1999 ANNUAL REPORT

1999 ANNUAL REPORT Scotiabank

Putting people first

Scotiabank

Annalise Mohammed, Customer Service Representative, Scotia Plaza, Toronto: Scotiabank offers its customers the ability to bank wherever and whenever they choose – in person or electronically.

In today's complex financial services market, success belongs to companies that can balance innovative technologies with a personal touch. The Scotiabank Group provides this balance by "putting people first." While technological advances are making routine banking transactions increasingly convenient and efficient, Scotiabank employees are focused on constantly building stronger, deeper relationships with their customers in a human, straightforward and knowledgeable way.

The Investor Update centre in the concourse of Toronto's Scotia Plaza is one example of how the Bank is using technology to provide customers with up-to-the-minute financial information.

Scotiabank is one of North America's premier financial institutions and Canada's most international bank, with assets of $223 billion. Our 41,000 employees provide personal, commercial, corporate and investment banking services to individuals, small and medium-sized businesses, corporations and governments – in more than 50 countries around the world, and coast to coast across Canada.

Financial Highlights

Scotiabank produced another record operating performance in fiscal 1999, building on the strength and diversity of its core businesses. A number of initiatives started during 1999 are positioning Scotiabank to take advantage of future growth opportunities in domestic banking in Canada, in the wealth management arena and across the international and wholesale banking sectors. The following is an overview of key Scotiabank goals and accomplishments in 1999.

For the fiscal year, $ unless otherwise indicated	**1999[1]**	1998	1997	1996	1995
Net income ($ millions)	**$ 1,551**	1,394	1,514	1,069	876
Earnings per share	**$ 2.93**	2.64	2.95	2.04	1.69
Dividends per share	**$ 0.87**	0.80	0.74	0.65	0.62
Book value per share	**$ 19.49**	18.37	16.19	13.53	12.37
Return on equity (%)	**15.3**	15.3	20.2	15.8	14.2
Dividend payout ratio (%)	**29.7**	30.3	25.1	31.9	36.7
Productivity ratio (%)	**59.3**	60.4	62.4	58.8	59.9
Tier 1 capital ratio (%)	**8.1**	7.2	6.9	6.7	6.7
Net impaired loans as % of loans and acceptances (%)	**(0.1)**	0.3	0.5	0.7	1.5

1999 PERFORMANCE[1] VS TARGET

Return on equity

Target: to earn a specific premium over risk-free Government of Canada bonds – which presently translates into a return on equity target of more than 15%.

Performance: 15.3%

Tier 1 capital

Target: to maintain Tier 1 capital ratio above 7%.

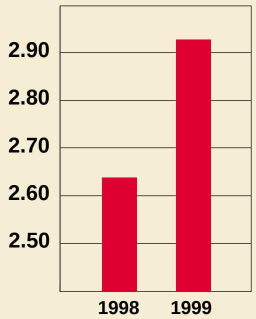
Performance: 8.1%

Earnings per share

Target: to generate growth in earnings per common share of 10% or more.

Performance: Earnings per share were $2.93, up 11% from last year.

Earnings per common share ($)

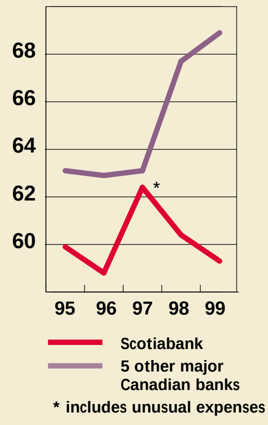


Productivity

Target: to maintain a productivity ratio of less than 60%.

Performance: 59.3%

Non-interest expense as a % of revenue



[1] Refer to Note 20 of the Consolidated Financial Statements and the discussion under Provisions For Credit Losses on page 39.

OUR BUSINESSES

	1999 Highlights	Priorities
Domestic Banking Canadian retail and commercial banking employs more than 23,000 people and provides a full range of financial services to individuals and small and medium enterprises. Customers are served through a national network of 1,178 branches, 2,021 ABMs, four call centres, plus telephone and Internet banking.	• Retained number one ranking among Canadian banks for customer service, according to an independent survey. • Maintained second-largest market share in mortgages and personal term deposits. • Launched e-Scotia.com to market secure e-commerce services. • Introduced innovative new product packages, such as the Scotia Total Equity Plan. ***Net income: $610 million***	• Improve sales and service levels and build on record of customer service excellence. • Augment the availability of alternate delivery channels to give customers greater flexibility. • Build market share and improve profitability and overall customer satisfaction in the small and medium-sized business and commercial banking sectors. • Continuously enhance levels of productivity.
Wealth Management The Wealth Management Group – which incorporates key personal investment and advisory activities within the Scotiabank Group – offers clients a comprehensive range of products and services, encompassing estate and trust services, mutual funds, managed assets and full-service and discount brokerage.	• Continued to expand Scotiatrust – one of Canada's leading personal trust businesses. • Increased assets in fee-based accounts at ScotiaMcLeod by nearly 50%. • Exceeded $16 billion in assets under management at Scotia Cassels – the third-largest provider of private client investment management in Canada.	• Reorganize and integrate wealth management activities, reinforcing customer focus and providing a full range of investment products and services. • Improve sales support for all products, with major emphasis on mutual funds sold through the branch network. • Pursue online opportunities to expand the Bank's existing family of products and services.
International Banking Scotiabank's multinational network provides a broad range of financial services to both local and international customers in more than 50 countries. Including subsidiaries and affiliates, the division has 1,100 branches and offices, over 1,500 ABMs, and includes more than 24,000 people in Asia, the Caribbean and Latin America.	• Achieved record profitability in the Caribbean for the 7th year in a row. • Reached agreement to acquire controlling interest in Banco Sud Americano, Chile. • Established a retail finance company in India to complement commercial and trade finance services. • Opened branches in Bangladesh and Sri Lanka. ***Net income: $305 million***	• Continue strong record of growing profitability in the Caribbean. • Build net income in Latin America, particularly in Mexico, Argentina and Chile. • Improve financial returns in Asia and grow trade finance business.
Scotia Capital The Scotiabank Group's global corporate and investment banking operations provide specialized solutions for corporate, institutional and government clients. Scotia Capital has recognized strengths in specialized and syndicated lending, corporate debt and equity underwriting, mergers and acquisitions, foreign exchange and derivatives.	• Integrated Corporate Banking and Scotia Capital Markets, completing a process initiated in June 1998. • Maintained top 10 ranking in highly competitive U.S. syndicated loans market. • Increased year-over-year earnings by Corporate and Investment Banking by 40% and 69% respectively. ***Net income: $972 million***	• Improve profitability and return on equity by developing broader, stronger client relationships through the new structure of Scotia Capital. • Continue to expand industry specialty groups in U.S. and Europe. • Achieve maximum operating efficiencies by, for instance, centralizing infrastructure functions in Canada.

Letter to Shareholders

Peter C. Godsoe
Chairman of the Board & Chief Executive Officer

As we greet the new millennium, Scotiabank can look back on its past with a great deal of pride. From a small regional bank based in Halifax, we've grown into Canada's most international bank, with operations on six continents in more than 50 nations. Our assets at the turn of the last century were $20 million; today, they total $223 billion.

Your Bank has achieved this tremendous growth and a consistent record of success, nationally and internationally, by carefully managing its businesses and by expanding through a series of strategic mergers, acquisitions, alliances and partnerships.

Today, we face rapid and continuous change in all our markets, including more sophisticated technologies, more knowledgeable and demanding customers, ever more competition and, in Canada, an increasing regulatory burden. Financial services markets around the world are being reshaped by these same major forces, as well as by significant consolidation and the ongoing trend toward globalization.

We have continued to succeed in this new environment because of our proven ability to manage and adapt to change, and execute the business strategies we have put into place. These strategies centre on our determination to ensure customers are our number one priority in all our businesses.

Consequently, 1999 was another very successful year for your Bank. Net income rose by 11% to $1,551 million with substantial contributions from all major business lines. Return on equity was a strong 15.3%. Return on common shares, including dividends and appreciation in the market value of the Bank's common shares, amounted to 7.1%. Over the last five years, Scotiabank shares have given shareholders a compound average annual return of 23.6% – one of the highest and most consistent returns of any large Canadian company.

The Bank strengthened its balance sheet during the year by increasing its general provision by $700 million to $1.3 billion. This addition comprised $150 million charged to the income statement in the first quarter and a one-time adjustment of $550 million, or $314 million after tax, charged to retained earnings as specified by the Office of the Superintendent of Financial Institutions Canada (refer to Note 20 of the Consolidated Financial Statements and the discussion of the general provision on page 39).

Key strategies

Scotiabank is well prepared to meet the challenges of the new millennium, and is well positioned for ongoing success. We will continue to rely on four key strategies across all our business lines: building deeper, more profitable relationships; carefully managing expenses; leveraging synergies across our main businesses; and building on our core strengths.

Building relationships

Customers will remain our major priority. In all of our business lines, we are reorganizing our operations to establish an even greater emphasis on our customers, and a responsive sales and service culture within the Bank.

In the Domestic Bank, for example, we are developing an improved branch structure that centres on forming stronger, deeper, more profitable relationships with our customers. We are continually introducing new product packages to meet the full range of our customers' needs as they move through various stages of their lives. In 1999, for example, we launched the innovative and very popular Scotia Total Equity Plan – a flexible, customized way of borrowing.

We are co-ordinating the capabilities of our branch and electronic banking networks with our Wealth Management Group, to help all of our customers meet their financial goals.

International Banking is also working to enhance its sales and service culture, using best practices in sales leadership, performance management and training.

A focus on clients, rather than products, is the key feature of Scotia Capital – formed by the amalgamation of our Corporate and Investment Banking units. Teams of dedicated relationship managers now provide clients with creative, fully integrated solutions.

We are working to position the Scotiabank Group as a responsive player in the financial services sector, in Canada and around the world – one that offers human, straightforward and knowledgeable service to all of its customers.

Managing expenses

Cost control has always been a core strength at Scotiabank. We manage our expenses carefully by continually streamlining operations and investing in new technologies. We will continue to enhance the efficiency of our product and service delivery networks, while giving customers the broadest possible choices in how, when and where they access our services.

We have strengthened our alternate delivery capabilities for commercial customers, and recently launched e-Scotia.com. This new subsidiary will market secure e-commerce services for Canadian businesses on the Web, based on the award-winning Entrust security software that was developed for the Bank's Scotia OnLine Internet banking service.

We will also continue to pursue strategic alliances, particularly in terms of our technology and e-commerce needs. For example, Scotiabank has entered a partnership with Microsoft Canada to develop and explore new online services for Canadian businesses and consumers.

Our international locations and subsidiaries are using the same technology and expertise that benefits our Canadian customers. International Banking gives our customers worldwide convenient access to the widening range of financial services they need to conduct business across international boundaries.

Leveraging synergies

We will continue to integrate and co-ordinate the activities of all our business lines to focus on customers, enhance sales, augment cross-sell opportunities and reduce overlap.

Scotia Capital began operating as an integrated group on November 1, 1999. This new structure will provide seamless service to corporate, institutional and government clients.

Similarly, International Banking is working to manage its expanding operations – a key area of future growth for the Bank – by more effectively capitalizing on economies of scale and scope across multiple markets. We will focus on standardized products, operations, technology, distribution and marketing, while maintaining flexibility and responsiveness in different markets.

Bruce R. Birmingham
President

The Wealth Management Group is a key component of our domestic strategy as we strive to meet our clients' changing needs. Specialists from Scotiatrust, Scotia Securities, Scotia Cassels Investment Counsel, ScotiaMcLeod and Scotia Discount Brokerage are working together to capitalize on their individual strengths, and find new ways to offer customers convenient, knowledgeable investment advice and services.

Building on our core strengths

Finally, we will continue to rely and build upon our core strengths – our competitive advantages – in risk management, cost control, diversification, customer satisfaction and our excellent team of people. These strengths are evident throughout this report, and form the basis of what sets Scotiabank apart from our Canadian and global competitors.

Outlook

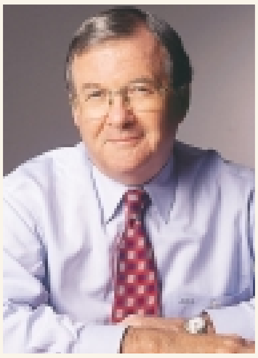
We expect that a more balanced global economic recovery should unfold in 2000. This expansion, with the potential to last well beyond next year, is good news for Canada, and good news for Scotiabank.

In this environment, and with our careful focus on putting people first, we are confident that we will continue to succeed – for our shareholders, our customers and our employees.

Peter C. Godsoe
Chairman of the Board &
Chief Executive Officer

Bruce R. Birmingham
President

Competitive Strengths



Chairman and Chief Executive Officer Peter Godsoe discusses the major competitive strengths which set Scotiabank apart from its competitors. These same advantages, which have contributed to Scotiabank's success in the past, are also the foundation for its future achievements.

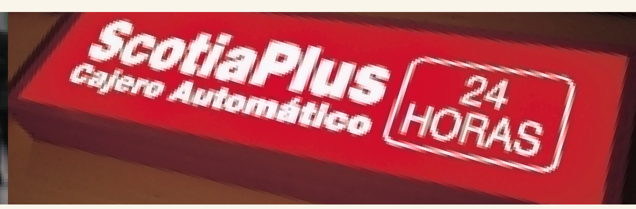
Providing better service

The ability to provide superior service to all segments of our customer base has long been one of our most important competitive advantages. We go to great lengths to ensure we meet the needs of all our customers – individuals, small and medium-sized businesses, large corporations and governments. In fact, independent research has ranked Scotiabank the number one bank in Canada in terms of customer service for the past one, five and 10 years – an achievement we strive hard to maintain. The members of our Scotiabank Group team are dedicated to identifying customers' needs and finding ways to fulfil them. We do this by developing unique and timely products, and by giving customers new ways to access and manage their finances and investments via a myriad of electronic channels. Above all, we are establishing and building lasting relationships with our customers, so that we can help them achieve their financial goals at every stage of their lives.

Diversification and global reach

Scotiabank's extensive and profitable global operations set us apart from other Canadian banks. We have operated in the Caribbean for 110 years, and in Latin America and Asia for almost 40 years. Last year alone, 43 percent of the Bank's profits originated outside of Canada, and we expect this figure to increase over the long term.

Our international strategy focuses on investing resources in high-potential markets where we anticipate solid, long-term economic growth and increasing demand for financial services. We take our expertise in retail and commercial banking – what we already do well in Canada – and export resources, management skills and technology around the world. We've successfully followed this strategy in the Caribbean – where we generate solid, consistent earnings. And we're taking the same approach in Latin America and Asia. By expanding our operations outside Canada, we are able to continue to build more diverse revenue streams for the Bank – a key factor in further strengthening our financial performance in the future.



Maintaining strong productivity

Our productivity ratio – a measure of our overall efficiency and dedication to serving customers better – stands at 59.3%, the best of any Canadian bank. I think this demonstrates two things. First, it affirms the strategy we outlined in last year's annual report; namely, that we would continuously seek ways to improve our work procedures, so that our productivity would remain a key strength. Second, it proves that Scotiabank people are serious about their commitment to making the Bank more efficient and more competitive. Our excellent productivity ratio is the direct result of that commitment.

Managing risk

Effective risk management has been an integral component of Scotiabank's culture for decades. We are constantly assessing our business on a risk/return basis, and have taken the best of our processes and extended them to our global operations. In this way, we ensure that risk is managed in a manner consistent with Scotiabank's overall goals and objectives.

Putting people first

At Scotiabank, an important part of our culture is putting people first: our customers, our employees, the communities we serve and, ultimately, our shareholders.

Tony Morrison, one of our personal investment managers in St. John's, Newfoundland, exemplifies our commitment to customers. Even in minus 40ºC weather, Tony packs up his laptop computer and travels by plane and snowmobile to personally serve his clients in the remote fishing villages of eastern Labrador. Tony is just one of 41,000 Scotiabank employees who go the extra mile every day to make sure their customers receive great service.

In turn, the Bank supports its employees by helping them to acquire the knowledge and skills they need to succeed – both through in-house training and external programs. In today's world, where the nature of work keeps changing, a commitment to lifelong learning is critical. We encourage our employees to continually seek ways to use what they have learned – achieving both Scotiabank's business objectives and their own personal goals.

We truly believe that putting people first is a win-win strategy.

Operations Overview

At Scotiabank, we see the future through the eyes of our customers – anticipating their priorities, concerns and needs. We present creative solutions, products and services – delivered in a human, straightforward and knowledgeable manner – to help our customers deal with the fast pace of change in the world around them.

In this section of the annual report, our customers speak for themselves – about what's important to them and how Scotiabank is fulfilling their needs.

In all our businesses, employees of the Scotiabank Group work as a team to meet the expectations of our customers – the millions of individuals and businesses in Canada and around the world that we're proud to serve.

RETAIL BANKING

Customers across Canada are looking for ways to handle their financial affairs quickly and efficiently – what they want, when they want and where they want.

Scotiabank is responding. Forms Free Teller means customers don't have to spend time filling out transaction slips when they come to the branch. They can also pay their bills, buy mutual funds – or get a mortgage – over the phone or via the Internet.

And innovative new product packages – such as the Scotia Total Equity Plan and ScotiaLine VISA – are helping customers achieve their financial goals.

Careers, home, family. Scotiabank has been there for every important step Randy Watt and Laura Johnson of Saint John, New Brunswick, have taken: a mortgage to buy their house, a loan to purchase their car, and investments to secure their future. Now they're using the Scotia Total Equity Plan to gain quick, convenient access to credit for an addition to their home.

With busy careers and a baby daughter, Laura and Randy also like the convenience of other choices the Bank offers – including the flexibility of doing their banking and paying their bills over the Internet with Scotia OnLine.

Scotiabank's there for little Anna, too. She has her own Getting There account – a special no-charge account for young savers.

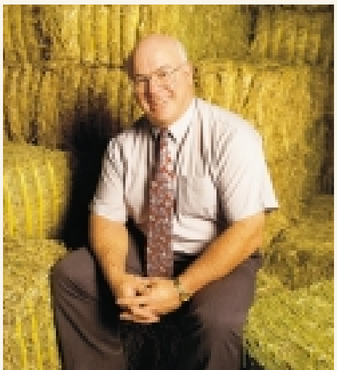
Focused, knowledgeable service

“We really appreciate the combination of technology and prompt, personal service at Scotiabank.”

Randy Watt and Laura Johnson
Saint John, New Brunswick

Randy Watt and **Laura Johnson** with baby daughter Anna and, looking on, the family’s dog, Abby: The Scotia Total Equity Plan lets Randy and Laura tap the equity in their home to build an addition.

Small and medium enterprises are driving much of Canada's new business growth. Many owners of these companies look to their banker as a primary source of funding, advice and ideas, for both personal and business banking requirements.



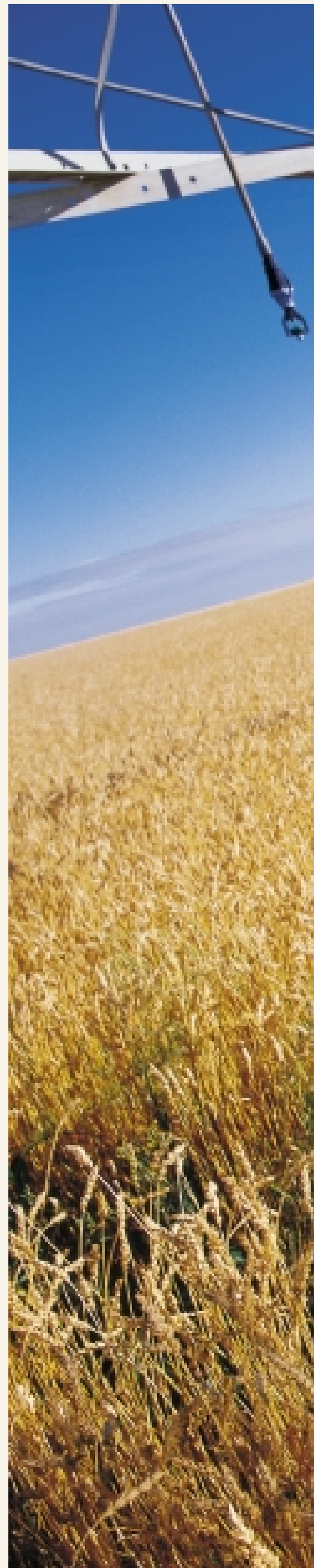
Pat Killoran, A.G.M. & Centre Manager, Lethbridge Commercial Banking Centre, Alberta

Scotiabank is responding to those needs and concerns by streamlining and automating lending processes, and by designing new, cost-effective packages of products and services that allow bankers and business people to focus on relationships instead of paperwork. These products and services are available through almost any branch of the Bank, as well as an increasing range of electronic banking channels.

For example, earlier this year, the Bank launched an affordable overdraft line of credit – up to $50,000 – for small business owners, secured only by the borrower's personal guarantee. Quick, 24-hour turnaround on all credit requests is now possible through Scotiabank's four centralized loan underwriting centres.

Aboriginal-owned businesses are a growing segment of this important market. Scotiabank has been forging relationships with Aboriginal communities for almost 30 years, since opening Canada's first on-reserve bank branch in Standoff, on the Blood Reserve in Alberta, in 1971. Today, the Bank has on-reserve branches in Alberta, British Columbia, Manitoba and Ontario, as well as 115 Aboriginal-focus branches across the country, and is working to maintain a high level of trust and respect within the Aboriginal business community.

The Blood Tribe is one of Scotiabank's most important customers in Alberta. Many of the business ventures for which the Bank has provided financing capitalize on the reserve's valuable agricultural land. A large-scale irrigation project, which will eventually cover 25,000 acres, increases the bounty of the land. That, in turn, generates other new business opportunities. For example, premium hay, grown on the Blood Tribe's lands, is now being shipped to Japan under contract to a major corporation.



Establishing a high level of trust

"There are lots of new opportunities here. Financing arranged through Scotiabank has enabled us to undertake a number of major business ventures, which are improving the lives of our people."

Chief Chris Shade
Blood Tribe, Standoff, Alberta

Clayton Blood, General Manager of the Blood Tribe Agricultural Project: A large-scale irrigation project, financed by Scotiabank through the Lethbridge Commercial Banking Centre, is opening up new business opportunities.

“We needed to find someone we could trust to structure and manage our investment portfolio for the long term. Scotiabank helped us find the best solution.”

Mike and Susan Ouellette
Ottawa, Ontario

Mike and Susan Ouellette: The Bank developed a comprehensive wealth management strategy that gives the Ouellettes financial peace of mind.

Wealth management is a critical component of Domestic Banking's operations and one of the fastest-growing segments in the Canadian financial services industry. Competition is fierce and comes from many sources – among them financial planners, insurance and mutual fund companies, as well as other banks and trust companies.

The members of Scotiabank's Wealth Management Group – Scotiatrust, Scotia Cassels, ScotiaMcLeod, Scotia Discount Brokerage and Scotia Securities – offer an innovative and growing range of products and services that reflect and respond to their customers' needs.

Raj Bansal
Personal Investment Manager,
Ottawa, Ontario

The group is focused on providing integrated, seamless delivery of a full range of investment products and services to customers throughout each stage of their lives. The Wealth Management Group's sales and relationship management activities are closely linked to those of the Domestic Bank. Overall, the goal is to help customers improve their financial well-being by providing them with co-ordinated wealth management services – from knowledgeable advice to estate planning and portfolio management.

Mike and Susan Ouellette of Ottawa felt they needed a second opinion on their investments. That led the Ouellettes to Personal Investment Manager Raj Bansal. Since the couple was also seeking professional management, Raj introduced them to a representative of Scotia Cassels Investment Counsel. The result? A managed asset program for their long-term retirement savings, greater international diversification for their non-registered investments, and access to capital for investments.

Specialized advice, integrated service

Scotiabank is Canada's most international bank, with operations in more than 50 countries. Its network encompasses the Asia Pacific region and Latin America, with a particularly strong presence in the Caribbean, where the Bank opened for business more than 110 years ago.

In most countries, Scotiabank offers a broad range of retail and commercial services, complementing these with trust, corporate and trade finance-related offerings in specific high-potential markets.

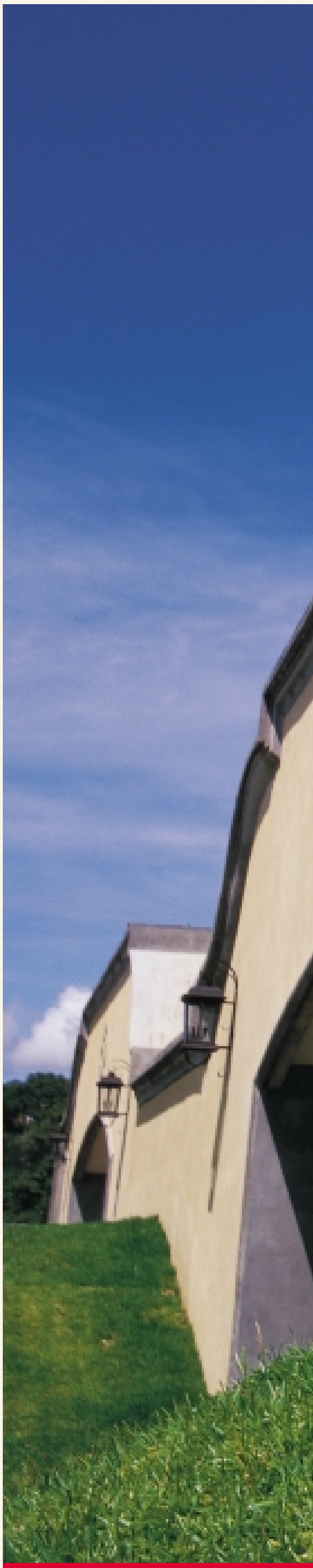
In Central America, the Bank operates in four countries, and is particularly proud of its strong retail and corporate operations in Costa Rica. Scotiabank gained entry into that country's growing financial services market in 1995 through its purchase of 80 per cent of Corporación Mercaban de Costa Rica. The Bank is expanding its branch network and has launched an innovative campaign to raise the profile of the Scotiabank name. Scotiabank de Costa Rica is also a strong participant in the country's corporate banking market. *Euromoney* magazine acknowledged the Bank's stature in the market when it ranked Scotiabank the "best foreign bank in Costa Rica" in its July 1999 issue.

