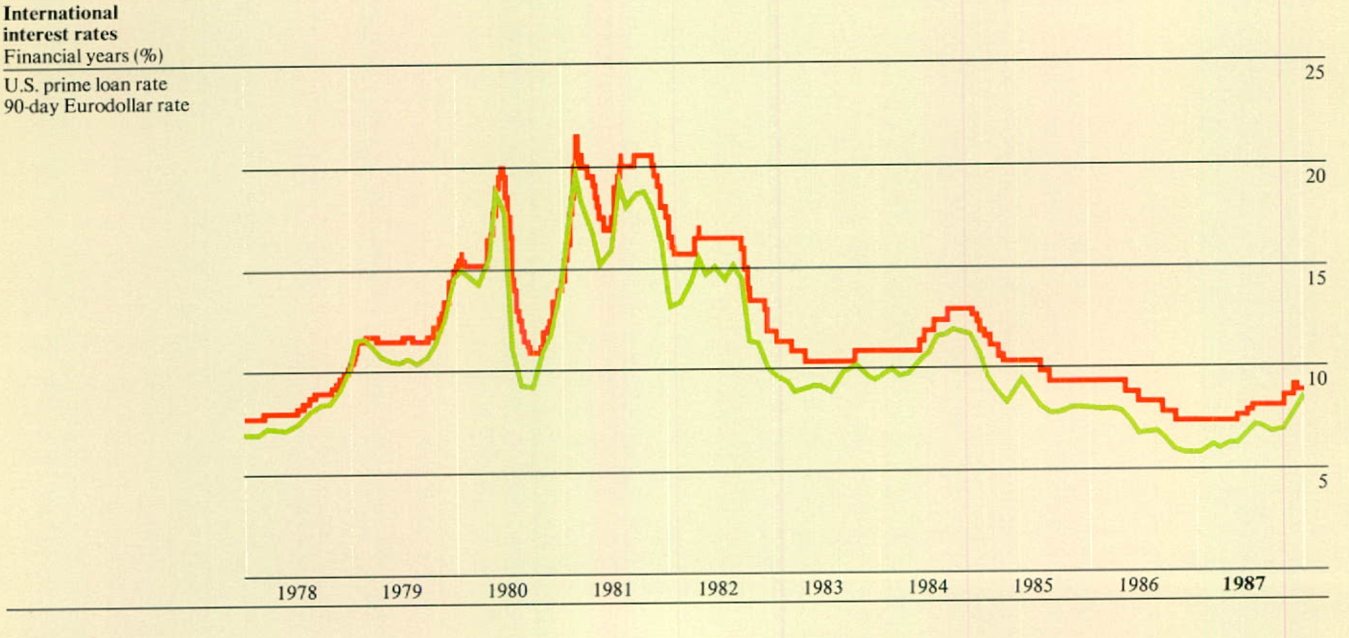
Special Provision for Losses on Transborder Claims

In July 1987, the Superintendent of Financial Institutions issued revised instructions requiring banks to increase their general prudential provision to between 30% and 40% of their claims on a prescribed group of 34 lesser developed countries (LDCs).

In response, Scotiabank increased its general prudential provision by $1,174.4 million to $1,600.1 million, increasing the provision to 35.5% of the Bank's exposure to the

Chart 1





prescribed group of 34 countries as at October 31, 1987. This level was chosen after careful evaluation of the Bank's portfolio. It should be noted that no principal or interest on LDC debt has been forgiven. The Bank will continue to make every effort to collect these loans in full.

In accordance with the Superintendent's instructions, the increase in the general prudential provision, less related taxes of $481.5 million, resulted in a direct charge to income of $692.9 million, which is shown as the Special Provision for Losses on Transborder Claims.

The Special Provision is not included in loss experience on loans. It will therefore have only a one-time impact on income and is not included in the five-year average calculation of provision for loan losses in the income statement.

On the balance sheet, the general prudential provision is deducted from loans and the expected tax recovery is included in other assets.

Net Income (Loss)

After the Special Provision, Scotiabank reported a net loss of $312.0 million for the 1987 fiscal year. Before the Special Provision, however, the Bank reported net income from operations of $380.9 million, an increase of $44.7 million or 13.3% over the previous year. This was the highest operating income ever recorded by the Bank. *Chart 2* summarizes operating income for the past five years, including fiscal 1987 results before the Special Provision. The Bank has maintained a record of steady growth in operating income with the 1987 growth rate being the best achieved in the last four years.

Earnings growth in 1987 was derived from domestic operations, which had a $63.3 million or 38.2% increase over the previous year. Higher net interest income, arising from strong growth in personal lending combined with an improvement in the margin and gains in fee income, were the main contributors. Domestic operations produced 60.2% of total operating income, the highest percentage since 1979.

Operating income from international operations, excluding the Special Provision, declined by $18.6 million or 10.9% in fiscal 1987. This was the result of placing the claims on Brazil and Ecuador on a non-accrual basis. Accordingly, net interest income was reduced by $81 million, the main factor in the 30 basis point decline of the international margin. This decline in net interest income was partially offset by increased fees earned from U.S. corporate business.

Earnings and Dividends per Common Share

Loss per share after the Special Provision for 1987 was $2.05. Before the Special Provision, earnings per share were $2.18, compared to 1986 basic earnings of $1.98 and fully diluted earnings of $1.94. The $0.24 or 12.4% improvement in fully diluted earnings before the Special Provision was mainly due to the 15.3% growth in net income available to common shareholders, partially offset by an increase of 5.0% in the average number of common shares outstanding.

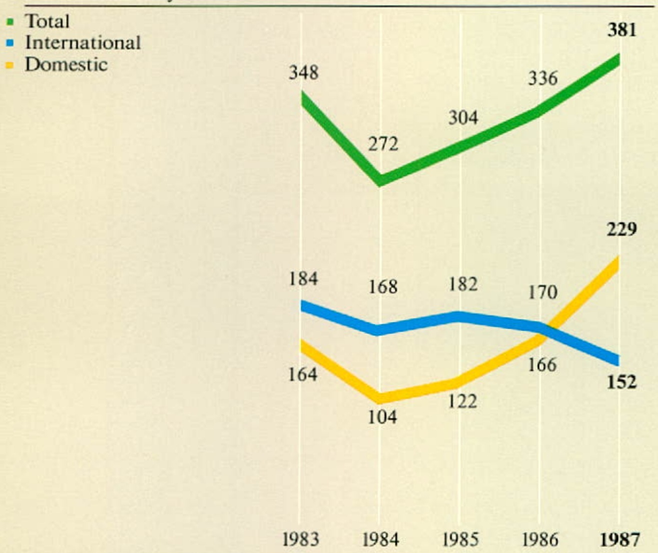
The growth in common shares outstanding was due to 2.7 million new shares being issued from the Bank's Shareholder Dividend and Share Purchase Plans. At October 31, 1987, 32.9% of common shares outstanding were held by participants in the Bank's plan, compared to 29.3% a year earlier.

Dividends per common share for 1987 were $0.72, compared with $0.69 for the previous year. Common

Chart 2

Net income before Special Provision (1)(2)
($ millions)

For the financial years

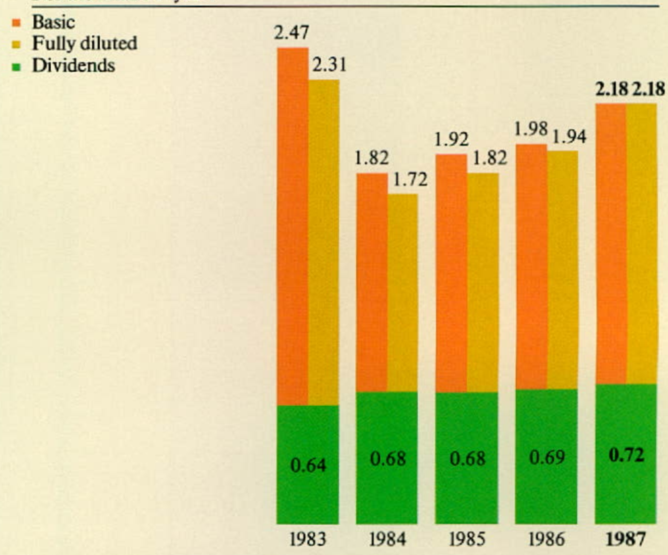


Percentage contribution (1) to net income from:	1983	1984	1985	1986	**1987**
International operations	52.9%	61.8%	60.0%	50.7%	**39.8%**
Domestic operations	47.1%	38.2%	40.0%	49.3%	**60.2%**

(1) The division of earnings into the two major components is based on a number of assumptions and internal allocations.
(2) The 1987 numbers do not reflect the effect of the Special Provision for Losses on Transborder Claims. After the Special Provision the following numbers result: total net loss $312, international net loss $541.

Chart 3

Earnings before Special Provision and dividends per common share (1)
($)
For the financial years



	1983	1984	1985	1986	**1987**
Average number of common shares outstanding (000's)	141,016	143,300	146,002	156,235	**164,051**
Common dividend payments as a percentage of net income before Special Provision available to common shareholders	26.0%	37.4%	35.3%	34.5%	**33.0%**

(1) The 1987 numbers do not reflect the effect of the Special Provision for Losses on Transborder Claims. After the Special Provision, the basic and fully diluted loss per share would be $2.05.

dividends paid during the year totalled $118.1 million, an increase of 10.3% from 1986.

Dividends paid to preferred shareholders for 1987 were $23.3 million, compared with $26.0 million in 1986. This decrease reflects a lower average prime rate during fiscal 1987, the basis on which these dividends are calculated.

Capital, Reserves and Subordinated Debentures
Total capital funds consist of common shareholders' equity, appropriations for contingencies, preferred shares and subordinated debentures.

At October 31, 1987, total capital funds stood at $3.8 billion, a decrease of $392.8 million or 9.3% from 1986. Before taking the Special Provision into account, the Bank was able to generate $409.2 million of capital internally, an increase of 49.5% from the previous year. However, this was more than offset by the Special Provision.

During fiscal 1987, the Bank issued $43.2 million worth of common shares under the Shareholder Dividend and Share Purchase Plans.

Another important component of capital is the subordinated debentures. Guidelines issued by the Superintendent of Financial Institutions limit the inclusion of qualifying preferred shares and subordinated debentures to no more than 20% of net base capital. The decline in capital experienced by the Bank in fiscal 1987 therefore meant that only $250.7 million of the $394.7 million Floating Rate Subordinated Capital Debentures qualified as net base capital compared with $310.7 million in the previous year.

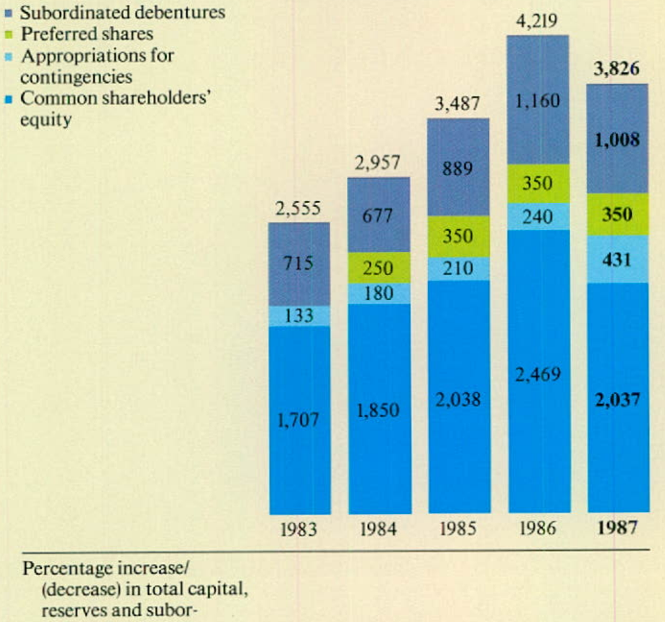
In accordance with the formula prescribed in the Bank Act, the Bank has the capacity at October 31, 1987, to issue an additional $186.2 million of subordinated debentures. This capacity is expected to improve gradually as the components of common equity build up during the forthcoming year.

Capital Ratios
Scotiabank's capital position remains strong. Based on the capital funds existing at October 31, 1987, the ratio of gross assets to equivalent base capital was 23.6:1, a level comparable to that of two years ago. At October 31, 1986, the ratio was 19.4:1. While temporarily reduced by the Special Provision, capital has been continuously increased by both internal generation and new share issues over the past few years.

During 1987, bank regulators from 17 countries including Canada held discussions on proposed new guidelines to measure capital adequacy. These new guidelines would require the Bank to allocate capital to support certain items not reflected on the Bank's balance sheet (otherwise referred to as "off balance sheet" items). In general, Scotiabank supports the principle of risk-based capital measurement. Based on the Bank's understanding of the proposed guidelines, Scotiabank compares favourably with other major North American banks.

Chart 4

Capital, reserves and subordinated debentures
($ millions)
As at October 31



	1983	1984	1985	1986	1987
Percentage increase/(decrease) in total capital, reserves and subordinated debentures from previous year	6.8%	15.7%	17.9%	21.0%	**(9.3)%**

Table 1

Analysis of changes in shareholders' investment
($ millions)

As at October 31	1983	1984	1985	1986	**1987**
Capital and reserves at beginning of year	$1,676.7	$1,840.6	$2,280.3	$2,598.4	**$3,058.9**
Internally generated capital:					
Net income for the year before Special Provision	347.7	271.7	303.6	336.2	**380.9**
Loss experience on loans	(359.7)	(284.9)	(376.3)	(435.4)	**(182.6)**
Provision for loan losses	197.5	241.5	319.7	412.5	**393.2**
Income tax credit on transfer to appropriations for contingencies	46.0	44.5	52.9	67.0	**0.5**
Net unrealized foreign exchange gain/(loss)	–	(1.4)	4.0	26.4	**(41.4)**
Capital from operations before Special Provision	231.5	271.4	303.9	406.7	**550.6**
Dividends paid	(90.2)	(107.7)	(121.8)	(133.1)	**(141.4)**
Net internally generated capital	141.3	163.7	182.1	273.6	**409.2**
Special Provision for losses on transborder claims	–	–	–	–	**(692.9)**
Net internally generated capital after Special Provision	141.3	163.7	182.1	273.6	**(283.7)**
Other sources of capital:					
Net additions from stock issues					
Common	22.6	30.0	36.2	186.9	**43.2**
Preferred	–	246.0	99.8	–	**–**
Total increase (decrease) in capital	163.9	439.7	318.1	460.5	**(240.5)**
Capital and reserves at end of year	$1,840.6	$2,280.3	$2,598.4	$3,058.9	**$2,818.4**

Table 2

Capital ratios(1)
($ millions)

As at October 31	1983	1984	1985	1986	**1987**
Net base capital:					
Common shareholders' equity	$ 1,707.6	$ 1,850.3	$ 2,038.0	$ 2,468.5	**$ 2,036.6**
Permanent preferred shares	–	250.0	350.4	350.4	**350.4**
Appropriations for contingencies	133.0	180.0	210.0	240.0	**431.4**
Qualifying base capital debentures	–	–	–	310.7	**250.7**
Minority interests – common	15.0	7.8	8.4	11.2	**13.6**
Less: Investment in associated corporations (20%-50% owned)	(62.8)	(69.0)	(73.1)	(75.1)	**(77.4)**
Net base capital	$ 1,792.8	$ 2,219.1	$ 2,533.7	$ 3,305.7	**$ 3,005.3**
Supplementary capital:					
Other bank debentures	620.2	599.3	765.7	680.9	**689.7**
Minority interests – preferred	0.7	0.7	0.7	0.7	**–**
Supplementary capital	620.9	600.0	766.4	681.6	**689.7**
Adjusted total capital(2)	$ 2,413.7	$ 2,819.1	$ 3,300.1	$ 3,987.3	**$ 3,695.0**
Equivalent base capital(3)	$ 1,999.7	$ 2,419.1	$ 2,789.2	$ 3,532.9	**$ 3,235.2**
Total assets	$54,808.6	$59,123.6	$61,068.8	$64,012.5	**$71,429.7**
Letters of credit and guarantees	2,271.7	2,665.2	4,059.0	4,675.0	**5,003.1**
Less: Investment in associated corporations (20%-50% owned)	(62.8)	(69.0)	(73.1)	(75.1)	**(77.4)**
Gross assets(1)	$57,017.5	$61,719.8	$65,054.7	$68,612.4	**$76,355.4**
Ratio of gross assets to:					
– net base capital	31.8:1	27.8:1	25.7:1	20.8:1	**25.4:1**
– adjusted total capital	23.6:1	21.9:1	19.7:1	17.2:1	**20.7:1**
– equivalent base capital	28.5:1	25.5:1	23.3:1	19.4:1	**23.6:1**
Ratio of total assets to capital, reserves and subordinated debentures	21.4:1	20.0:1	17.5:1	15.2:1	**18.7:1**

(1) According to guidelines prescribed by the Superintendent of Financial Institutions, the Bank's capital funds are separated between net base and supplementary capital and total assets are increased by the addition of letters of credit and guarantees which are not recorded on the balance sheet.
(2) Adjusted total capital is the sum of net base capital and supplementary capital.
(3) Equivalent base capital is the sum of net base capital plus one-third supplementary capital.

Return on Equity

Return on equity is defined as the net income available to common shareholders as a percentage of common shareholders' equity plus appropriations for contingencies. After the Special Provision, the return on common shareholders' equity was a negative 12.3%. Excluding the effect of the Special Provision on net income, the return on common shareholders' equity increased from 12.6% in 1986 to 13.1% in 1987.

Comparison of results between years should also be viewed relative to inflation. Return on equity minus the percentage growth in the Consumer Price Index is referred to as the "real" return. On this basis, the Bank's return before the Special Provision increased from 8.2% in 1986 to 8.8% in 1987.

Return on Assets

Return on assets (ROA), or net income as a percentage of average total month-end assets, is considered to be one of the best measures of operating performance. After the Special Provision, the total ROA for 1987 was a negative 0.46%. ROA prior to the Special Provision, at 0.57%, represents an increase of 0.03% from the previous year, and is the third consecutive annual increase.

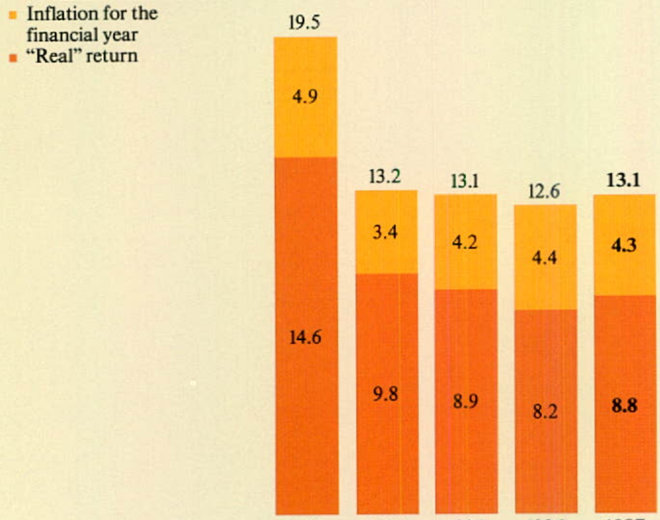
ROA for domestic operations improved significantly from 0.52% in 1986 to 0.66% in 1987. The domestic interest margin grew by 16 basis points to 3.63% which, when combined with growth in assets, increased domestic net interest income by $139.2 million. The provision for loan losses declined from fiscal 1986, while strong growth was experienced in other income. At 0.66%, the domestic ROA was the highest since 1978.

Before the Special Provision, international ROA declined by 10 basis points to 0.46%. Had it not been for the non-accrual status of Brazil and Ecuador, the international return on assets would have been higher by 15 basis points at 0.61% for 1987. The international interest margin fell by 30 basis points to 1.65%, reflecting the foregoing. The drop in net interest income was partly offset by the reduction in the provision for loan losses, and the growth in other income.

Chart 5

Return on equity before Special Provision (1)
(%)

For the financial years

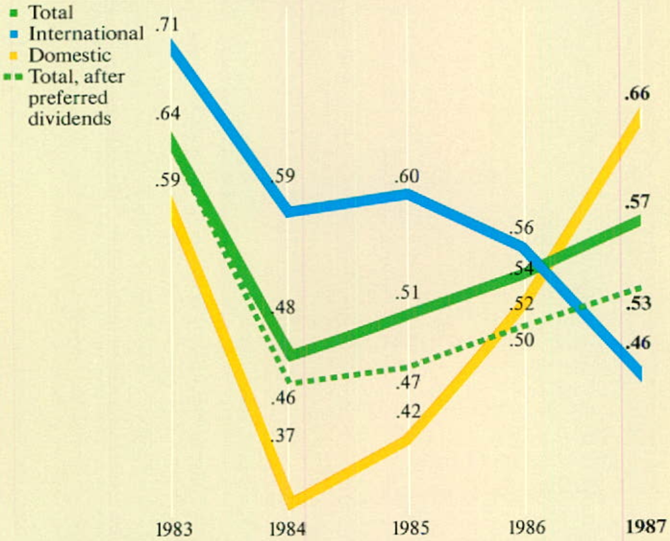


(1) The 1987 numbers exclude the effect on net income of the Special Provision for Losses on Transborder Claims. After the Special Provision, there would be a negative return on equity of 12.3% and the "real" return would be a negative 16.6%.

Chart 6

Return on assets before Special Provision (1)
(%)

For the financial years



(1) The 1987 numbers do not reflect the effect of the Special Provision for Losses on Transborder Claims. After the Special Provision the following negative returns result: total 0.46%, international 1.65%, total after preferred dividends 0.50%.

Table 3

Components of net income before Special Provision as a percentage of average total assets (taxable equivalent basis)[1]

(%)

For the financial years	1983	1984	1985	1986	**1987**
Domestic					
Net interest income	3.63%	3.32%	3.43%	3.47%	**3.63%**
Provision for loan losses	(0.58)	(0.63)	(0.62)	(0.62)	**(0.55)**
Other income	0.74	0.76	0.81	0.86	**0.94**
Net interest and other income	3.79	3.45	3.62	3.71	**4.02**
Total non-interest expenses	(2.63)	(2.76)	(2.81)	(2.69)	**(2.69)**
Net income before taxes and minority interests	1.16	0.69	0.81	1.02	**1.33**
Provision for income taxes and minority interests	(0.57)	(0.32)	(0.39)	(0.50)	**(0.67)**
Net income [2]	0.59%	0.37%	0.42%	0.52%	**0.66%**
International					
Net interest income	1.80%	1.56%	1.85%	1.95%	**1.65%**
Provision for loan losses	(0.14)	(0.23)	(0.46)	(0.70)	**(0.62)**
Other income	0.37	0.36	0.39	0.53	**0.66**
Net interest and other income	2.03	1.69	1.78	1.78	**1.69**
Total non-interest expenses	(0.83)	(0.78)	(0.81)	(0.93)	**(0.94)**
Net income before taxes and minority interests	1.20	0.91	0.97	0.85	**0.75**
Provision for income taxes and minority interests	(0.49)	(0.32)	(0.37)	(0.29)	**(0.29)**
Net income before Special Provision [2]	0.71%	0.59%	0.60%	0.56%	**0.46%**
Total					
Net interest income	2.75%	2.43%	2.62%	2.74%	**2.67%**
Provision for loan losses	(0.37)	(0.43)	(0.54)	(0.66)	**(0.58)**
Other income	0.56	0.56	0.60	0.70	**0.80**
Net interest and other income	2.94	2.56	2.68	2.78	**2.89**
Total non-interest expenses	(1.76)	(1.76)	(1.79)	(1.84)	**(1.84)**
Net income before taxes and minority interests	1.18	0.80	0.89	0.94	**1.05**
Provision for income taxes and minority interests	(0.54)	(0.32)	(0.38)	(0.40)	**(0.48)**
Net income before Special Provision	0.64%	0.48%	0.51%	0.54%	**0.57%**
Net income before Special Provision and after preferred dividends	0.64%	0.46%	0.47%	0.50%	**0.53%**

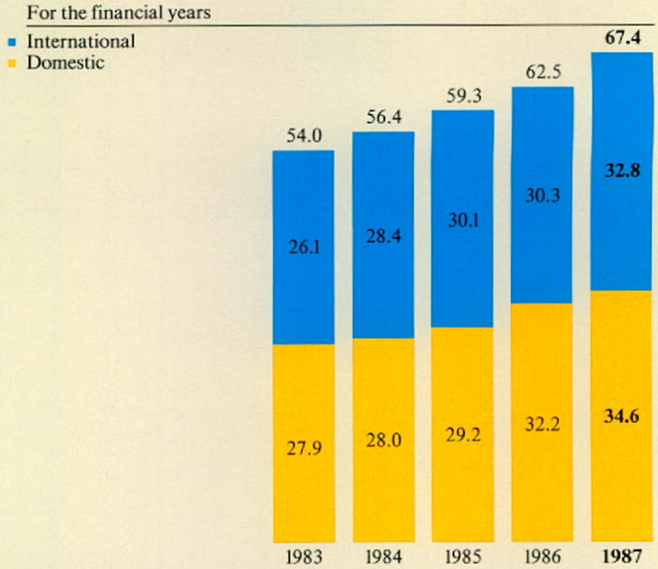
(1) Income from tax-exempt securities has been expressed on an equivalent before-tax basis. The provision for income taxes has been adjusted by a corresponding amount.

(2) No allocation has been made of the preferred dividends between domestic and international operations. Accordingly, no ROA after preferred dividends is shown.

Chart 7

Average total assets
($ billions)

For the financial years



	1983	1984	1985	1986	**1987**
Percentage increase in average total assets over previous year	1.9%	4.6%	5.2%	5.2%	**7.9%**

Components of Assets

Scotiabank's total assets at October 31, 1987, were $71.4 billion, an increase of $7.4 billion over October 31, 1986.

Strong growth continued in Canadian consumer lending. In particular, Scotia Plan Loans and mortgage lending increased to record levels at October 31, 1987.

Foreign currency loans grew $1.6 billion year over year despite the effect of the Special Provision of $1,174.4 million, which has been deducted from loans on the balance sheet. Excluding this factor, foreign currency loans grew significantly year over year by $2.8 billion. The growth in U.S. dollar loans was offset in part by the appreciation of the Canadian dollar against the U.S. dollar which reduced the Canadian dollar equivalent of U.S. dollar denominated loans by $1.0 billion.

Total Loans and Mortgages

Total loans and mortgages increased $3.3 billion, or 7.5% year over year, to stand at $46.8 billion at September 30, 1987.

Mortgages increased 22.0% to surpass the year's target, reaching $7.6 billion. Growth in this sector was due to a strong real estate market, combined with favourable mortgage interest rates and a substantial marketing effort.

Personal loans to Canadian residents showed significant growth of 17.0% in fiscal 1987, reflecting both consumer demand and the Bank's emphasis on home equity lending. This growth was offset by a reduction in the non-personal loan sector, as borrowers switched into bankers' acceptances.

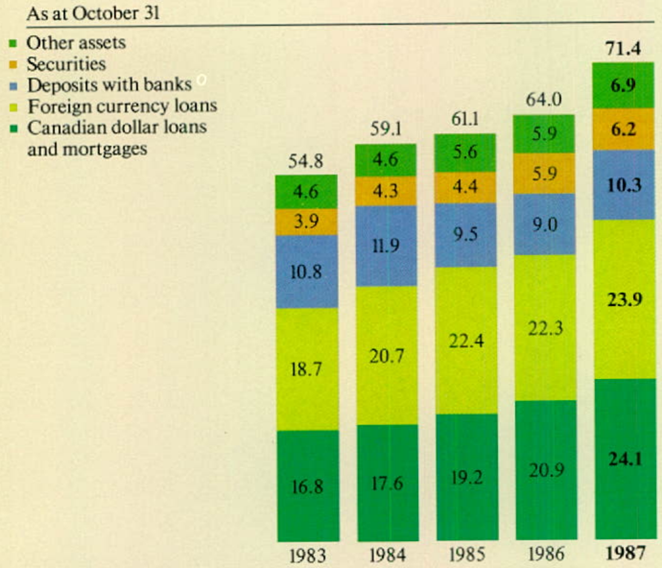
Loans to non-residents increased $0.9 billion or 4.3% to $20.2 billion in 1987. Growth occurred primarily in the U.S., reflecting corporate loans and merger and acquisition financings. This was offset in part by the Special Provision and to a lesser extent by the appreciation of the Canadian dollar against foreign currencies. This reduced the Canadian dollar equivalent of loans denominated in those currencies by approximately $1.0 billion.

The Bank's total loans to the energy sector have decreased moderately year over year, due to repayments as a result of improved business conditions.

Chart 8

Components of assets
($ billions)

As at October 31



	1983	1984	1985	1986	1987
Percentage increase in total assets from previous year	2.2%	7.9%	3.3%	4.8%	**11.6%**

Table 4

Total loans and mortgages(1)

($ billions) As at September 30	1983	1984	1985	1986	**1987**
To Canadian residents:					
Business loans					
Manufacturing and industrial	$ 2.5	$ 2.5	$ 3.2	$ 2.9	**$ 3.1**
Real estate	2.9	2.8	2.4	2.5	**2.3**
Commercial, merchandising, financial and other	5.5	5.0	5.5	5.2	**5.0**
Mortgages	3.8	4.5	5.1	6.2	**7.6**
Personal loans	5.4	5.9	6.5	7.4	**8.6**
Sub-total	20.1	20.7	22.7	24.2	**26.6**
To non-residents:					
Banks	1.9	2.3	2.8	2.8	**1.9**
Other than banks					
Government	2.8	3.2	2.3	1.9	**1.8**
Transportation, communication and public utilities	2.4	2.5	2.3	2.0	**2.4**
Manufacturing and industrial	3.0	3.6	3.7	4.6	**4.8**
Real estate	1.8	1.8	2.4	2.7	**3.3**
Commercial, merchandising and financial	2.5	3.0	3.7	4.4	**5.1**
Other (including personal)	0.9	0.9	0.8	0.9	**0.9**
Sub-total	15.3	17.3	18.0	19.3	**20.2**
Total	$35.4	$38.0	$40.7	$43.5	**$46.8**

(1) The above amounts are stated net of general prudential and specific provisions.

Major Foreign Currency Assets

This classification is based on the currency of the asset and includes deposits with banks, securities, loans and mortgages, and customers' liabilities under acceptances. At September 30, 1987, major foreign currency assets increased by $1.0 billion to $35.4 billion and represent 50.9% of total assets. The overall increase was largely due to strong growth in U.S. loans. This growth was offset by a decrease in the net exposure to oil exporting and developing countries, which was caused by the large increase in the general prudential provision.

As a result of increasing economic problems in many developing countries, particularly in Latin America, the Bank has focussed its growth in foreign lending to the industrialized countries.

Geographic Distribution of Earning Assets

The geographic distribution of earning assets reflects the broad international scope of the Bank. *Chart 10* and *Table 5* show earning assets by region on the basis of ultimate risk. This is according to the residence of the borrower, or the residency of the guarantor where the loan has been guaranteed by a parent company or third party.

In the Bank's view, a more revealing picture of worldwide asset exposure can be seen by looking at net cross-border claims in *Table 5*. These arise when a borrower in a foreign country has an obligation to the Bank denominated in a currency other than the local one, or where the funds are borrowed in a currency other than the borrower's currency of risk. To the extent that there is a local guarantor, or where there are local foreign currency deposits to fund the claim, the cross-border risk is eliminated. Canadian and U.S. borrowers are not considered to have cross-border risk, given that the operations of the Bank are based in both Canada and the U.S.

Year-over-year changes in the exposure reflect not only changes in lending, but also changes in currency exchange rates. Since many claims are denominated in U.S. dollars, the appreciation of the Canadian dollar against the U.S. dollar during 1987 has resulted in lower exposure in Canadian dollar terms. Had the Canadian dollar not appreciated against the U.S. dollar, the U.S. earning assets would have increased approximately $1.5 billion in Canadian dollars.

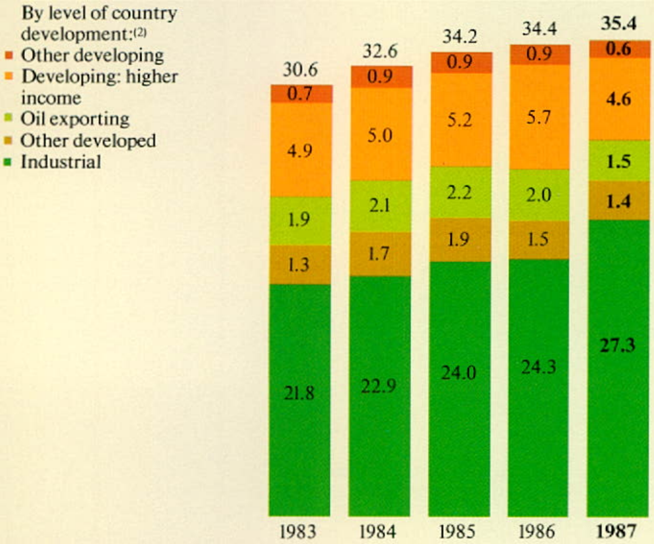
Table 5 identifies individual countries where outstanding claims exceed 0.75% of total earning assets at September 30, 1987.

The Bank's net exposure to Latin America has declined as a result of the increase in the related general prudential provision. The underlying loans and other claims have not changed significantly over the last year. The Bank continues discussions with these countries, as well as with other financial institutions and international agencies, to manage LDC debt repayment problems.

Real growth has occurred in Canada and the United States, where assets grew to 72.8% of total earning assets from 69.7% in 1986.

Chart 9

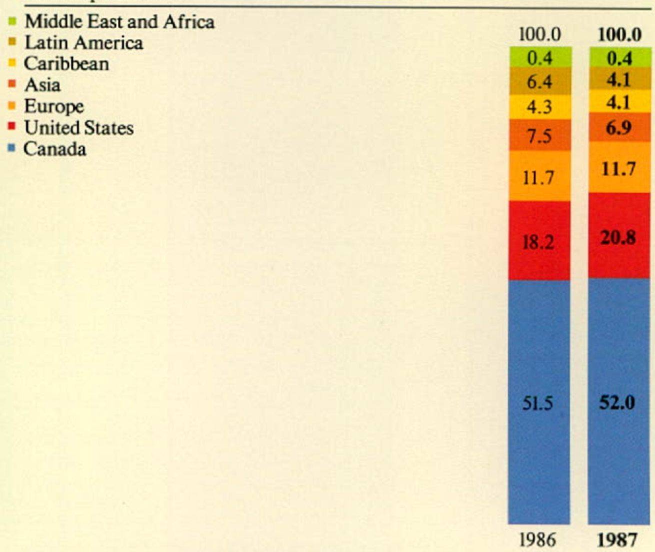
Major foreign currency assets(1)
($ billions)
As at September 30



(1) Certain comparative amounts have been restated to conform with current presentation.
(2) The classifications used above are based on IMF and World Bank definitions.

Chart 10

Geographic distribution of earning assets(1)
(%)
As at September 30



(1) Earning assets include loans and mortgages, deposits with banks, securities, and customers' liability under acceptances, net of general prudential and specific provisions.

Table 5

Geographic distribution of earning assets (1) (2)

As at September 30	Geographic				Net cross-border claims			
	1986		**1987**		1986		**1987**	
	Balance ($ millions)	% of total earning assets	**Balance ($ millions)**	**% of total earning assets**	Balance ($ millions)	% of total earning assets	**Balance ($ millions)**	**% of total earning assets**
Total Middle East and Africa	$ 252	0.4	**$ 246**	**0.4**	$ 233	0.4	**$ 241**	**0.4**
Japan	2,559	4.2	**2,916**	**4.4**	1,680	2.8	**1,542**	**2.4**
Other Asia	1,987	3.3	**1,656**	**2.5**	1,548	2.5	**1,340**	**2.0**
Total Asia	4,546	7.5	**4,572**	**6.9**	3,228	5.3	**2,882**	**4.4**
Mexico	1,193	2.0	**842**	**1.3**	1,188	1.9	**838**	**1.3**
Brazil	921	1.5	**627**	**0.9**	921	1.5	**627**	**0.9**
Other Latin America	1,777	2.9	**1,248**	**1.9**	1,772	2.9	**1,185**	**1.8**
Total Latin America	3,891	6.4	**2,717**	**4.1**	3,881	6.3	**2,650**	**4.0**
Jamaica	619	1.0	**690**	**1.0**	91	0.1	**53**	**0.1**
Puerto Rico	739	1.2	**630**	**1.0**	–	–	–	–
Other Caribbean	1,292	2.1	**1,360**	**2.1**	592	1.0	**570**	**0.8**
Total Caribbean	2,650	4.3	**2,680**	**4.1**	683	1.1	**623**	**0.9**
United Kingdom	2,150	3.5	**2,594**	**3.9**	1,025	1.7	**1,617**	**2.5**
France	1,260	2.1	**1,555**	**2.4**	1,251	2.0	**1,549**	**2.3**
Other Europe	3,729	6.1	**3,599**	**5.4**	2,599	4.3	**2,640**	**4.0**
Total Europe	7,139	11.7	**7,748**	**11.7**	4,875	8.0	**5,806**	**8.8**
Total of above	$18,478	30.3	**$17,963**	**27.2**	$12,900	21.1	**$12,202**	**18.5**
United States (3)	11,128	18.2	**13,717**	**20.8**	–	–	–	–
Canada	31,466	51.5	**34,312**	**52.0**	–	–	–	–
Total	$61,072	100.0	**$65,992**	**100.0**	–	–	–	–

(1) Certain comparative amounts have been restated to conform with current presentation.

(2) International prudential provisions have been prorated against all loans in related countries based on the relative exposure in each country.

(3) The only foreign country from which more than 10% of the Bank's consolidated interest income was derived was the United States, where interest income was $971 million in 1987 (1986 – $844 million).

Off Balance Sheet Financing

While the majority of the Bank's activities are reflected on the balance sheet, a growing volume of transactions are not included and are thus considered to be "off balance sheet."

For years the Bank has offered letters of credit and guarantees, which are traditional forms of alternative indirect lending. In addition, the Bank regularly enters into other transactions which are off balance sheet and are in the nature of contingencies or commitments.

The major types of these transactions and the Bank's policies and procedures for managing any associated risks are described below.

A breakdown of the Bank's major off balance sheet amounts, expressed in terms of either principal or "notional" value of the related commitment or contract, is shown in *Table 6*. For most of these products, no actual exchange of principal occurs, and thus a notional value is required in order to calculate interest.

Credit Commitments

In addition to loans outstanding on the balance sheet, the Bank enters into commitments to extend credit to its customers. Undrawn commitments grew 11.6% year over year, from $35.2 billion at October 31, 1986, to $39.3 billion at October 31, 1987. These commitments, for which fees are usually charged, may involve term loans, standby commitments to provide funds within specified periods, and revolving credits to provide flexibility to customers to borrow, repay and reborrow funds of various durations as required.

The granting of such facilities is subject to the Bank's credit approval and monitoring procedures. The majority of these commitments are contingent upon maintenance of specific credit standards by the customer.

Foreign Currency Commitments

The Bank buys and sells currencies in the spot and forward markets to meet the needs of customers, including their investment and hedging activities. The Bank also trades for its own account, within pre-approved limits, in anticipation of changes in currency markets.

Commitments to purchase U.S. dollars grew 2.0% year over year, to $38.7 billion at October 31, 1987. Commitments to sell U.S. dollars increased 1% over the same period to $37.9 billion, resulting in a net position of $743 million at October 31, 1987. This position is offset by a corresponding net spot trading position.

In its foreign exchange business, the Bank must deal both with credit risk and with market price risk. To manage these risks, the Bank has pre-established foreign exchange credit and trading lines and limits. These define: (i) the maximum amounts and maturity periods that may be entered into with an individual counterparty; and (ii) the total trading limits allowed in any one currency.

To ensure objectivity, the lines and limits for each counterparty are established and reviewed by credit officers independent of foreign exchange activities. The trading limits are established by senior management and are monitored daily.

Interest Rate and Cross Currency Swaps

An interest rate swap is an agreement to exchange streams of interest payments over time based on a notional principal amount while a cross currency swap is an agreement to exchange currency payments over a determined time period. Total swap volumes have increased a substantial 76.6% year over year to $12.9 billion at October 31, 1987, reflecting the Bank's increased presence in a growing swap market worldwide. The Bank participates in the swap market either as a direct principal or as an intermediary between two or more customers. The Bank also takes on swaps for future matching with potential customers or as part of its own interest rate management program.

Swap transactions are undertaken both to reduce funding costs of the Bank or customers and also to earn fee income. The interest rate risk associated with swap activities is managed by entering into offsetting swap contracts and other financial hedges. Exposure is limited to the extent of any adverse interest rate movement (applied to the notional principal) in the event of default by a counterparty, since no principal is being loaned. The counterparty credit risk is managed as part of the Bank's overall customer credit review procedures. Swap customers are subject to formal credit review and the estimated credit exposure on each transaction is established and monitored.

Interest Rate Futures and Future Rate Agreements

The Bank enters into interest rate futures contracts and future rate agreements to assist in the management of interest rate risk and to take advantage of trading opportunities. Most of these contracts are for terms of less than one year.

Interest rate futures contracts are commitments to deliver or purchase specified financial instruments, such as treasury bills, at a predetermined price. The contracts are between the Bank and recognized exchanges where such contracts are traded. Interest rate futures have grown from $0.3 billion to $1.6 billion at October 31, 1987.

Future rate agreements (FRAs) are contracts to protect against, or to take advantage of, expected future movements in interest rates. The agreements are transacted largely in the inter-bank market, and the counterparty credit risk is managed as part of the Bank's overall credit review procedures. Future rate agreements have increased $6.4 billion to $9.3 billion during the period. The above growth reflects increased volatility in the marketplace, leading to increased trading opportunities.

Notwithstanding the large notional principal balances outstanding, the Bank's exposure is limited to the extent of any adverse interest rate movement (applied to the contract amount for futures and the notional principal for FRAs) in the event of default by a counterparty.

Revolving Underwriting Facilities (RUFs) and Note Issuance Facilities (NIFs)

The Bank is a participant in the Euronote market. In addition to bidding for Euronotes on behalf of investors, it also provides Euronote facilities such as RUFs and NIFs to our customers who want to raise capital directly from the securities market.

RUFs and NIFs are arrangements whereby a borrower may draw down funds up to a prescribed limit over an extended period by repeated issues to the market. If at any time the notes cannot be placed in the market at a minimum price, a group of underwriters will undertake to buy them at a prescribed price. When the Bank acts as an underwriter, it may have to assume the credit risk. Any temporary holdings acquired through this process are carried at market value. The granting of Euronote facilities occurs in the normal course of business and is subject to the Bank's formal credit approval and monitoring procedures.

Facilities outstanding have grown $825 million year over year to $1.1 billion at October 31, 1987.

Deposits

The Bank's deposit base was $60.8 billion at October 31, 1987, an annual increase of $7.4 billion or 14.0%.

The growth in Canadian dollar deposits of $2.6 billion or 11.9% came primarily through the network of more than 1,000 branches in Canada. This growth is mainly due to the continued success of The Gain Plan Investment Savings Account introduced in 1986. In addition, growth in non-personal deposits occurred mainly in bearer term notes.

In Canada, the Bank's level of Canadian personal chequing and savings deposits grew to $9.8 billion, an increase of 9.6% from October 31, 1986. The commercial chequing and savings deposit category is somewhat smaller at $3.9 billion, although it experienced excellent growth of 26% over the year.

In response to the strong growth in foreign currency assets, particularly in the U.S., foreign currency deposits increased $4.8 billion or 15.5% year over year to $36.0 billion at October 31, 1987. The most notable increase was in deposits by banks, which rose 31.9% to $16.6 billion at October 31, 1987.

Table 6

Off balance sheet financing(1)
As at October 31
($ millions)

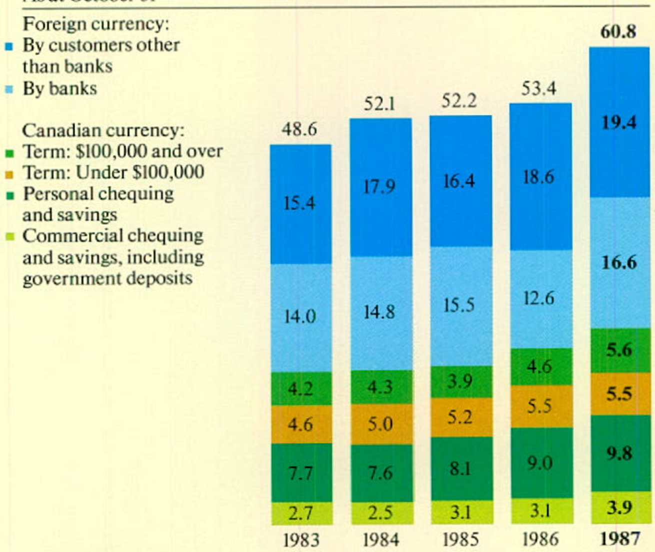
	1986	**1987**
Credit commitments	$35,212	**$39,281**
Foreign currency commitments		
– To purchase	37,936	**38,691**
– To sell	(37,588)	**(37,948)**
Net position(2)	348	**743**
Interest rate and cross currency swaps(3)	7,315	**12,919**
Interest rate futures(3)	286	**1,637**
Future rate agreements(3)	2,848	**9,287**
Revolving underwriting facilities and note issuance facilities	271	**1,096**

(1) Certain comparative amounts have been restated to conform with current presentation.
(2) The long net forward trading positions of $348 and $743 for 1986 and 1987, respectively, were offset by corresponding short positions in foreign currency assets reflected on the balance sheet.
(3) These transactions include commitments to both purchase and sell the respective instruments and accordingly are the gross volume indicators only of business undertaken. The Bank's potential risk exposure is substantially smaller.