Daniel Quesada, Account Manager, Commercial Banking Centre, Scotiabank de Costa Rica

Through its branch network, Scotiabank de Costa Rica serves both local and multinational customers. Grupo Inmobiliaria Génesis S.A., for example, used Bank financing to build its Forum Office Park, located west of the capital, San Jose. The facility is attracting numerous high-profile, multinational tenants and will become the site of Procter & Gamble's new Global Business Services Center, which will eventually occupy five buildings and house almost 1,700 employees.

"Grupo Inmobiliaria Génesis would not be able to undertake a project of this magnitude without the support of Scotiabank," says the company's Chief Financial Officer, Daniel Kader. "Scotiabank is not only our banker, but also our partner."

Global reach, local expertise



"Forum Office Park is the first development of its kind in Costa Rica. We needed Scotiabank – a bank with the experience, knowledge and capacity to finance such a project."

Daniel Kader
Grupo Inmobiliaria Génesis

Daniel Kader, Chief Financial Officer, Grupo Inmobiliaria Génesis (left) and President **Alberto Kader**: Project financing by Scotiabank made the development of the Forum Office Park a reality.

"We have a long history of dealing with Scotiabank, dating back more than 50 years. It's a relationship that's built on respect and trust, and that's why it's lasted so long."

Paul Sobey
President and Chief Executive Officer, Empire Company Limited

Empire Company's **Allan Rowe**, Chief Financial Officer (left) and **Paul Sobey**, President and Chief Executive Officer: The Scotiabank Group played a major role in the creation of Sobeys Inc., the second-largest food distribution company in Canada.

Respect, trust and value are the cornerstones of solid client relationships. Large corporate, institutional and government clients want to know they're dealing with capable bankers and investment advisors who have an intimate knowledge of their industry. Scotiabank has demonstrated its leadership in many areas, including syndicated lending, corporate debt and equity underwriting and precious metals. Now, following the integration of the Bank's corporate and investment banking functions, the Scotia Capital team works together to deliver comprehensive solutions. In short, it's an organization dedicated to providing greater value for Scotiabank clients – while, in turn, continuing to improve the contribution from the corporate and investment banking groups to the overall profitability of the Bank.

Empire Company Limited of Stellarton, N.S., turned to the Scotiabank Group when it wanted help in evaluating strategic alternatives to grow Sobeys, its food distribution subsidiary. The resulting transactions included the identification and subsequent acquisition of the Oshawa Group Ltd. for almost $1.5 billion, an initial public offering of Sobeys Inc., and a $1.2 billion syndicated loan to fund the acquisition. The Mergers and Acquisitions team later advised on the $1 billion-plus sale of Empire's holding in Hannaford Bros., a U.S. supermarket chain. The transactions – carried out over the span of two years – have positioned Sobeys Inc. as the second-largest food retailer in Canada and enhanced the financial flexibility of Empire. In all, the expertise of staff in several product specialty groups – Investment Banking, Corporate Banking, Mergers and Acquisitions, Equity Capital Markets, Institutional Equity, Derivative Products, Foreign Exchange, Loan Syndications and Montreal Trust – was required.

Kathleen Coulson, Greg Rudka, Bill Gula and David Loewen: Contributing expertise to the Sobeys deals.

"The Scotiabank Group proved their capabilities to us," says Allan Rowe, "especially their counsel and advice with respect to our acquisition of the Oshawa Group."

Creating value… expanding relationships

Vital, healthy communities are key to growing vital, healthy businesses. Scotiabank is committed to helping build the communities in which we do business – in Canada and around the world – by dedicating both financial and human resources to help meet today's social needs. In 1999, Scotiabank contributed $17 million in donations and sponsorships to worthwhile causes in Canada and the other countries where it operates, particularly in the fields of education, health care and the arts. An important initiative for the Bank has been to make its giving programs more locally focused to reflect the organization's community approach to banking. On a personal level, in communities across Canada, Bank employees are active supporters of organizations such as the United Way and the Children's Miracle Network Telethon. Globally, members of the Scotiabank Group actively participate in community endeavours, from Dragon Boat races in Hong Kong to Junior Achievement in Trinidad and Tobago.

Kim Blackler and Doreen Hockley of the Mackenzie, B.C. branch, serve on their local library board.

Bank employees are pulling together for a common cause in the Scotiabank Toronto Half-Marathon and 5K Run/Walk, one of the many ways the Bank and its employees support breast cancer research and awareness. Scotiabank has sponsored this event for the last three years, raising more than $440,000 for breast cancer research and care at Toronto's Mount Sinai Hospital. This tradition of caring is important to the Bank, and its history of helping communities is a strength and source of pride.

To build on employee involvement in the community, the Bank launched the Scotia Employee Volunteer Program in 1998. Since its inception, more than $400,000 has been donated to registered charities to which employees and pensioners have volunteered their time.

Scotiabank has also introduced a donation "matching" program, in which the Bank will match the amount of funds raised by employees for a broad range of charities and community-based organizations. This is all part of the Bank's overall goal to support the communities we serve.

Investing in the community

"I felt really proud knowing Scotiabank's sponsorship of the Toronto Half-Marathon was helping to raise funds for breast cancer research and care."

Jan Pyear
Toronto Regional Office, Scotiabank

Along with 5,000 other Half-Marathon participants, **Jan Pyear** of the Toronto Regional Office helped Scotiabank raise close to $200,000 to support the Marvelle Koffler Breast Centre in Toronto.

Glossary

ALLOWANCE FOR CREDIT LOSSES: An allowance set aside which, in management's opinion, is adequate to absorb all credit-related losses from on- and off-balance sheet items. It includes specific, country risk and general provisions. Allowance for credit losses is deducted from the related asset categories on the balance sheet.

ASSETS UNDER ADMINISTRATION AND MANAGEMENT: Assets owned by customers, for which the Bank provides management and custodial services. These assets are not reported on the Bank's balance sheet.

BANKERS' ACCEPTANCES (BAs): Negotiable, short-term debt securities, guaranteed for a fee by the issuer's bank.

BASIS POINT: A unit of measure defined as one-hundredth of one per cent.

CAPITAL: Consists of common shareholders' equity, preferred shareholders' equity and subordinated debentures. It can support asset growth, provide against loan losses and protect depositors.

COUNTRY RISK PROVISION: Funds set aside initially in 1987-89 to cover potential losses on exposure to a designated group of emerging market countries determined by OSFI.

DERIVATIVE PRODUCTS: Financial contracts whose value is derived from an underlying price, interest rate, exchange rate or price index. Forwards, options and swaps are all derivative instruments.

DESIGNATED EMERGING MARKETS (DEM): Countries against whose loans and securities OSFI has required banks to set aside a country risk provision.

FOREIGN CURRENCY TRANSLATION GAIN/LOSS: The unrealized gain or loss recorded when foreign currency assets and liabilities are translated into Canadian dollars at a balance sheet date, when exchange rates differ from those of the previous balance sheet date.

FOREIGN EXCHANGE CONTRACTS: Commitments to buy or sell a specified amount of foreign currency on a set date and at a predetermined rate of exchange.

FORWARD RATE AGREEMENT (FRA): A contract between two parties, whereby a designated interest rate, applied to a notional principal amount, is locked in for a specified period of time. The difference between the contracted rate and prevailing market rate is paid in cash on the settlement date. These agreements are used to protect against, or take advantage of, future interest rate movements.

FUTURES: Commitments to buy or sell designated amounts of commodities, securities or currencies on a specified date at a predetermined price. Futures are traded on recognized exchanges. Gains and losses on these contracts are settled daily, based on closing market prices.

GENERAL PROVISION: Established by the Bank to recognize credit losses which have occurred as at the Balance sheet date, but have not yet been specifically identified on an individual item-by-item basis.

GUARANTEES AND LETTERS OF CREDIT: Assurances given by the Bank that it will make payments on behalf of clients to third parties if the clients default. The Bank has recourse against its clients for any such advanced funds.

HEDGING: Protecting against price, interest rate or foreign exchange exposures by taking positions that are expected to react to market conditions in an offsetting manner.

IMPAIRED LOANS: Loans on which the Bank no longer has reasonable assurance as to the timely collection of interest and principal, or where a contractual payment is past due a prescribed period. Interest is not accrued on impaired loans.

MARKED-TO-MARKET: The valuation of securities and off-balance sheet instruments, such as interest and exchange rate contracts, held for trading purposes, at market prices as of the balance sheet date. The difference between market and book value is recorded as a gain or loss to income.

MIDDLE OFFICE: The independent middle office plays a key role in risk management and measurement. It reviews trading models and valuations; develops and performs stress tests, sensitivity analysis and VAR calculations; reviews profit and loss performance; and participates in new product development.

NET INTEREST MARGIN: Net interest income, on a taxable equivalent basis, expressed as a percentage of average total assets.

NOTIONAL PRINCIPAL AMOUNTS: The contract or principal amounts used to determine payments for certain off-balance sheet instruments, such as FRAs, interest rate swaps and cross-currency swaps. The amounts are termed "notional" because they are not usually exchanged themselves, serving only as the basis for calculating amounts that do change hands.

OFF-BALANCE SHEET INSTRUMENTS: These are indirect credit commitments, including undrawn commitments to extend credit and derivative instruments.

OPTIONS: Contracts between buyer and seller giving the buyer of the option the right, but not the obligation, to buy (call), or sell (put) a specified commodity, financial instrument or currency at a set price or rate on or before a specified future date.

OSFI: The Office of the Superintendent of Financial Institutions Canada, the regulator of Canadian banks.

PRODUCTIVITY RATIO: Measures the efficiency with which the Bank incurs expenses to generate revenue. It expresses non-interest expenses as a percentage of the sum of net interest income on a taxable equivalent basis and other income. A lower ratio indicates improved productivity.

REPOS: Repos is short for "obligations related to assets sold under repurchase agreements" – a short-term transaction where the Bank sells securities, normally government bonds, to a client and simultaneously agrees to repurchase them on a specified date and at a specified price. It is a form of short-term funding.

RETURN ON EQUITY (ROE): Net income, less preferred share dividends, expressed as a percentage of average common shareholders' equity.

REVERSE REPOS: Short for "assets purchased under resale agreements" – a short-term transaction where the Bank purchases securities, normally government bonds, from a client and simultaneously agrees to resell them on a specified date and at a specified price. It is a form of short-term collateralized lending.

RISK-ADJUSTED ASSETS: Calculated using weights based on the degree of credit risk for each class of counterparty. Off-balance sheet instruments are converted to balance sheet equivalents, using specified conversion factors, before the appropriate risk weights are applied.

SECURITIZATION: The process whereby loans are sold to a special-purpose trust, which normally issues a series of different classes of asset-backed securities to investors to fund the purchase of loans. The Bank may provide a certain level of recourse against the loans. Provided the recourse is reasonable, the loans are usually removed from the Bank's balance sheet.

SWAPS: Interest rate swaps are agreements to exchange streams of interest payments, typically one at a floating rate, the other at a fixed rate, over a specified period of time, based on notional principal amounts. Cross-currency swaps are agreements to exchange payments in different currencies over predetermined periods of time.

TAXABLE EQUIVALENT BASIS (TEB): The grossing up of tax-exempt income earned on certain securities to an equivalent before-tax basis. This ensures uniform measurement and comparison of net interest income arising from both taxable and tax-exempt sources.

TIER 1, TOTAL CAPITAL RATIOS: These are ratios of capital to risk-adjusted assets, as stipulated by OSFI, based on guidelines developed under the auspices of the Bank for International Settlements (BIS). Tier 1 capital, the more permanent, consists primarily of common shareholders' equity plus non-cumulative preferred shares, less unamortized goodwill. Tier 2 capital is mainly cumulative preferred shares, subordinated debentures and the general provision. Together, Tier 1 and Tier 2 capital less certain deductions comprise Total capital.

VALUE AT RISK (VAR): VAR is an estimate of the potential loss of value that might result from holding a position for a specified period of time, with a given level of statistical confidence.

MANAGEMENT'S DISCUSSION AND ANALYSIS

of financial condition and results of operations

TABLE OF CONTENTS

Forward-looking statements

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

Overview of Financial Results

FINANCIAL HIGHLIGHTS (for the years ended October 31)

	1999 (1)	1998	1997	1996	1995
OPERATING RESULTS ($ millions)					
Total revenue (TEB)(2)	**8,018**	7,364	6,503	5,467	4,744
Provision for credit losses	**635**	595	35	380	560
Non-interest expenses	**4,756**	4,446	4,059	3,217	2,844
Income taxes (TEB)	**1,030**	891	861	770	443
Net income	**1,551**	1,394	1,514	1,069	876
Preferred dividends	**108**	97	99	113	104
Net income to common shareholders	**1,443**	1,297	1,415	956	772
OPERATING MEASURES					
Net interest margin (TEB)(%)	**2.11**	2.11	2.13	2.18	2.31
Productivity ratio (%)	**59.3**	60.4	62.4	58.8	59.9
Return on equity (%)	**15.3**	15.3	20.2	15.8	14.2
BALANCE SHEET AND OFF-BALANCE SHEET INFORMATION ($ millions)					
Cash and securities	**51,084**	52,400	46,173	40,642	38,702
Loans and acceptances	**141,101**	148,181	124,794	102,269	94,972
Total assets	**222,691**	233,588	195,153	165,301	147,189
Deposits	**156,618**	166,360	138,975	117,894	111,345
Subordinated debentures	**5,374**	5,482	5,167	3,251	3,249
Preferred shares	**1,775**	1,775	1,468	1,325	1,575
Common shareholders' equity	**9,631**	9,039	7,930	6,424	5,745
Assets under administration ($ billions)(3)	**141.4**	117.4	112.4	201.1	183.3
Assets under management ($ billions)(3)	**16.2**	13.5	14.1	13.7	11.6
BALANCE SHEET MEASURES					
Tier 1 capital ratio (%)	**8.1**	7.2	6.9	6.7	6.7
Total capital ratio (%)	**11.9**	10.6	10.4	8.9	9.6
Common equity to risk-adjusted assets (%)	**6.9**	6.0	5.8	5.5	5.4
Specific provision for credit losses as a % of average loans and acceptances	**0.34**	0.37	0.32	0.39	0.61
Net impaired loans as a % of loans and acceptances	**(0.1)**	0.3	0.5	0.7	1.5
COMMON SHARE INFORMATION					
Per share - basic earnings ($)	**2.93**	2.64	2.95	2.04	1.69
- dividends ($)	**0.87**	0.80	0.74	0.65	0.62
- book value ($)	**19.49**	18.37	16.19	13.53	12.37
Share price - high ($)	**36.90**	44.70	34.10	21.20	15.13
- low ($)	**28.60**	22.80	20.55	14.19	12.13
- close ($)	**33.60**	32.20	31.08	21.13	14.44
Shares outstanding (thousands)					
- average	**493,136**	490,914	478,972	468,716	457,197
- end of period	**494,252**	492,089	489,812	474,893	464,513
Market capitalization ($ millions)	**16,605**	15,845	15,220	10,030	6,710
VALUATION MEASURES					
Dividend yield (%)	**2.7**	2.4	2.7	3.7	4.6
Dividend payout ratio (%)	**29.7**	30.3	25.1	31.9	36.7
Market value to book value multiple	**1.7**	1.8	1.9	1.6	1.2
Price to earnings multiple	**11.2**	12.8	9.2	8.7	8.1

(1) Refer to Note 20 of the Consolidated Financial Statements, the discussion under Provisions for Credit Losses on page 39, and subscript 4 on page 92.
(2) Taxable equivalent basis
(3) September 30

This section of the annual report provides management's discussion and analysis of the financial performance and financial condition of the Bank. This analysis is based on the consolidated financial statements which are prepared in accordance with Canadian generally accepted accounting principles (GAAP), other than the accounting for the increase to the general provision for credit losses recorded as a direct charge to Retained Earnings in the fourth quarter of fiscal 1999, which is in accordance with accounting requirements specified by the Office of the Superintendent of Financial Institutions Canada (OSFI) under the Bank Act. A further discussion of this matter can be found in Note 20 of the Consolidated Financial Statements and on page 39 under Provisions for Credit Losses.

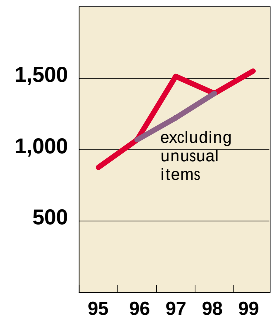
STRONG NET INCOME PERFORMANCE

The Bank continued its record of consistent earnings growth in 1999, with net income of $1,551 million, an 11% increase from last year.

These results reflect the solid contributions made by each of the Bank's major business lines. Corporate and Investment Banking had a very strong year, capitalizing on a robust North American economy and improved financial markets. International Banking results also rose, following another solid year of growth in the Caribbean and the economic recovery in Asia. Canadian Retail and Commercial Banking results were up slightly, as loan growth was partially offset by lower interest margins.

There was excellent growth in fee income during the year, particularly in credit fees and trading revenues, and the Bank's expenses remained under tight control. At the same time, significant investments were made in new technologies, sales and service initiatives, and innovative products – all geared to building stronger and deeper client relationships.

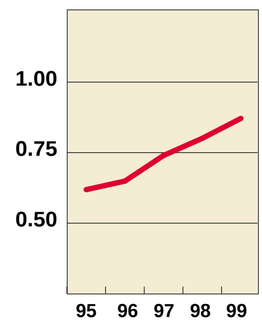
Net income[1]
$ millions



CONSISTENT DIVIDEND GROWTH

The Bank continued its consistent growth of common share dividends, raising the dividend twice in 1999 to 87 cents per share. This represents a 9% increase over last year's dividend of 80 cents per share. The dividend has been increased in 34 of the past 36 years.

Dividends per share ($)

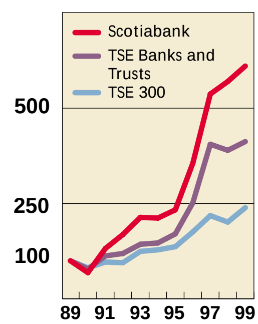


RETURN TO COMMON SHAREHOLDERS

Return to common shareholders – which includes both dividends and appreciation in the market value of the Bank's common shares – was 7.1% in 1999. This was higher than last year's return of 6.1%, and among the better returns provided by Canadian banks. Ownership of Scotiabank has provided shareholders with a compound average annual return of 23.6% over the past five years and 19.8% over the past decade.

For the financial years	**1999**	1998	1997	1996	1995
Annual return (%)	**7.1**	6.1	51.1	52.3	10.2
Five-year return (annualized) (%)	**23.6**	21.7	26.0	21.9	27.6

Strong long-term return to common shareholders
Share price appreciation plus dividends reinvested, 1989=100



Four profitable business lines

Net income, $ millions	**1999**	1998	1997
Canadian Retail and Commercial Banking	**$ 610**	$ 605	$ 520
International Banking	**305**	255	434
Corporate Banking	**604**	431	357
Investment Banking	**368**	218	401
Corporate adjustments[2]	**(336)**[1]	(115)	(198)
Total net income	**1,551**[1]	1,394	1,514

(1) Refer to Note 20 of the Consolidated Financial Statements and the discussion under Provisions For Credit Losses on page 39.
(2) Includes additions to general provision for credit losses, certain overhead expenses, corporate items, gains on sales of businesses and items related to National Trust (1997).

B U S I N E S S   L I N E S

Canadian Retail and Commercial Banking

The retail and commercial businesses performed well in a highly competitive market in 1999. This success was built on an unwavering focus on customers, investments in new technologies, and the introduction of innovative new products and services.

HIGHLIGHTS

- Maintained #1 ranking among Canadian banks in customer service (calculated from data from Market Facts of Canada Limited)
- High retention of National Trust customers
- Extensive distribution network in Canada
- Second-largest market share in residential mortgage lending and personal deposits
- Introduced ScotiaLine VISA – an innovative personal lending product with low interest rates and no fees
- $1.1 billion in sales of stock-indexed GICs in 1999, a product in which the Bank is an industry leader
- Introduced low-cost, convenient packaged account plans for small businesses
- Launched new, affordable overdraft line of credit for small businesses
- Assumed leadership role in marketing secure e-commerce services with the launch of a new subsidiary, e-Scotia.com
- Successfully increased customer use of electronic channels – 85% of retail transactions are now handled outside the branch

Canadian retail and commercial customers are served by more than 23,000 staff – through a national network of 1,178 branches, 2,021 ABMs and four call centres, plus telephone and Internet banking.

RETAIL BANKING

Retail Banking enjoyed another successful year, capitalizing on the extensive branch network in Canada. During the year, the Bank saw solid volume growth, and maintained the second-largest market share in two of the most important product groups – residential mortgages and personal deposits.

To set the stage for further growth, new and innovative products and services were introduced, including:

- Scotia Total Equity™ Plan – a convenient, flexible, all-in-one lending package of up to five types of loans, available to eligible homeowners;
- Scotia One™ Service – a comprehensive package for customers with a large number of banking transactions and extensive investing and borrowing needs – all for one monthly fee; and
- ScotiaLine VISA – a product that combines the low rate and high limit of a line of credit with the flexibility and convenience of VISA card access.

The Bank also invested in new technologies to reduce paperwork and give staff more time to provide superior service to customers. Sales and advisory capabilities were upgraded, supported by information systems that enable staff to better match customers' needs to products and services.

COMMERCIAL BANKING

Scotiabank strengthened its focus on serving the commercial and small and medium-sized business market in 1999.

Commercial customers are served primarily from commercial and business banking centres by account officers trained to address their clients' total banking needs, supported by specialists in treasury and cash management. Small and medium-sized enterprises, a critical market segment for Scotiabank, are served through the Bank's extensive branch network, supported by business specialists, call centres and an expanding electronic delivery network.

In 1999, strong growth in the number of customers and related business was achieved through several initiatives. These included introducing a range of banking packages catering to the needs of the entrepreneur, and offering significant discounts on self-service business banking. As well, customers can now apply for small business loans using the Internet or a 1-800 number.

RoyNat, as the leading private sector term investor to small and medium-sized businesses, continued to strengthen its position within Canada. During the past two years, more than 100 equity or near-equity investments have been made in a wide range of industries across Canada.

ELECTRONIC BANKING

Fiscal 1999 marked a year of tremendous success in Electronic Banking. This was driven by customers' growing need for secure, fast and convenient access to all of their financial services – provided through call centres, telephone and Internet banking, and ABMs.

To improve access and service for consumers, the Bank partnered with Rogers Cantel, one of Canada's largest cellular providers, to offer wireless banking and discount brokerage services, including bank account and credit card balances, stock quotes and investment portfolio information. As well, the Bank is conducting a major trial of smart cards, which introduces new payment options and a loyalty rewards program for customers.

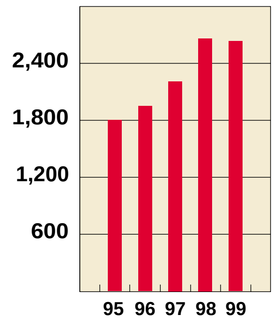
For small and medium-sized businesses, Scotiabank was the first to offer mobile merchant terminals nationwide. Merchants can use these terminals to accept credit and debit card payments from any location, including the customer's home. e-Scotia.com was also launched to provide secure e-commerce solutions based on industry-leading encryption technology.

A strategic partnership with Microsoft Canada was announced, whereby Scotiabank will become the premier banking partner on Microsoft's Web site, MSN.ca. The two companies will collaborate to deliver a wide range of e-commerce services and customized portals for Canadian consumers and businesses.

TOTAL REVENUE

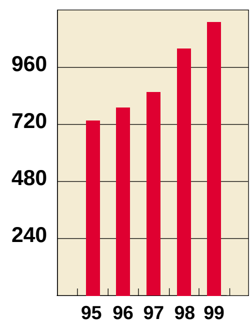
Retail

$ millions



Commercial

$ millions



FINANCIAL PERFORMANCE

In 1999, Canadian Retail and Commercial Banking reported net income of $610 million, up $5 million from last year. These earnings represented 39% of the Bank's total net income.

Revenues increased by 2% from last year. Strong growth in retail assets and deposits was partly offset by the impact of selective price discounting in an intensely competitive market. Average retail assets, adjusted for securitization, grew by 7%, with strong sales from all distribution channels. This asset growth came primarily from residential mortgages. Personal deposits grew by $1.7 billion, with market share approaching 18%.

Commercial lending assets increased by a modest 2% during 1999, as greater emphasis was placed on portfolio profitability rather than asset growth. At the same time, current account deposits continued their strong upward trend, rising 17% over last year.

Fee income grew by $213 million, with $149 million arising from the inclusion of the Corporate Services unit (previously reported in Corporate Banking) and from the net impact of several new securitizations completed by the Bank. The remaining growth of $64 million was broadly based, with higher contributions from personal trust, deposit and payment services and the Bank's expanded electronic banking services.

Provision for credit losses declined by a substantial $63 million, with lower provisions in the retail portfolios.