Chart II

Deposits
($ billions)

As at October 31



	1983	1984	1985	1986	1987
Percentage increase in total deposits from previous year	2.9%	7.1%	0.3%	2.1%	**14.0%**

Canadian Dollar Sources of Funds

Medium cost sources of funds increased by $1.6 billion or 19.3% from last year to $9.5 billion and accounted for 38.2% of the total Canadian dollar deposit base. The Gain Plan Investment Savings Account is primarily responsible for the increase in this category. The continued growth of this account reflects the enthusiastic reception by our customers. Effective November 1987, Scotiabank added a new interest rate tier, paying a higher interest rate on balances over $50,000.

Increasing competition for core deposits is reflected in the slowly declining proportion of lower cost funds, down to 11.4% of the total in 1987 from 12.8% in 1984.

Net Interest Income

Net interest income is stated on a taxable equivalent basis whereby non-taxable income from certain "loan substitute" securities is adjusted to an equivalent before-tax basis. The addition of this taxable equivalent adjustment to interest income results in the determination of the interest profit margin on a consistent pre-tax basis.

While there were fluctuations in interest rates during the year average interest rates trended downwards: the Canadian prime interest rate averaged 9.56%, a drop of 103 basis points from the previous year, while the U.S. prime rate of 8.00% represents a year-over-year decrease of 66 basis points.

Net interest income increased $89.6 million year over year as a consequence of two opposing factors: growth in average assets increased net interest income by $135.5 million while the decline in the average interest rate margin reduced net interest income by $45.9 million.

The interest profit margin is defined as net interest income as a percentage of total average earning assets. The interest profit margin of 2.93% has decreased 6 basis points from the previous year. When the net interest income is expressed as a percentage of average total assets, it decreased by 7 basis points year over year to 2.67%. The falling yield on total assets of 57 basis points more than offset the 50 basis point drop in the average interest rate paid.

While average loans grew by $3.1 billion year over year, the average rate earned fell by 45 basis points. The growth in domestic average loans was led by the personal sector – primarily mortgages and Scotia Plan Loans. The international rate earned fell 75 basis points primarily as a result of placing Brazil and Ecuador on a non-accrual basis. This resulted in a reduction in net interest income of $81 million for the year.

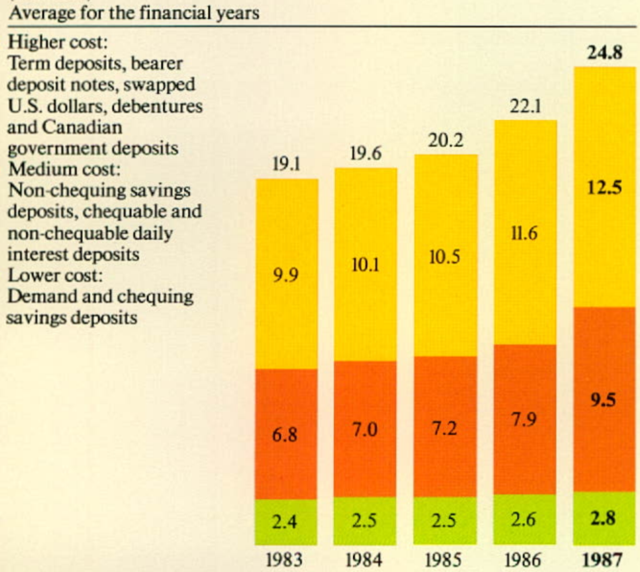
The average level of securities rose by $1.4 billion. The securities portfolio is used for liquidity purposes, for the Bank of Canada reserve requirements and as an alternative to loan growth. The decline in the rate earned was a function of both the decline in interest rates and the fact that gains from the sales of securities in 1986 were not repeated to the same extent in 1987.

While the average level of deposits placed with other banks has remained constant since the previous year, the currency composition has changed. The level of U.S. dollar deposits has decreased and been replaced by increasing levels of Japanese yen and Deutsche marks. This change in currency mix together with declining interest rates has resulted in a 104 basis point reduction in the average rate earned on deposits with banks to 6.75%.

Average total deposits grew by $3.4 billion from the previous year, most of this being domestic with both personal and non-personal deposits increasing year over year. The average rate paid on domestic deposits declined more year over year than did the rate on the international deposits.

Chart 12

Canadian dollar sources of funds(1)
($ billions)
Average for the financial years



	1983	1984	1985	1986	**1987**
Percentage increase/ (decrease) in total Canadian dollar funds over previous year	(4.5%)	2.6%	3.1%	9.7%	**12.2%**
Higher cost funds as a percentage of total Canadian dollar funds	52.1%	51.5%	52.1%	52.4%	**50.4%**

(1) Certain comparative amounts have been restated to conform with current presentation.

Chart 13

Interest profit margin
(taxable equivalent basis)
(%)
For the financial years

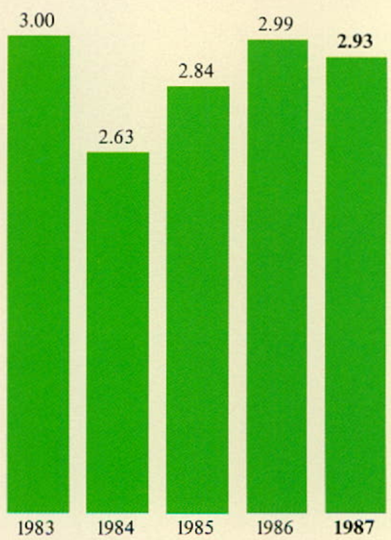


Table 7

Average assets and liabilities and interest rates (taxable equivalent basis) (1)

($ millions)	1985		1986		**1987**	
	Average Balances	Average Rate	Average Balances	Average Rate	**Average Balances**	**Average Rate**
Assets						
Loans and leases:						
Domestic	$21,980	11.32%	$24,039	10.91%	**$25,671**	**10.70%**
International	17,750	10.67	19,039	10.21	**20,477**	**9.46**
Total loans and leases	39,730	11.03	43,078	10.60	**46,148**	**10.15**
Securities:						
Domestic	3,086	11.17	3,127	10.64	**4,037**	**9.64**
International	1,212	13.85	1,782	13.17	**2,264**	**10.56**
Total securities	4,298	11.92	4,909	11.56	**6,301**	**9.97**
Deposits with other banks:						
Domestic	1,066	9.83	794	8.15	**454**	**7.27**
International	9,743	9.22	8,313	7.76	**8,578**	**6.72**
Total deposits with other banks	10,809	9.28	9,107	7.79	**9,032**	**6.75**
Total earning assets	54,837	10.76	57,094	10.23	**61,481**	**9.63**
Other assets	4,511	–	5,365	–	**5,885**	**–**
Total assets	$59,348	9.94%	$62,459	9.36%	**$67,366**	**8.79%**
Liabilities						
Deposits:						
Domestic	$23,660	7.52%	$24,764	6.92%	**$26,513**	**6.15%**
International	28,171	8.73	28,677	8.03	**30,322**	**7.78**
Total deposits	51,831	8.18	53,441	7.51	**56,835**	**7.02**
Debentures	688	9.87	920	8.74	**1,074**	**7.86**
Liabilities other than deposits	400	8.73	566	6.82	**805**	**6.11**
Total interest bearing liabilities	52,919	8.20	54,927	7.53	**58,714**	**7.02**
Other liabilities	3,995	–	4,724	–	**5,570**	**–**
Capital and reserves	2,434	–	2,808	–	**3,082**	**–**
Total liabilities	$59,348	7.32%	$62,459	6.62%	**$67,366**	**6.12%**
Net interest income on average total assets (taxable equivalent basis)		2.62%		2.74%		**2.67%**
Net interest income on average earning assets (taxable equivalent basis)		2.84%		2.99%		**2.93%**

(1) Certain comparative amounts have been restated to conform with current presentation.

Table 8

Analysis of changes in net interest income (taxable equivalent basis) (1)

($ millions)	1986 versus 1985 Increase/(decrease) due to change in:			**1987 versus 1986 Increase/(decrease) due to change in:**		
	Average volume	Average margin	Net change	**Average volume**	**Average margin**	**Net change**
Net interest income:						
Domestic	$110.5	$ 7.9	$118.4	**$ 81.6**	**$ 57.6**	**$139.2**
International	(19.9)	53.7	33.8	**53.9**	**(103.5)**	**(49.6)**
Total	$ 90.6	$61.6	$152.2	**$135.5**	**$ (45.9)**	**$ 89.6**

(1) Certain comparative amounts have been restated to conform with current presentation.

Interest Rate Sensitivity and Liquidity

As a financial intermediary, the Bank is exposed not only to credit and foreign exchange risk, but also to interest rate risk and liquidity risk. Interest rate risk arises when interest-rate-sensitive assets and liabilities are of different maturities and are thus subject to repricing in different time periods. This creates an "interest-sensitive gap." Effective management of this gap can yield greater profits. In a declining rate environment, for example, if Bank deposit costs react more quickly than loan yields (a "liability-sensitive position"), then spreads will widen, increasing profit. Similarly, in a rising rate environment, if asset yields adjust more rapidly than deposit costs (an "asset-sensitive position"), then spreads will widen. In the reverse positions, margins can of course be correspondingly reduced. Thus, while an interest-sensitive gap increases the opportunity for greater profit, it also adds risk.

The Bank's degree of interest rate mismatch and related risk is decided at the Executive level and is reviewed weekly by the Liability Committee. "Gap" management takes into account the prevailing interest rate environment, funding costs of different instruments, anticipated growth and repayments of loans as well as liquidity requirements. To assist in managing its "gap," the Bank employs several off balance sheet instruments, including financial futures, future rate agreements and interest rate and currency swaps. The objective of gap management is to maximize potential interest income while successfully managing the related interest rate risk.

The Bank's interest rate gap is defined as the amount of assets not subject to repricing within one year, less liabilities with comparable repricing. At September 30, 1987, the gap was $5.0 billion or 7.2% of total assets, compared with $3.6 billion or 5.6% at September 30, 1986. The major factor in this increase in the gap was the placing of the claims on Brazil and Ecuador on a non-accrual basis.

In order to ensure that funds are available on time to meet deposit obligations and to finance business growth, the Bank actively manages its liquidity position, co-ordinating the maturities of assets and liabilities. Management is undertaken on a global basis, providing a multi-currency portfolio of liquid assets and a diversified deposit base. Limits have been established to prevent over-reliance on any specific source of liquidity or deposit. The Bank has traditionally taken a conservative approach to liquidity management. As well as conforming to statutory requirements on primary and secondary reserves, the Bank maintains excess liquid assets to meet daily contingencies.

Loan Losses

Credit Review

Appropriate levels of authority exist within the Bank regarding loan approvals. The largest loans are reviewed by the Loan Policy Committee, which is comprised of Senior Executives of the Bank. Individual reports on all large accounts are reviewed by the Board of Directors.

Credit risk throughout the Bank is continually monitored, with specific controls and tracking mechanisms in place to provide early warning signals of deterioration on an individual loan basis. All larger credits are reviewed independently of the credit function at least once annually.

Loss Experience on Loans

Two measures of loan loss are used in Canadian bank financial statements – the loss experience on loans and the annual provision for loan losses.

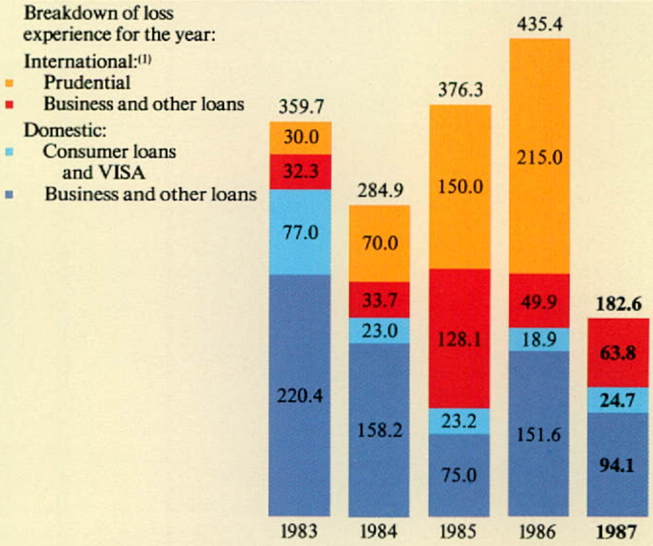
Loss experience on loans is comprised of direct write-offs less cash recoveries of loans previously written off plus the net annual change in specific and general provisions.

The 1987 loss experience on loans was $182.6 million, compared with $435.4 million for 1986. The large decrease of $252.8 million was mainly the result of the exclusion from loss experience in 1987 of any additions to the general prudential provision in respect of LDC loans. The entire amount credited to the general prudential provision in 1987 was included in the Special Provision in accordance with the instructions issued by the Superintendent of Financial Institutions. The Special Provision was charged directly to income net of related taxes. The decline of $215.0 million relating to the prudential provision reported in 1986 was offset in part by increased write-offs which occurred in the United States.

In the domestic sector, consumer loans and VISA loss experience was higher than in 1986. This was due to loan growth in these areas which normally causes the level of loan loss experience to rise. However, as a percentage of total loans, this loss experience remains close to historically low levels. The increase in consumer loan and VISA loss experience was offset by lower loss experience for the construction/real estate, retail/wholesale and trade/service sectors.

Chart 14

Loss experience on loans
($ millions)
For the financial years



Loss experience on loans, as a percentage of total loans:	1983	1984	1985	1986	1987
International:(1)					
Prudential	0.19%	0.38%	0.76%	1.05%	**–%**
Business and other loans	0.20	0.18	0.65	0.24	**0.30**
Overall	0.39	0.56	1.41	1.29	**0.30**
Domestic:					
Consumer loans and VISA	1.72%	0.46%	0.43%	0.30%	**0.34%**
Business and other loans	1.28	0.95	0.39	0.77	**0.40**
Overall	1.37	0.84	0.40	0.66	**0.39**
Total	0.96%	0.71%	0.85%	0.94%	**0.35%**

(1)Prior to 1987, the increase in prudential provisions was included in loan loss experience.

Table 9

Summary of loss experience on loans

($ millions) For the financial years	1986	**1987**
Domestic		
Consumer loans and VISA	$ 18.9	**$ 24.7**
Other personal	2.5	**3.9**
Government and financial institutions	0.7	**0.4**
Primary industry/ manufacturing	(0.2)	**(0.9)**
Construction/real estate	115.5	**89.0**
Transportation, communication and utilities	(0.3)	**(0.2)**
Retail/wholesale and trade/service	33.4	**1.9**
Total Domestic	$170.5	**$118.8**
International		
Pacific	1.8	**(0.3)**
Europe, Middle East, Africa	16.7	**1.4**
Caribbean	3.1	**1.9**
Latin America	1.4	**(1.2)**
United States	26.9	**62.0**
Total International	$ 49.9	**$ 63.8**
Prudential Provision	215.0	**n/a**
Total loss experience on loans	$435.4	**$182.6**

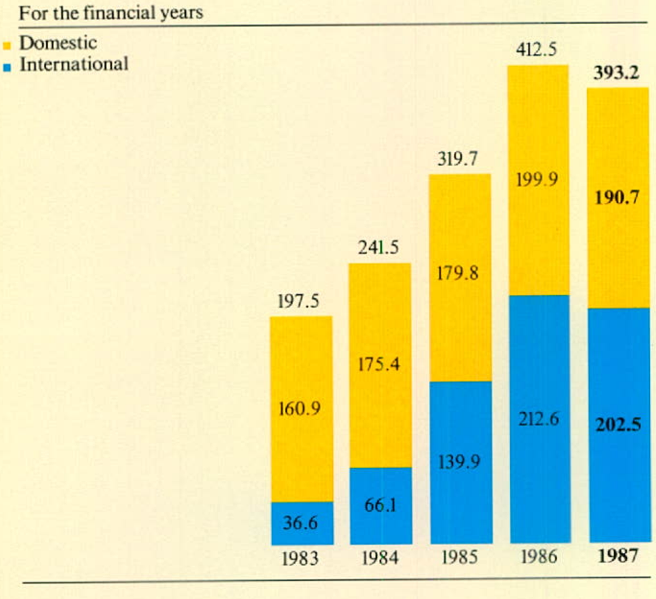
Provision for Loan Losses

The provision for loan losses is a charge against earnings, calculated using a formula which averages loss experience and eligible assets over five years, as prescribed by the Minister of Finance.

The provision for loan losses at $393.2 million was somewhat lower than the previous year as a result of the exclusion of the Special Provision from loss experience for 1987.

Chart 15

Provision for loan losses
($ millions)



Non-Performing Claims

The non-performing claims portfolio is comprised of non-accrual and re-negotiated reduced rate claims which include loans, securities and deposits with banks. It is reported after deducting specific provisions and the related general prudential provision. Non-accrual claims are those where interest is not being accrued due to reasonable doubt concerning collectibility of a portion of principal or interest. All loans with interest payments contractually overdue 90 days or more are classified as non-accrual unless, in the opinion of management, there is no reasonable doubt as to the ultimate collectibility of both principal and interest.

Re-negotiated reduced rate claims are those where terms have been modified to provide for a reduction in the interest rate due to the weakened financial condition of the borrower.

When a loan is classified as non-accrual, accrued but uncollected interest is reversed against income for the year. Thereafter, interest income is recognized on a cash basis after specific provisions for loan losses have been recovered and if there is no further doubt as to the collectibility of principal. Interest continues to be recognized as income in the case of loans for which general prudential provisions have been established, except when the loans are classified as non-accrual in which case interest is recognized only as cash is received.

Table 10 shows domestic non-accrual claims declining to $415.8 million, a $269.4 million drop year over year. Of this decline, 91.7% took place in the construction/real estate category, concentrated mainly in Western Canada. Improved economic conditions in the West as well as loan realizations (i.e., sale of property) and direct write-offs contributed to the substantial decline.

In the second quarter, Brazil declared a moratorium on interest payments to its external bank creditors on its medium- and long-term debt. As a result of this action, the Bank placed this Brazilian debt on a non-accrual basis.

Ecuador has also experienced serious economic problems. When the recent earthquake in that country disrupted its flow of oil, Ecuador announced that further interest payments would be withheld until sufficient foreign exchange was generated. As a result, the Bank also placed Ecuador's debt on a non-accrual basis.

The largest portion of Scotiabank's non-accrual loan portfolio is in the Latin American region, followed by the United States. Non-accrual claims in the United States, however, dropped significantly by $77.0 million or 23.8% from October 31, 1986, due to both the sale of property and direct write-offs. Levels of non-accrual loans in other regions remained relatively stable.

International non-performing claims of $339.5 million are down $51.3 million from the previous year. This results from the application of the Special Provision against the non-accrual LDC claims. At October 31, 1987, that portion of the Special Provision not currently deducted from non-accrual claims stands at $364.6 million; this can be used only if there are any additional non-accrual claims on the 34 designated LDCs.

Continued overall improvement in the real estate portfolio is also reflected in the reduction of re-negotiated reduced rate claims by $63.5 million to $42.6 million.

Table 10

Summary of non-performing claims net of specific and general provisions

($ millions) As at October 31	1986	**1987**
Domestic		
Consumer loans and VISA	$ 19.0	**$ 19.3**
Other personal	16.5	**10.3**
Government and financial institutions	3.4	**2.6**
Primary industry/ manufacturing	21.9	**17.0**
Construction/real estate	590.4	**343.4**
Transportation, communication and utilities	0.1	**0.4**
Retail/wholesale and trade/service	33.9	**22.8**
Domestic non-accrual	$ 685.2	**$ 415.8**
International		
Pacific	56.4	**65.1**
Europe, Middle East, Africa	14.9	**26.7**
Caribbean	29.0	**27.4**
Latin America	150.5	**1,209.0**
United States	323.8	**246.8**
	574.6	**1,575.0**
Related portion of general prudential provision	(183.8)	**(1,235.5)**
International non-accrual	$ 390.8	**$ 339.5**
Total non-accrual	$1,076.0	**$ 755.3**
Re-negotiated reduced rate claims	106.1	**42.6**
Total non-performing claims	$1,182.1	**$ 797.9**

Table 11

Interest recorded as income on non-performing claims

($ millions) For the financial years	1986	**1987**
Domestic		
Non-accrual claims	$ 8.4	**$ 11.8**
Re-negotiated reduced rate claims	1.3	**6.3**
Total interest	$ 9.7	**$ 18.1**
Average non-performing claims	$ 826.5	**$ 588.3**
Yield on average non-performing claims	1.18%	**3.08%**
International		
Non-accrual claims	$ 3.7	**$ 7.2**
Re-negotiated reduced rate claims	–	**–**
Total interest	$ 3.7	**$ 7.2**
Average non-performing claims	$ 304.6	**$ 443.3**
Yield on average non-performing claims	1.22%	**1.62%**
Total		
Non-accrual claims	$ 12.1	**$ 19.0**
Re-negotiated reduced rate claims	1.3	**6.3**
Total interest	$ 13.4	**$ 25.3**
Average non-performing claims	$1,131.1	**$1,031.6**
Yield on average non-performing claims	1.19%	**2.45%**

Other Income

Other income of $539.5 million represents an increase of $104.1 million or 23.9% over the previous year. It is the largest percentage growth recorded in the past seven years.

Historically, in many instances, the banking industry has subsidized service charges by paying low interest rates on some deposits. In recent years this cross-subsidization has diminished and the customer enjoys the benefit of earning a higher rate of interest on deposits, while paying a larger fee for the services that are used. In addition, the range of services provided to both the retail and commercial sector increased in 1987. As a result of the above, service charges increased by $18.6 million.

A major achievement was the increase in loan fees generated by our U.S. corporate business, primarily through fees earned from merger and acquisition activity.

Income from foreign exchange and precious metals declined by $10.2 million from the exceptional results of 1986, in part from the strengthening of the Canadian dollar.

The main increases in the "Other" category were due to greater market penetration by Scotiabank's range of computer services (primarily Money Management Services, Scotia Pay and Scotia Pay Plus and the Consolidated Cash Plan). The introduction of new products such as the Scotia Fund family of mutual funds also generated additional income.

Table 12

Other income

($ millions) For the financial years	1983	1984	1985	1986	**1987**
Service charges	$ 58	$ 62	$ 75	$ 94	**$113**
Loan fees	51	56	67	79	**142**
Foreign exchange/ precious metals	50	45	52	66	**56**
VISA	33	38	42	47	**53**
Letters of credit/ guarantees	23	23	28	36	**40**
Acceptance fees	19	17	16	20	**24**
Other	68	74	74	93	**112**
Total	$302	$315	$354	$435	**$540**
Percentage increase in other income over previous year	11.3%	4.1%	12.6%	22.9%	**23.9%**

Non-Interest Expenses

Non-interest expenses increased by 8.1% from the previous year to $1,239.5 million for fiscal 1987.

Expressed as a percentage of average total assets, however, non-interest expenses were 1.84%, unchanged from the previous year and well below the average of the banking system.

The percentage increase is larger than that experienced in prior years but results from certain initiatives undertaken by the Bank which are more fully described in the following paragraphs.

Chart 16

Other income
($ millions)

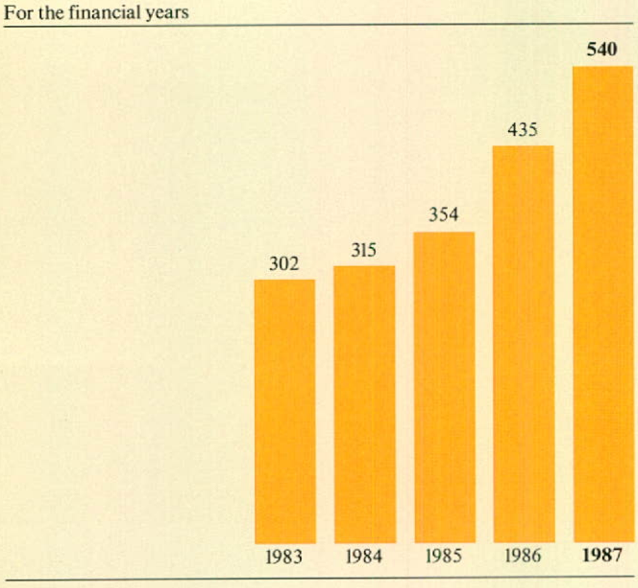
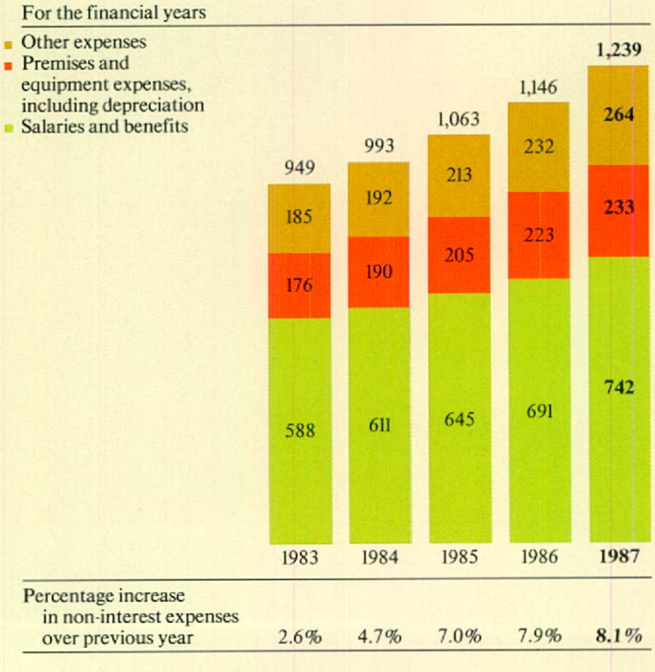


Chart 17

Non-interest expenses
($ millions)



Salaries and Benefits

Personnel expenses–salaries, pension contributions and other staff benefits–represent about 60% of non-interest expenses. For fiscal 1987, these totalled $742.1 million, an increase of 7.3% from the previous year.

Salaries rose by 6.7%. This is primarily a reflection of the Bank's merit programs, reorganization initiatives and an increase in the average number of staff. By fiscal year-end, however, the number of staff totalled 26,187, down slightly from October 1986.

During the year, there was a shift in domestic staffing. A reduction in administrative staffing from regional reorganizations was offset by increases in staffing at domestic branches as the Bank strives to improve its customer service and to support asset growth. Additions to staffing in both the Corporate and Investment Banking Divisions were made to position the Bank for new opportunities and to support major systems development.

Pension contributions and other staff benefits increased 15.8% year over year. The primary reason for this increase is the full year's impact of the Employee Share Ownership Plan, introduced in July 1986, in which 46% of eligible employees are currently enrolled, compared to 33% at October 1986. The increased cost of other benefits, including the Bank's dental and medical insurance programs, was partially offset by a reduction in the Bank's pension fund expense.

Premises and Equipment Expenses

Premises and equipment expenses of $232.8 million reflect the ongoing upkeep and maintenance of our worldwide offices, together with the opening of new branches and representative offices in Canada and overseas in 1987. Further investment in hardware and software for our on-line delivery systems continues. This enables the Bank to improve the service and range of services provided to our retail, commercial and corporate customers. Examples of this commitment are a 20% increase in our Automated Banking Machine network during fiscal 1987 and the commencement of expenditures on new trading systems.

Chart 18

Non-interest expenses as a percentage of net interest and other income
(on a taxable equivalent basis)
(%)
For the financial years

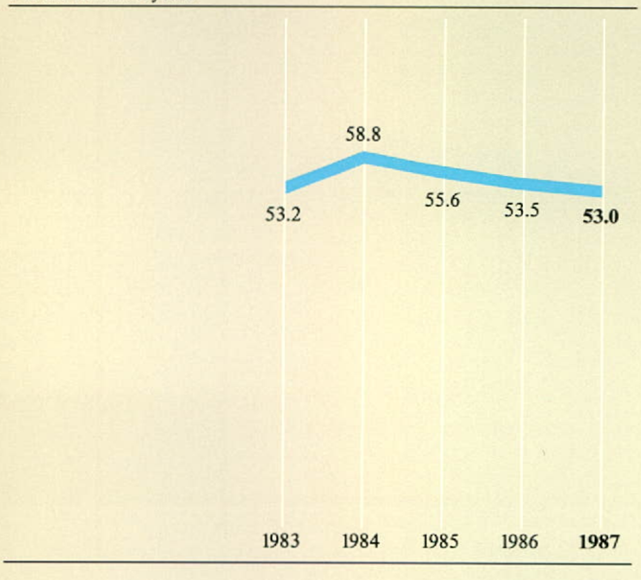


Table 13

Premises and equipment expenses including depreciation

($ millions) For the financial years	1983	1984	1985	1986	**1987**
Property taxes	$ 14	$ 16	$ 16	$ 18	**$ 20**
Rental of real estate	38	33	32	31	**32**
Depreciation	36	42	51	58	**56**
Computer expenses	34	39	39	41	**44**
Other	54	60	67	75	**81**
Total	$176	$190	$205	$223	**$233**

Other Operating Expenses

Other operating expenses increased by $32.6 million or 14.0%. Increases were broadly based: growth in marketing, travel and professional expenses resulted primarily from business growth, support for systems initiatives and the regional reorganization of the Bank's operations. Stationery and other costs also rose to support business opportunities and new products.

Some expenses, such as deposit insurance and capital taxes, are outside the control of the Bank, and are imposed by the federal and provincial governments.

Table 14

Other operating expenses

($ millions) For the financial years	1983	1984	1985	1986	**1987**
Communications	$ 47	$ 47	$ 50	$ 54	**$ 57**
Marketing, travel and professional expenses	37	45	47	46	**54**
Business and capital taxes	21	22	25	39	**44**
Canadian deposit insurance	4	5	5	12	**15**
Other	76	73	86	81	**94**
Total	$185	$192	$213	$232	**$264**

Taxation

The Bank's provision for income taxes for 1987 was $255.3 million, an increase of $75.8 million over fiscal 1986. The effective tax rate on pre-tax income before the Special Provision also increased from 34.6% in 1986 to 39.8% in 1987. This compares to the combined Canadian federal and provincial tax rate of 50.3%. The difference results from income earned by foreign subsidiaries and affiliates, which are taxed at lower rates than the combined Canadian rate; from tax-exempt income generated by "loan substitute" securities; and from the tax-exempt portion of capital gains.

The provision for income taxes, however, is only one tax expense incurred by the Bank. Capital, business and municipal taxes totalled $63.5 million, an increase of 11.6% from last year, primarily due to the temporary federal capital tax and increases in provincial capital tax rates.

As a member of the international banking system, the Bank is required to maintain a certain amount of its deposit base as reserves with the local central bank of certain countries in which it operates. In Canada, for example, reserves are maintained with the Bank of Canada. Since Scotiabank receives no interest on these deposits, they represent a real cost to the Bank. On a pre-tax basis this cost is estimated to be $49.5 million for the current year.

Income from "loan substitute" and marketable equity securities is received on an after-tax basis. In the past, loan substitutes were approved for companies experiencing financial difficulty as defined under the Income Tax Act. The Bank earns a lower return on these securities, with the benefit being passed on to the issuer in the form of reduced borrowing costs. As a result of recent government legislation, certain loan substitutes—Small Business Development Bonds, Income Debentures and Term Preferred Shares—are being phased out. For analytical purposes a taxable equivalent adjustment is made to approximate pre-tax earnings. If the reported taxes were to be similarly adjusted, the provision for income taxes would increase by $64.4 million.

When all these factors are taken into account, the effective tax rate becomes 54.4%, compared to 53.2% last year.

In June 1987, the federal government issued its tax reform proposals. Based on these proposals the combined federal and provincial tax rate would drop from its current level of 50.3% to approximately 47% in 1988 and 42% in 1989. This would be partly offset by increases in the effective tax rate on capital gains and the 10% sales tax on telecommunication services. In addition, the proposals would limit the deductibility of certain loan loss reserves previously allowed.

Table 15

Direct and indirect taxes

($ millions)

For the financial years	1985	1986	**1987**
Provision for income taxes	$142.0	$179.5	**$255.3**
Capital and business taxes	24.9	38.6	**43.7**
Municipal taxes	16.0	18.3	**19.8**
Cost of primary reserves	55.7	57.3	**49.5**
Payroll taxes	23.7	26.1	**28.0**
Taxable equivalent adjustment	81.0	66.5	**64.4**
Total	$343.3	$386.3	**$460.7**

Table 16

Components of net income before Special Provision (taxable equivalent basis)(1)

($ millions)

For the financial years	1985	1986	**1987**
Domestic			
Net interest income	$ 999.1	$1,117.5	**$1,256.7**
Provision for loan losses	(179.8)	(199.9)	**(190.7)**
Other income	236.0	276.7	**323.9**
Net interest and other income	1,055.3	1,194.3	**1,389.9**
Total non-interest expenses	(818.7)	(866.0)	**(929.5)**
Net income before taxes and minority interests	236.6	328.3	**460.4**
Provision for income taxes and minority interests	(115.1)	(162.5)	**(231.3)**
Net income	$ 121.5	$ 165.8	**$ 229.1**
International			
Net interest income	$ 557.8	$ 591.6	**$ 542.0**
Provision for loan losses	(139.9)	(212.6)	**(202.5)**
Other income	118.3	158.7	**215.7**
Net interest and other income	536.2	537.7	**555.2**
Total non-interest expenses	(244.0)	(280.4)	**(310.0)**
Net income before taxes and minority interests	292.2	257.3	**245.2**
Provision for income taxes and minority interests	(110.1)	(86.9)	**(93.4)**
Net income before Special Provision	$ 182.1	$ 170.4	**$ 151.8**
Total			
Net interest income	$1,556.9	$1,709.1	**$1,798.7**
Provision for loan losses	(319.7)	(412.5)	**(393.2)**
Other income	354.3	435.4	**539.5**
Net interest and other income	1,591.5	1,732.0	**1,945.0**
Total non-interest expenses	(1,062.7)	(1,146.4)	**(1,239.5)**
Net income before taxes and minority interests	528.8	585.6	**705.5**
Provision for income taxes and minority interests	(225.2)	(249.4)	**(324.6)**
Net income before Special Provision	$ 303.6	$ 336.2	**$ 380.9**

(1) Income from tax-exempt securities has been expressed on an equivalent before-tax basis. Net interest income and the provision for income taxes have been adjusted by a corresponding amount: 1987-Domestic $56.1, International $8.3; 1986-Domestic $55.2, International $11.3; 1985-Domestic $69.8, International $11.2.

Quarterly components of net income before Special Provision as a percentage of average total assets (taxable equivalent basis) (1)(2)

Domestic

	1986				1987			
	January 31	April 30	July 31	October 31	January 31	April 30	July 31	October 31
Net interest income	3.50%	3.28%	3.52%	3.60%	3.47%	3.80%	3.67%	3.59%
Provision for loan losses	(0.62)	(0.64)	(0.62)	(0.60)	(0.54)	(0.56)	(0.55)	(0.55)
Other income	0.83	0.82	0.88	0.91	0.88	0.95	0.97	0.95
Net interest and other income	3.71	3.46	3.78	3.91	3.81	4.19	4.09	3.99
Total non-interest expenses	(2.77)	(2.68)	(2.80)	(2.54)	(2.77)	(2.74)	(2.70)	(2.55)
Net income before taxes and minority interests	0.94	0.78	0.98	1.37	1.04	1.45	1.39	1.44
Provision for income taxes and minority interests	(0.47)	(0.33)	(0.50)	(0.71)	(0.53)	(0.70)	(0.71)	(0.73)
Net income	0.47%	0.45%	0.48%	0.66%	0.51%	0.75%	0.68%	0.71%
Average total assets ($ billions)	$31.1	$32.1	$32.3	$33.1	$33.9	$34.4	$34.8	$35.3

International

	1986				1987			
	January 31	April 30	July 31	October 31	January 31	April 30	July 31	October 31
Net interest income	1.75%	2.12%	1.97%	1.99%	1.96%	1.38%	1.64%	1.64%
Provision for loan losses	(0.69)	(0.70)	(0.70)	(0.73)	(0.87)	(0.87)	(0.49)	(0.30)
Other income	0.46	0.54	0.55	0.55	0.71	0.74	0.63	0.56
Net interest and other income	1.52	1.96	1.82	1.81	1.80	1.25	1.78	1.90
Total non-interest expenses	(0.83)	(0.99)	(0.88)	(1.00)	(0.90)	(0.99)	(0.97)	(0.92)
Net income before taxes and minority interests	0.69	0.97	0.94	0.81	0.90	0.26	0.81	0.98
Provision for income taxes and minority interests	(0.20)	(0.36)	(0.37)	(0.22)	(0.33)	0.06	(0.36)	(0.48)
Net income before Special Provision	0.49%	0.61%	0.57%	0.59%	0.57%	0.32%	0.45%	0.50%
Average total assets (3) ($ billions)	$30.1	$30.2	$30.3	$30.4	$31.4	$31.3	$33.9	$34.4

Total

	1986				1987			
	January 31	April 30	July 31	October 31	January 31	April 30	July 31	October 31
Net interest income	2.64%	2.73%	2.76%	2.83%	2.74%	2.65%	2.67%	2.62%
Provision for loan losses	(0.65)	(0.67)	(0.66)	(0.66)	(0.70)	(0.71)	(0.52)	(0.42)
Other income	0.65	0.68	0.72	0.74	0.80	0.85	0.80	0.76
Net interest and other income	2.64	2.74	2.82	2.91	2.84	2.79	2.95	2.96
Total non-interest expenses	(1.82)	(1.86)	(1.87)	(1.81)	(1.87)	(1.91)	(1.85)	(1.75)
Net income before taxes and minority interests	0.82	0.88	0.95	1.10	0.97	0.88	1.10	1.21
Provision for income taxes and minority interests	(0.34)	(0.35)	(0.43)	(0.47)	(0.43)	(0.34)	(0.53)	(0.60)
Net income before Special Provision	0.48%	0.53%	0.52%	0.63%	0.54%	0.54%	0.57%	0.61%
Net income before Special Provision and after preferred dividends	0.44%	0.48%	0.48%	0.59%	0.50%	0.51%	0.53%	0.57%
Taxable equivalent adjustment ($ millions)	$17.8	$17.9	$17.0	$13.8	$14.6	$15.3	$17.1	$17.4
Average total assets (3) ($ billions)	$61.2	$62.3	$62.6	$63.5	$65.3	$65.7	$68.7	$69.7

(1) Income from tax-exempt securities has been expressed on an equivalent before-tax basis. Net interest income and the provision for income taxes have been adjusted by a corresponding amount.

(2) Certain comparative amounts have been restated to conform with current presentation.

(3) Average total assets have been restated to reflect Special Provision for losses on transborder claims since July 31, 1987.

Supplementary financial information

For the three months ended ($ thousands)	1986 January 31	1986 April 30	1986 July 31	1986 October 31	1987 January 31	1987 April 30	1987 July 31	1987 October 31
Total interest income, including dividends	$1,443,449	$1,503,954	$1,434,523	$1,394,421	$1,420,020	$1,344,140	$1,501,422	$1,591,378
Total interest expense	1,053,522	1,109,344	1,014,910	955,898	982,980	935,191	1,057,013	1,147,498
Net interest income	389,927	394,610	419,613	438,523	437,040	408,949	444,409	443,880
Provision for loan losses	100,900	101,400	104,000	106,200	114,933	113,456	90,483	74,301
Net interest income after loan loss provision	289,027	293,210	315,613	332,323	322,107	295,493	353,926	369,579
Other income	99,881	103,966	113,319	118,251	131,337	136,188	138,733	133,249
Net interest and other income	388,908	397,176	428,932	450,574	453,444	431,681	492,659	502,828
Total non-interest expenses	280,808	282,219	294,998	288,397	308,157	305,315	319,159	306,829
Net income before provision for income taxes	108,100	114,957	133,934	162,177	145,287	126,366	173,500	195,999
Provision for income taxes	33,800	34,100	50,500	61,100	55,800	37,900	74,300	87,300
Net income before minority interests in subsidiaries and special provision	74,300	80,857	83,434	101,077	89,487	88,466	99,200	108,699
Minority interests in subsidiaries	469	892	1,119	982	795	1,224	1,208	1,766
Net income for the quarter before special provision	$ 73,831	$ 79,965	$ 82,315	$ 100,095	$ 88,692	$ 87,242	$ 97,992	$ 106,933
Special provision for losses on transborder claims (net of income taxes of $481,500)	–	–	–	–	–	–	692,900	–
Net income (loss) for the quarter	$ 73,831	$ 79,965	$ 82,315	$ 100,095	$ 88,692	$ 87,242	$ (594,908)	$ 106,933
Preferred dividends paid	6,135	7,284	6,584	6,028	5,972	5,676	5,655	6,025
Net income (loss) available to common shareholders	$ 67,696	$ 72,681	$ 75,731	$ 94,067	$ 82,720	$ 81,566	$ (600,563)	$ 100,908
Average number of common shares outstanding (thousands)	147,704	152,753	161,873	162,497	163,160	163,729	164,321	164,983
Per common share								
Net income (loss)								
– Basic, before special provision	$ 0.46	$ 0.48	$ 0.46	$ 0.58	$ 0.51	$ 0.50	$ 0.56	$ 0.61
– Basic, after special provision	0.46	0.48	0.46	0.58	0.51	0.50	(3.67)	0.61
– Fully diluted, before special provision	0.43	0.47	0.46	0.58	0.51	0.50	0.56	0.61
– Fully diluted, after special provision	0.43	0.47	0.46	0.58	0.51	0.50	(3.67)	0.61
Dividends	0.17	0.17	0.17	0.18	0.18	0.18	0.18	0.18
Common dividends paid	25,102	25,231	27,513	29,245	29,363	29,467	29,572	29,688
Common share price (1)								
– High	15.00	14.75	16.38	16.50	20.25	21.63	18.88	18.88
– Low	12.63	12.25	13.88	15.00	16.38	17.88	16.63	12.50
– Close	13.00	14.38	15.50	16.38	19.75	18.75	18.25	12.75

As at ($ millions)	1986 January 31	1986 April 30	1986 July 31	1986 October 31	1987 January 31	1987 April 30	1987 July 31	1987 October 31
Total assets	$ 61,330	$ 62,990	$ 61,793	$ 64,013	$ 65,245	$ 66,864	$ 68,768	$ 71,430
Appropriations for contingencies	$ 236	$ 270	$ 295	$ 240	$ 289	$ 333	$ 411	$ 431
Preferred shares	350	350	350	350	350	350	350	350
Common shareholders' equity	2,106	2,126	2,319	2,469	2,498	2,543	1,923	2,037
Capital and reserves	$ 2,692	$ 2,746	$ 2,964	$ 3,059	$ 3,137	$ 3,226	$ 2,684	$ 2,818
Subordinated debentures	$ 909	$ 905	$ 750	$ 1,160	$ 1,136	$ 1,020	$ 1,003	$ 1,008
Total capital, reserves and subordinated debentures	$ 3,601	$ 3,651	$ 3,714	$ 4,219	$ 4,273	$ 4,246	$ 3,687	$ 3,826
Return on common shareholders' equity plus appropriations for contingencies before Special Provision	11.68%	12.59%	12.01%	14.03%	11.95%	11.83%	12.40%	16.66%

(1) Based on trading on The Toronto Stock Exchange.

Consolidated Financial Statements

Report of Management

The management of The Bank of Nova Scotia is responsible for the content of the consolidated financial statements included in this annual report. The presentation and information therein have been prepared in accordance with the Bank Act and related instructions and reflect amounts that are based on the best estimates and judgment of management with appropriate consideration as to materiality. The financial information presented elsewhere in this annual report is consistent with that shown in the consolidated financial statements.

Management has always recognized the importance of the Bank maintaining and reinforcing the highest possible standards of conduct in all of its actions, including the preparation and dissemination of statements fairly presenting the financial condition of the Bank. In this regard, it has developed and maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The system is augmented by written policies and procedures which include the careful selection and training of qualified staff, the establishment of organizational structures providing an appropriate and well-defined division of responsibilities, and the communication of policies and guidelines of business conduct throughout the Bank.

The Superintendent of Financial Institutions (formerly the Inspector General of Banks), at least once a year, examines and enquires into the business and affairs of the Bank, as he may deem necessary, to satisfy himself that the provisions of the Bank Act, having reference to the safety of the interests of depositors, creditors and shareholders of the Bank, are being duly observed and that the Bank is in a sound financial condition.

The Audit Committee of the Board of Directors, composed entirely of outside Directors, reviews the financial statements before such statements are approved by the Board of Directors and submitted to the shareholders of the Bank.

The system of internal controls is further supported by a professional staff of internal auditors and inspectors which conducts periodic inspections of all aspects of the Bank's operations. As well, the Bank's Senior Vice-President, Audit, and the Chief Inspector have full and free access to the Audit Committee.