Expenses rose by 3% year over year, excluding Corporate Services. The expense growth was partially due to a net charge of $35 million for some restructuring in the domestic branch network. Partially offsetting this were lower deposit insurance premiums and a decline in staffing resulting from continuous improvement initiatives, as well as from the ongoing integration of National Trust. This staffing reduction was accomplished largely through attrition.

OUTLOOK

Another good year lies ahead for Canadian Retail and Commercial Banking. Although intense competition, rapidly changing technology and increasing customer demands will pose challenges, the Bank is confident that by implementing programs to significantly boost sales and service capacity in the branch network, and by carefully managing costs, earnings will continue to grow. Additional priorities in 2000 include increasing the electronic services provided to customers and growing e-commerce revenues.

Financial performance, Canadian Retail and Commercial Banking

$ millions	**1999[(1)]**	1998	1997[(2)]
Net interest income	**$ 2,608**	$ 2,739	$ 2,277
Other income	**1,176**	963	787
Provision for credit losses	**(233)**	(296)	(227)
Non-interest expenses	**(2,532)**	(2,385)	(1,934)
Income taxes	**(409)**	(416)	(383)
Net income	**610**	605	520
Average earning assets ($ billions)	**80**	78	62
Staffing	**23,123[(1)]**	23,263	20,314
Number of branches	**1,178**	1,274	1,118
Number of ABMs	**2,021**	2,002	1,669

(1) 1999 includes Corporate Services, with staffing of 1,018
(2) Excludes National Trust

BUSINESS LINES

Wealth Management

During 1999, several groups within the Bank were realigned to better focus on the investment and advisory needs of customers. The new Wealth Management Group is well positioned for solid growth in the future.

HIGHLIGHTS

- Increased assets under administration and assets under management by 17% and 20%, respectively
- Expanded the number of retail brokerage branches to 85, and the number of investment executives to almost 800
- Launched Summit, a new managed asset program for investors with portfolios greater than $500,000
- Increased assets in fee-based accounts by nearly 50%
- Achieved 32% growth in assets under administration and 38% growth in revenues in discount brokerage operations
- Maintained a leadership position in the personal trust market, with about a 20% market share for Scotiatrust
- Third-largest provider of private client investment management services in Canada through Scotia Cassels Investment Counsel
- Introduced two new mutual funds, bringing the total mutual fund family to 29 funds

The Wealth Management Group – which incorporates the key personal investment and advisory activities within the Scotiabank Group – offers clients a comprehensive range of products and services that encompasses full-service and discount brokerage, mutual funds, estate services, investment management, private banking and trust services in Canada and abroad.

FULL-SERVICE AND DISCOUNT BROKERAGE

The Bank's full-service retail brokerage services are provided through 85 branches across Canada under the ScotiaMcLeod banner. The staff of 1,525 includes close to 800 investment executives, who undergo one of the most rigorous and comprehensive training programs in the industry. The group's financial planning capabilities were strengthened in 1999 with the launch of ScotiaMcLeod's (SMI) new proprietary financial planning software, Financial Navigator™.

Assets in fee-based accounts grew by 50% during the year, reflecting the increasing popularity of these accounts. This success was the result of innovative fee-based product offerings, such as the Summit and Pinnacle accounts. Total assets under administration at SMI increased by 15% to $33 billion.

Scotia Discount Brokerage Inc. (SDBI) provides state-of-the-art telephone and online trading services to self-reliant investors. With the launch of the Instant Bonus program in 1999, SDBI became the first major financial institution in Canada to share commissions on back-end load or deferred sales charge mutual funds. The Instant Bonus, together with the elimination of sales commissions on front-end load mutual funds, puts more of SDBI customers' investment dollars to work for them.

TRUST, INVESTMENT MANAGEMENT AND PRIVATE BANKING

With the National Trust acquisition, Scotiatrust is now one of Canada's largest trust companies, with about a 20% share of the personal trust market. Through a network of 27 branches, specialists in domestic and international estate and trust planning and investment management provide services to a broad range of estates, trusts and private investors. In 1999, assets under administration at Scotiatrust grew to $27 billion, a 21% increase over 1998.

Scotia Cassels Investment Counsel is the third-largest provider of private client investment management services in Canada. Clients include individuals and corporations, mutual funds, foundations, estates, trusts and agencies. Assets under management now exceed $16 billion.

MUTUAL FUNDS

Scotia Mutual Fund assets grew 7% to almost $9 billion. This was achieved despite weaker mutual fund sales across the industry. The Scotia Asset Allocation services – Solo, Copilot and Destination – were introduced. With a minimum $5,000 investment, these innovative services offer investors mutual fund portfolios tailored to their individual investment needs. These provide smaller investors with a higher level of service that is generally available elsewhere only to those with large investment accounts. More than $900 million, or 10% of Scotia Mutual Fund assets, was invested in these programs this year.

Scotiabank's family of 29 Scotia Mutual Funds offers Canadians a comprehensive selection of domestic and international investment options. The Bank introduced two new funds – Scotia Canadian Bond Index Fund and Scotia International Stock Index Fund – bringing the number of indexed funds to five. These index funds provide Canadian investors with low-cost access to all major stock markets around the globe.

FINANCIAL INFORMATION

In 1999, revenues of $662 million were generated by the various services and products offered by the Wealth Management Group. (These revenues are included in the financial results of the other business lines, and are presented on a combined basis in this section.)

Higher revenue was recorded in several areas of Wealth Management. There was strong growth in personal trust, with revenues increasing by 17% as the operations benefited from the ongoing integration of National Trust. A 38% rise in discount brokerage revenues resulted from a significant 43% increase in trading volumes, due in part to an 18% growth in active accounts. However, there was a year-over-year reduction in revenues from the full-service brokerage operations, as 1998's results benefited from the exceptionally favourable market conditions in the first half of that year.

Assets under administration were 17% higher in 1999, and totaled $82 billion at the end of the year. All areas of Wealth Management contributed to this growth, with the most significant being: domestic and international trust operations, increasing $6 billion to $37 billion; private client full-service brokerage, rising $4 billion to $33 billion; and mutual funds, up $1 billion to $9 billion.

Assets under management by Scotia Cassels Investment Counsel grew a substantial 20% from last year, exceeding $16 billion at the end of 1999.

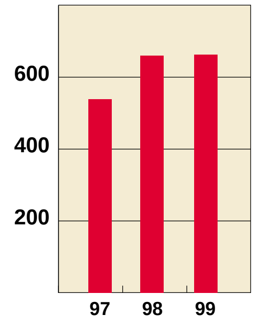
OUTLOOK

Scotiabank has considerable opportunity to profitably meet the growing wealth management needs of Canadian investors. The Bank's strategy is to provide integrated delivery of investment products and services, organized around helping customers improve their financial well-being throughout the various stages of their lives.

Scotiabank is currently implementing a number of important initiatives, such as realigning its sales and distribution channels, enhancing the electronic delivery platform for its brokerage operations, and providing a comprehensive service package for high net worth clients. These initiatives are expected to significantly expand the Wealth Management Group's share of customer business, boosting revenues and increasing the contribution to total net income over the next few years.

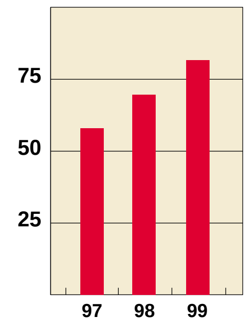
Total revenue

$ millions



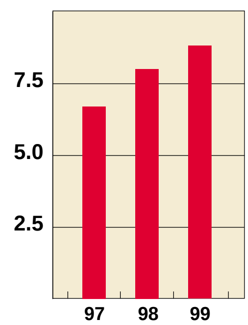
Assets under administration

$ billions



Mutual fund assets

$ billions



Financial information, Wealth Management

$ millions	1999	1998	1997(1)
Total revenue			
Full-service and discount brokerage	$ 374	$ 394	$ 392
Mutual funds	100	100	70
Trust and private banking	130	111	59
Investment management/other	58	54	17
	662	659	538
Assets under administration(2)	81,627	69,528	57,868
Assets under management(2)	16,232	13,535	8,096
Staffing	2,460	2,370	1,820
Number of investment executives	789	776	738

(1) Excludes National Trust

(2) September 30

International Banking

International Banking achieved strong growth in net income in 1999. In particular, the Caribbean region performed extremely well, extending its record of success throughout the decade. The Bank is continuing to invest in and build its international network – in the Caribbean, Latin America and Asia.

HIGHLIGHTS

- 11% growth in revenue to $1.5 billion led to a 20% increase in net income
- The Caribbean continued its record of consistent earnings growth
- Implemented proven Canadian sales and service initiatives and introduced innovative products, such as ScotiaLine, in the Caribbean
- Named best foreign bank in Costa Rica by *Euromoney*
- Named best foreign bank in Peru by *Latin Finance*
- Substantial progress in improving the financial condition at Grupo Financiero Inverlat in Mexico
- Announced plans to increase stake in Chile's Banco Sud Americano to 61%
- Expanded Asian network, with new branches in Bangladesh and Sri Lanka
- Grew the Canadian export finance business, linking commodities exporters in Western Canada to buyers in Chile, Peru and Mexico
- Increased the use of satellite-based electronic letter of credit applications, with the addition of a major U.S. retailer

Scotiabank's multinational network provides a broad range of financial services to both local and international customers in more than 50 countries. Including subsidiaries and affiliates, International Banking has almost 1,100 branches and offices, over 1,500 ABMs, and employs more than 24,000 people in the Caribbean and Central America, Latin America, Asia and the Mediterranean.

CARIBBEAN & CENTRAL AMERICA

The Bank has a dominant franchise in the Caribbean, with an exceptional track record of strong earnings and consistent growth, and this continued in 1999. The region generated excellent gains in lending and deposit volumes and fee revenues, capitalizing on the use of programs proven in the Canadian market. As well, maintaining good cost control and credit quality remained a priority.

New sales and service initiatives are being launched in the branch network. A new brand positioning program was also introduced, along with a number of leading-edge products. Among these was the Scotia US$ Stock Market Deposit, which offers customers returns tied to the Standard & Poor's 500 stock index, along with security of capital. To provide innovative and flexible solutions for customers' borrowing needs, the Bank introduced ScotiaLine, a personal line of credit combined with a competitive new residential mortgage program. Expansion of the credit card and automotive financing programs also contributed to the better results.

Additionally, investments were made to upgrade and expand electronic capabilities within the region, including telephone banking and point-of-sale terminals.

From the Caribbean, the Bank has expanded into Central America, with operations in Panama, Belize, Costa Rica and El Salvador, and is developing one of the largest networks of any bank in the region.

LATIN AMERICA

Scotiabank has a growing network in Latin America, with more than 700 branches and 1,100 ABMs. While the region did not achieve its profitability targets in 1999 given the difficult economic environment, the Bank continues to be confident that the long-term outlook for the region remains strong. Investments are being made in people, technology and the distribution network to increase regional market share and profitability.

Significant progress has been made at Grupo Financiero Inverlat, a leading Mexican bank and investment dealer with more than 400 branches and 750 ABMs. Under a management agreement with its current owners, Scotiabank has strengthened credit and marketing processes, improved productivity and opened 25 new branches. Scotiabank currently owns 10% of Inverlat, with an option to increase its ownership position to 55% in 2000.

In July 1999, Scotiabank reached an agreement in principle to purchase an additional 33% stake in Chile's Banco Sud Americano (BSA). This will bring the Bank's ownership to almost 61%. BSA is the seventh-largest bank in Chile, with assets of $4.4 billion, 78 branches and 1,600 employees.

In Argentina, Scotiabank Quilmes, a wholly owned subsidiary, is in the process of upgrading its risk management capabilities, improving efficiency and investing in its branch network in order to enhance profitability. The Bank is also continuing to work closely with its affiliates in Peru and Venezuela – for example, assisting Banco del Caribe in Venezuela in implementing a standard banking platform throughout its network of 112 branches.

ASIA

In 1999, the Bank's operations in Asia benefited from the economic recovery taking place in the region.

During the year, Scotiabank increased its network in India by launching Scotiafinance, which will play a key role in expanding retail banking activities in India. A fourth full-service branch was opened in Bangalore, and approval was received to open a fifth branch in Hyderabad.

Expansion continued in other countries in Asia, with Scotiabank becoming the first Canadian bank to open branches in Bangladesh and Sri Lanka.

The Bank is also leveraging its Asian and international networks to build its trade finance operations – a low-risk, high-return business with significant potential for growth. The trade finance business will take advantage of the increasing trade flows within the region and globally.

FINANCIAL PERFORMANCE

The Bank's International Banking division continued its strong performance with earnings of $305 million this year. This represented a 20% increase over last year.

Caribbean and Central American operations contributed most of the division's earnings in fiscal 1999, with another year of record results. Earnings of $232 million were up a substantial 42% from the previous year, with good contributions from virtually all of the 25 countries in the region. Driving these results was asset growth of 20%, which led to revenue growth of 20%, continuing the double-digit growth rates achieved over the past several years.

Earnings from Latin America were lower than last year, reflecting economic weakness in the region, and the Bank's emphasis on improving the technology and branch infrastructure in its subsidiaries and affiliates.

In Asia, profitability increased substantially in 1999 as a result of improved credit quality. Provisions for credit losses were virtually nil in 1999. Asset growth was modest, reflecting the Bank's selective new lending in the region in recent years.

OUTLOOK

In the Caribbean and Central America, the Bank anticipates another year of growth in revenue and profit.

Higher earnings are also expected in Latin America in fiscal 2000, as the operations benefit from investments made in prior years. The Bank currently plans to exercise its option to increase its interest in Grupo Financiero Inverlat to 55%.

Similarly, the Bank anticipates improved earnings in Asia as the economic recovery continues. Scotiabank's focus will be on improving financial returns from the region, and growing the trade finance business.

Financial performance, International Banking

$ millions	**1999**	1998	1997
Net interest income	**$ 1,095**	$ 1,012	$ 763
Other income	**422**	352	201
Provision for credit losses	**(115)**	(155)	326[1]
Non-interest expenses	**(891)**	(732)	(519)
Income taxes/minority interest	**(206)**	(222)	(337)
Net income	**305**	255	434[1]
Average earning assets ($ billions)	**27**	24	18
Staffing[2]	**8,738**	8,703	5,942
Number of branches[2]	**345**	333	208
Number of ABMs[2]	**370**	245	134

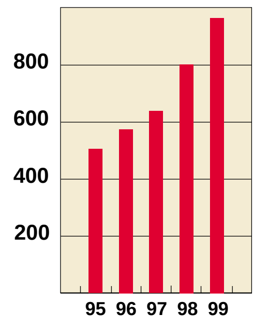
(1) Includes reversal of country risk provision of $500 million before taxes ($290 million after tax)

(2) Excludes affiliates

TOTAL REVENUE

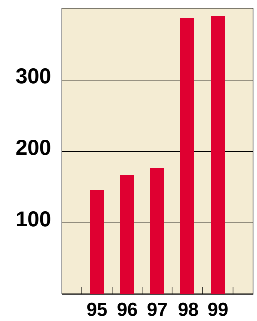
Caribbean & Central America

$ millions



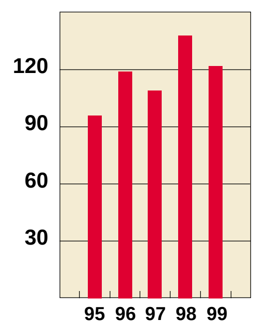
Latin America

$ millions



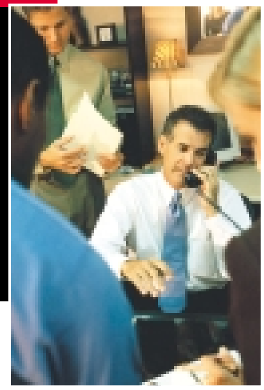
Asia

$ millions



Corporate and Investment Banking

The Corporate Banking and Scotia Capital Markets businesses of the Scotiabank Group were integrated as Scotia Capital on November 1, 1999. Both businesses achieved record earnings in 1999.



HIGHLIGHTS

- Posted record earnings in Corporate Banking, with net income up 40% from last year
- Maintained position as a leading player in the Canadian syndicated loan market
- Maintained top-tier standing in wholesale U.S. loan syndications for the past decade
- Participated in a number of record-setting loan syndications in Europe, including Olivetti, Elf Aquitaine and Virgin Retail
- Globally, acted as agent bank in 134 transactions, representing total volume of $131 billion
- Securitized $4 billion of investment-grade loans in the United States
- Continued expansion of industry specialty groups in the United States and Europe
- Increased penetration of the high-yield bond underwriting market in the U.S.
- Improved cross-sell within the Bank's capital markets, domestic and international businesses
- Implemented global customer information system to better manage client relationships

Corporate Banking

Corporate Banking manages the Bank's global relationships with large corporations, institutions and governments, marketing the full capabilities of the Scotiabank Group.

CANADA

Corporate Banking in Canada generated a record level of earnings in 1999. Credit markets were stable, which led to business growth and new opportunities.

Scotiabank continued to be among the leaders in the Canadian syndicated lending market, covering all industries, but with a particular focus on the mining, media and communications, and transportation sectors. During 1999, Canadian Corporate Banking led 26 syndications totalling $11 billion. Notable transactions included a large credit facility for Intrawest Corporation and financing and advisory services for the Empire Company's acquisition of the Oshawa Group.

During the year, global marketing groups were established for the automotive, shipping, and metals and mining industries which led to substantial new business. As well, a customized information system, Prospector, was successfully implemented, which will assist relationship managers in their marketing efforts and in sharing information on a global basis.

Integration of Canadian Corporate Banking and Scotia Capital Markets was a priority throughout the year. The move to a relationship-based approach, from a product-based approach, will provide new opportunities to bring customized, tailored solutions to clients.

UNITED STATES

Corporate Banking continued its solid performance in the United States, notwithstanding the weakness in some sectors in the marketplace.

The Bank operates primarily in the syndicated lending market, ranking among the top 10 lenders again this year, the only Canadian bank to do so. Contributing to this position were 266 agent and co-agent mandates for a total volume of $421 billion. In addition to the investment-grade sector, activities were increased in the higher-return, leveraged lending sector, mirroring recent market trends. This is an area where the Bank has developed considerable expertise, through more than two decades of active participation in the United States.

As well, the operations began to benefit from an acquisition finance team established in the prior year. Considerable expertise was developed in the technology sector, which resulted in higher market share. The Bank was also successful in establishing a greater presence in the profitable high-yield bond underwriting business, as part of the thrust to provide full-service financing to customers. In an ongoing effort to diversify income sources, additional resources were dedicated to the structured leasing and asset-backed financing groups.

Significant emphasis was also placed on increasing the risk-adjusted return on equity in all of the Bank's wholesale lending portfolios. This was accompanied by several other initiatives to manage asset levels, including asset sales and securitizations.

EUROPE

Corporate Banking achieved record net income in Europe in 1999. Scotiabank is a niche player in the syndicated loan market in Europe, specializing in the media, leisure and entertainment, and transportation sectors. The Bank is leveraging its U.S. expertise to build product and industry offerings in this market. For example, an acquisition finance team based in the United Kingdom was set up during the year, modelled on the success of a similar group in the United States.

European capital markets activity, particularly mergers and acquisitions, has increased during the past two years. This trend is expected to continue, fuelled in part by the new common currency, the Euro, and by the ongoing consolidation and globalization of many industries. The Bank expects to take advantage of additional business opportunities in this area.

FINANCIAL PERFORMANCE

In 1999, Corporate Banking reported its seventh consecutive year of net income growth. Earnings rose to a record $604 million, up 40% over 1998. Higher asset levels, spreads, fee income and securities gains all contributed to the 30% growth in revenues.

Average assets, adjusted for securitization, increased $6.8 billion or 17% in 1999, reflecting growth in each geographic area where Corporate Banking has a major presence, namely Canada, the U.S. and Europe. In the second half of the year, asset levels fell, resulting from securitizations, higher syndications and asset sales, as the Bank increased its focus on improving the risk-adjusted return on equity of the portfolios.

Other income, consisting primarily of credit fees, rose to $453 million, up 16% over the prior year. In addition, the amount of deferred credit fees grew to $185 million as at October 31, 1999; these deferred fees will be realized in future periods.

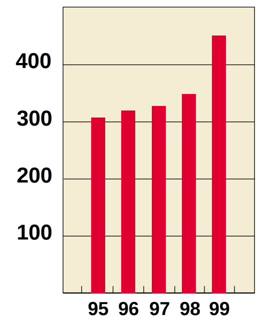
The provision for credit losses was $136 million in 1999, which was $94 million higher than in 1998, arising from credit losses in the United States.

The decline in expenses was entirely due to the transfer of Corporate Services to Canadian Retail and Commercial Banking. Excluding the transfer, expenses remained well controlled, with a modest increase over the prior year.

TOTAL REVENUE – CORPORATE BANKING

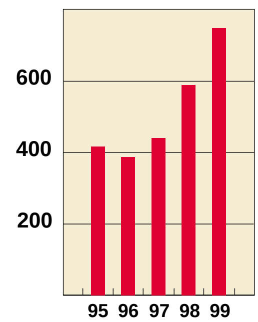
Canada

$ millions



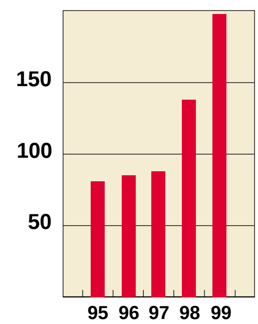
United States

$ millions



Europe

$ millions



Financial performance, Corporate Banking

$ millions	**1999[1]**	1998	1997
Net interest income	**$ 944**	$ 687	$ 502
Other income	**453**	389	355
Provision for credit losses	**(136)**	(42)	46
Non-interest expenses	**(267)**	(332)	(308)
Income taxes	**(390)**	(271)	(238)
Net income	**604**	431	357
Average earning assets ($ billions)	**44**	39	33
Staffing	**854**	1,790	1,671

(1) Excludes Corporate Services

Corporate and Investment Banking

HIGHLIGHTS

- Acted as global co-ordinator for the $2.5 billion initial public offering for Manulife Financial, the largest IPO in Canadian history
- Ranked #1 for quality of institutional equity sales service
- Ranked #2 for quality of equity research
- Record earnings in five of seven areas in Global Trading
- Transacted $12.4 billion in corporate bonds in the secondary market, ranking #1 in the industry
- Participated in 45 of 49 Canadian corporate mid-term note programs, ranking #1 in market penetration
- Lead manager of innovative financings for:
  - Borealis Infrastructure Trust, a major financing for the development of 16 Nova Scotia schools
  - The Toronto Hospital's "Project 2003," a major refurbishing program
- Sole dealer for Weyerhauser's new $900 million commercial paper program
- Rated by *Euromoney* as one of the top 10 banks in foreign exchange in Tokyo
- Earned substantial gains from the sale of investment securities
- Successfully diversified funding sources through several securitizations, including personal lines of credit – a first in Canada
- Implemented new state-of-the-art global derivatives system

Investment Banking

Investment Banking comprises two major business groups. Scotia Capital Markets, through both its Corporate Finance and Equities group and Global Trading group, provides corporate, institutional and government clients with a full range of capital markets solutions. Group Treasury manages the Bank's investments, medium-term funding and capitalization.

CORPORATE FINANCE AND EQUITIES

The Corporate Finance group offers a broad range of capital markets services, including debt and equity origination and merger and acquisition advice, to businesses and governments. Notable transactions during 1999 included acting as global co-ordinator for the $2.5 billion initial public offering (IPO) for Manulife Financial Corporation, the largest IPO in Canadian history.

The Equities group provides sales, trading and research services, all of which are highly rated by institutional investors. Equity research capabilities continued to improve, with top-tier rankings in 13 industry sectors. Block trading volumes were also higher, with a 12% market share.

Both groups provide product-specific expertise to the new Canadian Relationship Management team that will, beginning in fiscal 2000, manage the Bank's relationships with large Canadian corporations, institutions and governments.

GLOBAL TRADING

Global Trading is responsible for selling and trading bonds, derivatives, foreign exchange, money market securities and bullion and base metals.

There were several major accomplishments in Global Trading in 1999. A number of innovative credit and equity derivatives were developed to meet the risk management needs of customers. As well, a new integrated global derivatives system was implemented during the year.

The Bank strengthened its global foreign exchange capabilities and broadened its client coverage, particularly of central banks and fund managers. In precious metals, ScotiaMocatta has become one of the top three global service providers, with an extensive network of offices and customer relationships.

Several actions were taken during the year to improve efficiencies within Global Trading operations. For example, certain back-office operations were rationalized and others were centralized in Toronto. Costs were also significantly reduced in the fixed income area.

GROUP TREASURY

In 1999, Group Treasury continued its success in managing the Bank's investment portfolio, generating a substantial amount of securities gains during the year. The Bank's funding sources were diversified following the launch of several asset-backed issues through the securitization of retail credit portfolios in Canada and wholesale loans in the U.S.

Group Treasury also remained very active in managing the Bank's capital and liquidity positions.

FINANCIAL PERFORMANCE

Investment Banking earned $368 million in 1999, a substantial 69% increase over the prior year.

More than half of these earnings came from Group Treasury, with net income of $212 million, an increase of 48% from the prior year. Contributing to these results were pre-tax gains of $281 million on the sale of investment securities. Despite the gains realized during the year, the unrealized surplus of market over book value in the Bank's investment portfolio (including emerging market bonds) was $300 million as at October 31, 1999.

Scotia Capital Markets also had a very strong year in 1999, with net income of $156 million, more than double that of the prior year. Almost all operations within Scotia Capital Markets made solid contributions to these results.