Clarkson Gordon and Peat Marwick, the independent auditors appointed by the shareholders of the Bank, have examined the consolidated financial statements of the Bank in accordance with generally accepted auditing standards and have expressed their opinion upon completion of such examination in the following report to the shareholders. The auditors have full and free access to, and meet periodically with, the Audit Committee to discuss their audit and findings as to the integrity of the Bank's accounting and financial reporting and the adequacy of the system of internal controls.

C.E. Ritchie
Chairman of the Board and
Chief Executive Officer

J.A.G. Bell
Deputy Chairman of the Board,
President and Chief Operating Officer

Auditors' Report

To the Shareholders of The Bank of Nova Scotia

We have examined the Consolidated Statement of Assets and Liabilities of The Bank of Nova Scotia as at October 31, 1987, and the Consolidated Statements of Income, Appropriations for Contingencies and Changes in Shareholders' Equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Bank as at October 31, 1987, and the results of its operations for the year then ended, in accordance with prescribed accounting principles applied, except for the method of accounting for the special provision for losses on transborder claims as explained in Note 10 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Clarkson Gordon

Peat Marwick

Chartered Accountants
Toronto, Canada
November 26, 1987

Consolidated Statement of Assets and Liabilities

($ thousands)	As at October 31	1987	1986
Assets	**Cash resources**		
	Cash and deposits with Bank of Canada	$ 1,072,781	$ 1,126,304
	Deposits with other banks	10,280,204	8,995,455
		11,352,985	10,121,759
	Securities (Note 2)		
	Issued or guaranteed by Canada	2,274,650	2,398,440
	Issued or guaranteed by provinces and municipal or school corporations	231,824	147,686
	Other securities	3,694,555	3,310,043
		6,201,029	5,856,169
	Loans		
	Day, call and short loans to investment dealers and brokers, secured	295,815	494,722
	Loans to banks	1,937,769	2,774,541
	Mortgage loans	7,831,728	6,452,268
	Other loans	38,014,047	33,495,381
		48,079,359	43,216,912
	Other		
	Customers' liability under acceptances	3,553,441	3,142,264
	Land, buildings and equipment (Note 3)	670,166	611,561
	Other assets (Note 4)	1,572,759	1,063,851
		5,796,366	4,817,676
		$71,429,739	$64,012,516
Liabilities	**Deposits** (Note 5)		
	Payable on demand	$ 3,641,410	$ 3,354,029
	Payable after notice	14,971,169	12,270,745
	Payable on a fixed date	42,188,495	37,726,250
		60,801,074	53,351,024
	Other		
	Cheques and other items in transit, net	7,952	61,504
	Acceptances	3,553,441	3,142,264
	Liabilities of subsidiaries, other than deposits	85,900	58,613
	Other liabilities (Note 6)	3,141,952	3,168,642
	Minority interests in subsidiaries	13,626	11,897
		6,802,871	6,442,920
	Subordinated debt		
	Bank debentures (Note 7)	1,007,364	1,159,631
	Capital and reserves		
	Appropriations for contingencies	431,396	240,000
	Shareholders' equity:		
	Capital stock (Note 8):		
	Preferred shares	350,400	350,400
	Common shares	720,298	677,087
	Retained earnings	1,316,336	1,791,454
		2,818,430	3,058,941
		$71,429,739	$64,012,516

C.E. Ritchie
Chairman of the Board and Chief Executive Officer

J.A.G. Bell
Deputy Chairman of the Board and President

Consolidated Statement of Income

($ thousands)	For the financial year ended October 31	1987	1986
Interest income	Income from loans, excluding leases	**$ 4,662,605**	$ 4,546,466
	Income from lease financing	**20,995**	19,328
	Income from securities	**563,568**	501,103
	Income from deposits with banks	**609,792**	709,450
	Total interest income, including dividends	**5,856,960**	5,776,347
Interest expense	Interest on deposits	**3,988,980**	4,014,630
	Interest on bank debentures	**84,467**	80,458
	Interest on liabilities other than deposits	**49,235**	38,586
	Total interest expense	**4,122,682**	4,133,674
	Net interest income	**1,734,278**	1,642,673
	Provision for loan losses	**393,173**	412,500
	Net interest income after loan loss provision	**1,341,105**	1,230,173
	Other income	**539,507**	435,417
	Net interest and other income	**1,880,612**	1,665,590
Non-interest expenses	Salaries	**689,467**	645,948
	Pension contributions and other staff benefits (Note 9)	**52,625**	45,447
	Premises and equipment expenses, including depreciation	**232,769**	222,980
	Other expenses	**264,599**	232,047
	Total non-interest expenses	**1,239,460**	1,146,422
	Net income before provision for income taxes	**641,152**	519,168
	Provision for income taxes (Note 12)	**255,300**	179,500
	Net income before minority interests in subsidiaries and special provision	**385,852**	339,668
	Minority interests in subsidiaries	**4,993**	3,462
	Net income before special provision	**$ 380,859**	$ 336,206
	Special provision for losses on transborder claims (net of income taxes of $481,500) (Notes 10 and 12)	**692,900**	–
	Net income (loss) for the year	**$ (312,041)**	$ 336,206

		1987	1986
	Preferred dividends paid	**$ 23,328**	$ 26,031
	Net income (loss) available to common shareholders	**$ (335,369)**	$ 310,175
	Average number of common shares outstanding	**164,050,758**	156,235,229
	Net income (loss) per common share (Note 11):		
	Basic, before special provision	**$ 2.18**	$ 1.98
	Basic, after special provision	**$ (2.05)**	$ 1.98
	Fully diluted, before special provision	**$ 2.18**	$ 1.94
	Fully diluted, after special provision	**$ (2.05)**	$ 1.94
	Dividends per common share	**$ 0.72**	$ 0.69

Consolidated Statement of Appropriations for Contingencies

($ thousands)	For the financial year ended October 31	1987	1986
	Balance at beginning of year (of which $27,759 is tax-paid appropriations; 1986 - $118,986)	**$ 240,000**	$ 210,000
	Loss experience on loans	**(182,605)**	(435,411)
	Provision for loan losses included in the Consolidated Statement of Income	**393,173**	412,500
	Transfer (to)/from retained earnings	**(19,172)**	52,911
	Balance at end of year (of which tax-paid appropriations is nil; 1986 - $27,759)	**$ 431,396**	$ 240,000

Consolidated Statement of Changes in Shareholders' Equity

($ thousands)	For the financial year ended October 31	1987	1986
Preferred shares (Note 8)	Balance at beginning and end of year	**$ 350,400**	$ 350,400
Common shares (Note 8)	Balance at beginning of year	**$ 677,087**	$ 489,178
	Additions from Shareholder "Plan" and debenture conversions	**43,211**	187,909
	Balance at end of year	**$ 720,298**	$ 677,087
Retained earnings	Balance at beginning of year	**$1,791,454**	$1,548,803
	Net income (loss) for the year	**(312,041)**	336,206
	Dividends: Preferred	**(23,328)**	(26,031)
	Common	**(118,090)**	(107,091)
	Transfer (to)/from appropriations for contingencies	**19,172**	(52,911)
	Income taxes related to the above transfer (Note 12)	**500**	67,000
	Net unrealized foreign exchange gain/(loss) (Note 12)	**(41,331)**	26,513
	Net costs of debenture conversion (Notes 8 and 12)	**–**	(1,035)
	Balance at end of year	**$1,316,336**	$1,791,454

Notes to the Consolidated Financial Statements

1. Prescribed accounting policies

Bank Act

The Bank Act and the related instructions issued by the Superintendent of Financial Institutions ("the Superintendent") under the authority of the Minister of Finance stipulate the format of the financial statements and the significant accounting policies of the Chartered Banks in Canada.

The accounting policies followed by The Bank of Nova Scotia conform to these prescribed rules. In all material respects these rules conform to accounting principles generally accepted in Canada except for accounting for losses on loans, deferral of gains and losses on the disposal of certain debt securities and translation of foreign currencies.

The significant accounting policies followed by the Bank are set out below.

Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Bank and all of its subsidiaries. Subsidiaries are defined as corporations in which the Bank owns more than 50% of the voting shares.

Investments in affiliated corporations, where the Bank owns directly or indirectly at least 20% but not more than 50% of the voting shares, are carried on the equity basis of accounting and are included in Other Securities in the Consolidated Statement of Assets and Liabilities. The Bank's share of earnings of such corporations is included in Income from Securities in the Consolidated Statement of Income.

These corporations are identified in the accompanying listing of subsidiaries and associated corporations.

Translation of foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing at the end of the financial year with the exception of land, buildings and equipment, which are recorded at historical Canadian dollar cost. All revenues and expenses denominated in foreign currencies are translated at the average exchange rate prevailing throughout the year except for depreciation, which is based on the historical Canadian dollar cost of the related assets.

Unrealized gains and losses which arise upon consolidation of net foreign currency investment positions in branches, subsidiaries and affiliates are credited or charged to Retained Earnings, net of applicable income taxes, together with any gains or losses arising from hedges of those net investment positions. Upon sale or substantial liquidation of an investment position, the previously recorded unrealized gains or losses thereon are transferred from Retained Earnings to the Consolidated Statement of Income.

Foreign exchange trading

All foreign exchange trading positions are valued by pricing all spot and forward positions to market rates. All realized and unrealized gains and losses from foreign exchange trading, net of related hedging premiums and discounts, are included in the Consolidated Statement of Income as part of Other Income.

Precious metals

Trading positions in precious metals are revalued at prevailing market rates and resultant gains and losses are recorded in Other Income. When precious metals positions hedge or are hedged by money market positions, net gains or losses are also reflected in Other Income.

Precious metals assets and related liabilities are carried at market value. The assets are included in Cash Resources while any offsetting obligations to customers in the form of certificates are included in Other Liabilities. Loans and deposits are combined with similar currency-based balances in the Consolidated Statement of Assets and Liabilities.

Securities

Debt securities held in the investment account are carried at amortized cost. Equity securities in which the Bank's holdings of voting shares are less than 20% are carried at cost. These debt and equity securities are reduced by the amount of any permanent impairment in their value, and such reduction is charged to the Consolidated Statement of Income.

Included in the investment account are securities which, according to the prescribed definitions, qualify as loan substitutes. These securities are accorded the accounting treatment applicable to loans and include term preferred shares, income debentures and small business bonds.

Securities held in the trading account are carried at market value and any adjustments to market value of these securities are included in the Consolidated Statement of Income.

Gains and losses on disposals of treasury bills, equity and trading account securities are included in the Consolidated Statement of Income.

Net gains or losses on disposals of debt securities held in the investment account, other than treasury bills, are amortized on the straight-line basis to the Consolidated Statement of Income over a five-year period. Net unamortized gains or losses are included in Other Liabilities or Other Assets as the case may be.

Loans

Loans are stated net of any unearned income and of any provisions established to recognize anticipated losses. Specific provisions are established as a result of reviews of individual loans, except in the case of VISA loans where a formula based on historical loss patterns is applied to outstanding balances. The Bank also establishes general prudential provisions in accordance with instructions issued by the Superintendent based on total transborder exposure to a prescribed group of 34 lesser developed countries (LDCs).

The Loss Experience on Loans for the year is comprised of the net annual change in the general and specific provisions, together with direct write-offs, less cash recoveries of loans previously written off, and is charged to the Consolidated Statement of Appropriations for Contingencies.

The Provision for Loan Losses included in the Consolidated Statement of Income results from applying a five-year moving weighted average ratio of Loss Experience on Loans to outstanding eligible loans at September 30. The method of calculation and the definition of eligible loans are prescribed by the Minister of Finance.

The difference between the Loss Experience on Loans for the year and the Provision for Loan Losses is included in the Consolidated Statement of Appropriations for Contingencies.

In 1987, the Superintendent issued revised instructions requiring banks to increase their general prudential provision to between 30% and 40% of claims to LDCs through a Special Provision for Losses on Transborder Claims which is excluded from the 1987 Loss Experience on Loans and instead charged, net of related tax, directly to income. (See Note 10 for further details.)

A loan is classified as non-accrual when, in the opinion of management, there is reasonable doubt as to the ultimate collectibility of a portion of principal or interest. A loan is also classified as non-accrual when interest is contractually past due 90 days, unless there is no reasonable doubt as to the collectibility of both principal and interest. Accrued but uncollected interest is reversed against income for the year. Thereafter, interest income is recognized on a cash basis, after specific provisions for losses have been recovered, and if there is no further doubt as to the collectibility of principal. Interest continues to be recognized in income in the case of loans for which general prudential provisions have been established except when the loans are classified as non-accrual.

Loan fees are included in income as received only where they relate to expenses incurred or services performed. Loan rescheduling fees and fees received which are in lieu of interest are deferred and amortized to income over the term of the loan.

Direct financial leases

Leases are included in Other Loans in the Consolidated Statement of Assets and Liabilities. Income for fixed-rate leases is recognized over the expected term of the lease to produce a constant rate of return on the lease investment.

Acceptances

The Bank's potential liability under acceptances is reported as a liability in the Consolidated Statement of Assets and Liabilities. The Bank has equal and offsetting claims against its customers in the event of a call on these commitments, which are reported as an asset.

Land, buildings and equipment

Land is carried at cost. Buildings, equipment and leasehold improvements are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the related assets.

Gains and losses on disposal are recorded in the Consolidated Statement of Income.

Financial futures, interest rate/currency swaps, future rate agreements

Financial futures, swaps and future rate agreements are undertaken to hedge certain assets or liabilities, to establish trading positions or to generate fee income.

Gains or losses generated from transactions used as hedges are deferred and amortized over the period of interest rate risk exposure as an adjustment to interest income or expense of the hedged asset or liability as appropriate. Trading positions are revalued to prevailing market rates and resulting unrealized, as well as all realized, gains and losses are recorded in Other Income.

Swap fees are deferred and amortized as Other Income over the life of the related swap.

Income or expense resulting from certain swap transactions that are asset- or liability-based is recorded as an adjustment to interest income or expense, as appropriate, in the Consolidated Statement of Income.

Appropriations for contingencies

In addition to the specific and general provisions which are deducted from loans, the Bank maintains an Appropriations for Contingencies account. This account is available to provide for unanticipated future losses and is established through transfers from Retained Earnings at the discretion of the Board of Directors. The Appropriations for Contingencies may consist of two elements — tax-allowable and tax-paid. The tax-allowable portion consists of the net of Loss Experience on Loans and Provision for Loan Losses of the Bank itself, together with transfers from Retained Earnings. As prescribed by the Minister of Finance, the tax-allowable portion may not exceed a limit known as "PAR" which is currently equal to 1.5% of the first $2 billion in eligible assets and 1% of the remainder. The tax-paid portion consists of the net of Loss Experience on Loans and Provision for Loan Losses related to subsidiaries and additional after-tax transfers out of Retained Earnings.

Income taxes

The Bank follows the tax allocation basis of accounting for income taxes, under which income tax provisions or recoveries are recorded in the years the income and expense are recognized for accounting purposes regardless of when related taxes are actually paid or will be recovered. These provisions or recoveries include the income taxes applicable to income when included in the Consolidated Statement of Income, amounts charged or credited directly to Retained Earnings, and to the tax-allowable transfers to Appropriations for Contingencies from Retained Earnings. Deferred income taxes are reported in Other Assets or Other Liabilities as the case may be.

2. Securities

($ millions)

As at October 31	Year of maturity: Within 1 year	One to 3 years	Three to 5 years	Five to 10 years	Over 10 years	1987 Total	1986 Total
Investment securities							
Issued or guaranteed by:							
Government of Canada	$ 844	$ 107	$ 89	$ 777	$ 193	**$2,010**	$2,240
Provincial governments	2	7	26	141	7	**183**	85
Municipal or school corporations	–	3	4	1	1	**9**	10
Debt of Canadian issuers:							
Floating-rate income debentures	–	83	1	–	169	**253**	356
Fixed-rate income debentures	–	4	–	6	3	**13**	27
Floating-rate small business development bonds and small business bonds	4	–	–	–	–	**4**	54
Other	2	236	9	12	11	**270**	157
Term preferred shares:							
Fixed-rate	–	28	–	5	1	**34**	86
Floating-rate	5	34	6	202	24	**271**	408
Debt of foreign issuers	754	435	113	675	32	**2,009**	1,779
Total fixed-term securities	$1,611	$ 937	$ 248	$1,819	$ 441	**$5,056**	$5,202
Other equity of Canadian issuers						**421**	257
Equity of foreign issuers						**254**	157
Total investment securities						**$5,731**	$5,616
Trading securities						**$ 470**	$ 240
Total securities						**$6,201**	$5,856

Estimated market value at October 31, 1987, is $6,157 (1986–$6,046).

3. Land, buildings and equipment
($ thousands)

As at October 31	Cost	Accumulated depreciation & amortization	**Net book value 1987**	Net book value 1986
Land	$ 118,858	$ –	**$ 118,858**	$ 115,819
Buildings	399,700	93,203	**306,497**	279,041
Equipment	413,039	226,139	**186,900**	161,170
Leasehold improvements	98,834	40,923	**57,911**	55,531
Total	$ 1,030,431	$ 360,265	**$ 670,166**	$ 611,561

Depreciation and amortization in respect of the above buildings, equipment and leasehold improvements for the year amounted to $56,440 (1986 - $57,815).

4. Other assets
($ thousands)

As at October 31	**1987**	1986
Accrued interest	**$ 697,579**	$ 626,092
Deferred income taxes	**522,621**	137,379
Other	**352,559**	300,380
Total	**$ 1,572,759**	$ 1,063,851

5. Deposits
($ thousands)

As at October 31	**1987**	1986
Deposits by:		
Canada	**$ 294,543**	$ 248,891
Provinces	**496,528**	282,732
Banks	**17,079,551**	13,259,206
Individuals	**18,511,837**	17,787,949
Other deposits	**24,418,615**	21,772,246
Total	**$60,801,074**	$53,351,024

6. Other liabilities
($ thousands)

As at October 31	**1987**	1986
Accrued interest	**$ 685,282**	$ 602,522
Accounts payable and accrued expenses	**204,280**	113,508
Gold and silver certificates	**617,465**	903,223
Obligations related to assets sold under repurchase agreements	**813,254**	640,507
Short-term acceptances issued	**500,442**	603,561
Deferred income	**98,586**	108,369
Other	**222,643**	196,952
Total	**$ 3,141,952**	$ 3,168,642

7. Bank debentures

($ thousands)

These debentures are direct, unsecured obligations of the Bank and are subordinate to the claims of the Bank's depositors and other creditors.

In accordance with the formula prescribed in the Bank Act, the Bank has the capacity as of November 1, 1987, to issue $186.2 million of debentures in addition to the following which were outstanding at October 31:

Maturity Date	Interest Rate	Terms	1987	1986
October, 1987	7%		**$ –**	$ 5,241
January, 1988	7½%		**585**	596
May, 1989	Floating	Bearing interest at a floating rate equal to the Bank's Prime Rate from time to time minus ⅝ of 1%	**75,000**	75,000
March, 1990	8½%		**1,753**	1,758
April, 1991	7%		**1,269**	1,269
January, 1992	7%		**2,077**	2,079
October, 1993	Floating	US $100,000 bearing interest at a floating rate equal to ⅛ of 1% over the offered rate for 6-month Eurodollar deposits ("LIBOR")	**–**	139,080
July, 1994	Floating	US $200,000 bearing interest at a floating rate equal to ¼ of 1% above the mean of the bid and offered rates for 6-month Eurodollar deposits	**263,100**	278,160
September, 1997	9½%		**42,400**	43,588
October, 2000	Floating	£100,000 bearing interest at a floating rate of 1/10 of 1% over the offered rate for 3-month sterling deposits	**226,530**	195,620
August, 2085	Floating	US $300,000 capital debentures bearing interest at a floating rate of ⅛ of 1% over the offered rate for 6-month Eurodollar deposits	**394,650**	417,240
Total			**$1,007,364**	$1,159,631

The fixed-rate debentures are subject to sinking fund provisions. The aggregate sinking fund requirements and maturities of the debentures, assuming holders redeem at the earliest possible dates under the terms of issue, are as follows:

Within 1 year	**$ 1,998**
From 1 to 2 years	**76,592**
From 2 to 3 years	**3,148**
From 3 to 5 years	**6,346**
From 5 to 10 years	**298,100**
Over 10 years	**621,180**
	$1,007,364

8. Capital stock

Authorized:

Preferred Shares:
50,000,000 without nominal or par value. The aggregate consideration shall not exceed $1 billion.

Common Shares:
225,000,000 without nominal or par value. The aggregate consideration shall not exceed $1.5 billion.

Issued and fully paid:

	1987		1986	
	Number of Shares	**Amount**	Number of Shares	Amount
Series 1 Preferred Shares:				
Outstanding at beginning and end of year (1)	**14,000,000**	**$ 350,400,000**	14,000,000	$ 350,400,000
Common Shares:				
Outstanding at beginning of year	**163,113,878**	**$ 677,086,779**	147,642,979	$ 489,178,168
Issued on conversion of debentures (2) (4)	**–**	**–**	12,737,633	149,667,188
Issued under Shareholder Dividend and Share Purchase Plan (3)	**2,708,141**	**43,211,461**	2,733,266	38,241,423
Outstanding at end of year	**165,822,019**	**$ 720,298,240**	163,113,878	$ 677,086,779
Total outstanding capital stock		**$1,070,698,240**		$1,027,486,779

(1) Floating Rate Preferred Shares Series 1 pay a quarterly cumulative dividend on their stated value of $25 per share equal to 70% of the daily average Prime Rate of the Bank during the preceding calendar quarter. With regulatory approval, the shares may be redeemed by the Bank on or after July 15, 1991, at a price of $26, which gradually declines to $25 over four years, plus accrued and unpaid dividends.

(2) On June 6, 1986, $149,649,000 of 10% Convertible Debentures were converted into 12,735,763 common shares with effect from April 1, 1986, the last interest payment date on the debentures. Prior to June 6, 1986, 1,870 shares were issued as a result of earlier debenture conversions.

(3) As at October 31, 1987, common shares totalling 6,139,029 have been reserved for future issue under the terms of the Shareholder Dividend and Share Purchase Plan.

(4) Costs of debenture conversion and share issues, net of related income taxes, have been charged to Retained Earnings.

9. Pension costs
($ thousands)

The Bank operates several pension plans on behalf of its employees. Actuarial valuations are made at least every three years, the most recent of which were as at January 1, 1987. The Bank adopted the recommendations of the Canadian Institute of Chartered Accountants relating to pension costs and obligations prospectively from November 1, 1985.

Total pension fund assets as at October 31, 1987, were $748,601 using a valuation method that spreads all realized and unrealized capital gains and losses over a five-year period. The present value of accrued pension benefits attributed to service rendered to October 31, 1987, was $534,321.

Annual changes in net pension assets or obligations arising from experience gains or losses, changes in assumptions, and plan amendments, and the net pension asset at November 1, 1985, are amortized on a straight-line basis over the expected average remaining service life of the employee groups covered by the plans which in 1987 is 13.1 years.

The total amount recorded for pension expense was a credit of $10,936 and $9,942 in 1987 and 1986, respectively. The cumulative difference between the amounts expensed and the funding contributions has been reflected in the Consolidated Statement of Assets and Liabilities as a deferred charge of $30,161 at October 31, 1987 (1986 – $15,714).

10. Special provision for losses on transborder claims
($ thousands)

As referred to in Note 1, the Bank has made a special provision for losses on transborder claims amounting to $1,174,400, net of related taxes of $481,500, which as prescribed has been charged directly against income in fiscal 1987. This special provision brings the total provision to $1,600,100 or 35.5% of the Bank's exposure to a prescribed group of 34 lesser developed countries.

11. Net income (loss) per common share

Basic net income (loss) per common share has been based on the daily average of common shares outstanding of 164,050,758 (1986 - 156,235,229), after providing for the dividend requirements, calculated on an accrual basis, of the preferred shares. Fully diluted net income (loss) per common share is calculated on the assumption that all convertible securities outstanding during the year were converted into common shares from the beginning of the year at the ratio of approximately 85.11 common shares for each thousand dollars principal amount of debentures.

12. Income taxes
($ thousands)

The total income taxes for the year are reported in the financial statements as follows:		1987	1986
Consolidated Statement of Income	– from operations excluding the special provision(*)	**$ 255,300**	$179,500
	– special provision for losses on transborder claims(**)	**(481,500)**	–
Retained Earnings:			
Transfer (to)/from appropriations for contingencies		**(500)**	(67,000)
Net unrealized foreign exchange gain/(loss)		**4,800**	700
Costs of debenture conversion		**–**	(1,000)
Total (recovery)/provision for income taxes		**$(221,900)**	$112,200
Comprised of:			
Current income taxes		**$ 163,600**	$ 98,100
Deferred income taxes		**(385,500)**	14,100
Total (recovery)/provision for income taxes		**$(221,900)**	$112,200

The provision for income taxes reported in the Consolidated Statement of Income differs from the amount which would be computed using the prevailing Canadian statutory tax rate applied to earnings before tax because certain sources of income are tax-exempt or are subject to reduced rates.

	1987	1986
(*) The combined federal and provincial income tax rate of	**50.3%**	51.0%
has been reduced by the impact of earning:		
income from subsidiaries and affiliates;	**(5.6)**	(9.3)
tax-exempt income from securities, primarily income debentures, term preferred shares, small business development bonds and small business bonds;	**(4.3)**	(5.2)
income from capital gains; and	**(1.0)**	(2.1)
other, (net);	**0.4**	0.2
for an effective taxation rate of	**39.8%**	34.6%

(**) The tax rate applied on the special provision for losses on transborder claims has been calculated at 41% which reflects the rate expected to be in effect when the related tax benefit is realized.

13. Commitments and contingent liabilities

In the normal course of business, various commitments and contingent liabilities are outstanding which are not reflected in the financial statements. These include commitments to extend credit and to purchase and sell securities, currency and interest rate futures, and interest rate and foreign currency swaps. In the opinion of management, there are no material commitments or contingencies which represent unusual risk and no material losses are anticipated as a result of these transactions.

As at October 31, the Bank was also contingently liable for letters of credit and guarantees as follows:

($ thousands)

	1987	1986
Letters of credit	**$3,783,719**	$3,584,170
Guarantees	**1,176,903**	1,090,831
Total	**$4,960,622**	$4,675,001

Included in the above are letters of credit and guarantees issued by the Bank on behalf of corporations in which the Bank owns 10% to 50% of the voting shares. This amounted to $41,179,000 at October 31, 1987 (1986 - $72,044,000).

Where the Bank's contingent commitment is on behalf of a customer to a third party, the Bank has recourse against the customer in the event of a call.

There are a number of actions and legal proceedings pending against the Bank and its subsidiaries which arise from usual business activities. Management of the Bank believes that the aggregate liability, if any, of these actions and proceedings would not be material to the Bank.

Minimum future rental commitments at October 31, 1987, for buildings and equipment under long-term, non-cancellable leases are:

($ thousands)

For the year	**Total**
1988	**$ 59,611**
1989	**53,811**
1990	**43,331**
1991	**35,000**
1992	**28,199**
1993 and thereafter	**170,501**
	$390,453

14. Subsequent event

On October 21, 1987, the Bank settled the terms of a definitive agreement with The McLeod Young Weir Corporation ("McLeod"), providing for the acquisition of all the shares of McLeod by the Bank. The Bank is currently making a formal offer of $60 per share (subject to adjustment based on audited financial statements at September 30, 1987) to the shareholders of McLeod. Assuming all shareholders accept the offer the aggregate purchase price of McLeod will be approximately $480 million. The commitment of the Bank to complete the purchase is subject to a material adverse change clause relating to the business affairs and financial condition of McLeod and the satisfaction of certain other terms and conditions including the receipt of appropriate regulatory approvals.

15. Condensed statements of domestic subsidiaries

Scotia Mortgage Corporation
Condensed Statement of Assets and Liabilities

($ thousands)	As at December 31	1986	1985(1)
Assets	Cash and short-term investments	$ 499,982	$ 325,253
	Accrued interest receivable	78,040	56,114
	Income debentures	72,585	–
	Small Business Development Bonds at cost	27,757	89,362
	Mortgage loans at amortized cost	6,105,685	4,974,681
	Other assets	16,157	7,540
		$6,800,206	$5,452,950
Liabilities	Accounts payable and accrued interest	$ 212,886	$ 201,764
	Bankers' acceptances	564,764	428,474
	Deposits payable on demand	1,088,953	–
	Notes payable to The Bank of Nova Scotia	823,075	1,170,663
	Notes and debentures payable to others	3,816,479	3,405,875
	Deferred income taxes	36,141	31,767
	Shareholders' equity:		
	Capital stock	111,110	106,110
	Contributed surplus	2,300	2,300
	Retained earnings	144,498	105,997
		257,908	214,407
		$6,800,206	$5,452,950

Condensed Statement of Income and Retained Earnings

($ thousands)	For the financial year ended December 31	1986	1985(1)
Income	Mortgage interest	$ 608,078	$ 536,792
	Other	46,477	54,755
	Total income	654,555	591,547
Expenses	Interest and other debt costs	550,114	490,529
	Operating and other	31,736	22,790
	Total expenses	581,850	513,319
	Income before income taxes	72,705	78,228
	Provision for income taxes	34,204	32,809
	Net income for the year	38,501	45,419
	Retained earnings, beginning of year	105,997	60,578
	Retained earnings, end of year	$ 144,498	$ 105,997

(1) Certain comparative amounts have been restated to conform with current presentation.

Scotia Leasing Limited
Condensed Statement of Assets and Liabilities

($ thousands)	As at September 30	1987	1986
Assets	Lease receivables	**$188,232**	$145,746
	Accounts receivable	**226**	1,991
	Income taxes recoverable	**2,592**	–
	Other	**2,383**	882
		$193,433	$148,619
Liabilities	Due to The Bank of Nova Scotia	**$ 2,750**	$ 18,505
	Due to associated corporation	**5,469**	6,469
	Notes payable	**151,907**	96,630
	Accounts payable and accrued interest	**5,976**	3,736
	Income taxes payable	**–**	437
	Deferred income taxes	**15,939**	13,364
	Shareholder's equity:		
	Capital stock	**10,300**	6,300
	Retained earnings	**1,092**	3,178
		11,392	9,478
		$193,433	$148,619

Condensed Statement of Income and Retained Earnings

($ thousands)	For the financial year ended September 30	1987	1986
Income	Leasing interest and other	**$ 18,307**	$ 16,438
Expenses	Interest	**12,372**	10,463
	Operating	**1,953**	1,262
	Total expenses	**14,325**	11,725
	Income before income taxes	**3,982**	4,713
	Provision for income taxes	**2,060**	2,445
	Net income for the year	**1,922**	2,268
	Retained earnings, beginning of year	**3,178**	910
	Dividends	**4,008**	–
	Retained earnings, end of year	**$ 1,092**	$ 3,178

Subsidiaries and Associated Corporations

Corporations in which the Bank owns more than 10% of the voting shares (1)

Name	Principal office address	Carrying value of voting shares owned by the Bank(2) ($ thousands)	Percentage of issued and outstanding voting shares owned by the Bank
BNS International (Hong Kong) Limited	Admiralty Centre, Tower 1 18 Harcourt Road, Hong Kong	$ 1,615	100%
The Bank of Nova Scotia Asia Limited	15-01/15-05 Ocean Building 10 Collyer Quay, Singapore 0104	$ 50,635	100
The Bank of Nova Scotia Channel Islands Limited The Bank of Nova Scotia Trust Company Channel Islands Limited (100%)	Queen's House, 13/15 Don Road St. Helier, Jersey, Channel Islands	$ 22,392	100
The Bank of Nova Scotia International Limited BNS International (Panama) S.A. (100%) Scotia Realty Bahamas Limited (100%)	Scotiabank Building Rawson Square Nassau, Bahamas	$840,520	100
The Bank of Nova Scotia Jamaica Limited The Bank of Nova Scotia Trust Company of Jamaica Limited (100%)	Scotiabank Centre Kingston, Jamaica	$ 26,406	70
The Bank of Nova Scotia Properties Inc.	44 King Street West Toronto, Ontario M5H 1H1	$ 1	100
The Bank of Nova Scotia Trinidad and Tobago Limited The Bank of Nova Scotia Trust Company of Trinidad and Tobago Limited (100%)	Scotia Centre Park & Richmond Streets Port of Spain, Trinidad	$ 25,755	47.3
The Bank of Nova Scotia Trust Company (Bahamas) Limited The Bank of Nova Scotia Trust Company (Caribbean) Limited (100%) The Bank of Nova Scotia Trust Company (Cayman) Limited (100%)	Scotiabank Building Rawson Square Nassau, Bahamas	$ 4,302	100
The Bank of Nova Scotia Trust Company of New York	67 Wall Street New York, New York 10005 U.S.A.	$ 2,018	99.5
Scotiabank (U.K.) Limited	Scotia House, 33 Finsbury Square London, England EC2A 1BB	$ 24,587	100

(1) The following corporations were inactive during 1987. The Bank's holdings therein are carried at nominal values.
- BNS Australia Pty. Limited, Sydney, Australia (100%)
  - BNS Securities Australia Pty. Limited, Sydney, Australia (100%)
- The Bank of Nova Scotia International (Curacao) N.V., Willemstad, Curacao, Netherlands Antilles (100%)
- BNS International (Ireland) Limited, Dublin, Ireland (100%)
- BNS International (United Kingdom) Limited, London, England (100%)
- Export Finance Corporation of Canada, Ltd., Toronto, Ontario (10.2%)
- Scotia Export Finance Corporation, Toronto, Ontario (100%)
- Scotia Factors (1985) Limited, Toronto, Ontario (100%)
- Scotia Futures Limited, Toronto, Ontario (100%)
- Scotia–Toronto Dominion Leasing Ltd., Toronto, Ontario (50%)
- Scotia Ventures Limited, Toronto, Ontario (100%)

(2) Investments in all subsidiaries and associated corporations in which the Bank holds at least 20% of the voting shares are carried on an equity basis. Other investments held in foreign currencies have been translated to Canadian dollars using October 31, 1987, closing rates of exchange.

Name	Principal office address	Carrying value of voting shares owned by the Bank[2] ($ thousands)	Percentage of issued and outstanding voting shares owned by the Bank
Brunswick Square Ltd.	One Brunswick Square, Suite M103 Saint John, New Brunswick E2L 4V1	$ 657	50%
Calgary Centre Holdings Ltd.[3]	Suite 1200 9945 – 108 Street Edmonton, Alberta T5K 2G9	$ 1,319	70
Chargex Limited	160 Elgin Street Ottawa, Ontario K1N 8S3	$ 1	25
Empire Realty (Cayman) Limited	Cardinal Avenue Georgetown, Grand Cayman, B.W.I.	$ 2,244	100
First Southern Bank Limited	Westboro, Montenotte Cork, Republic of Ireland	$ 11,370	100
Fredericton Developments Limited Kings Place Parking Limited (100%)	1226 Hollis Street Halifax, Nova Scotia B3J 1T6	$ 2,951	52.6
JPM, Inc.[3]	444 Market Street Suite 2450 San Francisco, California 94111 U.S.A.	$ 9,340	100
Maduro & Curiel's Bank N.V.	Willemstad, Curacao Netherlands Antilles	$ 33,460	49.1
MHM Property Limited[3]	44 King Street West Toronto, Ontario M5H 1H1	$ 1	100
The Nova Scotia Corporation	100 West Tenth Street Wilmington, Delaware, U.S.A.	$ 84	100
Scotia Centre Limited	700 Second Street S. W. Suite 3000 Calgary, Alberta T2P 2W2	$ 291	50
Scotia Leasing Limited	44 King Street West Toronto, Ontario M5H 1H1	$ 5,070	100
Scotia Mortgage Corporation	2201 Eglinton Avenue East Scarborough, Ontario M1L 4S2	$291,908	100
Scotia Realty Antilles N.V.	Philipsburg, St. Maarten Netherlands Antilles	$ 2,152	100
Scotia Realty Limited	44 King Street West Toronto, Ontario M5H 1H1	$ 1	100
Scotia Securities Inc.	1 Richmond Street West Toronto, Ontario M5H 3W4	$ 1	100
Scotiabank de Puerto Rico	Plaza Scotiabank 273 Ponce de Leon Avenue Hato Rey, Puerto Rico	$ 72,611	99.9
WBM, Inc.[3]	444 Market Street Suite 2450 San Francisco, California 94111 U.S.A.	$ 15,907	100
The West India Company of Merchant Bankers Limited	Scotiabank Centre Kingston, Jamaica	$ 598	66.7

(3) Corporations which administer assets acquired in settlement of amounts due to the Bank.

Ten-Year Statistical Review
Consolidated Statement of Assets and Liabilities

($ thousands)	As at October 31	1987	1986	1985
Assets	**Cash resources**			
	Cash and deposits with Bank of Canada	**$ 1,072,781**	$ 1,126,304	$ 1,115,740
	Deposits with other banks	**10,280,204**	8,995,455	9,528,262
	Cheques and other items in transit, net	–	–	–
		11,352,985	10,121,759	10,644,002
	Securities			
	Issued or guaranteed by Canada	**2,274,650**	2,398,440	1,732,858
	Issued or guaranteed by provinces and municipal or school corporations	**231,824**	147,686	75,050
	Other securities	**3,694,555**	3,310,043	2,565,588
		6,201,029	5,856,169	4,373,496
	Loans			
	Day, call and short loans to investment dealers and brokers, secured	**295,815**	494,722	280,634
	Loans to banks	**1,937,769**	2,774,541	2,772,255
	Mortgage loans	**7,831,728**	6,452,268	5,336,344
	Other loans	**38,014,047**	33,495,381	33,234,287
		48,079,359	43,216,912	41,623,520
	Other			
	Customers' liability under acceptances	**3,553,441**	3,142,264	2,712,712
	Land, buildings and equipment	**670,166**	611,561	582,891
	Other assets	**1,572,759**	1,063,851	1,132,174
		5,796,366	4,817,676	4,427,777
		$71,429,739	$64,012,516	$61,068,795
Liabilities	**Deposits**			
	Payable on demand	**$ 3,641,410**	$ 3,354,029	$ 3,614,526
	Payable after notice	**14,971,169**	12,270,745	10,916,245
	Payable on a fixed date	**42,188,495**	37,726,250	37,712,749
		60,801,074	53,351,024	52,243,520
	Other			
	Cheques and other items in transit, net	**7,952**	61,504	46,006
	Acceptances	**3,553,441**	3,142,264	2,712,712
	Liabilities of subsidiaries, other than deposits	**85,900**	58,613	22,613
	Other liabilities	**3,141,952**	3,168,642	2,547,874
	Minority interests in subsidiaries	**13,626**	11,897	9,100
		6,802,871	6,442,920	5,338,305
	Subordinated debt			
	Bank debentures	**1,007,364**	1,159,631	888,589
	Capital and reserves			
	Appropriations for contingencies	**431,396**	240,000	210,000
	Shareholders' equity:			
	Capital stock: Preferred shares	**350,400**	350,400	350,400
	Common shares	**720,298**	677,087	489,178
	Contributed surplus	–	–	–
	Retained earnings	**1,316,336**	1,791,454	1,548,803
		2,818,430	3,058,941	2,598,381
		$71,429,739	$64,012,516	$61,068,795

1984	1983	1982	1981	1980	1979	1978
$ 737,079	$ 1,021,997	$ 1,005,589	$ 1,243,218	$ 1,510,379	$ 1,383,319	$ 873,955
11,965,387	10,795,649	10,538,787	8,630,468	9,296,578	7,722,187	6,153,629
453,739	33,497	–	56,331	130,527	252,451	323,383
13,156,205	11,851,143	11,544,376	9,930,017	10,937,484	9,357,957	7,350,967
2,020,048	1,791,054	1,100,691	1,088,299	1,070,324	1,225,134	1,204,635
61,161	107,992	76,060	86,504	107,018	119,769	122,949
2,270,919	2,043,438	2,139,071	1,958,796	1,650,062	1,670,442	1,365,179
4,352,128	3,942,484	3,315,822	3,133,599	2,827,404	3,015,345	2,692,763
108,731	446,183	731,171	610,581	736,406	802,353	608,667
2,581,839	1,905,355	1,724,709	1,612,301	1,647,786	913,262	566,349
4,598,559	3,885,904	3,359,030	3,376,976	3,159,191	2,007,009	1,594,501
30,953,528	29,272,586	29,190,946	27,507,994	21,248,514	16,968,168	13,767,161
38,242,657	35,510,028	35,005,856	33,107,852	26,791,897	20,690,792	16,536,678
1,849,644	2,114,981	2,261,700	1,430,800	735,611	490,518	421,733
503,205	451,692	417,822	384,053	330,021	300,816	271,809
1,019,717	938,288	1,084,908	1,080,300	800,834	461,970	321,611
3,372,566	3,504,961	3,764,430	2,895,153	1,866,466	1,253,304	1,015,153
$59,123,556	$54,808,616	$53,630,484	$49,066,621	$42,423,251	$34,317,398	$27,595,561

$ 3,220,135	$ 3,721,535	$ 3,297,841	$ 3,414,925	$ 3,651,870	$ 2,790,455	$ 2,948,626
10,357,283	9,892,647	8,513,392	7,257,982	6,082,969	5,256,522	4,702,409
38,509,110	35,006,014	35,453,928	33,083,754	28,548,533	22,840,376	17,598,277
52,086,528	48,620,196	47,265,161	43,756,661	38,283,372	30,887,353	25,249,312
–	–	72,531	–	–	–	–
1,849,644	2,114,981	2,261,700	1,430,800	735,611	490,518	421,733
8,425	8,425	9,866	9,922	10,264	–	–
2,213,403	1,494,217	1,616,250	1,756,625	1,713,047	1,436,799	724,490
8,530	15,585	11,556	9,344	8,293	6,709	11,459
4,080,002	3,633,208	3,971,903	3,206,691	2,467,215	1,934,026	1,157,682
676,724	714,607	716,727	517,171	248,073	248,630	204,641
180,000	133,000	130,000	128,771	121,803	104,643	86,407
250,000	–	–	–	–	–	–
453,037	423,016	400,435	46,406	46,406	46,097	41,250
–	–	–	344,674	344,674	338,949	237,682
1,397,265	1,284,589	1,146,258	1,066,247	911,708	757,700	618,587
2,280,302	1,840,605	1,676,693	1,586,098	1,424,591	1,247,389	983,926
$59,123,556	$54,808,616	$53,630,484	$49,066,621	$42,423,251	$34,317,398	$27,595,561

Ten-Year Statistical Review
Consolidated Statement of Income

($ thousands)	For the financial year ended October 31	1987	1986	1985
Interest income	Income from loans, excluding leases	**$ 4,662,605**	$ 4,546,466	$ 4,364,191
	Income from lease financing	**20,995**	19,328	17,894
	Income from securities	**563,568**	501,103	431,546
	Income from deposits with banks	**609,792**	709,450	1,003,211
	Total interest income, including dividends	**5,856,960**	5,776,347	5,816,842
Interest expense	Interest on deposits	**3,988,980**	4,014,630	4,237,979
	Interest on bank debentures	**84,467**	80,458	67,944
	Interest on liabilities other than deposits	**49,235**	38,586	34,887
	Total interest expense	**4,122,682**	4,133,674	4,340,810
	Net interest income	**1,734,278**	1,642,673	1,476,032
	Provision for loan losses	**393,173**	412,500	319,704
	Net interest income after loan loss provision	**1,341,105**	1,230,173	1,156,328
	Other income	**539,507**	435,417	354,272
	Net interest and other income	**1,880,612**	1,665,590	1,510,600
Non-interest expenses	Salaries	**689,467**	645,948	594,527
	Pension contributions and other staff benefits	**52,625**	45,447	50,293
	Premises and equipment expenses, including depreciation	**232,769**	222,980	205,149
	Other expenses	**264,599**	232,047	212,773
	Total non-interest expenses	**1,239,460**	1,146,422	1,062,742
	Net income before provision for income taxes	**641,152**	519,168	447,858
	Provision for income taxes	**255,300**	179,500	142,000
	Net income before minority interests in subsidiaries and special provision	**385,852**	339,668	305,858
	Minority interests in subsidiaries	**4,993**	3,462	2,249
	Net income before special provision	**380,859**	336,206	303,609
	Special provision for losses on transborder claims	**692,900**	–	–
	Net income (loss) for the year	**$ (312,041)**	$ 336,206	$ 303,609

		1987	1986	1985
	Preferred dividends paid	**$ 23,328**	$ 26,031	$ 22,621
	Net income (loss) available to common shareholders	**$ (335,369)**	$ 310,175	$ 280,988
	Average number of common shares outstanding (1)	**164,050,758**	156,235,229	146,002,261
	Net income (loss) per common share (1) (2):			
	Basic, before special provision	**$ 2.18**	$ 1.98	$ 1.92
	Basic, after special provision	**$ (2.05)**	$ 1.98	$ 1.92
	Fully diluted, before special provision	**$ 2.18**	$ 1.94	$ 1.82
	Fully diluted, after special provision	**$ (2.05)**	$ 1.94	$ 1.82
	Dividends per common share (1)	**$ 0.720**	$ 0.690	$ 0.680

(1) The average number of common shares outstanding and net income (loss) and dividends per common share have been restated to reflect the three-for-one stock split effective January 27, 1984.

(2) Basic net income (loss) per common share has been calculated on the daily average of equivalent fully paid common shares outstanding. Fully diluted net income (loss) per common share has been calculated on the assumption that all convertible securities outstanding during the year were converted into common shares from the beginning of the year at the ratio of approximately 85.11 common shares for each thousand dollars principal amount of debentures.