Global Trading had a record year, taking advantage of favourable market conditions. Derivative Products reported its third consecutive year of record earnings. Fixed income results improved dramatically, reflecting the very active new issue market for bonds during 1999, and higher commercial paper volumes. Good results were also achieved in foreign exchange, money market trading and short-term funding. Following outstanding results in 1998, bullion and base metals had a slow start in 1999, due to depressed precious and base metals prices. However, as prices strengthened during the year, performance improved.

Corporate Finance also had a strong year, highlighted by the initial public offering for Manulife. Results in institutional equity sales and trading improved substantially over last year's depressed results, caused by the volatile markets in the fourth quarter of 1998.

OUTLOOK – CORPORATE AND INVESTMENT BANKING

Scotia Capital **Integration**

Effective November 1, 1999, Corporate Banking and Scotia Capital Markets were integrated and will now operate under the marketing banner of Scotia Capital. This integration was undertaken in response to clients' increasing expectations of having their needs serviced from a total organization perspective.

In Canada, clients with complex and multi-product needs will be served by dedicated relationship managers with expertise in their respective industries, and a deep understanding of their clients' businesses. These relationship managers will also draw on the expertise of product and industry specialists to create a client servicing team. Canadian clients with very specific or single-product needs will be serviced directly by a product specialist.

In the United States, Europe and elsewhere, clients will continue to be served by their current relationship managers. The integration in Canada will also provide additional opportunities for cross-border transactions.

Moving forward into the new millennium, there is significant potential for increased returns and enhanced client service from this newly integrated organization.

Business outlook

After another year of strong business growth in 1999, Corporate Banking is expected to show moderate growth in fiscal 2000, with emphasis on improving risk-adjusted ROE while maintaining strong underwriting standards.

Global Trading results are expected to remain strong. Merger and acquisition activity will likely continue to grow, providing opportunities in both bank lending and capital market financing.

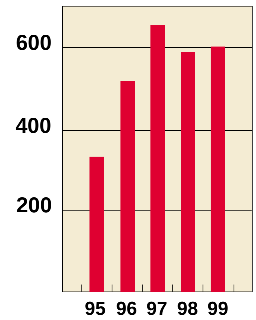
Overall, the newly integrated Scotia Capital should have another solid year in 2000.

In Group Treasury, rising interest rates worldwide may limit the opportunities for securities gains relative to those achieved in 1999.

TOTAL REVENUE – INVESTMENT BANKING

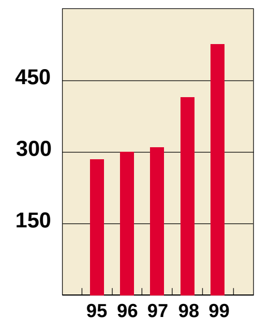
Corporate Finance, Equities and Private Client Financial Services

$ millions



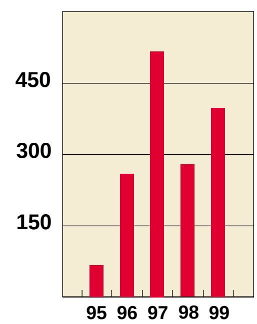
Global Trading

$ millions



Group Treasury

$ millions



Financial performance, Investment Banking

$ millions	1999	1998	1997
Net interest income	$ 349	$ 234	$ 309
Other income	1,178	1,048	1,172
Provision for credit losses	(1)	(2)	–
Non-interest expenses	(909)	(922)	(794)
Income taxes	(249)	(140)	(286)
Net income	368	218	401
Average earning assets ($ billions)	69	64	56
Staffing	4,189	4,255	3,722

Group Financial Performance

Net Interest Income

Net interest income increased 7% in 1999 – a continuation of the upward trend recorded over the past decade. When combined with other income, total revenues rose by 9% in 1999 and 12% annually for the past five years.

Net interest income (taxable equivalent basis) grew 7% to $4.8 billion in 1999. This arose from good asset growth across the Bank's major business lines.

Growth in interest income during the year was constrained by higher asset securitizations. In 1999, an additional $9.4 billion of assets was securitized, compared with $1.0 billion in 1998. This reduced interest profit by $132 million, with securitization revenues being reported in other income.

The Bank's net interest margin, which expresses net interest income as a percentage of average assets, was 2.11% in 1999, unchanged from the prior year.

More than 50% of the Bank's net interest income is generated by the retail and commercial businesses in Canada. In these operations, the margin fell slightly compared to last year. While ongoing growth in personal and current account deposits supported the margin, this was more than offset by several factors. These included the securitization of higher-spread retail assets, and the effect of the highly competitive market in Canada which led to greater price discounting.

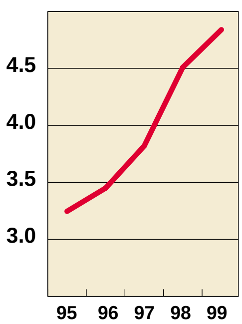
On the positive side, the Bank was very successful in supporting the margin by careful management of the mix and terms of its assets and liabilities. As well, the spreads rose in many of the Bank's other businesses in the U.S. and internationally.

OUTLOOK

The upward trend in net interest income is expected to continue in the coming year. This will be driven primarily by asset growth in many of the Bank's operations, with no major changes anticipated in the net interest margin.

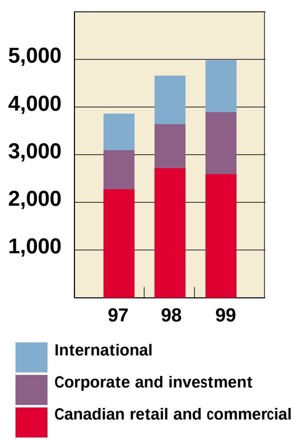
Solid growth in net interest income

taxable equivalent basis
$ billions



Net interest income by business line

$ millions



Assets and Liabilities

Scotiabank added substantial new volumes of profitable assets during the year.

ASSETS

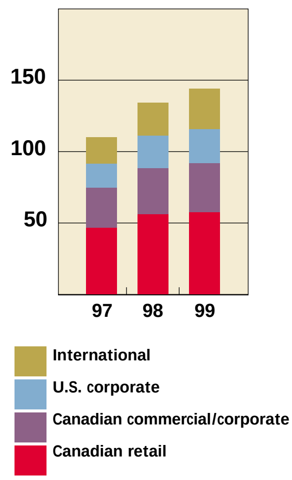
Average loans and acceptances (excluding reverse repos) grew by 7% in 1999 to $143 billion, with several areas generating an increase in profitable volumes. The full extent of loan growth over last year was muted because of the asset securitizations that the Bank completed in 1999. The impact of these securitizations was a reduction of $6 billion or 3% in average earning assets.

In retail lending in Canada, assets rose by more than $4 billion or 7% (adjusted for securitizations). This was primarily due to record mortgage growth, which led to an increase in market share to 18.3%. Elsewhere in the personal lending market, Scotiabank continues to be an innovator, using technology and new ideas to provide customers with useful and lower-cost products. In 1999, the Bank launched the Scotia Total Equity™ Plan and ScotiaLine VISA, both of which give customers greater flexibility at lower cost. These products are expected to contribute significantly to asset growth in future years.

Loans to small and medium-sized businesses in Canada grew modestly this year. This segment is important to the Bank, and resources are being concentrated on developing mutually beneficial relationships with these customers.

A diversified loan portfolio

$ billions, average loans and acceptances



The Bank's international retail and commercial banking network – in the Caribbean, Asia, Europe and Latin America – added $3 billion in loans this year. The main contributor was the Bank's strong franchise in the Caribbean, which accounted for almost half of this growth.

Lending to corporate customers grew substantially in 1999, particularly in the U.S., where Scotiabank continued to be a top-tier syndicator of loans, and in Europe, where the Bank is an established niche lender. Average corporate loan and bankers' acceptances, adjusted for securitizations, rose by 17% over last year.

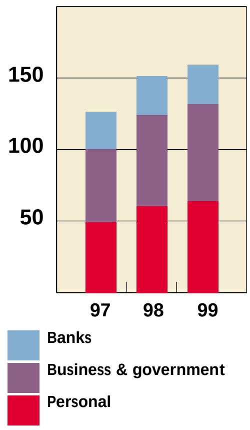
Other earning assets, apart from the Bank's lending business, increased by $5.9 billion or 10% during the year. These assets include securities and funds on deposit with other banks, used primarily to maintain liquidity. In addition, the Bank has a $14 billion portfolio of reverse repos, which represents low-risk secured lending at an attractive return. These volumes grew by 22% in 1999.

LIABILITIES

The Bank's total average deposits were $159 billion in 1999, compared with $152 billion last year.

Deposits from personal customers were up $3.0 billion or 5%, mainly due to growth in term products. The Bank continued to have the second-highest personal deposit base in the Canadian market, and this market share increased by 23 basis points during 1999. The Bank was also successful in growing current account deposits by 15%, continuing the upward trend of the past five years. During this time, these balances have risen at an annual rate of 14%. These deposits are an important element in the Bank's core deposit base.

Diversified deposit base
average, $ billions



OUTLOOK

Loan and deposit growth should continue through 2000, as major global economies are expected to retain their momentum.

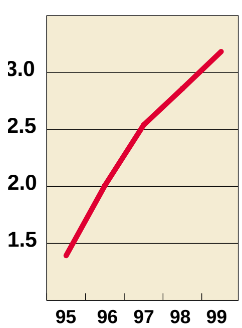
Other Income

Other income continues to become a larger and more important element of the Bank's total revenues.

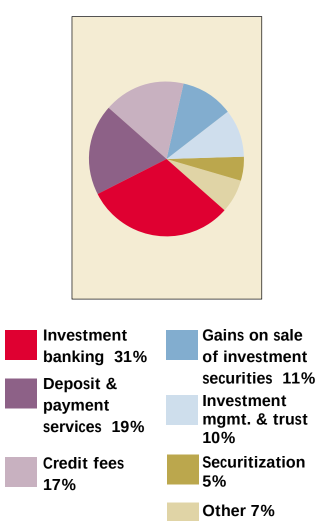
Other income reached $3.2 billion in 1999, an 11% increase year over year. In fact, since 1995, these revenues have grown at a compound annual rate of 21%. As a result of the Bank's focus on developing new sources of other income, they now represent almost 41% of the Bank's total revenues, up from 32% in 1995. The strong growth in 1999 was the result of gains in almost all categories of other income.

Transaction-based revenues from the Bank's retail and commercial deposit accounts continued to grow at a steady pace. Excluding the effect of securitizing part of the Bank's credit card portfolio, deposit and payment-based fees rose by 7%.

Substantial expansion in other income
excluding sales of businesses, $ billions



Many sources of other income



The Bank has had substantial success in creating products and services that provide greater convenience to retail and business customers, including innovative product packages, Scotia 2020 point-of-sale terminals, telephone banking and Internet banking.

Revenues from the Bank's diversified range of investment management and trust operations were up by 7% to $331 million in 1999. Corporate Services revenues were a significant contributor to this growth, because of the acquisition of AST Inc. in 1998 and new demutualization services provided in 1999. In addition, personal trust fees grew strongly as the Bank built on its position as a leader in this growing market. Despite higher mutual fund balances, related revenues were flat in 1999 due to a shift in preference among investors toward lower-commission funds.

Credit fees were $543 million in 1999, a record level, and up a substantial 15% over the prior year. The Bank benefited from its position as one of the pre-eminent corporate lenders in the North American market. Investment banking revenues rose by 23%, with solid results in securities trading, foreign exchange and derivative products.

Gains on the sale of investment securities amounted to $343 million in 1999, up $21 million over 1998, as the strong equity markets in North America provided many opportunities. Another important element of growth in other income was the substantial increase of $117 million in securitization revenues. During the year, the Bank successfully completed securitizations of personal lines of credit, VISA receivables, residential mortgages, retail auto loans and U.S. corporate loans. Although increases in securitization revenue are accompanied by decreases in interest income, the Bank benefits through more efficient use of capital and greater diversification of funding.

OUTLOOK

The Bank expects that other income, with the exception of securities gains, will continue to grow in 2000 as greater revenues are realized from the many initiatives under way, both in Canada and internationally.

Non-Interest Expenses and Productivity

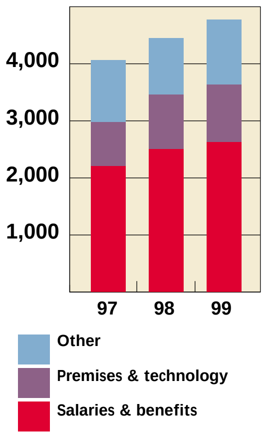
Continuous re-engineering has made Scotiabank the Canadian industry leader in productivity, with more improvements to come.

Operating expenses were $4.8 billion in 1999, an increase of 7% or $310 million from 1998. This includes $87 million due to the inclusion of Scotiabank Quilmes for a full year, and a $60 million provision for some restructuring in the domestic branch network and the integration of Corporate Banking and Scotia Capital Markets. As well, given the substantial completion of the integration of National Trust, $20 million of the restructuring provision established in 1997 was reversed in 1999. Excluding these items, operating expenses rose by 4%.

This expense growth resulted from higher levels of business activity. Since revenue growth exceeded expense growth, the productivity ratio improved to 59.3% – better than the Bank's target of 60%. The productivity ratio is the generally accepted measure of bank efficiency, and is calculated by dividing operating expenses by revenue generated. Scotiabank has a consistent record of superior productivity performance compared with other Canadian banks, as shown in the chart on page 36.

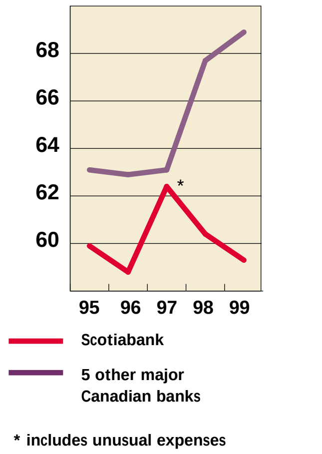
Expense composition

$ millions, October 31



Better productivity record

non-interest expense as % of revenue
(source: published financial data)



Salary expenses increased 5% to $2.3 billion, accounting for approximately 40% of the total increase in operating expenses. Much of this growth relates to the full-year inclusion of Scotiabank Quilmes and to revenue-based compensation. Underlying growth in salaries was less than 3%, with staffing levels declining by 1,150 as a result of ongoing efficiency programs. Technological innovations are being introduced to the Canadian retail branch network in order to free staff from administrative duties, and to provide faster – and better – customer service.

Benefits costs grew by $22 million or 7% in 1999. This growth was primarily due to increased rates and higher levels of participation in many of the Bank's broad-based benefit programs, including medical insurance and the employee share ownership plan.

Premises and technology expenses increased by almost $50 million or 5% over last year. In-branch service improvements are being complemented by significant investments in technology, including new products and alternate delivery channels, such as ABMs, point-of-sale terminals, telephone banking and Internet banking.

Communications and marketing expenses rose $41 million as the Bank stepped up its efforts to compete more effectively in a highly competitive marketplace. As well, use of the Bank's electronic services rose, which led to higher expenses in several areas.

A number of factors contributed to the remaining expense growth, such as the restructuring charges and the full-year inclusion of Scotiabank Quilmes noted earlier, outsourcing arrangements and professional expenses.

OUTLOOK

The percentage growth in operating expenses is expected to moderate in 2000. As well, the Bank anticipates that it will continue to do better than its productivity ratio target of 60%.

Taxes

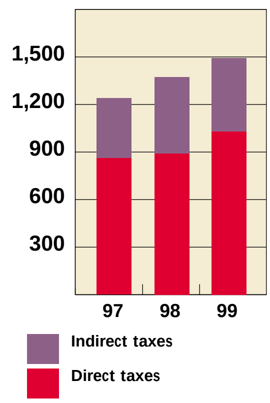
Direct and indirect taxes to all levels of government continue to increase.

Taxes incurred by the Bank in 1999 totalled $1.5 billion (taxable equivalent basis), up a substantial $121 million from the prior year. These included direct taxes on income by Canadian federal and provincial governments and the governments of foreign jurisdictions in which the Bank operates, along with a variety of indirect taxes to which the Bank is subject. When taken together, the level of bank taxation remains among the highest of all Canadian industries – and a significant burden relative to global competitors.

The increase in taxes of $121 million arose entirely from income taxes. Indirect taxes on the Bank of $462 million fell by $18 million, following lower deposit insurance premiums assessed by the Canada Deposit Insurance Corporation. This was mainly the result of changes to the formula for calculating deposit insurance premiums, such that lower-risk deposit-taking institutions pay a correspondingly lower premium. Most other forms of indirect taxation – payroll taxes, such as Employment Insurance and Canada Pension Plan premiums, property taxes and business taxes – continued to increase.

Rising trend in direct and indirect taxes

$ millions



Risk Management

Risk Management Overview

Risk management is a cornerstone of prudent banking practice. A strong enterprise-wide risk management culture provides the foundation for the Bank's risk management program.

Scotiabank's risk management framework is designed to ensure that risk, which is inherent in a bank's activities, is managed in a manner which is consistent with its objectives, risk tolerance, control standards and management philosophy.

The Board of Directors is responsible for the Bank's overall level of risk assumed and risk management policies. The Board charges management with developing, communicating and implementing these policies, and assigning limits to appropriate business units. Senior management plays a pivotal role in the daily evaluation and management of all risks, working closely with line units and approving major credit and investment decisions.

Management's evaluation and analysis of risk is supported by a comprehensive structure of controls and review, modelling, measurement and reporting processes. To ensure a thorough and objective analysis of all risk factors, these processes are conducted independently from the business units. New products and systems, policies and limits are subject to independent review by various risk and policy units prior to approval by senior management.

Periodic reviews of all aspects of the Bank's risk management processes are conducted internally by the Audit Department. All procedures and policies are subject to the ongoing scrutiny of regulatory bodies.

Credit Risk

Scotiabank's credit risk management is based on well-defined strategies for controlling risk, including centralized credit processes, portfolio diversification, enhanced credit analysis and strong Board oversight.

CREDIT PROCESSES

Fundamental to the credit risk management process is a centralized credit function, which is independent of the customer relationship function.

Client relationship managers develop and structure individual proposals. These are then analyzed and adjudicated within the Credit Department. A Senior Credit Committee reviews all large corporate and commercial credits. In addition, all major exposures to large customer connections, all large higher risk credits, and all proposed exceptions to established credit policies are reviewed by the Risk Policy Committee.

Relationship managers assess the financial condition of each customer on an ongoing basis. In addition, they undertake a full review and risk analysis of each loan account at least annually. This ensures that the Bank remains fully aware of developments in customer risk profiles. These reviews consider the overall credit exposure, including swaps, letters of credit and other off-balance sheet instruments. Additional reviews are carried out more frequently in the case of higher risk credits.

A formal risk rating system is used to identify the risk of all proposed and existing credits, and to ensure that the returns on each credit are commensurate with the risk. The formal risk analysis explicitly considers the risks posed by environmental exposures and Year 2000 risks inherent in individual customers.

Retail credits are authorized in branches or through customer service centres within established criteria using credit scoring systems. Retail portfolios are reviewed on a monthly basis for emerging trends in credit quality.

SENIOR MANAGEMENT'S SUPERVISORY ROLE

Committees composed of executive management and senior officers from trading, credit and risk management address all risk management issues.

- *The Risk Policy Committee* reviews all larger credits, ensures wide portfolio diversification, and establishes risk policies that reflect business priorities.
- *Senior Credit Committees,* representing Canadian Commercial Credit, International Banking and Corporate and Investment Banking, are responsible for the adjudication of credits within prescribed limits and establish the operating rules and guidelines for the implementation of credit policies.
- *The Market Risk Management and Policy Committee* oversees and establishes standards for market risk management processes within the Bank, including the review and approval of new products, limits, practices and policies for the Bank's principal trading and treasury activities.
- *The Liability Committee* provides global strategic direction in the management of interest rate risk, liquidity risk, and trading and investment portfolio decisions.
- *The Scotia Capital Trading Risk Committee*, on a weekly basis, assesses and monitors overall market risks, risk control mechanisms, credit risk and compliance issues as they relate to trading businesses.

PORTFOLIO DIVERSIFICATION

The Bank's risk portfolios are highly diversified, as shown in the charts below. Scotiabank is the most geographically diversified of the major Canadian banks. Risks are further mitigated through counterparty, industry and product exposure limits, and by ensuring that there is wide diversification in the Bank's business lines.

ENHANCED CREDIT ANALYSIS

The Bank uses a number of advanced analytical techniques to manage its credit risks.

Portfolios of commercial and corporate credits are segmented on geographic and industry bases, and regular reviews are performed of the evolving trends in credit risks. Advanced metrics, based on data from various securities markets, are used to augment the analysis of individual borrower exposures and exposures within particular portfolios. Such techniques are used to provide early warning of impending problems in the existing portfolio and to assist in making decisions on new credits. These techniques are supplemented by historical migration data within various portfolios to estimate probable trends in credit quality over time.

Credit decisions use insights from these techniques to augment the fundamental financial analysis applied to each credit. They are also used in the regular reviews of individual portfolios. When the risk profile of a particular portfolio segment appears to be increasing, action can be taken to mitigate the risk.

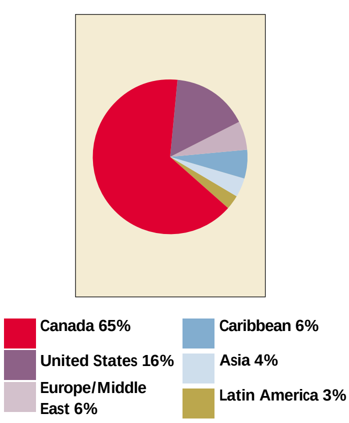
Most retail credit decisions are made using sophisticated scoring models. In addition, the retail portfolios are regularly subjected to detailed analytical review to confirm the validity of the parameters used in the scoring models.

BOARD OVERSIGHT

Regular reports are submitted to the Board of Directors on large individual credits, on the composition of and trends in the Bank's portfolios, and on trends in credit quality. Also submitted to the Board on a regular basis are reviews of portfolio limits. Based on these reviews, the Board authorizes the limits within which the Bank operates.

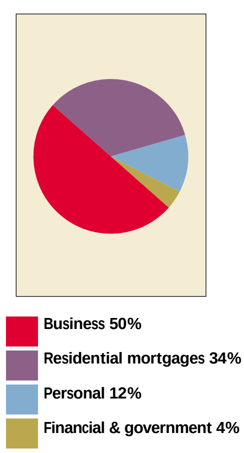
Canadian foundation, international diversification

loans & acceptances, excl reverse repos, September 1999



Balance between household and business lending

loans & acceptances, excl reverse repos, September 1999



CREDIT QUALITY

Impaired loans

During 1999, net impaired loans declined by $577 million, with the allowance for credit losses exceeding gross impaired loans by $156 million at October 31, 1999. This decrease resulted primarily from additions to the general provision totaling $700 million in 1999.

As shown in the chart below, net impaired loans as a percentage of loans and acceptances is now -0.1%. This ratio has steadily improved from the peak of the early 1990s and is now at its lowest level in many years.

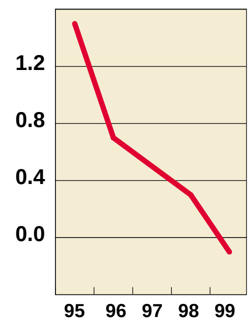
Gross impaired loans were $2.4 billion at year end, $89 million higher than a year ago.

In Canada, interest rates remained stable and general economic conditions improved throughout the year. As a result, within the Bank's domestic retail and commercial portfolios, there was a decrease of $162 million in gross impaired loans and mortgages.

Similar positive trends were achieved in the Bank's corporate and real estate portfolios in Canada. Gross impaired loans fell $120 million over the year to $127 million as at October 31, 1999, reflecting asset sales and a general improvement in the quality of the portfolio.

Net impaired loan ratio steadily improving

as a % of loans & acceptances as at October 31



In the United States, there was an increase in gross impaired loans of $333 million to $694 million at year end as a result of some softening of credit conditions in the market.

Internationally, the beginnings of an economic recovery in Asia led to a modest decline in gross impaired loans in the region. Credit quality in the remaining regions remained relatively stable.

Provisions for credit losses

In fiscal 1999, the Bank established specific provisions of $485 million. It also increased the general provision by $700 million, of which $150 million was charged to the income statement. This compared with specific provisions of $495 million and an addition of $100 million to the general provision in 1998.

Specific provisions

Provisions for credit losses in Canada were $150 million lower than 1998 levels. Provisions for personal loans of $151 million declined by $76 million from the previous year, as the Bank provided a lesser amount against the retail portfolios. Provisions against business loans also decreased substantially as a result of recoveries on a number of accounts.

The Bank increased its provisioning against corporate borrowers in the United States by $187 million to $229 million in 1999, as some parts of the loan portfolio weakened slightly during the year, consistent with market trends.

In International Banking, the Asian loan portfolio was very stable. As a result, the Bank did not have to establish additional provisions against this portfolio. Credit losses in the Caribbean were consistent with the good experience of recent years. In Latin America, provisions rose at Scotiabank Quilmes in Argentina following economic difficulties in the region, and as the Bank moved aggressively to strengthen the quality of the portfolio.

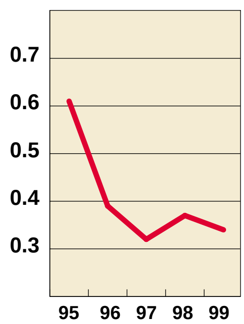
General provision

During 1999, the general provision for credit losses was increased by $700 million to $1.3 billion. The total general provision now represents 0.9% of risk-weighted assets.