1984	1983	1982	1981	1980	1979	1978
$ 4,315,983	$ 4,140,297	$ 5,381,454	$ 4,653,551	$ 3,184,396	$ 2,211,523	$ 1,544,405
21,466	21,847	25,264	23,925	14,971	6,986	138
414,527	324,166	353,690	368,966	295,304	259,431	177,545
1,116,931	1,010,884	1,410,888	1,448,703	1,144,847	639,139	340,197
5,868,907	5,497,194	7,171,296	6,495,145	4,639,518	3,117,079	2,062,285
4,511,234	4,041,706	5,944,583	5,500,210	3,727,754	2,356,121	1,363,395
74,274	74,295	72,533	37,671	25,355	20,613	17,387
11,452	9,838	26,476	11,659	4,072	–	–
4,596,960	4,125,839	6,043,592	5,549,540	3,757,181	2,376,734	1,380,782
1,271,947	1,371,355	1,127,704	945,605	882,337	740,345	681,503
241,465	197,541	148,375	81,173	63,449	52,523	49,705
1,030,482	1,173,814	979,329	864,432	818,888	687,822	631,798
314,688	302,422	271,611	268,362	220,625	170,110	137,923
1,345,170	1,476,236	1,250,940	1,132,794	1,039,513	857,932	769,721
560,231	537,588	520,582	466,754	396,806	337,161	291,734
50,738	49,872	56,315	47,556	42,333	32,749	27,841
190,030	176,088	165,238	144,583	120,298	112,180	100,122
191,993	185,068	182,224	167,133	153,534	113,002	101,069
992,992	948,616	924,359	826,026	712,971	595,092	520,766
352,178	527,620	326,581	306,768	326,542	262,840	248,955
78,100	175,200	51,000	60,600	90,900	64,600	93,500
274,078	352,420	275,581	246,168	235,642	198,240	155,455
2,384	4,690	2,969	1,879	1,038	559	1,100
271,694	347,730	272,612	244,289	234,604	197,681	154,355
–	–	–	–	–	–	–
$ 271,694	$ 347,730	$ 272,612	$ 244,289	$ 234,604	$ 197,681	$ 154,355
$ 10,414	$ –	$ –	$ –	$ –	$ –	$ –
$ 261,280	$ 347,730	$ 272,612	$ 244,289	$ 234,604	$ 197,681	$ 154,355
143,299,980	141,016,107	139,656,990	139,218,750	139,107,867	131,606,682	123,750,000
$ 1.82	$ 2.47	$ 1.95	$ 1.75	$ 1.69	$ 1.50	$ 1.25
$ 1.82	$ 2.47	$ 1.95	$ 1.75	$ 1.69	$ 1.50	$ 1.25
$ 1.72	$ 2.31	$ 1.84	$ 1.69	$ 1.69	$ 1.50	$ 1.25
$ 1.72	$ 2.31	$ 1.84	$ 1.69	$ 1.69	$ 1.50	$ 1.25
$ 0.680	$ 0.640	$ 0.607	$ 0.567	$ 0.477	$ 0.413	$ 0.320

Ten-Year Statistical Review
Consolidated Statement of Appropriations for Contingencies

($ thousands)	For the financial year ended October 31	1987	1986	1985
	Balance at beginning of year	**$ 240,000**	$ 210,000	$ 180,000
	Loss experience on loans	**(182,605)**	(435,411)	(376,309)
	Provision for loan losses included in the Consolidated Statement of Income	**393,173**	412,500	319,704
	Transfer (to)/from retained earnings	**(19,172)**	52,911	86,605
	Balance at end of year	**$ 431,396**	$ 240,000	$ 210,000

Consolidated Statement of Changes in Shareholders' Equity

($ thousands)	For the financial year ended October 31	1987	1986	1985
Preferred shares	Balance at beginning of year	**$ 350,400**	$ 350,400	$ 250,000
	Proceeds of share issue during the year	**–**	–	100,400
	Balance at end of year	**$ 350,400**	$ 350,400	$ 350,400
Common shares	Balance at beginning of year	**$ 677,087**	$ 489,178	$ 453,037
	Additions from Shareholder "Plan," debentures converted and rights exercised	**43,211**	187,909	36,141
	Transfer from contributed surplus	**–**	–	–
	Balance at end of year	**$ 720,298**	$ 677,087	$ 489,178
Contributed surplus	Balance at beginning of year	**$ –**	$ –	$ –
	Additions from Shareholder "Plan," debentures converted and rights exercised	**–**	–	–
	Transfer to common shares	**–**	–	–
	Balance at end of year	**$ –**	$ –	$ –
Retained earnings	Balance at beginning of year	**$1,791,454**	$1,548,803	$1,397,265
	Net income (loss) for the year	**(312,041)**	336,206	303,609
	Dividends: Preferred	**(23,328)**	(26,031)	(22,621)
	Common	**(118,090)**	(107,091)	(99,163)
	Transfer (to)/from appropriations for contingencies	**19,172**	(52,911)	(86,605)
	Income taxes related to the above transfer	**500**	67,000	52,900
	Net unrealized foreign exchange gain/(loss)	**(41,331)**	26,513	3,990
	Net costs of debenture conversion and share issues	**–**	(1,035)	(572)
	Balance at end of year	**$1,316,336**	$1,791,454	$1,548,803

1984	1983	1982	1981	1980	1979	1978
$ 133,000	$ 130,000	$ 128,771	$ 121,803	$ 104,643	$ 86,407	$ 66,036
(284,905)	(359,694)	(312,886)	(97,964)	(72,724)	(42,600)	(35,895)
241,465	197,541	148,375	81,173	63,449	52,523	49,705
90,440	165,153	165,740	23,759	26,435	8,313	6,561
$ 180,000	$ 133,000	$ 130,000	$ 128,771	$ 121,803	$ 104,643	$ 86,407

1984	1983	1982	1981	1980	1979	1978
$ –	$ –	$ –	$ –	$ –	$ –	$ –
250,000	–	–	–	–	–	–
$ 250,000	$ –	$ –	$ –	$ –	$ –	$ –
$ 423,016	$ 400,435	$ 46,406	$ 46,406	$ 46,097	$ 41,250	$ 41,250
30,021	22,581	5,590	–	309	4,847	–
–	–	348,439	–	–	–	–
$ 453,037	$ 423,016	$ 400,435	$ 46,406	$ 46,406	$ 46,097	$ 41,250
$ –	$ –	$ 344,674	$ 344,674	$ 338,949	$ 237,682	$ 237,682
–	–	3,765	–	5,725	101,267	–
–	–	(348,439)	–	–	–	–
$ –	$ –	$ –	$ 344,674	$ 344,674	$ 338,949	$ 237,682
$1,284,589	$1,146,258	$1,066,247	$ 911,708	$ 757,700	$ 618,587	$ 505,893
271,694	347,730	272,612	244,289	234,604	197,681	154,355
(10,414)	–	–	–	–	–	–
(97,282)	(90,246)	(84,720)	(78,891)	(66,361)	(55,055)	(39,600)
(90,440)	(165,153)	(165,740)	(23,759)	(26,435)	(8,313)	(6,561)
44,500	46,000	48,300	12,900	12,200	4,800	4,500
(1,406)	–	9,559	–	–	–	–
(3,976)	–	–	–	–	–	–
$1,397,265	$1,284,589	$1,146,258	$1,066,247	$ 911,708	$ 757,700	$ 618,587

Ten-Year Statistical Review
Other Statistics

For the financial year ended October 31	1987(*)	1987(**)	1986	1985
Return on assets:				
Total (%)	**(.46)**	**.57**	.54	.51
Domestic (%)	**.66**	**.66**	.52	.42
International (%)	**(1.65)**	**.46**	.56	.60
Return on assets after preferred dividends (%)	**(.50)**	**.53**	.50	.47
Return on common shareholders' equity plus appropriations for contingencies (%)	**(12.3)**	**13.1**	12.6	13.1
"Real" return on common shareholders' equity after adjusting for change in inflation rate (%)	**(16.6)**	**8.8**	8.2	8.9
Common share price (1) (2):				
High ($)	**21.63**		16.50	14.75
Low ($)	**12.50**		12.25	12.13
Close ($)	**12.75**		16.38	13.50
Dividends per common share ($) (2)	**0.720**		0.690	0.680
Common dividend payout (%) (3)	–	**33.0**	34.5	35.3
Common dividend yield (%) (4)	**4.2**		4.8	5.1
Price/earnings ratio (4)	–	**7.8:1**	7.4:1	7.4:1

As at October 31				
Capital ratios (5):				
Ratio of gross assets to base capital	**25.4:1**		20.8:1	25.7:1
Ratio of gross assets to adjusted total capital	**20.7:1**		17.2:1	19.7:1
Ratio of gross assets to equivalent base capital	**23.6:1**		19.4:1	23.3:1
Ratio of total assets to capital, reserves and subordinated debentures	**18.7:1**		15.2:1	17.5:1
Book value per common share ($) (2):				
Basic	**14.88**		16.61	15.23
Fully diluted	**14.88**		16.61	14.95
Number of common shareholder accounts (6)	**26,600**		26,728	25,808
Number of offices	**1,183**		1,194	1,192
Number of employees (7)	**26,187**		26,215	25,753

(1) Based on trading on The Toronto Stock Exchange.
(2) Common share price, dividends per common share and book value per common share have been restated to reflect the three-for-one stock split effective January 27, 1984.
(3) Dividend payments as a % of net income available to common shareholders.
(4) Based on the average of high and low common share price and fully diluted earnings per share.
(5) Capital ratios presented are based on definitions employed by the Superintendent of Financial Institutions in monitoring and evaluating the capital position of Canadian Chartered Banks. The following definitions have been employed in the calculations:
Base capital is common shareholders' equity, appropriations for contingencies, permanent preferred share capital, minority interests and qualifying base capital debentures, less investments in associated corporations. The total of preferred share capital and qualifying base capital debentures may not exceed 20 percent of base capital.
Supplementary capital is retractable preferred share capital and subordinated debentures that do not qualify as base capital (i.e., non-permanent capital).
Adjusted total capital is the sum of base capital and supplementary capital.
Equivalent base capital is the sum of base capital plus one-third supplementary capital.
Total gross assets are defined as total assets less investments in associated corporations plus letters of credit and guarantees.
(6) Represents the number of accounts on the share register and therefore does not reflect the total number of individual shareholders.
(7) Number of employees includes full-time and part-time personnel (part-time stated on a full-time equivalent basis) of the Bank and all its subsidiaries.

(*) Including effect of special provision for losses on transborder claims.
(**) Excluding effect of special provision for losses on transborder claims.

1984	1983	1982	1981	1980	1979	1978
.48	.64	.51	.54	.61	.67	.66
.37	.59	.39	.51	.47	.65	.71
.59	.71	.65	.57	.77	.69	.60
.46	.64	.51	.54	.61	.67	.66
13.2	19.5	16.7	16.2	17.6	17.7	16.8
9.8	14.6	6.9	3.6	7.4	8.5	8.0
15.38	15.29	10.25	12.33	11.63	8.54	7.83
10.00	10.00	6.58	7.92	7.17	6.88	6.17
12.75	13.83	10.00	8.50	10.67	7.25	7.29
0.680	0.640	0.607	0.567	0.477	0.413	0.320
37.4	26.0	31.1	32.3	28.3	27.9	25.7
5.4	5.1	7.2	5.6	5.1	5.4	4.6
7.4:1	5.5:1	4.6:1	6.0:1	5.6:1	5.1:1	5.6:1
27.8:1	31.8:1	33.9:1	32.8:1	31.6:1	29.3:1	29.7:1
21.9:1	23.6:1	24.1:1	25.6:1	27.8:1	25.0:1	25.5:1
25.5:1	28.5:1	29.9:1	30.0:1	30.2:1	27.7:1	28.2:1
20.0:1	21.4:1	22.4:1	23.3:1	25.4:1	22.9:1	23.2:1
14.02	12.95	11.94	11.39	10.23	9.02	7.95
13.84	12.85	11.92	11.39	10.23	9.02	7.95
26,174	20,279	21,551	22,318	21,158	20,944	18,937
1,196	1,200	1,212	1,210	1,190	1,164	1,161
25,527	25,537	26,240	27,547	26,959	25,723	25,537

Board of Directors

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■ Audit Committee
▼ Management Resources and Compensation Committee
▲ Real Estate Committee
○ Pension Fund Advisory Committee

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Senior Partner
Aird & Berlis

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Regina
President and Vice-Chancellor
University of Regina

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Toronto
Deputy Chairman of the Board, President and Chief Operating Officer
The Bank of Nova Scotia

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Toronto
Chairman of the Board
The Molson Companies Limited

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Partner
Stikeman, Elliott

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Bruncor Inc.

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Corporate Director

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Kingsey Falls, Quebec
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British Columbia Telephone Company

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Ottawa
Corporate Director

● **Gerald J. Maier**
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TransCanada PipeLines

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Groupe Transcontinental G.T.C. ltée

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London, England
Director
Sir Robert McAlpine & Sons Limited

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Chairman of the Board
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Executive Vice-President
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Montreal
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London, England
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Yellowknife, N.W.T.
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Hamilton, Ontario
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NOVA, AN ALBERTA CORPORATION

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The Bank of Nova Scotia

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Crown Forest Industries Limited

Allan C. Shaw
Halifax
President and Chief Executive Officer
L.E. Shaw Limited

●■ **Judson W. Sinclair**
Toronto
Chairman of the Board
Moore Corporation Limited

▼ **L.R. Wilson**
Toronto
President and Chief Executive Officer
Redpath Industries Limited

●■ **Ray D. Wolfe, C.M.**
Toronto
Chairman and Chief Executive Officer
The Oshawa Group Limited

Honorary Directors

Honorary Directors neither attend Meetings of the Board, nor receive remuneration.

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Sylvan Lake, Alberta

David W. Barr
Toronto

W. Herman Browne
Toronto

George C. Hitchman
Toronto

John J. Jodrey, D.C.L.
Hantsport, Nova Scotia

The Right Honourable Lord Keith of Castleacre
London, England

A. Barnet Maclaren
Ottawa

William S. McGregor
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Toronto

Marie Wilson, Q.C.
Toronto

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Deputy Chairman of the Board, President and Chief Operating Officer
J.A. Gordon Bell

Vice-Chairman
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Bruce R. Birmingham

Executive Vice-President, Investment Banking
Robert L. Brooks

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Executive Vice-President, Investment Banking
Leslie L. Fox

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Malcolm C. Johnston

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Executive Vice-President, Pacific
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Albert E. Wahbe

Corporate Administration

44 King Street West
Toronto, Ontario
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Audit
Executive Vice-President
R.C. McLeod

Chief Inspector
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V.S. Einarson
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S.R. Ramani
D.S. Rector

Asst. General Manager
D.A. Kingston

Directors
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B.J. Kirby
D.E. McColl
T.C. Nicol
H.A. Smith
G.T. Tweedy

Administration
Asst. General Manager
R.H. Birkett

Organization Development
General Manager
B.A. Sullivan

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D.P. Dixon
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Senior Vice-President and Chief Economist
W. Mackness

Deputy Chief Economist
W.J. Jestin

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P.J. Nicholson

Finance
Senior Vice-President
R.W. Chisholm

Chief Accountant and General Manager
J.K. Mitchell

Asst. Chief Accountants
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D.M. Bovolaneas (Mrs.)
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G.L. Robinson

Comptroller and General Manager
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Directors
L.R. Masterman
M.W. O'Bee
W.E. Park

Management and Financial Information Systems
General Manager
T.P. Hayward

Directors
C.K. Capstick
B.A. Mendelsohn (Ms.)
I.S. Miller

Taxation
General Manager
R.W. Kowalchuk

General Office Audit
Chief Audit Officer
M.A. Coughlan

Operations Group
Executive Vice-President
A.E. Wahbe

Banking Operations
Senior Vice-President
J.E. Palmer

Branch Planning
Asst. General Manager
H.A. Regnitter

Directors
A.P.M. Hosey
G.R. McLean

Domestic Operations
Asst. General Manager
G.W. MacDonald

Directors
T.F. Carre
T.A. Chapman

International and Office Automation
General Manager
B.F. Dolan

Directors
W.T. Bruce
W.M. Forbes
W.W. Heath
W.G. Robb
L.J. Uzelman

Operations and Systems Development
Senior Vice-President
D.J. Marcotte

Domestic and General Office Systems
General Manager
W.R. Stark

Directors
H. Glaser
G. Jang
D.D. Smith

International and Wholesale Systems
General Manager
J.D. Brown

Directors
W.R. Flint
M. Ma

Canadian Commercial and Retail Banking

Operations Planning, Administration and Control
Asst. General Manager
T.E. Russell

Director, Security Support
P.K. Wing

Projects and Programs Management Office
General Manager
M.R. Schulmeister

Asst. General Manager
M.D. Evans

Processing and Technical Services
Senior Vice-President
W.N. Serba

Processing Services
General Manager
K.D. Doose

Asst. General Manager
R.D. Ross

Directors
V.C. Gilbert (Ms.)
S.F. Guerrieri
B.A. King

Technical Services
General Manager
G.H. Goudis

Directors
M.E. Lachance
J.D. Ostime
M.C. Turnquist (Ms.)

Personnel
Executive Vice-President
W.J. Lomax

General Manager
E.F. Forcey

Directors
D.S. Caravan (Ms.)
S.P. Fudge (Mrs.)
H.R. Henderson
R.C. Munro (Mrs.)
C.S. Norfolk
A.E. Wheeler

Administrator, Pension Plans
P.E. Owens

Planning & Legislation
Senior Vice-President
H.K. Sinclair (Ms.)

Asst. General Manager
F.G.P. Lewis

Directors
G.R. Bellew
P.G. Caldwell
M.A. Chambers (Mrs.)

Private Banking and Financial Services
Senior Vice-President
R.R. Holmes

Public and Corporate Affairs
Director
D.M. Ablett

Scotiaction
Director
K.E. Evans (Mrs.)

Secretary
Senior Vice-President and Secretary
R.P. Gerad

Asst. Secretary
L.M. Boyd (Mrs.)

General Counsel
W.J. Mandzia

Real Estate
General Manager
G.R. Turner

Deputy General Manager
B.J. Hurst

Director, Development and Chief Architect
G.M. Redpath

Directors
I.B. Cowan
J.E. McFadyen
M.S. Munoz
H. Sagara

Special Projects, Executive Administration
Asst. General Manager
J.G. Nixon

Subsidiary Corporate Services
Asst. Secretary and Director
R.K. Frank

44 King Street West
Toronto, Ontario
M5H 1H1

Executive Vice-President
R.W. Fleming

Special Projects
General Manager
J.M.A. Tiemens

Director
T.J. Malone

Divisional Comptroller
E.J. Rovas

Administration
Director
A.W. Norris

Analysis and Planning
Director
A.R. Macdonald

Commercial Banking
Senior Vice-President
L.E. Laycock

Agricultural Services
General Manager
G.E. Chamberlain

Cash Management Services
General Manager
R.G. Darke

Asst. General Managers
C. Giordano
J.M. Whelpley

Commercial Banking Development
General Manager
L.B. Babcock

Commercial Credit
Senior Vice-President
E.D. MacNevin

Senior Vice-Presidents
L.L. Cannon (Ms.)
W.P. Penney
D.H. Stewart
G.L. Tattrie

General Managers
D.C. Bisson
A.V. Henderson
V.B. Maxwell
F.I. Verseghy

Asst. General Managers
J.W. Chisholm
S.A. Hierons
A.W. Jeffery
D.W. Jentsch
L.T. Kenyon
W.R. Marsh
R.H. Plett
H. Reimer
J.W. Roblin
D.A. Rowat
E.P. Saulnier

Automotive
General Manager
D.W. Reed

Credit
General Manager
E.A.J. Ward

Asst. General Manager and Director
D.K. Clarkson

Asst. General Manager
A.W. Jensen

Finance
General Manager
J.P. Sweeney

Retail Banking
Senior Vice-President
M.N. Logan

Retail Bank Management
Directors
B. Godin (Mrs.)
D.R. Hutton
S.Y.C. Lee

Retail Marketing, Deposits and Services
Directors
M.H. Bassam (Ms.)
A.P. Lee
J.C. Orange (Ms.)