This $700 million addition to the general provision in 1999 comprises $150 million charged to the income statement in the first quarter of 1999, and a one-time adjustment of $550 million which was charged, net of income taxes of $236 million, directly to retained earnings in the fourth quarter of 1999 (refer to Note 20 of the Consolidated Financial Statements).

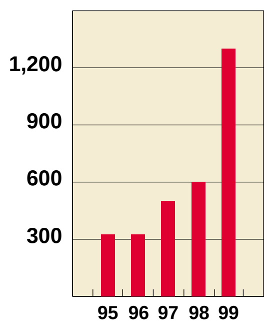
Low credit losses in recent years

specific provisions as a % of average loans & acceptances



Prudent additions to the general provision

$ millions, October 31



OUTLOOK

Given the good economic conditions forecast for Canada and the other major economies, the Bank expects that credit quality in most areas will be fairly stable during fiscal 2000.

Market Risk

Market risk refers to the risk of loss resulting from changes in interest rates, foreign exchange rates, market prices and volatilities.

Market risk is an integral part of the Bank's lending and deposit-taking activities, as well as its funding, trading and investment activities. The Liability Committee (LCO) and the Market Risk Management and Policy Committee (MRMPC) provide senior management oversight of the various activities that expose the Bank to market risk. The LCO is primarily focused on asset liability management, which includes lending, funding and investment activities. While the MRMPC's main focus is trading activities, it also approves limits for funding and investment activities.

The key sources of market risk are described below.

INTEREST RATE RISK

Interest rate risk arises when there is a mismatch between positions which are subject to interest rate adjustment within a specified period. The Bank's lending, funding and investment activities give rise to interest rate risk. For these activities, the impact of changes in interest rates is reflected in net interest income. Interest rate risk also arises in trading activities, where the impact of changes in interest rates are reflected in other income.

FOREIGN EXCHANGE RISK

Foreign exchange risk arises from trading activities, foreign currency operations and investments in foreign subsidiaries. In its trading activities, the Bank buys and sells currencies in the spot, forward and options markets, for its customers and for its own account. The daily activities of the Bank's international businesses are conducted in a broad range of local currencies, and foreign exchange gains and losses from these activities are included in other income. Investments in foreign subsidiaries are retained in the currency of account and translated into Canadian dollars, with translation gains and losses being reflected in retained earnings.

EQUITIES RISK

Scotiabank trades in equities for its customers in Scotia Capital, and for its own account. Equity risk arises from changes in the value of a specific equity investment or overall movements in the value of stock markets.

COMMODITIES RISK

Scotiabank's commodities trading activity includes precious and base metals, as well as related options and futures. While many of the risks arising in these activities are similar to the spot, forward and options risks in foreign exchange trading, there can be additional risks associated with the physical nature of the commodities traded.

DERIVATIVE PRODUCTS RISK

Derivatives are important risk management tools for both Scotiabank and its customers. The Bank uses derivatives to manage market risks arising from its funding and investment activities, and to lower its cost of capital. To manage interest rate risk in its fixed rate lending activities, interest rate swaps, futures, forward rate agreements and options are used. Forwards, swaps and options are utilized to manage foreign exchange risk. As a dealer, the Bank markets derivatives to its customers and engages in position taking for its own account.

To control market risks associated with derivatives, portfolios are subject to the control, reporting and analytical processes noted under "Trading Activities" on page 41. To control credit risk, the Bank applies limits to each counterparty, measures exposure as the current fair value plus potential future exposure, and applies credit mitigation techniques, such as netting and collateralization.

The majority of the Bank's derivatives transactions consist of instruments that are widely used and well understood by participants in the financial marketplace. The Bank also uses and markets more complex derivatives, which are subject to more rigorous control processes. The Bank's derivatives portfolio is composed primarily of short-term instruments with high-quality counterparties. In excess of 89% of the credit risk amount arising from the Bank's derivative transactions is with investment grade counterparties, unchanged from last year.

RISK MEASUREMENT

The Bank uses a variety of techniques to measure and control market risks assumed in its various activities. For each type of activity, key risk measures have been identified, and limits for these risk measures have been approved by the Board of Directors. The Market Risk Management and Policy Committee (MRMPC) approves limits based on these and other measurement techniques.

Value at Risk

Value at Risk (VAR) is an estimation of the potential for loss of value that could result from holding a position for a specified period of time within a given level of statistical confidence. In Sentry, the Bank's Value at Risk system, VAR is calculated daily for all significant trading portfolios at a 99% confidence level, for one and 10-day holding periods, using historical simulation based on 300 days of market data. The VAR analysis is also used to evaluate risks arising in some of the Bank's funding and investment portfolios.

Stress testing

While VAR measures potential losses in normally active markets, stress testing examines the impact that abnormally large swings in market factors and periods of prolonged inactivity have on trading portfolios. In addition to selected daily stress tests, the Bank also subjects its portfolios to more than 200 stress scenarios on a monthly basis.

Sensitivity analysis and simulation modelling

Sensitivity analysis assesses the effect of changes in interest rates on current earnings and on the economic value of assets and liabilities. It is applied on a global basis to the major currencies within the Bank's operations.

Simulation models enable the Bank to dynamically assess interest rate risk. The models incorporate assumptions about growth, mix of new business, changes in interest rates, shape of the yield curve, embedded product options, maturities and other factors. Simulation modelling under various scenarios is particularly important for managing risk in the deposit, funding and investment products the Bank offers to its retail customers.

Gap analysis

The interest rate gap is a common measure of interest rate sensitivity. A liability gap occurs when more liabilities than assets are subject to rate changes during a given time period. The Bank applies gap analysis in its retail and wholesale banking operations.

Asset Liability Management

Scotiabank's asset liability management (ALM) program focuses on measuring, managing and controlling interest rate, foreign exchange, equity and liquidity risk arising in the Bank's lending, funding and investing activities.

The Liability Committee (LCO) is responsible for supervising the ALM program. It meets weekly to review and evaluate all-Bank interest rate and liquidity exposures, and to provide strategic direction.

MANAGEMENT OF INTEREST RATE RISK

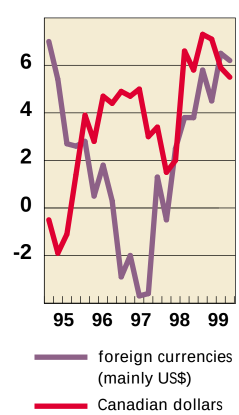
Interest rate risk arising from the Bank's ALM activities is controlled by limits based on sensitivity analysis. These limits are approved by the Board. The Bank also uses gap limits to control interest rate exposures in individual units. The LCO evaluates interest rate risk exposure arising from the Bank's funding and investment activities at least weekly. This supervisory role is supported by risk measurement processes which include gap analysis, simulation modelling, sensitivity analysis and VAR.

For most of 1999, the Bank maintained a moderate one-year liability gap in both Canadian and foreign currencies (where the U.S. dollar is the largest component). This was done to take advantage of the positively sloping yield curve, which allowed longer-term assets to be funded by shorter-term liabilities, thereby generating a wider interest margin.

The chart at right illustrates the trends in the interest rate gap.

Interest rate gap

$ billions, one-year liability gap



Based on the Bank's interest rate positions at year end 1999, an immediate and sustained 100 basis point rise in interest rates, across all currencies and maturities, would lower net income after tax by approximately $51 million over the next 12 months (versus $40 million in 1998), and would reduce the present value of the Bank's net assets by approximately $433 million (versus $385 million for 1998).

MANAGEMENT OF FOREIGN CURRENCY RISK

Foreign currency risk arising from the Bank's investments in foreign subsidiaries and foreign currency operations is subject to Board-approved limits. The LCO reviews and manages these exposures.

MANAGEMENT OF LIQUIDITY RISK

Liquidity risk arises from fluctuations in cash flows. Liquidity management processes are designed to ensure that the Bank can honour all of its financial commitments as they fall due. The elements of this liquidity management strategy include measuring and forecasting cash commitments, controlling cash flow gaps, diversifying sources of funding, setting prudent limits, ensuring immediate access to liquid assets and maintaining a strong credit rating.

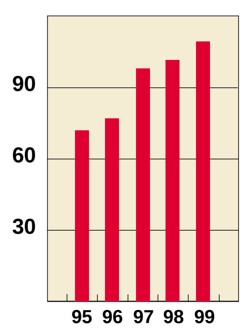
The Board of Directors annually approves limits on the Bank's global net cumulative liability cash flow gap and minimum core liquid assets for key global currencies. The LCO evaluates the Bank's liquidity profile on a weekly basis.

Funding

The principal sources of funding are capital, core deposits from retail and commercial clients, and wholesale deposits raised in the interbank and commercial markets. Diversification of funding is achieved by applying a number of limits and controls. Scotiabank's extensive domestic and international branch network is a great strength in diversifying its funding, and in raising the level of core deposits. Asset securitization further enhances funding diversification by expanding the range of funding sources.

Substantial core funds

$ billions, October 31



The Bank benefits considerably from its substantial core funds, which now represent half of total funding. In 1999, core funds continued to grow, reaching $109 billion as at October 31, 1999.

Liquid assets

The Bank maintains large holdings of liquid assets which can be used to sustain operations in the event of unexpected disruptions. As at October 31, 1999, liquid assets were $43.9 billion, equal to 20% of total assets. These assets consisted of securities (61%) and cash and deposits (39%). Holdings of defined highly liquid assets must meet a prescribed minimum proportion of the net cash flow gap.

The Bank pledges a portion of its liquid assets to support its participation in certain markets and activities. As at October 31, 1999, total assets pledged were $23.7 billion. Most of this amount is associated with the Bank's securities repurchase and borrowing activities.

Testing and contingency planning

The Bank conducts regular scenario testing to evaluate its liquidity assumptions and its ability to sustain operations under duress. Formal contingency plans covering all aspects of the Bank's operations, including liquidity, are reviewed annually.

Year 2000

Evaluation and mitigation of liquidity risk formed an integral part of Scotiabank's Year 2000 preparations. Liquidity planning for Year 2000 covered a broad range of activities. By modelling various scenarios, the Bank tested assumptions relating to its consolidated activities and operations. These processes helped the Bank to develop broad-based formal contingency plans to ensure that it could operate with minimal disruption. The Bank also participated in regulatory and industry planning exercises focusing on safeguarding the soundness of, and access to, the financial system.

Trading Activities

Scotiabank's policies, processes and controls for trading activities are designed to ensure that risk taking in its trading businesses is consistent with the Bank's risk tolerance and control standards.

Trading portfolios are managed with the intent to buy and sell financial instruments over a short period of time, rather than to hold positions for longer-term investment. Trading activity is customer focused, but also includes a proprietary component.

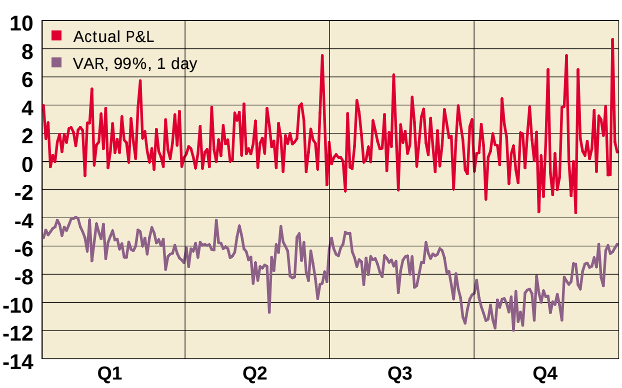
Senior trading management is actively involved in the evaluation, management and supervision of the Bank's risk taking activities. Management's oversight is facilitated by extensive limits and management information systems. In addition to VAR and stress testing, explicit limits are established by currency, instrument, position and term. All limits and new products are approved by the Market Risk Management and Policy Committee (MRMPC); limits are reviewed at least annually.

Pricing and positioning for most trading activity is done on a real-time basis, and portfolios are marked to market at least daily. The back office and middle office independently review and report on all aspects of trading activity, providing daily reports of profit and loss, VAR, limit overruns and compliance to appropriate departments and executive management for evaluation.

The middle office also plays a key role in risk management and measurement by conducting regular reviews of models

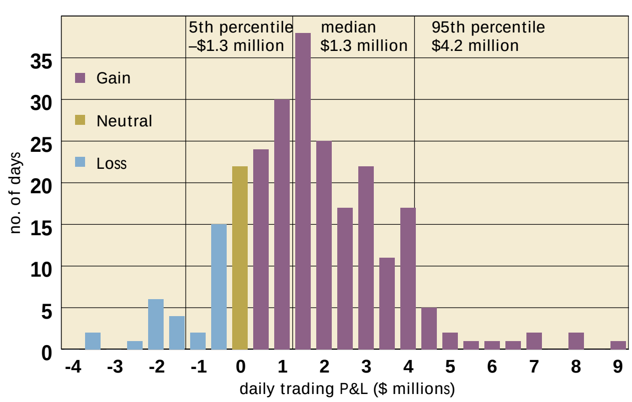
All-Bank backtesting result

$ millions, November 1, 1998, to October 31, 1999



Low variability of net trading revenues

period ending October 31, 1999



and valuations used by traders. It also develops or supervises stress testing, sensitivity analysis and VAR calculations, and reviews and participates in new product development.

MEASUREMENT AND CONTROL OF TRADING ACTIVITIES

The Board of Directors annually approves the all-Bank aggregate limit for the 10-day VAR and the all-Bank stress test limit, and reviews the Bank's VAR, stress testing and backtesting results quarterly. The MRMPC reviews VAR and stress test results monthly.

VAR limits are set by business line and in aggregate. Senior management receives daily VAR reports by desk, site, business line and legal entity. During fiscal 1999, the average 10-day aggregate VAR for all major trading books was $26.1 million, well within the Board-established limit.

"Backtesting" validates the VAR model by comparing the VAR estimates to profit and loss (P&L). Management reviews backtesting results on an ongoing basis, and the MRMPC reviews the results quarterly. The chart on page 41 shows that the actual P&L was within the VAR estimates during 1999, with no exceptions.

NET TRADING REVENUE

The moderate risk of the Bank's trading portfolios is evidenced by the low variability of daily trading revenues in 1999, shown in the chart on page 41.

Operating Risk

Operating risk arises from several factors, such as inadequate internal practices, policies, systems and controls, human error, fraud or management failure.

The Bank ensures that adequate controls are in place to minimize the potential that such risks would have a material impact. These safeguards include:

- continuous identification, assessment and management of operational risks faced by the Bank;
- trained and competent staff throughout the Bank, including a knowledgeable and experienced management team committed to risk management;
- appropriate infrastructure, information and technology systems designed to ensure that proper and prudent controls are in place;
- segregation of duties and delegation of authority; for example, credit management, market risk management and transaction processing are entirely independent of the business units;
- timely and accurate provision of management information;
- a comprehensive business recovery planning process, including business resumption plans for all key operations areas, and extensive on- and off-site backup facilities to ensure the availability of service delivery; and
- regular audits by an independent Audit Department, including comprehensive reviews of: the design and operation of internal control systems in all business and support groups (including risk management policies and procedures); new products and systems to ensure that risks have been evaluated; and the reliability and integrity of data processing operations.

Year 2000

The Year 2000 issue arose because many computerized systems used two digits rather than four to identify a year. Date-sensitive systems, if not modified or replaced, could have incorrectly recognized a date using "00" as other than the year 2000. This could have resulted in system failure or miscalculations, causing disruption to operations, including a temporary inability to process transactions or to engage in normal business activities.

All mission-critical Bank systems and devices have been modified and tested in integrated test environments and verified as Year 2000 compliant. In addition, all critical business partners confirmed they were compliant. Contingency plans to deal with any failure of mission-critical systems were updated and rigorously tested. Disaster, back-up and recovery processes were also successfully tested.

The Bank's success in minimizing the impact of the Year 2000 issue and ensuring a reliable transition also depended on the readiness of external parties. These parties included payment systems, financial exchanges, other financial institutions, securities depositories, telecommunication companies, government agencies, data processing companies and networks in Canada and worldwide. Fully integrated testing with key external parties was successfully completed in 1999.

The ability and readiness of the Bank's customers and counterparties could affect credit risk. Any failure of customers to fully address the Year 2000 issue could result in increases in impaired loans and provisions for credit losses in future years. At this time, it is not possible to estimate the amount of such increases, if any, for specific customers.

As of early January 2000, all of the Bank's worldwide systems were functioning normally, including capital markets and international locations.

The expected total cost to the Bank of implementing the Year 2000 project was budgeted at $160 million. Of this, $25 million has been capitalized, representing assets to be depreciated over their estimated useful lives.

Capital Management

Capital

Scotiabank has always maintained a solid capital base – and this was further strengthened in 1999.

Scotiabank's solid capital base contributes to its undoubted safety, supports its high credit rating and enables it to capitalize on growth opportunities – while still allowing shareholders to earn excellent returns.

As a critical resource, capital is actively managed by the Bank. The capital management processes take into account balance sheet and risk-adjusted assets, capital mix and costs, investment plans and shareholder returns, while satisfying the requirements of other constituents, including regulators, rating agencies, financial markets and depositors.

The components of capital

Capital adequacy for Canadian banks is governed by the requirements of the Office of the Superintendent of Financial Institutions (OSFI). These requirements are consistent with international standards set by the Bank for International Settlements (BIS). Under these standards, bank regulatory capital consists of two components – Tier 1 capital and Tier 2 capital. Tier 1 capital consists primarily of common shareholders' equity and non-cumulative preferred shares. Tier 2 capital consists mainly of subordinated debentures or cumulative preferred shares and the general provision. While both components provide important support for banking operations – and protection for depositors – Tier 1 capital is of particular importance to both markets and regulators.

In 1999, total regulatory capital increased by more than $900 million to $16.9 billion. Growth in Tier 1 capital accounted for 70% or $627 million of this increase, arising from the substantially higher retained earnings generated by the Bank's solid net income performance. In fact, over the past five years, more than $3.7 billion in capital has been internally generated through additions to retained earnings.

Tier 2 capital grew by approximately $442 million or 8% from last year, mainly due to a prudent increase in the general provision. As well, $350 million of subordinated debt was issued in 1999 to replace debentures which matured or were redeemed during the year.

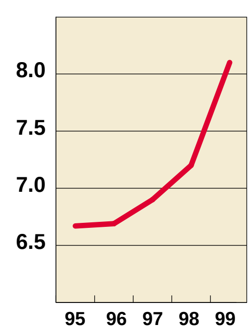
Capital ratios

Capital adequacy is measured by ratios that are calculated by dividing the components of capital by risk-adjusted assets. Successful capital management requires careful attention to both parts of this calculation.

Scotiabank's total capital ratio rose substantially to 11.9% at October 31, 1999, an increase of 130 basis points from the prior year. The Tier 1 ratio grew by 90 basis points to 8.1%. Both ratios are well in excess of levels defined by OSFI as "well-capitalized" (such ratios being 10% for total capital and 7% for Tier 1 capital).

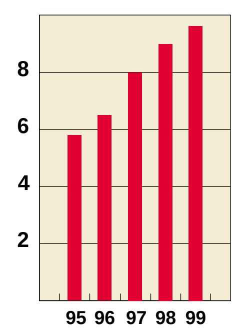
Strengthening Tier 1 capital ratio...

% October 31



driven by growth in common equity

$ billions, October 31



These stronger capital ratios resulted from both higher capital levels, and from close attention to managing the growth in risk-adjusted assets. During the year, several securitizations were successfully completed, including $4.0 billion in wholesale loans in the U.S., and $5.4 billion in retail loan portfolios in Canada. As well, other actions to reduce risk-adjusted assets were actively pursued.

OUTLOOK

The Bank's capital ratios are expected to remain strong and well in excess of regulatory requirements.

Revenues

Table 1 Average balance sheet and interest margin

Taxable equivalent basis *For the financial years ($ billions)*	1999 Average balance	1999 Average rate	1998 Average balance	1998 Average rate
Assets				
Deposits with other banks	$ 19.3	4.90%	$ 19.1	5.28%
Securities	32.5	6.26	29.3	6.62
Reverse repos	13.9	4.91	11.4	5.05
Loans:				
Residential mortgages	46.1	6.72	43.4	6.90
Personal and credit cards	18.1	9.33	18.9	9.38
Business and governments	68.3	7.59	63.0	7.82
Subtotal	132.5	7.53	125.3	7.74
Total earning assets	198.2	6.88	185.1	7.14
Customers' liability under acceptances	10.1	–	8.4	–
Other assets	20.7	–	20.5	–
Total assets	$ 229.0	5.95%	$ 214.0	6.18%
Liabilities				
Deposits:				
Personal	$ 63.9	4.36%	$ 61.0	4.28%
Business and governments	67.6	4.64	63.1	5.01
Banks	27.9	4.88	27.4	5.59
Subtotal	159.4	4.57	151.5	4.82
Subordinated debentures	5.3	5.90	5.6	6.34
Obligations related to assets sold under repurchase agreements	17.2	4.91	14.0	4.87
Other interest-bearing liabilities	8.2	4.34	7.7	4.87
Total interest-bearing liabilities	190.1	4.63	178.8	4.87
Other liabilities including acceptances	27.7	–	25.2	–
Shareholders' equity	11.2	–	10.0	–
Total liabilities and equity	$ 229.0	3.84%	$ 214.0	4.07%
Net interest margin		2.11%		2.11%

Table 2 Volume/rate analysis of changes in net interest income

Taxable equivalent basis *For the financial years ($ millions)*	1999 versus 1998 Increase (decrease) due to change in:			1998 versus 1997 Increase (decrease) due to change in:		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
Net interest income						
Assets	$ 897	$ (483)	$ 414	$ 2,057	$ 572	$ 2,629
Liabilities	(579)	494	(85)	(1,315)	(628)	(1,943)
Total	$ 318	$ 11	$ 329	$ 742	$ (56)	$ 686

(1) Certain comparative amounts in this report have been reclassified to conform with current year presentation.

Table 3 Other income

For the financial years ($ millions)	**1999**	1998	1997	1996	1995	**1999 versus 1998**
Deposit and payment services						
Deposit services	**$ 402**	$ 372	$ 317	$ 289	$ 262	**8%**
Card revenues	**133**	184	153	145	125	**(28)**
Other payment services	**67**	63	61	65	60	**6**
Subtotal	**602**	619	531	499	447	**(3)**
Investment management and trust						
Mutual funds	**115**	117	82	51	39	**(1)**
Investment management and custody	**97**	86	72	80	75	**11**
Personal and corporate trust	**119**	107	96	99	93	**12**
Subtotal	**331**	310	250	230	207	**7**
Credit fees						
Commitment/other credit fees	**438**	397	329	272	239	**10**
Acceptance fees	**105**	75	66	61	50	**39**
Subtotal	**543**	472	395	333	289	**15**
Investment banking						
Underwriting fees and brokerage commissions	**541**	573	597	422	267	**(5)**
Trading revenue	**291**	100	141	170	78	**100+**
Foreign exchange other than trading	**147**	125	109	97	86	**17**
Subtotal	**979**	798	847	689	431	**23**
Net gain (loss) on investment securities	**343**	322	366(1)	129	(107)	**6**
Securitization revenues	**155**	38	–	–	–	**100+**
Other	**230**	274	150	128	126	**(16)**
Total of above	**3,183**	2,833	2,539	2,008	1,393	**12**
Gains on sale of businesses	**–**	25	144(1)	–	105	**(100)**
Total other income	**$ 3,183**	$ 2,858	$ 2,683	$ 2,008	$ 1,498	**11%**
Percentage increase over previous year	**11%**	7%	34%	34%	(7)%	

(1) Gain on the sale of Montrusco Associates Inc. of $37 million was included in gains on sale of businesses, whereas in the Consolidated Statement of Income, it was reported in net gain (loss) on investment securities.

Table 4 Assets under administration and management

As at September 30 ($ billions)	**1999**	1998	1997	1996	1995
Assets under administration					
Institutional trust and custodial services	**$ 45.8**	$ 37.7	$ 35.2	$ 160.6	$ 148.3
Personal trust and custodial services	**82.9**	69.1	66.2	34.4	30.0
Retail mutual funds	**8.8**	8.0	7.9	4.7	3.3
Serviced mortgages	**3.9**	2.6	3.1	1.4	1.7
Total	**$ 141.4**	$ 117.4	$ 112.4	$ 201.1	$ 183.3
Assets under management					
Institutional	**$ 1.6**	$ 2.0	$ 2.0	$ 6.6	$ 6.0
Personal	**7.5**	6.8	7.1	2.4	2.3
Retail mutual funds	**7.1**	4.7	5.0	4.7	3.3
Total	**$ 16.2**	$ 13.5	$ 14.1	$ 13.7	$ 11.6

Table 5 Trading revenue

Taxable equivalent basis *For the financial years ($ millions)*	**1999**	1998	1997	1996
Reported in other income				
Securities trading	**$ 67**	$ (48)	$ 52	$ 98
Foreign exchange and precious metals trading	**150**	77	45	67
Derivative products trading	**74**	71	44	5
Subtotal	**291**	100	141	170
Reported in net interest income	**85**	58	48	48
Total trading revenue	**$ 376**	$ 158	$ 189	$ 218
% of total revenues (net interest income plus other income)	**4.7%**	2.1%	2.9%	4.0%

Expenses

Table 6 Non-interest expenses

For the financial years ($ millions)	**1999**	1998	1997	1996	1995	**1999 versus 1998**
Salaries	**$ 2,297**	$ 2,193	$ 1,973	$ 1,702	$ 1,438	**5%**
Benefits	**330**	308	229	208	214	**7**
Premises and technology						
Occupancy costs	**425**	404	334	307	275	**5**
Technology	**328**	329	259	195	172	**–**
Depreciation	**254**	225	185	162	141	**13**
Subtotal	**1,007**	958	778	664	588	**5**
Other						
Communications and marketing	**407**	366	320	272	265	**11**
Capital and business taxes, and deposit insurance premiums	**206**	238	192	174	157	**(13)**
Miscellaneous	**529**	383	291	217	182	**38**
Subtotal	**1,142**	987	803	663	604	**16**
Total of above	**4,776**	4,446	3,783	3,237	2,844	**7**
Restructuring provision – acquisitions	**(20)**	–	250	(20)	–	**n/a**
Writeoff of goodwill	**–**	–	26	–	–	**n/a**
Total non-interest expenses	**$ 4,756**	$ 4,446	$ 4,059	$ 3,217	$ 2,844	**7%**
Productivity ratio	**59.3%**	60.4%	62.4%	58.8%	59.9%	

Table 7 Direct and indirect taxes

For the financial years ($ millions)	**1999**	1998	1997	1996	1995	**1999 versus 1998**	**Five-year compound growth**
Income taxes							
Provision for income taxes	**$ 867**	$ 762	$ 758	$ 665	$ 371	**14%**	**17%**
Taxable equivalent adjustment	**163**	129	103	105	72	**26**	**23**
Taxable equivalent provision	**1,030**	891	861	770	443	**15**	**18**
Indirect taxes							
Payroll taxes	**143**	133	107	98	94	**8**	**11**
Property taxes	**61**	55	33	34	36	**12**	**10**
Capital taxes	**91**	97	81	68	60	**(5)**	**13**
Business taxes	**46**	43	36	37	34	**7**	**7**
Goods and services tax (GST)	**52**	54	48	38	40	**(3)**	**10**
Deposit insurance premiums	**69**	98	75	69	63	**(30)**	**9**
Total indirect taxes	**462**	480	380	344	327	**(4)**	**10**
Total taxes	**$ 1,492(1)**	$ 1,371(1)	$ 1,241(1)	$ 1,114	$ 770	**9%**	**15%**

(1) Amount comprises $1,017 million of Canadian taxes (1998 – $940 million; 1997 – $949 million) and $475 million of foreign taxes (1998 – $431 million; 1997 – $292 million).

Credit Risk

Table 8 Geographic distribution of earning assets

As at September 30 ($ billions)	1999 Balance	1999 % of earning assets	1998	1997	1996	1995
North America						
Canada	**$ 122.7**	**59.4%**	$ 119.2	$ 111.9	$ 92.7	$ 82.7
United States	**38.9**	**18.8**	38.9	28.2	22.5	23.9
Subtotal	**161.6**	**78.2**	158.1	140.1	115.2	106.6
Europe						
United Kingdom	**8.1**	**3.9**	8.8	6.5	5.4	3.9
France	**1.7**	**0.8**	2.4	2.2	2.0	1.6
Germany	**2.4**	**1.2**	2.3	1.6	2.2	1.3
Other	**6.4**	**3.1**	7.6	5.5	4.9	4.1
Subtotal	**18.6**	**9.0**	21.1	15.8	14.5	10.9
Asia						
Japan	**1.3**	**0.6**	2.6	4.6	4.2	4.5
Hong Kong	**1.6**	**0.8**	1.7	1.4	1.1	0.8
South Korea	**1.4**	**0.7**	1.2	0.9	0.7	0.5
Other	**3.5**	**1.7**	3.9	3.8	3.4	2.4
Subtotal	**7.8**	**3.8**	9.4	10.7	9.4	8.2
Caribbean						
Jamaica	**2.7**	**1.3**	2.4	1.8	1.4	1.1
Puerto Rico	**2.0**	**1.0**	2.0	1.5	1.5	1.4
Bahamas	**1.4**	**0.7**	1.3	0.9	0.8	0.6
Trinidad & Tobago	**1.3**	**0.6**	1.2	0.8	0.7	0.6
Other	**4.2**	**2.0**	4.0	3.0	2.5	2.2
Subtotal	**11.6**	**5.6**	10.9	8.0	6.9	5.9
Latin America						
Argentina	**3.3**	**1.6**	3.4	0.4	0.2	0.3
Mexico	**1.2**	**0.6**	1.4	1.0	1.2	1.1
Other	**3.2**	**1.5**	3.3	1.6	1.2	1.3
Subtotal	**7.7**	**3.7**	8.1	3.0	2.6	2.7
Middle East and Africa	**0.6**	**0.3**	0.6	0.2	0.2	0.4
General provision	**(1.3)[1]**	**(0.6)**	(0.6)	(0.5)	(0.3)	(0.3)
Total	**$ 206.6**	**100.0%**	$ 207.6	$ 177.3	$ 148.5	$ 134.4

(1) As at October 31, 1999

Table 9 Cross-border exposure to select geographic areas[1]

As at October 31 ($ millions)	Loans	Interbank deposits	Trade	Government securities	Investment in subsidiaries and affiliates	Other	1999 Total	1998 Total
Asia								
Thailand	$ 170	$ –	$ 8	$ –	$ –	$ 1	**$ 179**	$ 300
Indonesia	186	–	–	–	–	–	**186**	202
Malaysia	618	–	9	–	90	–	**717**	512
The Philippines	176	–	46	111	88	–	**421**	476
	1,150	–	63	111	178	1	**1,503**	1,490
South Korea	760	–	718	156	–	–	**1,634**	1,257
Hong Kong	269	–	30	–	–	7	**306**	455
Other[2]	298	17	92	–	–	26	**433**	627
Subtotal	2,477	17	903	267	178	34	**3,876**	3,829
Latin America								
Mexico	265	–	171	827	46	7	**1,316**	1,531
Brazil	174	–	432	546	–	2	**1,154**	1,366
Argentina	259	–	150	197	288	–	**894**	1,060
Venezuela	26	–	3	235	130	–	**394**	476
Chile	257	–	25	–	49	–	**331**	382
Other[3]	549	12	102	156	90	13	**922**	870
Subtotal	1,530	12	883	1,961	603	22	**5,011**	5,685
Central and Eastern Europe	4	–	–	5	–	3	**12**	22
Total	$ 4,011	$ 29	$ 1,786	$ 2,233	$ 781	$ 59	**$ 8,899**	$ 9,536

(1) Cross-border exposure represents a claim, denominated in a currency other than the local one, against a borrower in a foreign country on the basis of ultimate risk.
(2) Includes China, Singapore, Taiwan and Vietnam.
(3) Includes Colombia, Costa Rica, Ecuador, El Salvador, Panama, Peru and Uruguay.

Table 10 Loans and acceptances by geography

Excludes reverse repos *As at September 30 ($ billions)*	1999	1998	1997	1996	1995	Percentage mix 1999	Percentage mix 1995
Canada							
Atlantic provinces	**$ 9.1**	$ 9.0	$ 8.4	$ 8.1	$ 7.6	**6.6%**	8.2%
Quebec	**7.5**	7.6	7.2	6.1	5.7	**5.4**	6.2
Ontario	**48.3**	48.1	46.6	33.9	32.7	**34.7**	35.3
Manitoba and Saskatchewan	**4.2**	4.1	3.9	3.6	3.4	**3.0**	3.7
Alberta	**10.0**	9.9	8.7	6.8	6.5	**7.2**	7.0
British Columbia	**12.1**	12.2	11.2	9.3	8.7	**8.7**	9.4
Subtotal	**91.2**	90.9	86.0	67.8	64.6	**65.6**	69.8
International							
United States	**22.0**	25.5	18.0	15.2	14.1	**15.8**	15.2
Europe	**7.9**	9.1	6.7	5.7	4.8	**5.6**	5.2
Caribbean	**8.7**	8.4	6.3	5.7	4.8	**6.3**	5.2
Asia	**5.7**	5.9	5.3	4.6	3.1	**4.1**	3.4
Latin America	**4.4**	4.7	0.9	0.8	1.1	**3.2**	1.2
Middle East and Africa	**0.4**	0.4	0.1	0.2	0.3	**0.3**	0.3
Subtotal	**49.1**	54.0	37.3	32.2	28.2	**35.3**	30.5
General provision	**(1.3)[(1)]**	(0.6)	(0.5)	(0.3)	(0.3)	**(0.9)**	(0.3)
Total loans and acceptances	**$ 139.0**	$ 144.3	$ 122.8	$ 99.7	$ 92.5	**100.0%**	100.0%

(1) As at October 31, 1999

Table 11 Loans and acceptances by type of borrower

Excludes reverse repos *As at September 30 ($ billions)*	1999 Balance	1999 % of total	1998	1997	1996
Loans to households					
Residential mortgages	**$ 47.6**	**34.3%**	$ 45.2	$ 41.7	$ 30.6
Personal loans	**16.5**	**11.8**	19.7	19.0	16.7
Subtotal	**64.1**	**46.1**	64.9	60.7	47.3
Loans to businesses and governments					
Resource and manufacturing, excluding automotive					
Oil and gas	**3.3**	**2.4**	3.7	3.4	2.5
Food and beverage	**2.5**	**1.8**	2.8	2.5	1.7
Forest products	**2.2**	**1.6**	2.4	2.2	1.6
Electrical and other machinery	**2.7**	**1.9**	2.5	2.1	1.7
Agriculture	**2.0**	**1.4**	1.8	1.6	1.3
Chemicals	**1.8**	**1.3**	2.0	1.5	1.4
Primary metals	**2.0**	**1.4**	2.0	1.4	1.4
Mining	**1.8**	**1.3**	1.6	0.7	0.8
Other	**4.4**	**3.2**	4.7	3.6	2.9
	22.7	**16.3**	23.5	19.0	15.3
Wholesale and retail distribution, excluding automotive	**6.7**	**4.8**	6.7	5.6	5.2
Media and communications	**5.3**	**3.8**	6.3	5.3	4.5
Automotive manufacturing and distribution	**5.8**	**4.2**	6.0	4.4	3.2
Real estate	**4.1**	**2.9**	4.3	3.7	4.1
Transportation	**4.6**	**3.3**	4.7	3.5	3.0
Banks and other financial services	**4.4**	**3.2**	5.1	3.1	3.0
Utilities	**2.3**	**1.6**	2.7	2.6	1.8
Hotels	**2.5**	**1.8**	2.3	2.0	1.8
Construction	**2.8**	**2.0**	2.4	2.0	1.6
Holding companies	**2.6**	**1.9**	3.7	2.0	1.5
Commercial mortgages	**1.6**	**1.2**	1.8	1.9	1.1
Health service	**1.9**	**1.3**	2.3	1.4	1.5
Government	**0.9**	**0.7**	1.0	0.8	0.7
Other services	**8.0**	**5.8**	7.2	5.3	4.4
Subtotal	**76.2**	**54.8**	80.0	62.6	52.7
General provision	**(1.3)[(1)]**	**(0.9)**	(0.6)	(0.5)	(0.3)
Total loans and acceptances	**$ 139.0**	**100.0%**	$ 144.3	$ 122.8	$ 99.7

(1) As at October 31, 1999

Table 12 Off-balance sheet credit instruments

As at October 31 ($ billions)	**1999**	1998	1997	1996	1995
Guarantees and letters of credit	**$ 11.5**	$ 11.5	$ 10.1	$ 8.3	$ 8.1
Commitments to extend credit	**115.0**	101.5	88.9	79.7	67.6
Securities lending transactions	**1.0**	1.5	1.2	2.5	3.4
Total	**$ 127.5**	$ 114.5	$ 100.2	$ 90.5	$ 79.1

Table 13 Designated emerging market (DEM) provisionable exposures[(1)(2)(3)]

As at October 31 ($ millions)	**1999**	1998	1997	1996	1995
Brazil	**$ 561**	$ 591	$ 542	$ 577	$ 583
Venezuela	**281**	300	279	269	333
Argentina	**224**	240	230	293	309
Other Latin American countries	**192**	217	198	216	252
The Philippines	**–**	–	–	–	146
Caribbean countries	**42**	45	42	41	207
European countries	**32**	34	41	123	125
African countries	**17**	18	23	22	28
Gross exposure	**1,349**	1,445	1,355	1,541	1,983
Country risk provision	**(545)**	(571)	(534)[(5)]	(1,049)	(1,135)
Net exposure	**804**	874	821	492	848
Excess of market value[(4)] over book value	**$ 235[(6)]**	$ 180[(6)]	$ 417	$ 799	$ 386

(1) *OSFI approved the removal from the designated group of emerging market countries the exposures of Mexico in 1992, Chile in 1993, Uruguay and South Africa in 1994, and Jamaica, Morocco, the Philippines and Trinidad and Tobago in 1996.*

(2) *The Bank's 1999 exposure to Brazil, Venezuela, Argentina, the Dominican Republic, Ecuador, Panama, Peru and Poland is after deducting $187 million (US$127 million) of collateral.*

(3) *The above amounts represent only those DEM exposures against which a country risk provision has been established. In accordance with OSFI instructions, any additional exposures to a DEM country arising after October 31, 1995, do not form part of the provisionable exposure.*

(4) *The market value is based on average of bid and ask prices provided by major U.S. investment bankers.*

(5) *$500 million of the country risk provision was reversed into income in 1997.*

(6) *The excess of market value over book value comprises $34 million (1998 – $41 million) relating to loans, and $201 million (1998 – $139 million) relating to DEM restructured bonds and past due interest bonds.*

Table 14 Impaired loans[(1)(4)]

	1999						
As at October 31 ($ millions)	**Net**	**Allowance for credit losses[(2)]**	**Gross**	1998	1997	1996	1995
Domestic							
Residential mortgages	**$ 104**	**$ 29**	**$ 133**	$ 158	$ 230	$ 177	$ 224
Personal loans	**43**	**156**	**199**	198	206	143	94
Primary industry and manufacturing	**102**	**72**	**174**	114	114	104	121
Real estate	**73**	**8**	**81**	138	221	343	852
Other	**113**	**155**	**268**	529	428	440	893
Subtotal	**435**	**420**	**855**	1,137	1,199	1,207	2,184
International							
Real estate	**–**	**–**	**–**	76	115	421	812
DEM	**–**	**25**	**25**	25	56	133	280
Other	**709**	**816**	**1,525**	1,078	823	393	420
Subtotal	**709**	**841**	**1,550**	1,179	994	947	1,512
Gross impaired loans			**$ 2,405**	2,316	2,193	2,154	3,696
Allowance for credit losses							
– specific and country risk provisions		**(1,261)**		(1,295)	(1,100)	(1,086)	(1,924)
– general provision	**(1,300)**	**(1,300)**		(600)	(500)	(325)	(325)
Subtotal	**(1,300)**	**$(2,561)**		(1,895)	(1,600)	(1,411)	(2,249)
Total net impaired loans	**$ (156)**			$ 421	$ 593	$ 743	$ 1,447
Total net impaired loans as a % of loans and acceptances[(3)]	**(0.1)%**			0.3%	0.5%	0.7%	1.5%
Allowance for credit losses as a % of gross impaired loans, excluding DEM		**107%**		82%	72%	63%	58%

(1) *Fully secured past due loans, where payments of interest or principal are contractually 90 to 180 days in arrears, are not classified as impaired. These amounted to $66 million at October 31, 1999 (1998 – $21 million; 1997 – $2 million; 1996 – $12 million).*

(2) *Comprises specific provisions, general provision and related country risk provision.*

(3) *Excludes reverse repos.*

(4) *Interest recorded as income on impaired loans was $28 million (1998 – $29 million; 1997 – $27 million). This amount related to the international portfolios.*

Table 15 Provisions for credit losses

For the financial years ($ millions)	**1999**	1998	1997	1996	1995
Specific provisions for credit losses					
Net specific provisions	**$ 623**	$ 552	$ 430	$ 418	$ 593
Recoveries	**(138)**	(57)	(70)	(38)	(33)
Net specifi provisions for credit losses	**485**	495	360	380	560
Other provisions					
General provision	**150[1]**	100	175	–	–
Country risk provision	**–**	–	(500)	–	–
Net provisions for credit losses	**$ 635**	$ 595	$ 35	$ 380	$ 560

(1) Refer to Note 20 of the Consolidated Financial Statements and to the discussion under Provisions for Credit Losses on page 39.

Table 16 Specific provisions for credit losses by geography and type

For the financial years ($ millions)	**1999**	1998	1997	1996	1995
Domestic					
Residential mortgages	**$ (1)**	$ (11)	$ 20	$ 33	$ 19
Personal loans	**151**	227	152	105	93
Primary industry and manufacturing	**31**	32	26	11	16
Real estate	**(13)**	(7)	(11)	60	110
Other	**(21)**	56	23	92	116
Subtotal	**147**	297	210	301	354
International					
Residential mortgages and personal loans	**63**	30	10	9	5
Real estate	**(22)**	(22)	(85)	22	172
Other	**297**	190	225	48	29
Subtotal	**338**	198	150	79	206
International consists of:					
United States	**229**	42	(12)	37	168
Europe/Middle East/Africa	**3**	(15)	(9)	(9)	16
Caribbean	**33**	29	37	35	14
Asia	**–**	116	134	16	8
Latin America	**73**	26	–	–	–
Subtotal	**338**	198	150	79	206
Net specifi provisions for credit losses	**$ 485**	$ 495	$ 360	$ 380	$ 560

Table 17 Provisions for credit losses as a percentage of average loans and acceptances[1]

For the financial years (%)	**1999**	1998	1997	1996	1995
Domestic					
Residential mortgages and personal	**0.25%**	0.37%	0.35%	0.32%	0.28%
Business	**(0.01)**	0.27	0.14	0.73	1.07
International	**0.65**	0.43	0.42	0.26	0.72
Weighted subtotal – specific provisions[2]	**0.34**	0.37	0.32	0.39	0.61
General provision	**0.10[3]**	0.07	0.16	–	–
Country risk provision	**–**	–	n/a	–	–
Weighted total	**0.44%**	0.45%	0.03%	0.39%	0.61%

(1) Excludes reverse repos.
(2) Ratio of specific provisions for credit losses as a percentage of non-DEM average loans and acceptances.
(3) Refer to Note 20 of the Consolidated Financial Statements and to the discussion under Provisions for Credit Losses on page 39.

Market Risk

Table 18 Interest rate gap

Interest rate sensitivity position[1] *As at October 31, 1999 ($ billions)*	Within 3 months	3 to 12 months	Over 1 year	Non-interest rate sensitive	**Total**
Canadian dollars					
Assets	$ 57.9	$ 14.8	$ 43.0	$ 6.6	**$ 122.3**
Liabilities	56.1	21.8	22.4	22.0	**122.3**
Gap	1.8	(7.0)	20.6	(15.4)	**–**
Cumulative gap	1.8	(5.2)	15.4	–	**–**
Foreign currencies					
Assets	70.2	11.2	11.5	7.5	**100.4**
Liabilities	81.4	6.6	3.5	8.9	**100.4**
Gap	(11.2)	4.6	8.0	(1.4)	**–**
Cumulative gap	(11.2)	(6.6)	1.4	–	**–**
Total					
Gap	$ (9.4)	$ (2.4)	$ 28.6	$ (16.8)	**$ –**
Cumulative gap	(9.4)	(11.8)	16.8	–	**–**
As at October 31, 1998:					
Gap	$ (11.9)	$ 2.3	$ 24.0	$ (14.4)	**$ –**
Cumulative gap	(11.9)	(9.6)	14.4	–	**–**

(1) The above figures reflect the inclusion of off-balance sheet instruments, as well as an estimate of prepayments on consumer and mortgage loans. The off-balance sheet gap is included in liabilities.

Table 19 Liquidity

For the financial years ($ millions)	**1999**	1998	1997	1996	1995
Canadian dollar liquid assets					
Cash and deposits with Bank of Canada	**$ 642**	$ 680	$ 404	$ 826	$ 612
Deposits with other banks	**1,327**	1,399	2,769	1,177	1,400
Securities	**16,571**	15,109	14,417	14,392	12,340
Call and short loans	**–**	–	25	–	1,400
	18,540	17,188	17,615	16,395	15,752
Foreign currency liquid assets					
Cash and deposits with Bank of Canada	**1,302**	1,680	654	659	621
Deposits with other banks	**13,844**	19,141	14,347	12,075	14,095
Securities	**10,229**	7,531	7,200	5,994	5,395
Call and short loans	**–**	86	–	72	–
	25,375	28,438	22,201	18,800	20,111
Total liquid assets					
Cash and deposits with Bank of Canada	**1,944**	2,360	1,058	1,485	1,233
Deposits with other banks	**15,171**	20,540	17,116	13,252	15,495
Securities	**26,800**	22,640	21,617	20,386	17,735
Call and short loans	**–**	86	25	72	1,400
	$ 43,915	$ 45,626	$ 39,816	$ 35,195	$ 35,863
Liquid assets as a % of total assets	**19.7%**	19.5%	20.4%	21.3%	24.4%

Capital

Table 20 Regulatory capital

As at October 31 ($ millions)	**1999**	1998	1997	1996	1995
Tier 1 capital					
Common shareholders' equity	**$ 9,631**	$ 9,039	$ 7,930	$ 6,424	$ 5,745
Non-cumulative preferred shares (including SMIC)[1]	**1,775**	1,775	1,468	1,325	1,225
Non-controlling interest in subsidiaries	**198**	173	137	101	84
Less: Goodwill	**(138)**	(148)	(123)	(11)	(8)
Subtotal	**11,466**	10,839	9,412	7,839	7,046
Tier 2 capital					
Subordinated debentures (net of amortization)	**5,114**	5,139	4,616	2,851	3,039
Eligible amount of general provision[2]	**1,067**	600	500	–	–
Cumulative preferred shares (including subsidiaries)	**–**	–	–	–	399
Subtotal	**6,181**	5,739	5,116	2,851	3,438
Less: Investments in associated corporations and other items	**(742)**	(575)	(323)	(318)	(295)
Total capital	**$ 16,905**	$ 16,003	$ 14,205	$ 10,372	$ 10,189
Total risk-adjusted assets ($ billions)	**$ 142.3**	$ 150.8	$ 136.4	$ 117.2	$ 105.6
Capital ratios					
Tier 1 capital ratio	**8.1%**	7.2%	6.9%	6.7%	6.7%
Total capital ratio	**11.9%**	10.6%	10.4%	8.9%	9.6%

(1) Scotia Mortgage Investment Corporation.
(2) Under OSFI guidelines, general provisions can be included in Tier 2 capital up to a maximum of 0.75% of risk-adjusted assets.

Table 21 Risk-adjusted assets

As at October 31 ($ billions)			**1999**		1998	
Conversion factor	Weighting factor		**Gross**	**Risk-adjusted**	Gross	Risk-adjusted
On-balance sheet						
–	0%	Cash and claims on Canada, provinces, OECD governments and other[1]	**$ 74.1**	**–**	$ 73.8	$ –
–	5%	Privately insured residential mortgages[2]	**9.1**	**0.5**	10.4	0.5
–	20%	Claims on banks, investment dealers and municipalities	**21.2**	**4.2**	28.0	5.6
–	50%	Uninsured residential mortgages[2]	**21.0**	**10.5**	17.0	8.5
–	100%	Loans and acceptances	**84.9**	**84.9**	92.4	92.4
–	100%	Other	**12.4**	**12.4**	12.0	12.0
		Total on-balance sheet	**222.7**	**112.5**	233.6	119.0
Off-balance sheet						
		Indirect credit instruments:				
0%	–	One year and under credit commitments	**71.9**	**–**	53.6	–
20%	0 – 100%	Short-term trade letters of credit	**0.7**	**0.1**	1.2	0.2
50%	0 – 100%	Longer-term credit commitments	**43.1**	**19.5**	47.9	19.9
50%	0 – 100%	Non-fiancial guarantees, standby letters of credit, NIFs and RUFs	**4.0**	**2.0**	4.0	2.0
100%	0 – 100%	Financial guarantees, standby letters of credit and securities lending	**7.8**	**3.6**	7.8	3.4
		Subtotal	**127.5**	**25.2**	114.5	25.5
		Interest rate instruments:				
0 – 1.5%	0 – 50%	Futures and forward rate agreements	**215.6**	**0.1**	252.0	0.1
0 – 1.5%	0 – 50%	Interest rate swaps	**484.4**	**1.2**	535.5	2.2
0 – 1.5%	0 – 50%	Interest rate options	**71.9**	**0.1**	102.3	0.1
		Subtotal	**771.9**	**1.4**	889.8	2.4
		Foreign exchange instruments:				
1 – 7.5%	0 – 50%	Futures and foreign exchange contracts	**177.5**	**1.2**	207.5	1.7
1 – 7.5%	0 – 50%	Currency swaps	**40.9**	**0.5**	35.4	0.5
1 – 7.5%	0 – 50%	Currency options	**10.3**	**0.1**	21.9	0.2
		Subtotal	**228.7**	**1.8**	264.8	2.4
6 – 15%	0 – 50%	**Other derivative instruments**	**17.5**	**0.6**	20.9	0.6
		Total off-balance sheet	**1,145.6**	**29.0**	1,290.0	30.9
		Total gross and risk-adjusted assets	**1,368.3**	**141.5**	1,523.6	149.9
		Impact of master netting	**–**	**(1.2)**	–	(1.6)
		Market risk – risk assets equivalent[1]	**–**	**2.0**	–	2.5
		Total	**$1,368.3**	**$ 142.3**	$1,523.6	$ 150.8

(1) Includes assets which are subject to market risk. The risk weighting of these assets is included in "Market risk – risk assets equivalent."
(2) Excludes NHA guaranteed mortgages, which are grouped with claims on Canada.