Scotia Funds
Asst. General Manager
C. Mecke

Retail Lending
Senior Vice-President
J.F. O'Donnell

Bank Card and RSP Operations
General Manager
J.T. Meek

Director
B.J. Hewitt

Card Products
General Manager
R.T. Robida

Asst. General Manager
T.F. Mendes

Director
D.F. MacDonald

Consumer Credit
General Manager
R.K. Lounsbury

Deputy General Manager
R.J. Pue

Asst. General Managers
L.E. Maudsley
P.A. McLaughlin

Mortgages
General Manager
A.E. Taylor

Deputy General Manager
R.R.C. Boulter

Directors
S.J. Forshaw
P. Heney

Canadian Regional and Provincial Offices

Atlantic Region

1709 Hollis Street
Halifax, Nova Scotia
B3J 1M1

Senior Vice-President
J.G. Keith

Director
D.G. Martin

Credit
General Manager
R.A. Richardson

Director
F.D.A. Sabean

Newfoundland and Labrador Provincial Office

245 Water Street
St. John's,
Newfoundland
A1C 5P5

Vice-President
G.A. Bradbury

Director
J.A. Batterton

Branches: 61

Nova Scotia Provincial Office

1709 Hollis Street
Halifax, Nova Scotia
B3J 1M1

Vice-President
R.G. Durham

Director
D.B. MacIntosh

Branches: 70

New Brunswick and Prince Edward Island Provincial Office

One Brunswick
Square
Saint John,
New Brunswick
E2L 4J5

Senior Vice-President
B.R. Monroe

Director
E.E. Hierlihy

Branches, N.B.: 54
Branches, P.E.I.: 9

Quebec Region

715 Victoria Square
Montreal, Quebec
H2Y 2H7

Senior Vice-President
J. Guy Bisaillon

Asst. General Manager, Operations/ Administration
R. Garneau

Credit
Asst. General Manager and Director
E.A. Roussy

Asst. General Manager
J.H. MacEwen

Director, Special Projects
W.K. Walker

Branches: 87

Metropolitan Toronto Region

44 King Street West
Toronto, Ontario
M5H 1H1

Regional Senior Vice-President and General Manager
D.A. Reed

Credit
General Manager
L.W. Mitton

Asst. General Manager and Director
W.L. Wrightson

Asst. General Managers
W. E. Bailey
J.E. Hollett

Asst. General Manager, Real Estate Development
M.B. Thompson

Director, Administration
G.Grieve

Branches: 178

Eastern Ontario Region

119 Queen Street
Ottawa, Ontario
K1P 6L8

Regional Senior Vice-President and General Manager
W.H. McMillan

Branches: 82

Western and Northern Ontario Region

44 King Street West
Toronto, Ontario
M5H 1H1

Regional Senior Vice-President and General Manager
C.B. Spencer

Credit
Asst. General Managers
T.F. Mesman
D.A. Reed
R.G. Taylor

Director, Banking Operations/ Administration
S.H. Klein

Branches: 150

Prairie Region

4000, 700-2nd Street
S.W.
Calgary, Alberta
T2P 2N7

Senior Vice-President
J.A. Young

Director
H.D. Chambers

Credit
Vice-President
D.S. Teslyk

Directors
C.E. Innes
B.F. Lensen

Manitoba and Northwestern Ontario Provincial Office

200 Portage Avenue
Winnipeg, Manitoba
R3C 2R7

Vice-President
M.J.B. Hartman

Director
D.J. Migel

Branches,
Manitoba: 34
Branches,
N.W. Ontario: 7

Saskatchewan Provincial Office

111-2nd Avenue S.
Saskatoon,
Saskatchewan
S7K 1K6

Vice-President
D.J. Chapman

Director
J.H. Moore

Branches: 50

Alberta North and Northwest Territories Provincial Office

Scotia Place
Mezzanine Floor
10060 Jasper Avenue
Edmonton, Alberta
T5J 3R8

Vice-President
L.G. Beatty

Director
B.J. Shields

Branches,
Alberta North: 57
Branches,
Northwest
Territories: 1

Alberta South Provincial Office

3900, 700-2nd Street
S.W.
Calgary, Alberta
T2P 2N7

Vice-President
M.N.L. Kennedy

Director
J.L. Stevens

Branches: 59

British Columbia and Yukon Region

650 West Georgia
Street
Vancouver,
British Columbia
V6B 4N7

Senior Vice-President
P.J. Armer

Director
R.C. Goodman

Credit
General Manager
C.D. Laight

Director
D.L. Currie

British Columbia Provincial Office

650 West Georgia
Street
Vancouver,
British Columbia
V6B 4N7

Vice-President
D.R. Tripp

Director
R.W. Doan

Branches,
British Columbia: 63

British Columbia and Yukon Provincial Office

650 West Georgia
Street
Vancouver,
British Columbia
V6B 4N7

Vice-President
R.J. McKinty

Director
R. Hinkelman

Branches,
British Columbia: 46
Branches,
Yukon Territory: 1

Canadian subsidiaries

Subsidiaries

The Bank of Nova Scotia Properties Inc.
44 King Street West
Toronto, Ontario
M5H 1H1
President
G.R. Turner

Scotia Leasing Limited
44 King Street West
Toronto, Ontario
M5H 1H1
President
C.J. Hopmans (Miss)

Scotia Mortgage Corporation
2201 Eglinton
Avenue East
Scarborough, Ontario
M1L 4S2
President
A.E. Taylor

Scotia Realty Limited
44 King Street West
Toronto, Ontario
M5H 1H1
President
G.R. Turner

Scotia Securities Inc. – Toronto
1 Richmond Street
West
2nd Floor
Toronto, Ontario
M5H 3W4
President
P.H. Frost

Scotia Securities Inc. – Montreal
715 Victoria Square
Suite 405
Montreal, Quebec
H2Y 2H7
Vice-President
A.H. Scipio Del Campo

Investment and Corporate Banking

44 King Street West
Toronto, Ontario
M5H 1H1

Vice-Chairman
P.C. Godsoe

Senior Vice-President
W.P. Meinig

General Manager, Administration
D.W. Whitaker

Senior Legal Counsel
P.J. Lewarne

Asst. General Managers
D.V. Bell
N.P. Hladun
P.A. McBean
M. Read

Director, International Banking Division
D.W. Grey

Directors, Personnel
A.S. Dick (Ms.)
I.R. Hendry

Director, Training
C.E. Fleming

Comptroller
M.P. Onions

Corporate Credit
Senior Vice-Presidents
D. King
B.J. Webb

General Managers
S.D. Chrominska (Ms.)
F.M. Goddard
M.I. Greenspan
R.W. Hale-Sanders
S.W. Jordan
D.W. Ritcey

Asst. General Managers
W.R. Barrett
J.B. Chisholm
D.R. Crawford
R. Haines
S.P. Hart
G.F. Hunt
M.L. Ness
A.G. Portis
A.M. Scholz (Ms.)
D.A. Smith

Real Estate Credit
Senior Vice-President
C.F. Gill

General Manager
P.L. Kinsman

Asst. General Managers
W.A. Hinchey
G.D. McAuley

Special Account Management and Policy Information Systems
Senior Vice-President
S.D.N. Belcher

General Managers
M. Fischer
A. Karmally
J.D. Koehler

Asst. General Managers
J.G. McArdle
J.E. Oldham
G.W. Van Dyk

Director
R.B.S. Swinden

Calgary
Scotia Centre
700-2nd Street S.W.
Calgary, Alberta
T2P 2N7
Asst. General Manager
J.W. Agnew

Investment Banking, North America
44 King Street West
Toronto, Ontario
M5H 1H1
Vice-Chairman
P.C. Godsoe

Executive Vice-President
R.L. Brooks

Senior Vice-Presidents
T.A. Healy
R.L. Mason

General Managers
K.D. Adams (Ms.)
R.F.S. Jarrett
W.R. Whitbeck
P.H. Williams

Asst. General Managers
C.D. Bourns
G.J. Bundscho
J.D. Chazan
D.F. Cooper
D.C. Dique
E.E. Keith
M.B. MacDiarmid
C.R. Mains
K.H. Ritchie
J.W. Stevens
J.P. Tkach
D.C. Turner

Investment Banking Centres

Atlantic Investment Banking Centre
1709 Hollis Street
Halifax, Nova Scotia
B3J 1M1
Manager
G.J. Buckley

Quebec Investment Banking Centre
715 Victoria Square
Montreal, Quebec
H2Y 2H7
Manager
B. O'Hara

Manitoba Investment Banking Centre
200 Portage Avenue
Winnipeg, Manitoba
R3C 2R7
Manager
W.G. Mills

Alberta & Saskatchewan Investment Banking Centre
700-2nd Street S.W.
Calgary, Alberta
T2P 2N7
Manager
J.L. Semmens

Pacific Investment Banking Centre
650 West Georgia Street
Vancouver, British Columbia
V6B 4N7
Manager
S.G. Elysee-Collen

U.S. Offices

New York
67 Wall Street
New York, N.Y.
10005
Agent
M. Lennon
Asst. General Managers
J.D. Nicholson
P.C. O'Reilly

Chicago
Xerox Centre
Suite 3590
55 W. Monroe Street
Chicago, Illinois
60603

Houston
Two Shell Plaza
Houston, Texas
77002

Miami
One Biscayne Tower
Suite 1600
2 South Biscayne Blvd.
Miami, Florida
33131
Manager
W.G. Bagshaw

Nassau
P.O. Box N7545
Scotiabank Building
Rawson Square
Nassau, Bahamas
Manager
D.N. Randall

Investment Banking, Europe/Far East
P.O. Box 534
Scotia House
33 Finsbury Square
London, England
EC2A 1BB
Vice-Chairman
P.C. Godsoe

Executive Vice-President
L.L. Fox

Europe

P.O. Box 534
Scotia House
33 Finsbury Square
London, England
EC2A 1BB
Senior Vice-President
P.F.J. Heffernan

Asst. General Managers
R.N. Brandman
I.J. McCannah
D.W. Ramsay

England
P.O. Box 534
Scotia House
33 Finsbury Square
London, England
EC2A 1BB

West Germany
Postfach 4427
D-6000
Frankfurt/Main 1
An Der Hauptwache 7-8
Frankfurt,
West Germany
Manager
H. Coenen

Far East

Fukoku Seimei Building
21st Floor
2-2 Uchisaiwaicho
2-Chome, Chiyoda-Ku
Tokyo 100, Japan
Senior Vice-President
C.A. Barnes

Hong Kong
Admiralty Centre
6th Floor, Tower 1
18 Harcourt Road
Hong Kong
Manager
S. Carruthers

Japan
Fukoku Seimei Building
21st Floor
2-2 Uchisaiwaicho
2-Chome,Chiyoda-Ku
Tokyo 100, Japan
Senior Manager
S. Araujo

Singapore
Ocean Building
10 Collyer Quay
#15-01/05
Singapore 0104
Manager
C.S. Lee

Corporate Banking
44 King Street West
Toronto, Ontario
M5H 1H1
Vice-Chairman
P.C. Godsoe

Executive Vice-President
B.R. Birmingham

Senior Vice-Presidents
J.F. Crean
T.A. Cumming
W.J. Menear
B.R. Osmak
R.E. Waugh

Asst. General Managers
A.G. Best
W.J.G. Brown
P.R. Chalmers
J.C. Eby
J.F. Welsh

Corporate Banking Offices

Calgary
Scotia Centre
700-2nd Street S.W.
Calgary, Alberta
T2P 2W1
Asst. General Manager
A. Nel

Halifax
1709 Hollis Street
4th Floor
Halifax, Nova Scotia
B3J 3B7
Senior Manager
G.T. Brennan

Montreal
715 Victoria Square
4th Floor
Montreal, Quebec
H2Y 2H7

Vancouver
650 West Georgia Street
Vancouver, B.C.
V6B 4N7
Asst. General Manager
D.R. German

Winnipeg
Commodity Exchange Tower
Suite 1620
360 Main Street
Winnipeg, Manitoba
R3C 3Z3
Senior Manager
J.G. McNeil

Agencies

Atlanta
Suite 650
55 Park Place
Atlanta, Georgia
30303
Agent
D.N. Gillespie

New York
67 Wall Street
New York, N.Y. 10005
Senior Vice-President
R.E. Waugh
Asst. General Managers and Agents
J.W. Campbell
L.D. Lloyd
Asst. General Manager
D.J. Dupont
Agent and Director
M.C. Desnoyer

San Francisco
Suite 2450
444 Market Street
San Francisco,
California 94111
Asst. General Manager and Agent
B.W. Hall

Cayman Islands
Grand Cayman Branch
P.O. Box 689
Grand Cayman,
Cayman Islands
Manager
W. Boyko

The Bank of Nova Scotia
Trust Company
(Cayman) Limited
P.O. Box 501
Grand Cayman,
Cayman Islands
Managing Director
B. MacDowell

China (People's Republic of)
Jianguo Hotel, Suite 111
Jianguo Menwai Dajie
Beijing, People's
Republic of China
Representative
B. Guo

Dominican Republic
Aves. John F. Kennedy
and Lope de Vega
Apartado 1494
Santo Domingo,
Dominican Republic
and 12 branches
Area Manager and Manager
Y. Lessard

Egypt
3 Ahmed Nessim Street
P.O. Box 656
Giza, Cairo
Arab Republic of Egypt
Manager
B.G. Cunningham

Greece
37 El Venizelou Street
P.O. Box 3206
GR 102 10 Athens,
Greece
and 2 branches
Area Manager and Manager
W. Crocker

Grenada
P.O. Box 194
St. George's, Grenada
Manager
F.G. O'Neale

Guyana
P.O. Box 10631
Georgetown, Guyana
Manager
R.R. Salazar

Haiti
Rue des Miracles
P.O. Box 686
Port-au-Prince, Haiti
and 2 branches
Manager
C.A.S. Hinkson

Hong Kong
Area Executive Office,
Pacific
Admiralty Centre
6th Floor, Tower 1
18 Harcourt Road
Hong Kong
Executive Vice-President
K.S. Rowe
Asst. General Manager
C.E. Sheen

Hong Kong Branch
Admiralty Centre
6th Floor, Tower 1
18 Harcourt Road
Hong Kong
Manager
D.J. Wright

BNS International
(Hong Kong) Limited
Admiralty Centre
6th Floor, Tower 1
18 Harcourt Road
Hong Kong
D.J. Wright

India
Mittal Tower,
Ground Floor, "B" Wing
P.O. Box 11507
Nariman Point
Bombay, India 400021
Area Manager and Manager
R.W.S. Joll

Ireland (The Republic of)
65/68 St. Stephens Green
Dublin 2, Republic of Ireland
Area Manager and Manager
B.S. Perry

First Southern Bank Limited
Head Office
Westboro, Montenotte
Cork, Republic of Ireland
and 3 branches
Chief Executive
L. Coughlan

Jamaica
The Bank of Nova Scotia
Jamaica Limited
General Manager's Office
Scotiabank Centre
Duke and Port Royal Streets
P.O. Box 709
Kingston, Jamaica
and 43 branches
General Manager
A.B. Lindo
Deputy General Manager
O.F. Walker
Asst. General Manager
T.G. Schill

The Bank of Nova Scotia
Trust Company of
Jamaica Limited
30 Duke Street
P.O. Box 627
Kingston, Jamaica
Managing Director
A.B. Lindo

The West India Company of
Merchant Bankers Limited
Scotiabank Centre
Duke and Port Royal Streets
P.O. Box 709
Kingston, Jamaica
Managing Director
A.B. Lindo

Japan
Fukoku Seimei Building
21st Floor
2-2 Uchisaiwaicho
2-Chome, Chiyoda-Ku
Tokyo 100, Japan
Asst. General Manager and Manager
W.T. Taylor

Jersey
The Bank of Nova Scotia
Channel Islands Limited
Queen's House
13/15 Don Road
St. Helier, Jersey
Channel Islands
Managing Director
T.R.V. Hough

The Bank of Nova Scotia
Trust Company Channel
Islands Limited
Queen's House
13/15 Don Road
St. Helier, Jersey
Channel Islands
Managing Director
T.R.V. Hough

Korea (Republic of)
The Korea Chamber of
Commerce and Industry
Building, 9th Floor
#45, 4-KA,
Namdaemun-RO
Chung-Ku, Seoul, 100
Republic of Korea
Manager
R.L. O'Keefe

Malaysia
Menara Boustead
69 Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia
Manager
A. Haque

Mexico
Paseo de la Reforma 390
Suite 1301
06600 Mexico, D.F.
Representative
A.J. Uribe

Netherlands Antilles
P.O. Box 303
Philipsburg, St. Maarten
Netherlands Antilles
Manager
P.F. Van Schie

See Other associated international organizations

Panama
Panama Branch and
Representative Office
Edificio Bonanza
Calle Manuel Maria Icaza
Campo Alegre
P.O. Box 7327
Panama 5 R.P.
Manager and Representative
M.J. Gonzalez-Delgado (Miss)

BNS International
(Panama) S.A.
c/o Panama Branch of
The Bank of Nova Scotia
P.O. Box 7327
Panama 5 R.P.
President
M.J. Gonzales-Delgado (Miss)

Philippines
Pioneer House, 2nd Floor
108 Paseo de Roxas
CCPO Box 2341
Makati, Metro Manila 3117
Philippines
Manager
A.D. Adan

Puerto Rico
Hato Rey Branch
Plaza Scotiabank
GPO Box BM
San Juan, Puerto Rico
00936-6262
Manager
A.W. Miller

Scotiabank de Puerto Rico
Executive Offices
Plaza Scotiabank
273 Ponce de Leon Avenue
Hato Rey, Puerto Rico
and 7 branches
President and Chief Executive Officer
A.F. Van Der Kley

St. Kitts, W.I.
P.O. Box 433
Basseterre, St. Kitts
and 1 branch
Manager
M.D. Newton

St. Lucia, W.I.
6 William Peter Boulevard
P.O. Box 301
Castries, St. Lucia
and 2 branches
Manager
R. Haines

St. Vincent, W.I.
P.O. Box 237
Kingstown, St. Vincent
Manager
E.A. Riveroll

Singapore
Singapore Branch
Ocean Building
15-01, 10 Collyer Quay
Singapore 0104
Republic of Singapore
Asst. General Manager and Manager
R.W. Erickson

The Bank of Nova Scotia
Asia Limited
Ocean Building
15-01, 10 Collyer Quay
Singapore 0104
Republic of Singapore
Managing Director
R.W. Erickson

Spain
3rd Floor
Serrano 43-30
Madrid 28001, Spain
Senior Representative
H.D. Keeling

Trinidad & Tobago
See Other associated international organizations

Turks and Caicos Islands
P.O. Box 132
Grand Turk, Turks and Caicos Islands
Manager
H.F.M. Buckeridge

Taiwan
Suite 802
Worldwide House
683 Minsheng E. Road
Taipei, Taiwan
Senior Representative
G.A. Fowler

Thailand
Bangkok Bank Limited Building
14th Floor
333 Silom Road
Kwaeng Silom
Khet Bang Rak
Bangkok, Thailand
Senior Representative
R.D. Rayner

United Kingdom
International Banking
Scotia House
33 Finsbury Square
London, England
EC2A 1BB
Asst. General Manager
G.E. Titus

London
West End Branch
10 Berkeley Square
London, England
W1X 6DN
Manager
W.F. Hanna

Edinburgh
Scotiabank House
6 South Charlotte Street
Edinburgh, Scotland
ED2 4ED
Manager
A. McKinlay

Glasgow
P.O. Box 166
50-52 West Nile Street
Glasgow, Scotland
G1 2PE
Manager
V. Willis

The Bank of Nova Scotia Trust Company (United Kingdom) Limited
10 Berkeley Square
London, England
W1X 6DN
Managing Director
R.A. Ellis

Venezuela
Centro Ciudad Comercial Tamanaco, Suite 209
Chuao, Caracas 106
Venezuela
Representative
H. Nogales

Virgin Islands (British)
P.O. Box 434
Road Town, Tortola
British Virgin Islands
Manager
D.E. Osborne

Virgin Islands (U.S.)
P.O. Box 420
Charlotte Amalie
St. Thomas, U.S. Virgin Islands
and 5 branches including Road Town, Tortola, British Virgin Islands
Area Manager and Manager
L.J. Nelson

Other associated international organizations

Netherlands Antilles
Maduro & Curiel's Bank N.V.
P.O. Box 305
Willemstad, Curaçao
Netherlands Antilles
and 9 branches
Chairman of the Board and General Managing Director
L. Capriles
Managing Director
A.G. Blake

Subsidiaries of Maduro & Curiel's Bank N.V.

Aruba
Caribbean Mercantile Bank N.V.
and 3 branches

Caribbean Credit Corporation N.V.

Bonaire
Maduro & Curiel's Bank (Bonaire) N.V.
and 2 branches

Curaçao
Caribbean Credit Corporation (Curaçao) N.V.

Maduro & Curiel's Insurance Services N.V.

N.V. De Curaçaosche Hypotheek Bank Progress N.V.

N.V. De Spaar-en Beleenbank van Curaçao

N.V. Trust en Administratie Maatschappij

St. Maarten
The Windward Islands Bank Limited
and 2 branches

Trinidad and Tobago

The Bank of Nova Scotia Trinidad and Tobago Limited
Scotia Centre
Park and Richmond Streets
Port of Spain, Trinidad
and 18 branches
Managing Director
R.A. Chan
General Manager
J. Siewrattan
Asst. General Manager
S. Mohammed
Asst. General Manager and Manager
B.A. Nicholson

Subsidiary of The Bank of Nova Scotia Trinidad and Tobago Limited

The Bank of Nova Scotia Trust Company of Trinidad and Tobago Limited
P.O. Box 584
Scotia Centre
Park and Richmond Streets
Port of Spain, Trinidad
and 1 branch
Managing Director
R.A. Chan
Manager and Secretary
O.A. Mohammed

General Information

Published Information
Information published by the Bank for its shareholders and others, including the Annual Report, Quarterly Reports and the Annual Information Form, may be obtained by writing The Bank of Nova Scotia, Public and Corporate Affairs, 44 King Street West, Toronto, Ontario, Canada M5H 1H1.

Version français
Si vous désirez recevoir un exemplaire de la version française de ce rapport, veuillez communiquer avec l'Attaché de direction, Communications et développement, La Banque de Nouvelle-Écosse, 715, square Victoria, Montréal (Québec), Canada H2Y 2H7.

Shareholder Information

Annual Meeting
Shareholders are invited to attend the 156th Annual Meeting of The Bank of Nova Scotia, to be held on January 19, 1988, at the Halifax Sheraton Hotel, beginning at 10:00 a.m. Minutes of the meeting are provided to shareholders, in accordance with the requirements of the Bank Act.

Dividend and Share Purchase Plan
Common and preferred shareholders wishing to acquire additional common shares of the Bank may take advantage of a cost-free Dividend and Share Purchase Plan. The Plan provides a convenient method for eligible shareholders either to invest cash dividends in new common shares of the Bank, or to receive dividends in the form of additional common shares of the Bank (stock dividends), in each case valued at 95% of the average market price, as defined in the Plan. As well, eligible shareholders may invest optional cash payments of up to $20,000 per fiscal year of the Bank and interest received on fully registered subordinated debentures of the Bank in the purchase of additional common shares at 100% of the average market price, as defined in the Plan. Participating shareholders pay no brokerage commission or service charges of any kind, and all administrative costs of the Plan are paid by the Bank. Those shareholders who wish to participate in the Plan or who desire additional information should write to Montreal Trust Company of Canada, Attention: Stock & Bond Transfer Department, 15 King Street West, Toronto, Ontario, Canada M5H 1B4.

Listing of Shares
Common shares of the Bank are listed for trading on the Vancouver, Alberta, Winnipeg, Toronto, Montreal and London stock exchanges. Options on the Bank's common shares are listed for trading on the Toronto exchange. Preferred shares of the Bank are listed for trading on the Vancouver, Toronto and Montreal stock exchanges.

Stock Symbol
The trading symbol for the Bank's common shares on Canadian exchanges is BNS and for the preferred-Floating Rate Series 1 is BNS.PR.A. The CUSIP number for the Bank's common shares on Canadian exchanges is 064149 10 7 and for the preferred-Floating Rate Series 1 is 064149 20 6.

Transfer Agent
Montreal Trust Company of Canada, 15 King Street West, Toronto, Ontario, Canada M5H 1B4.

Valuation Day Price
For Canadian income tax purposes, The Bank of Nova Scotia's common stock was quoted at $31.13 per share on Valuation Day, December 22, 1971. This is equivalent to $15.565 per share after adjustment for the two-for-one stock split in 1976 and $5.188 after adjustment for the three-for-one stock split in 1984.

Duplicated Communication
Some registered holders of The Bank of Nova Scotia shares might receive more than one copy of shareholder mailings, such as this Annual Report. Every effort is made to avoid duplication, but when shares of the same class or series are registered in different names and/or addresses, multiple mailings result.

Shareholders who receive more than one mailing for the same ownership, which are not required, are requested to write to the Secretary of the Bank or the Transfer Agent and arrangements will be made to combine the accounts.

Credits
Design and graphics: Gottschalk + Ash Int'l
Typography: Cooper & Beatty
Photography: Alex Meyboom Photography
Printing: Arthurs-Jones Lithographing Ltd.

Printed in Canada

Scotiabank

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