Table 22 Capital funding activity

Subordinated debenture issues		Subordinated debenture maturities/redemptions	
May 12, 1999:	$350 million 5.75% debentures	November 10, 1998:	Sfr 150 million 4.875% debentures
		March 29, 1999:	¥0 billion 7.40% debentures
		October 1, 1999:	US $22 million 9.0% debentures
		Subordinated debenture repurchases	
		December 9, 1998:	US $20 million floating rate debenture due 2085

Other Information

Table 23 Components of net income as a percentage of average total assets(1)

Taxable equivalent basis *For the financial years (%)*	**1999**(2)	1998	1997	1996
Net interest income	**2.11%**	2.11%	2.13%	2.18%
Provision for credit losses	**(0.28)**	(0.28)	(0.02)	(0.24)
Other income	**1.39**	1.33	1.50	1.26
Net interest and other income	**3.22**	3.16	3.61	3.20
Non-interest expenses	**(2.06)**	(2.08)	(2.11)	(2.03)
Restructuring provision and goodwill writeoff	**(0.01)**	–	(0.15)	0.01
Net income before the undernoted:	**1.15**	1.08	1.35	1.18
Provision for income taxes and non-controlling interest	**(0.47)**	(0.43)	(0.50)	(0.51)
Net income	**0.68%**	0.65%	0.85%	0.67%
Average total assets ($ billions)	**$ 229.0**	$ 214.0	$ 179.2	$ 158.8

(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: 1999 – $163 million; 1998 – $129 million; 1997 – $103 million; 1996 – $105 million.

(2) Refer to Note 20 of the Consolidated Financial Statements and to the discussion under Provisions for Credit Losses on page 39.

Table 24 General provision and unrealized gains (losses) on investment securities

For the financial years ($ millions)	**1999**	1998	1997	1996	1995
General provision	**$1,300**	$ 600	$ 500	$ 325	$ 325
Investment securities					
Common and preferred shares	**$ 244**	$ 50	$ 225	$ 222	$ 124
Bonds of designated emerging markets	**201**	139	372	530	212
Other fixed income	**(145)**	(108)	220	304	(86)
	$ 300	$ 81	$ 817	$ 1,056	$ 250

Quarterly Information

Table 25 Quarterly information

	1999				1998			
	Q4[1]	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Statement of income ($ millions)								
Interest income	**$ 3,359**	**$ 3,257**	**$ 3,319**	**$ 3,536**	$ 3,556	$ 3,359	$ 3,170	$ 3,006
Interest expense	**2,187**	**2,101**	**2,157**	**2,354**	2,405	2,240	2,088	1,981
Net interest income	**1,172**	**1,156**	**1,162**	**1,182**	1,151	1,119	1,082	1,025
Provision for credit losses	**159**	**108**	**109**	**259**	124	123	224	124
Other income	**840**	**786**	**750**	**807**	690	713	798	657
Net interest and other income	**1,853**	**1,834**	**1,803**	**1,730**	1,717	1,709	1,656	1,558
Non-interest expenses	**1,236**	**1,196**	**1,188**	**1,136**	1,143	1,133	1,145	1,025
Income before the undernoted:	**617**	**638**	**615**	**594**	574	576	511	533
Provision for income taxes	**206**	**228**	**218**	**215**	204	207	158	193
Non-controlling interest	**9**	**13**	**13**	**11**	11	11	7	9
Net income	**402**	**397**	**384**	**368**	359	358	346	331
Preferred dividends paid	**27**	**27**	**27**	**27**	27	24	23	23
Net income available to common shareholders	**$ 375**	**$ 370**	**$ 357**	**$ 341**	$ 332	$ 334	$ 323	$ 308
Common dividends paid	**$ 118.5**	**$ 103.7**	**$ 103.5**	**$ 103.4**	$ 98.4	$ 98.3	$ 98.1	$ 98.0
Average assets ($ billions)	**$ 226.2**	**$ 223.3**	**$ 230.5**	**$ 236.3**	$ 228.8	$ 214.7	$ 210.8	$ 201.2
Return on common shareholders' equity	**15.3%**	**15.3%**	**15.7%**	**14.8%**	14.8%	15.5%	16.0%	15.2%
Balance sheet ($ billions)								
Cash resources	**$ 17.1**	**$ 19.6**	**$ 17.4**	**$ 20.7**	$ 22.9	$ 19.1	$ 18.8	$ 20.7
Securities	**34.0**	**33.4**	**32.1**	**30.9**	29.5	29.4	29.2	28.8
Reverse repos	**13.9**	**13.7**	**12.6**	**11.1**	11.2	12.8	12.3	11.6
Loans and acceptances:								
Residential mortgages	**47.9**	**46.7**	**45.0**	**46.6**	45.8	44.4	43.0	42.5
Personal and credit card loans	**16.4**	**18.3**	**17.8**	**18.5**	18.6	19.3	19.0	18.4
Business and government loans and acceptances	**76.8**	**78.4**	**77.7**	**84.3**	83.8	78.4	72.6	69.4
Total loans and acceptances[2]	**$ 141.1**	**$ 143.4**	**$ 140.5**	**$ 149.4**	$ 148.2	$ 142.1	$ 134.6	$ 130.3
Total assets	**$ 222.7**	**$ 227.4**	**$ 221.5**	**$ 232.5**	$ 233.6	$ 222.7	$ 211.9	$ 210.7
Deposits	**156.6**	**156.5**	**152.6**	**165.2**	166.4	156.3	149.2	150.0
Subordinated debentures	**5.4**	**5.5**	**5.0**	**5.2**	5.5	6.2	5.8	5.2
Preferred shares	**1.8**	**1.8**	**1.8**	**1.8**	1.8	1.8	1.5	1.5
Common shareholders' equity	**9.6**	**9.8**	**9.4**	**9.2**	9.0	8.8	8.4	8.2
Asset quality								
Net impaired loans ($ millions)	**$ (156)**	**$ 342**	**$ 305**	**$ 288**	$ 421	$ 420	$ 439	$ 589
As a % of loans and acceptances[2]	**(0.1)%**	**0.2%**	**0.2%**	**0.2%**	0.3%	0.3%	0.3%	0.5%
Risk-adjusted capital ratios (%)								
Tier 1 capital ratio	**8.1%**	**8.0%**	**7.8%**	**7.2%**	7.2%	6.9%	6.8%	6.7%
Total capital ratio	**11.9**	**11.5**	**11.2**	**10.6**	10.6	10.4	10.3	10.0
Common equity to risk-adjusted assets	**6.9**	**6.9**	**6.7**	**6.1**	6.0	5.7	5.8	5.7
Common share information								
Net income per share	**$ 0.76**	**$ 0.75**	**$ 0.73**	**$ 0.69**	$ 0.67	$ 0.68	$ 0.66	$ 0.63
Dividends per share ($)	**0.24**	**0.21**	**0.21**	**0.21**	0.20	0.20	0.20	0.20
Dividend payout ratio	**31.6%**	**28.0%**	**29.0%**	**30.3%**	29.7%	29.4%	30.4%	31.8%
Dividend yield (%)	**3.1**	**2.6**	**2.5**	**2.5**	2.8	2.2	2.1	2.5
Shares outstanding (millions)								
End of period	**494.3**	**493.8**	**493.3**	**492.8**	492.1	491.8	491.0	490.3
Average	**493.9**	**493.4**	**492.9**	**492.3**	491.8	491.3	490.6	489.9
Book value per share	**$ 19.49**	**$ 19.78**	**$ 19.01**	**$ 18.71**	$ 18.37	$ 17.81	$ 17.06	$ 16.69
Share price ($)								
– high	**34.25**	**35.10**	**36.90**	**36.30**	34.00	40.75	44.70	35.25
– low	**28.60**	**30.00**	**30.10**	**29.75**	22.80	33.45	32.33	27.88
– close	**33.60**	**31.35**	**34.65**	**32.50**	32.20	33.95	39.25	31.93
Market capitalization ($ billions)	**16.6**	**15.5**	**17.1**	**16.0**	15.8	16.7	19.3	15.7

(1) The Quarterly Information has been prepared in accordance with Canadian generally accepted accounting principles (GAAP), other than the accounting for the one-time increase to the general provision for credit losses recorded as a direct charge to Retained Earnings in the fourth quarter of 1999, which is in accordance with the accounting requirements specified by the Superintendent of Financial Institutions Canada under the Bank Act, as described in Note 20 of the Financial Statements and page 39 of the MD&A. Had the one-time increase to the general provision been recorded as a charge to the Statement of Income, the fourth quarter 1999 provision for credit losses would have been $709 million, provision for income taxes ($30) million, net income $88 million, return on common shareholders' equity 2.5%, net income per common share $0.12 and dividend payout ratio 195.7%.

(2) Excludes reverse repos.

1999 Consolidated Financial Statements

Table of Contents

Consolidated Financial Statements

Management's Responsibility for Financial Information

The management of The Bank of Nova Scotia is responsible for the integrity and objectivity of the financial information presented in this Annual Report. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, other than the accounting for the increase in the general provision for credit losses recorded as a direct charge to Retained Earnings, which is in accordance with accounting requirements of the Superintendent of Financial Institutions Canada under the Bank Act, as described in Note 20.

The consolidated financial statements reflect amounts which must of necessity be based on the best estimates and judgement of management with appropriate consideration as to materiality. Financial information presented elsewhere in this Annual Report is consistent with that shown in the accompanying 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, management 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, 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 system of internal controls is further supported by a professional staff of internal auditors who conduct periodic audits of all aspects of the Bank's operations. As well, the Bank's Chief Inspector has full and free access to, and meets periodically with, the Audit Committee of the Board of Directors.

The Superintendent of Financial Institutions Canada 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, composed entirely of outside Directors, reviews the consolidated financial statements with both management and the independent auditors before such statements are approved by the Board of Directors and submitted to the shareholders of the Bank.

The Conduct Review Committee of the Board of Directors, composed entirely of outside Directors, reviews and reports its findings to the Board of Directors on all related party transactions having a material impact on the Bank.

KPMG LLP and PricewaterhouseCoopers LLP, the independent auditors appointed by the shareholders of the Bank, have examined the consolidated financial statements of the Bank in accordance with Canadian 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.

Peter C. Godsoe
Chairman of the Board
and Chief Executive Officer

Bruce R. Birmingham
President

Sarabjit S. Marwah
Executive Vice-President
and Chief Financial Officer

Toronto, November 30, 1999

Auditors' Report

To the Shareholders of The Bank of Nova Scotia

We have audited the Consolidated Balance Sheets of The Bank of Nova Scotia as at October 31, 1999 and 1998, and the Consolidated Statements of Income, Changes in Shareholders' Equity and Cash Flows for each of the years in the three-year period ended October 31, 1999. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at October 31, 1999 and 1998, and the results of its operations and its cash flows for each of the years in the three-year period ended October 31, 1999, in accordance with Canadian generally accepted accounting principles, other than the accounting for the increase in the general provision for credit losses recorded as a direct charge to Retained Earnings, which is in accordance with accounting requirements of the Superintendent of Financial Institutions Canada under the Bank Act, as described in Note 20.

KPMG LLP
Chartered Accountants

PricewaterhouseCoopers LLP
Chartered Accountants

Toronto, November 30, 1999

Consolidated Balance Sheet

As at October 31 ($ millions)	**1999**	1998
Assets		
Cash resources		
Cash and deposits with Bank of Canada	**$ 1,944**	$ 2,360
Deposits with other banks	**15,171**	20,540
	17,115	22,900
Securities (Note 3)		
Investment	**20,030**	17,392
Trading	**13,939**	12,108
	33,969	29,500
Assets purchased under resale agreements	**13,921**	11,189
Loans (Note 4)		
Residential mortgages	**47,861**	45,818
Personal and credit cards	**16,396**	18,574
Business and governments	**67,681**	74,901
	131,938	139,293
Other		
Customers' liability under acceptances	**9,163**	8,888
Land, buildings and equipment (Note 6)	**1,681**	1,759
Other assets (Note 7)	**14,904**	20,059
	25,748	30,706
	$ 222,691	$ 233,588
Liabilities and shareholders' equity		
Deposits (Note 8)		
Personal	**$ 65,715**	$ 62,656
Business and governments	**64,070**	70,779
Banks	**26,833**	32,925
	156,618	166,360
Other		
Cheques and other items in transit, net	**60**	304
Acceptances	**9,163**	8,888
Obligations related to assets sold under repurchase agreements	**16,781**	14,603
Obligations related to securities sold short	**2,833**	3,121
Other liabilities (Note 9)	**20,258**	23,843
Non-controlling interest in subsidiaries	**198**	173
	49,293	50,932
Subordinated debentures (Note 10)	**5,374**	5,482
Shareholders' equity		
Capital stock (Note 11)		
Preferred shares	**1,775**	1,775
Common shares	**2,678**	2,625
Retained earnings	**6,953**	6,414
	11,406	10,814
	$ 222,691	$ 233,588

Peter C. Godsoe
Chairman of the Board and
Chief Executive Officer

Bruce R. Birmingham
President

Consolidated Statement of Income

For the year ended October 31 ($ millions except per share amounts)	**1999**	1998	1997
Interest income			
Loans	**$ 10,654**	$ 10,269	$ 8,082
Securities	**1,874**	1,815	1,636
Deposits with banks	**943**	1,007	770
	13,471	13,091	10,488
Interest expense			
Deposits	**7,284**	7,303	5,714
Subordinated debentures	**314**	354	260
Other	**1,201**	1,057	797
	8,799	8,714	6,771
Net interest income	**4,672**	4,377	3,717
Provision for credit losses (Note 5)[1]	**635**	595	35
Net interest income after provision for credit losses[1]	**4,037**	3,782	3,682
Other income			
Deposit and payment services	**602**	619	531
Investment management and trust	**331**	310	250
Credit fees	**543**	472	395
Investment banking	**979**	798	847
Net gain on investment securities	**343**	322	403
Securitization revenues	**155**	38	–
Other	**230**	299	257
	3,183	2,858	2,683
Net interest and other income[1]	**7,220**	6,640	6,365
Non-interest expenses			
Salaries	**2,297**	2,193	1,973
Pension contributions and other staff benefits	**330**	308	229
Premises and equipment, including depreciation	**1,007**	958	778
Other	**1,142**	987	829
Restructuring provision for National Trustco Inc. (Note 19)	**(20)**	–	250
	4,756	4,446	4,059
Income before the undernoted:[1]	**2,464**	2,194	2,306
Provision for income taxes (Note 12)[1]	**867**	762	758
Non-controlling interest in net income of subsidiaries	**46**	38	34
Net income[1]	**$ 1,551**	$ 1,394	$ 1,514
Preferred dividends paid	**$ 108**	$ 97	$ 99
Net income available to common shareholders[1]	**$ 1,443**	$ 1,297	$ 1,415
Average number of common shares outstanding (000's)[2]	**493,136**	490,914	478,972
Net income per common share[1][2]	**$ 2.93**	$ 2.64	$ 2.95
Dividends per common share[2]	**$ 0.87**	$ 0.80	$ 0.74

(1) Refer to Note 20 in respect of an increase in the general provision for credit losses, charged directly to retained earnings.
(2) Amounts have been retroactively adjusted to reflect the two-for-one stock split on February 12, 1998.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended October 31 ($ millions)	**1999**	1998	1997
Preferred shares (Note 11)			
Bank:			
Balance at beginning of year	**$ 1,525**	$ 1,218	$ 1,325
Issued	**–**	311	143
Redeemed	**–**	(4)	(250)
Balance at end of year	**1,525**	1,525	1,218
Scotia Mortgage Investment Corporation:			
Balance at beginning of year	**250**	250	–
Issued	**–**	–	250
Balance at end of year	**250**	250	250
Total preferred shares	**$ 1,775**	$ 1,775	$ 1,468
Common shares (Note 11)			
Balance at beginning of year	**$ 2,625**	$ 2,567	$ 2,161
Issued on acquisition of National Trustco Inc. (Note 19)	**–**	–	335
Issued under Shareholder Dividend and Share Purchase Plan, Stock Option Plan, and other	**53**	58	71
Balance at end of year	**$ 2,678**	$ 2,625	$ 2,567
Retained earnings			
Balance at beginning of year	**$ 6,414**	$ 5,363	$ 4,263
Net income (Note 20)	**1,551**	1,394	1,514
Dividends: Preferred	**(108)**	(97)	(99)
Common	**(429)**	(393)	(355)
Net unrealized foreign exchange (losses) gains	**(160)**	152	43
Net cost of shares issued and redeemed, and other	**(1)**	(5)	(3)
Increase in general provision for credit losses, net of income taxes (Note 20)	**(314)**	–	–
Balance at end of year	**$ 6,953**	$ 6,414	$ 5,363

Consolidated Statement of Cash Flows

For the year ended October 31 ($ millions)	**1999**	1998	1997
Cash flows provided by (used in) operating activities			
Net income (Note 20)	**$ 1,551**	$ 1,394	$ 1,514
Adjustments to net income to determine net cash provided by (used in) operating activities:			
Depreciation and amortization	**277**	248	217
Provision for credit losses	**635**	595	35
Deferred income taxes	**(26)**	(87)	41
Restructuring provision for National Trustco Inc. (Note 19)	**(20)**	–	250
Net decrease (increase) in accrued interest receivable	**149**	(307)	(850)
Net increase (decrease) in accrued interest payable	**710**	(64)	502
Net (increase) in trading securities	**(1,908)**	(1,064)	(760)
Net gains on investment securities	**(343)**	(322)	(403)
Other, net	**1,174**	(244)	265
Cash provided by operating activities	**2,199**	149	811
Cash flows provided by (used in) financing activities			
Net increase (decrease) in:			
Deposits	**(5,201)**	19,837	6,355
Obligations related to assets sold under repurchase agreements	**2,642**	2,552	3,470
Obligations related to securities sold short	**(260)**	(646)	(2,853)
Subordinated debentures:			
Proceeds from issues	**350**	1,025	1,835
Redemption of issues	**(360)**	(132)	–
Capital stock:			
Proceeds from preferred shares issued	**–**	307	393
Preferred shares redeemed	**–**	–	(250)
Proceeds from common shares issued under Shareholder Dividend and Share Purchase Plan, Stock Option Plan, and other	**22**	24	34
Cash dividends paid	**(507)**	(456)	(417)
Other, net	**(228)**	(242)	424
Cash (used in) provided by financing activities	**(3,542)**	22,269	8,991
Cash flows provided by (used in) investing activities			
Net (increase) decrease in:			
Deposits with other banks: non-operating	**4,306**	(1,377)	(2,416)
Assets purchased under resale agreements	**(3,095)**	(2,326)	858
Loans, excluding securitizations	**(6,632)**	(19,194)	(9,494)
Purchase of investment securities	**(22,713)**	(15,811)	(17,599)
Maturity of investment securities	**11,442**	7,834	9,469
Sale of investment securities	**9,159**	8,807	9,162
Proceeds from loans securitized	**9,144**	1,000	1,470
Change in land, buildings and equipment, net of disposals	**(216)**	(259)	(285)
Acquisition of National Trustco Inc. (Note 19)(1)	**–**	–	(800)
Cash provided by (used in) investing activities	**1,395**	(21,326)	(9,635)
Effect of exchange rate changes on cash and cash equivalents	**(176)**	151	(69)
(Decrease) increase in cash and cash equivalents	**(124)**	1,243	98
Cash and cash equivalents, beginning of year	**2,950**	1,707	1,609
Cash and cash equivalents, end of year	**$ 2,826**	$ 2,950	$ 1,707
Represented by:			
Cash resources per Consolidated Balance Sheet, adjusted for:	**$ 17,115**	$ 22,900	$ 18,174
Deposits with other banks: non-operating	**(13,127)**	(18,165)	(15,604)
Precious metals inventory	**(1,102)**	(1,481)	(523)
Cheques and other items in transit, net	**(60)**	(304)	(340)
Cash and cash equivalents, end of year	**$ 2,826**	$ 2,950	$ 1,707

(1) Net of cash and cash equivalents at date of acquisition of $70.

Cash disbursements made for:			
Interest	**$ 8,089**	$ 8,778	$ 6,269
Income taxes	**779**	743	747

Notes to the Consolidated Financial Statements

Index

1. Significant accounting policies

The consolidated financial statements of The Bank of Nova Scotia have been prepared in accordance with the Bank Act which states that, except as otherwise specified by the Superintendent of Financial Institutions Canada (the Superintendent), the financial statements are to be prepared in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies used in the preparation of these consolidated financial statements, including the accounting requirements of the Superintendent, are summarized on the following pages. The Superintendent has specified that the one-time increase in the general provision for credit losses be treated as a direct charge to Retained Earnings, which does not conform to GAAP, as described in Note 20. The accounting policies for all other financial statement items conform, in all material respects, to GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and income and expenses during the reporting period. Actual results could differ from those estimates.

Certain comparative amounts have been reclassified to conform with current year presentation.

Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Bank and all of its subsidiaries and effectively controlled associated corporations after the elimination of intercompany transactions and balances. Subsidiaries are defined as corporations controlled by the Bank which are normally corporations in which the Bank owns more than 50% of the voting shares. The purchase method is used to account for acquisitions of subsidiaries.

The cost of investments in subsidiaries in excess of fair value of the net identifiable assets acquired is amortized over the estimated periods to be benefitted, not exceeding 20 years. The unamortized balance is recorded in Other Assets as goodwill. The value of goodwill is regularly evaluated by reviewing the returns of the related business, taking into account the risk associated with the investment. Any permanent impairment in the value of goodwill is written off against earnings. Identifiable intangible assets are amortized over the estimated periods to be benefitted and the unamortized balance is recorded in Other Assets. The values of identifiable intangibles are regularly evaluated for impairment by reviewing the amount of the estimated future net cash flows.

Investments in associated corporations, where the Bank has significant influence which is normally evidenced by direct or indirect ownership of between 20% and 50% of the voting shares, are carried on the equity basis of accounting and are included in Investment Securities in the Consolidated Balance Sheet. The Bank's share of earnings of such corporations is included in Interest Income from Securities in the Consolidated Statement of Income.

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, except for the following which are recorded at historical Canadian dollar cost: land, buildings and equipment and foreign currency equity investments not funded in the same currency as the investments. All revenues and expenses denominated in foreign currencies are translated using average exchange rates except for depreciation, which is based on the historical Canadian dollar cost of the related assets.

Unrealized translation gains and losses which arise upon consolidation of net foreign currency investment positions in branches, subsidiaries and associated corporations, net of applicable income taxes, together with any gains or losses arising from hedges of those net investment positions, are credited or charged to Retained Earnings, except as noted below. 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.

Translation gains and losses arising from self-sustaining subsidiaries and branches operating in highly inflationary environments, if any, are included in Other Income – Investment Banking.

Securities

Securities are held in either the trading or investment portfolio.

Trading securities are intended to be held for a short period of time and are carried at market value. Gains and losses on disposal and adjustments to market value are included in Other Income – Investment Banking.

Investment securities comprise debt and equity securities held for liquidity and longer term investment. Equity securities in which the Bank's holdings of voting shares are less than 20% are carried at cost, except where significant influence is demonstrated. Debt securities held in the investment account are carried at amortized cost with premiums and discounts being amortized to income over the period to maturity. When there has been a decline in value of debt or equity securities that is other than temporary, the carrying value of the securities is appropriately reduced. Such reductions, if any, together with gains and losses on disposals are included in Other Income – Net Gain on Investment Securities.

Included in the investment portfolio are bonds received from the conversion of loans to designated emerging markets which are recorded at their face value net of the related country risk provision. Loan substitute securities are customer financings which have been restructured as after-tax investments rather than conventional loans in order to provide the issuers with a lower borrowing rate. Such securities are accorded the accounting treatment applicable to loans.

Assets purchased/sold under resale/repurchase agreements

The purchase and sale of securities under resale and repurchase agreements are treated as collateralized lending and borrowing transactions. The related interest income and interest expense are recorded on an accrual basis.

Loans

Loans are stated net of any unearned income and of an allowance for credit losses. Interest income is accounted for on the accrual basis for all loans other than impaired loans. Accrued interest is included in Other Assets in the Consolidated Balance Sheet.

A loan is classified as impaired when, in management's opinion, there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. If a payment on a loan is contractually 90 days in arrears, the loan will be classified as impaired, if not already classified as such, unless the loan is fully secured, the collection of the debt is in process and the collection efforts are reasonably expected to result in repayment of the loan or in restoring it to a current status within 180 days from the date a payment has become contractually in arrears. Finally, a loan that is contractually 180 days in arrears is classified as impaired in all situations, except when it is guaranteed or insured by the Canadian government, the provinces or a Canadian government agency; such loans are classified as impaired if the loan is contractually in arrears for 365 days. Any credit card loan that has a payment that is contractually 180 days in arrears is written off.

When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases. For those sovereign risk loans to which the related country risk provision applies, interest continues to be accrued in income, except when the loans are classified as impaired. Interest received on impaired loans is credited to the carrying value of the loan.

Loans are generally returned to accrual status when the timely collection of both principal and interest is reasonably assured and all delinquent principal and interest payments are brought current.

Loan fees are recognized in income over the appropriate lending or commitment period.

Allowance for credit losses

The Bank maintains an allowance for credit losses, which in management's opinion, is adequate to absorb all credit-related losses in its portfolio of both on and off-balance sheet items, including deposits with other banks, loan substitute securities, assets purchased under resale agreements, loans, acceptances, derivative instruments and other indirect credit commitments, such as letters of credit and guarantees. The allowance for credit losses consists of specific provisions, a general provision, and a country risk provision, each of which is reviewed on a regular basis. The allowance for credit losses against on-balance sheet items is included as a reduction of the related asset category, and allowances relating to off-balance sheet items are included in Other Liabilities.

Specific provisions, except those relating to credit card loans and certain personal loans, are determined on an item-by-item basis and reflect the associated estimated credit loss. In the case of loans, the specific provision is the amount that is required to reduce the carrying value of an impaired loan to its estimated realizable amount. Generally, the estimated realizable amount is measured by discounting the expected future cash flows at the effective interest rate inherent in the loan at the date of impairment. When the amounts and timing of future cash flows cannot be measured with reasonable reliability, either the fair value of any security underlying the loan, net of expected costs of realization and any amounts legally required to be paid to the borrower, or the observable market price for the loan is used to measure the estimated realizable amount. The change in the present value attributable to the passage of time on the expected future cash flows is reported as a reduction of the Provision for Credit Losses in the Consolidated Statement of Income. Specific provisions for credit card loans and certain personal loans are calculated using a formula method taking into account recent loss experience.

The general provision is established against the loan portfolio in respect of the Bank's core business lines where a prudent assessment by the Bank of past experience and existing economic and portfolio conditions indicate that losses have occurred, but where such losses cannot be determined on an item-by-item basis. The general provision is determined by using historical trends in loss experience, weighted to emphasize recent periods, and the current portfolio profile together with management's evaluation of other conditions existing at the balance sheet date which are not reflected in historical trends. In accordance with a specification from the Superintendent, the Bank charged a portion of the 1999 increase to the general provision, net of income taxes, to Retained Earnings, as described in Note 20.

The country risk provision is maintained in accordance with instructions issued by the Superintendent based on total transborder exposure to a prescribed group of countries. In accordance with those instructions, any new exposures to those designated emerging markets after October 31, 1995, are subject to the same procedures as those used for determining specific provisions referred to above.

Loan securitizations

When the Bank enters into a transaction to transfer loans to an unrelated third party, the Bank treats the transfer as a sale, provided that the significant risks and rewards of ownership have been transferred and there is reasonable assurance regarding the measurement of the consideration derived. If the above criteria are not satisfied, then the transfer is treated as a financing transaction. If treated as a sale, the loan assets are removed from the balance sheet. In determining the gain or loss on sale, issuance costs are deducted from the sale proceeds. Losses on sales are recognized immediately. To the extent that there is recourse to the Bank under the transaction in excess of expected losses under recourse provisions, any gain on sale is not recognized and is deferred until it is collected in cash and there is no recourse to the cash. Where the Bank continues to service the assets sold, the normal servicing fee is recognized over the servicing period as earned. Net gains and losses on securitizations and servicing fees are reported in Other Income – Securitization revenues.

Acceptances

The Bank's potential liability under acceptances is reported as a liability in the Consolidated Balance Sheet. 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. Fees earned are reported in Other Income – Credit Fees.

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 life of the related asset as follows: buildings – 40 years, equipment – 3 to 10 years, and leasehold improvements – term of lease plus one renewal option period.

Net gains and losses on disposal are included in Other Income – Other, in the year of disposal.

Income taxes

The Bank follows the tax allocation basis of accounting for income taxes, whereby 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 recovered.

These provisions or recoveries include the income taxes applicable to income included in the Consolidated Statement of Income and amounts charged or credited directly to Retained Earnings. Deferred income taxes, accumulated as a result of timing differences, are included in Other Assets or Other Liabilities as applicable.

Precious metals

The precious metals inventory is carried at market value and is included in Cash and Deposits with Bank of Canada. The liability arising from outstanding certificates is also carried at market value and included in Other Liabilities.

Derivative instruments

Derivative instruments are financial contracts whose value is derived from interest rates, foreign exchange rates or other financial or commodity indices. Most derivative instruments can be characterized as interest rate contracts, foreign exchange contracts, commodity contracts or equity contracts. Derivative instruments are either exchange-traded contracts or negotiated over-the-counter contracts. Exchange-traded derivatives include futures and option contracts. Negotiated over-the-counter derivatives include swaps, forwards and options.

The Bank enters into these derivative instruments to accommodate the risk management needs of its customers, for proprietary trading and for asset/liability management purposes.

Derivative instruments designated as "trading" include derivatives entered into with customers to accommodate their risk management needs and derivatives transacted to generate trading income from the Bank's proprietary trading positions. Trading derivatives are carried at their fair values. The gains and losses resulting from changes in fair values are included in Other Income – Investment Banking. Unrealized gains and unrealized losses on trading derivatives are included in Other Assets and Other Liabilities respectively. An element of revenue estimated to be sufficient to provide for future risks and administrative expenses associated with swaps and interest rate options is deferred and amortized to Other Income – Investment Banking, over the life of the contracts.

Derivative instruments designated as "asset/liability management" are those used to manage the Bank's interest rate and foreign currency exposures, which include instruments designated as hedges. Where derivatives have been designated and function effectively as hedges, income and expense on these derivatives are recognized over the life of the related position as an adjustment to Net Interest Income. Realized gains and losses on terminated contracts are deferred and amortized over the remaining life of the related position. Accrued income and expense and deferred gains and losses are included in Other Assets and Other Liabilities, as appropriate.

Pensions and other post-retirement benefits

The Bank maintains pension plans to provide benefits to employees in Canada, the United States and other international operations. Assets of the pension funds are valued using a valuation method that spreads all realized and unrealized capital gains and losses over a five-year period. An actuarial valuation is performed each year to determine the present value of the accrued pension obligations based on management's best estimates of various assumptions, such as projected employee compensation levels and rates of return on investments.

The cumulative difference between pension expense and funding contributions is included in Other Assets or Other Liabilities, as appropriate.

Pension expense is comprised of (a) the actuarially determined pension benefits for the current year's service, (b) imputed interest on the net funding excess or deficiency of the plan and (c) amortization of certain items over the expected average remaining service life of employees. The items amortized are experience gains and losses, amounts arising as a result of changes in assumptions and plan amendments, and the net funding excess at the date the current accounting policy was implemented.

The Bank also provides post-retirement benefits for employees which include health and dental care, and life insurance benefits. The cost of these benefits is included in Pension Contributions and Other Staff Benefits as incurred.

2. Future accounting changes

a) Corporate income taxes

The Canadian Institute of Chartered Accountants (CICA) issued a new accounting standard for income taxes, effective for fiscal year 2001. This standard will essentially harmonize Canadian corporate income tax accounting with the standards in the United States.

The standard will require adoption of the liability method whereby the measurement of future income tax assets and liabilities would be at the tax rates expected to apply when the asset is realized or the liability settled.

The adoption of this new standard is not expected to have a material impact on the Bank's Consolidated Financial Statements.

b) Employee future benefits

The CICA issued a new accounting standard for employee future benefits, effective for fiscal year 2001. This standard will essentially harmonize Canadian accounting standards for employee future benefits with the standards in the United States.

For pension benefits, the new standard will require the use of current market rates to estimate the present value of the pension liability. As well, any substantive commitment to provide future benefits must be accrued. For employee future benefits other than pensions, the new standard will require the recognition of employer's expected cost and obligation of providing post-retirement benefits, mainly health costs and life insurance, as employees earn the entitlement to benefits. The calculation of the obligation is similar to pensions in that it is actuarially based.

The impact on the Bank's Consolidated Financial Statements and method of adoption are currently being assessed.

3. Securities

As at October 31 ($ millions)	Remaining term to maturity: Within 3 months	Three to 12 months	One to 5 years	Over 5 years	No specific maturity	**1999 Carrying value**	1998 Carrying value
Investment securities							
Canadian federal government debt	$ 343	$ 1,933	$ 1,852	$ 540	$ –	**$ 4,668**	$ 3,764
Canadian provincial and municipal debt	15	118	1,122	353	–	**1,608**	714
Foreign government debt	688	590	2,073	2,206	–	**5,557**	4,966
Bonds of designated emerging markets[(1)]	–	–	–	1,257	–	**1,257**	1,317
Other debt	1,040	185	1,017	716	–	**2,958**	2,314
Preferred shares	32	–	5	107	1,271[(2)]	**1,415**	1,232
Common shares	–	–	–	–	1,889	**1,889**	2,081
Associated corporations	–	–	213	–	337[(3)]	**550**	674
Loan substitute securities	–	68	60	–	–	**128**	330
Total	2,118	2,894	6,342	5,179	3,497	**20,030**	17,392
Trading securities[(4)]							
Canadian federal government debt	238	732	1,179	1,206	–	**3,355**	3,886
Canadian provincial and municipal debt	75	104	338	809	–	**1,326**	1,359
Foreign government debt	109	283	108	180	–	**680**	484
Common shares	–	–	–	–	5,965	**5,965**	3,207
Other	1,291	283	396	543	100	**2,613**	3,172
Total	1,713	1,402	2,021	2,738	6,065	**13,939**	12,108
Total securities	$ 3,831	$ 4,296	$ 8,363	$ 7,917	$ 9,562	**$ 33,969**	$ 29,500
Total by currency (in Canadian equivalent)							
Canadian dollar	$ 1,872	$ 3,044	$ 4,088	$ 2,907	$ 7,140	**$ 19,051**	$ 17,688
U.S. dollar	1,432	573	3,179	4,404	1,958	**11,546**	8,924
Other currencies	527	679	1,096	606	464	**3,372**	2,888
Total securities	$ 3,831	$ 4,296	$ 8,363	$ 7,917	$ 9,562	**$ 33,969**	$ 29,500

(1) This includes restructured bonds of designated emerging markets after deducting a country risk provision of $482 (1998 – $507). Refer to Note 5.
(2) Although these securities have no stated term, most of them provide the Bank with various means to retract or dispose of these shares on earlier dates.
(3) Equity securities of associated corporations have no stated term and have been classified in the "No specific maturity" column.
(4) Trading securities are carried at market value.

An analysis of unrealized gains and losses on investment securities is as follows:

As at October 31 ($ millions)	**1999 Carrying value**	**Gross unrealized gains**	**Gross unrealized losses**	**Estimated market value**	1998 Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated market value
Investment securities								
Canadian federal government debt	**$ 4,668**	**$ 4**	**$ 24**	**$ 4,648**	$ 3,764	$ 38	$ 5	$ 3,797
Canadian provincial and municipal debt	**1,608**	**19**	**47**	**1,580**	714	35	1	748
Foreign government debt	**5,557**	**105**	**48**	**5,614**	4,966	108	66	5,008
Bonds of designated emerging markets	**1,257**	**308**	**–**	**1,565**	1,317	225	–	1,542
Other debt	**2,958**	**10**	**25**	**2,943**	2,314	60	1	2,373
Preferred shares	**1,415**	**19**	**20**	**1,414**	1,232	55	33	1,254
Common shares	**1,889**	**388**	**113**	**2,164**	2,081	215	143	2,153
Associated corporations	**550**	**–**	**–**	**550**	674	–	–	674
Loan substitute securities	**128**	**–**	**–**	**128**	330	–	–	330
Total investment securities	**$ 20,030**	**$ 853**	**$ 277**	**$ 20,606**	$ 17,392	$ 736	$ 249	$ 17,879

The net unrealized gains on investment securities of $576 million (1998 – $487 million) decreased to $300 million (1998 – $81 million) after the net fair value of derivative instruments and other hedge amounts associated with these securities are taken into account.

4. Loans

a) Loans outstanding

The Bank's loans net of unearned income and the allowance for credit losses in respect of loans are as follows:

As at October 31 ($ millions)	**1999**	1998
Canada		
Residential mortgages	**$ 46,161**	$ 44,556
Personal and credit cards	**13,298**	15,394
Business and governments	**24,923**	24,399
	84,382	84,349
United States	**21,654**	27,512
Other international	**28,501**	29,366
	134,537	141,227
Less: allowance for credit losses	**2,599**	1,934
Total[(1)]	**$ 131,938**	$ 139,293

(1) Loans denominated in U.S. dollars amount to $39,550 (1998 – $46,003) and loans denominated in other foreign currencies amount to $13,211 (1998 – $13,772). Segmentation of assets is based upon the location of ultimate risk of the underlying assets.

b) Loans securitized

The outstanding securitized loans are as follows:

As at October 31 ($ millions)	**1999**	1998
Residential mortgages	**$ 2,900**	$ 1,240
Personal loans	**2,172**	722
Credit card loans	**1,990**	1,000
Business loans[(1)]	**3,986**	–
Total	**$ 11,048**	$ 2,962

(1) Excludes an additional amount of $673 in which the Bank retained an investment interest in the pool of business loans securitized. This retained interest is reported in Investment securities.

5. Impaired loans and allowance for credit losses

a) Impaired loans

As at October 31 ($ millions)						**1999**	1998
		Specific provisions[(1)]		Country			
	Gross[(1)(2)]	Individual	By group	risk provision	General provision	**Net**	Net
By loan type:							
Residential mortgages	$ 181	$ (36)	$ –	$ –	$	**$ 145**	$ 144
Personal and credit cards	329	(8)	(194)	–		**127**	110
Business and governments:							
Real estate	81	(8)	–	–		**73**	123
Other businesses	1,789	(990)	–	–		**799**	644
Designated emerging markets	25	–	–	(25)		**–**	–
General provision (Note 20)	–	–	–	–	(1,300)	**(1,300)**	(600)
Total	$ 2,405	$ (1,042)	$ (194)	$ (25)	$ (1,300)	**$ (156)**	$ 421
By geography:							
Canada						**$ 435**	$ 634
United States						**399**	160
Other international						**310**	227
Net impaired loans before general provision						**1,144**	1,021
General provision (Note 20)						**(1,300)**	(600)
Net						**$ (156)**	$ 421

(1) Included in the gross impaired loans and the specific provisions are foreclosed assets held for sale of $45 (1998 – $97) and $23 (1998 – $63) respectively.

(2) Gross impaired loans in U.S. dollars amount to $1,315 (1998 – $1,067) and those denominated in other foreign currencies amount to $258 (1998 – $189).

b) Allowance for credit losses

As at October 31 ($ millions)	Specific provisions	Country risk provision[1]	General provision	**1999**	1998	1997
Balance, beginning of year	$ 1,270	$ 571	$ 600	**$ 2,441**	$ 2,078	$ 2,327
Newly acquired subsidiaries – balance at date of acquisition[2]	–	–	–	**–**	160	138
Write offs[3]	(658)	–	–	**(658)**	(565)	(587)
Recoveries	138	–	–	**138**	57	70
Provision for credit losses charged to Income	485	–	150	**635**	595	35[4]
Provision for credit losses charged to Retained Earnings (Note 20)	–	–	550	**550**	–	–
Other, including foreign currency adjustment[5]	1	(26)	–	**(25)**	116	95
Balance, end of year	$ 1,236	$ 545	$ 1,300	**$ 3,081**	$ 2,441	$ 2,078

(1) Includes $482 (1998 – $507; 1997 – $453) which has been deducted from Securities.
(2) The balance for 1998 relates to the acquisition of Banco Quilmes. The balance for 1997 relates to the acquisition of National Trustco Inc.
(3) There were no write offs of loans restructured during the year (1998 – $11; 1997 – $16).
(4) Amounts are after reversing the country risk provision no longer required of $500 for 1997.
(5) This adjustment includes the effect of hedging the provision for credit losses of foreign currency denominated loans.

6. Land, buildings and equipment

As at October 31 ($ millions)	Cost	Accumulated depreciation & amortization	**Net book value 1999**	Net book value 1998
Land	$ 228	$ –	**$ 228**	$ 231
Buildings	937	299	**638**	708
Equipment	2,075	1,474	**601**	598
Leasehold improvements	533	319	**214**	222
Total	$ 3,773	$ 2,092	**$ 1,681**	$ 1,759

Depreciation and amortization in respect of the above buildings, equipment and leasehold improvements for the year amounted to $254 million (1998 – $225 million; 1997 – $185 million).

7. Other assets

As at October 31 ($ millions)	**1999**	1998
Unrealized gains on trading derivatives	**$ 8,039**	$ 13,675
Accrued interest	**2,288**	2,550
Accounts receivable	**794**	439
Deferred income taxes	**946**	697
Identifiable intangibles	**224**	239
Goodwill	**138**	148
Other	**2,475**	2,311
Total	**$ 14,904**	$ 20,059

8. Deposits

As at October 31 ($ millions)	Payable on demand	Payable after notice	Payable on a fixed date	**1999**	1998
Canada					
Personal	$ 1,667	$ 13,842	$ 41,127	**$ 56,636**	$ 54,019
Business and governments	6,268	5,687	16,848	**28,803**	28,624
Banks	50	–	480	**530**	630
	7,985	19,529	58,455	**85,969**	83,273
United States					
Personal	5	115	815	**935**	709
Business and governments	168	109	16,966	**17,243**	23,342
Banks	30	80	4,090	**4,200**	6,869
	203	304	21,871	**22,378**	30,920
Other international					
Personal	225	3,386	4,533	**8,144**	7,928
Business and governments	1,637	1,058	15,329	**18,024**	18,813
Banks	317	782	21,004	**22,103**	25,426
	2,179	5,226	40,866	**48,271**	52,167
Total[1]	$ 10,367	$ 25,059	$ 121,192	**$ 156,618**	$ 166,360

(1) Deposits denominated in U.S. dollars amount to $57,519 (1998 – $64,307) and deposits denominated in other foreign currencies amount to $22,161 (1998 – $25,286). Segmentation of deposits is based upon residency of depositor.

9. Other liabilities

As at October 31 ($ millions)	**1999**	1998
Unrealized losses on trading derivatives	**$ 8,651**	$ 14,360
Accrued interest	**3,223**	2,575
Accounts payable and accrued expenses	**1,376**	1,321
Deferred income	**323**	292
Liabilities of subsidiaries, other than deposits	**656**	730
Gold and silver certificates	**2,956**	3,311
Other	**3,073**	1,254
Total	**$ 20,258**	$ 23,843

10. Subordinated debentures

($ millions)

These debentures are direct, unsecured obligations of the Bank and are subordinate to the claims of the Bank's depositors and other creditors. The Bank, where appropriate, enters into interest rate and cross currency swaps to hedge the related risks. The outstanding debentures as at October 31 are:

Maturity date	Interest rate (%)	Terms[1] (currency in millions)	**1999**	1998
November, 1998	4.875	SFr 150	**$ –**	$ 171
October, 1999	9.0	US $22	**–**	34[2]
March, 2001	11.4		**4**	4[2]
March, 2001	10.75		**35**	35[2]
July, 2001	10.35	Redeemable at any time	**43**	43[2]
March, 2003	8.1		**116**	116[2]
May, 2003	6.875	US $250	**368**	386
March, 2004	7.4	¥0,000 with interest payable in Australian dollars; redeemed on March 29, 1999	**–**	132
December, 2006	6.0	Redeemable at any time. After December 4, 2001, interest will be payable at an annual rate equal to the 90 day Bankers' Acceptance rate plus 1%	**350**	350
June, 2007	6.25	Redeemable at any time. After June 12, 2002, interest will be payable at an annual rate equal to the 90 day Bankers' Acceptance rate plus 1%	**300**	300
July, 2007	6.5	US $500. Redeemable on any interest payment date on or after July 15, 2002. After July 15, 2002, interest will be payable at an annual rate equal to the US dollar three month LIBOR rate plus 1%	**736**	771
April, 2008	5.4	Redeemable at any time. After April 1, 2003, interest will be payable at an annual rate equal to the 90 day Bankers' Acceptance rate plus 1%	**600**	600
September, 2008	6.25	US $250	**368**	386
February, 2011	7.4	Redeemable on or after February 8, 2001. After February 8, 2006, interest will be payable at an annual rate equal to the 90 day Bankers' Acceptance rate plus 1%	**300**	300
July, 2012	6.25	Redeemable at any time. After July 16, 2007, interest will be payable at an annual rate equal to the 90 day Bankers' Acceptance rate plus 1%	**500**	500
July, 2013	5.65	Redeemable at any time. After July 22, 2008, interest will be payable at an annual rate equal to the 90 day Bankers' Acceptance rate plus 1%	**425**	425
September, 2013	8.3	Redeemable on or after September 27, 1998	**250**	250
May, 2014	5.75	Redeemable at any time. After May 12, 2009, interest will be payable at an annual rate equal to the 90 day Bankers' Acceptance rate plus 1%	**350**	–
June, 2025	8.9	Redeemable on or after June 20, 2000	**250**	250
August, 2085	Floating	US $258 (1998 US $278) bearing interest at a floating rate of the offered rate for six month Eurodollar deposits plus 0.125%; redeemable on any interest payment date	**379**	429
Total			**$ 5,374**	$ 5,482

The aggregate maturities of the debentures are as follows:

Less than 1 year	$ –
From 1 to 2 years	82
From 2 to 5 years	484
From 5 to 10 years	2,354
Over 10 years	2,454
	$ 5,374

(1) In accordance with the provisions of the Capital Adequacy Guideline of the Superintendent, all redemptions are subject to regulatory approval.

(2) In 1998, the Bank provided the holders of these subordinated debentures with a one-time option to convert their holdings into deposit instruments of the Bank bearing similar terms. Balances outstanding represent holders who did not exercise their option to convert.

11. Capital stock and stock option plan

a) Capital stock

Authorized:

Preferred Shares: An unlimited number of shares without nominal or par value, the aggregate consideration of which shall not exceed $4 billion.

Common Shares: An unlimited number of shares without nominal or par value, the aggregate consideration of which shall not exceed $5 billion.

Issued and fully paid as at October 31 ($ millions except share amounts)	**1999**		1998	
	Number of shares outstanding	**Amount**	Number of shares outstanding	Amount
Series 6 Preferred Shares[1]	**12,000,000**	**$ 300**	12,000,000	$ 300
Series 7 Preferred Shares[2]	**8,000,000**	**200**	8,000,000	200
Series 8 Preferred Shares[3]	**9,000,000**	**225**	9,000,000	225
Series 9 Preferred Shares[4]	**10,000,000**	**250**	10,000,000	250
Series 10 Preferred Shares[5]	**7,100**	**–**	7,100	–
Series 11 Preferred Shares[6]	**9,992,900**	**250**	9,992,900	250
Series 12 Preferred Shares[7]	**12,000,000**	**300**	12,000,000	300
Preferred Shares issued by the Bank	**61,000,000**	**$ 1,525**	61,000,000	$ 1,525
Preferred Shares issued by Scotia Mortgage Investment Corporation[8]	**250,000**	**250**	250,000	250
Total Preferred Shares	**61,250,000**	**$ 1,775**	61,250,000	$ 1,775
Common Shares:[9]				
Outstanding at beginning of year	**492,088,772**	**$ 2,625**	489,812,304	$ 2,567
Issued under Shareholder Dividend and Share Purchase Plan, and other[10]	**1,034,923**	**35**	1,229,071	41
Issued under Stock Option Plan (Note 11b)	**1,128,270**	**18**	1,047,397	17
Outstanding at end of year[10] (Note 11b)	**494,251,965**	**$ 2,678**	492,088,772	$ 2,625
Total capital stock		**$ 4,453**		$ 4,400

(1) Series 6 Non-cumulative Preferred Shares are entitled to non-cumulative preferential cash dividends payable quarterly in an amount per share of $0.446875. With regulatory approval, the shares may be redeemed by the Bank on or after October 29, 2002, in whole or in part, by either the payment of cash or the issuance of common shares. On and after April 28, 2003, the Series 6 Preferred Shares will be convertible at the option of the holder into common shares of the Bank, subject to the right of the Bank prior to the conversion date to redeem for cash or find substitute purchasers for such preferred shares.

(2) Series 7 Non-cumulative Preferred Shares are entitled to non-cumulative preferential cash dividends payable quarterly in an amount per share of $0.44375. With regulatory approval, the shares may be redeemed by the Bank on or after July 29, 2002, in whole or in part, at declining premiums, by either the payment of cash or the issuance of common shares. On and after January 27, 2005, the Series 7 Preferred Shares will be convertible at the option of the holder into common shares of the Bank, subject to the right of the Bank prior to the conversion date to redeem for cash or find substitute purchasers for such preferred shares.

(3) Series 8 Non-cumulative Preferred Shares are entitled to non-cumulative preferential cash dividends payable quarterly in an amount per share of $0.4375. With regulatory approval, the shares may be redeemed by the Bank on or after January 29, 2003, in whole or in part, at declining premiums, by either the payment of cash or the issuance of common shares. On and after July 27, 2005, the Series 8 Preferred Shares will be convertible at the option of the holder into common shares of the Bank, subject to the right of the Bank prior to the conversion date to redeem for cash or find substitute purchasers for such preferred shares.

(4) Series 9 Non-cumulative Preferred Shares are entitled to non-cumulative preferential cash dividends payable quarterly in an amount per share of $0.421875. With regulatory approval, the shares may be redeemed by the Bank on or after April 28, 2003, in whole or in part, at declining premiums, by either the payment of cash or the issuance of common shares. On and after October 27, 2005, the Series 9 Preferred Shares will be convertible at the option of the holder into common shares of the Bank, subject to the right of the Bank prior to the conversion date to redeem for cash or find substitute purchasers for such preferred shares.

(5) Series 10 Non-cumulative Preferred Shares are entitled to non-cumulative preferential cash dividends, payable quarterly in an amount per share of $0.02. With regulatory approval, the shares may be redeemed by the Bank at par on or after April 26, 2001, in whole or in part, by the payment in cash of $10.00 for each such share together with declared and unpaid dividends to the redemption date.

(6) Series 11 Non-cumulative Preferred Shares are entitled to non-cumulative preferential cash dividends payable quarterly in an amount per share of $0.375. With regulatory approval, the shares may be redeemed by the Bank on or

after January 28, 2004, in whole or in part, by either the payment of cash or the issuance of common shares. On and after January 27, 2006, the Series 11 Preferred Shares will be convertible at the option of the holder into common shares of the Bank, subject to the right of the Bank prior to the conversion date to redeem for cash or find substitute purchasers for such preferred shares.

(7) Series 12 Non-cumulative Preferred Shares, issued on July 14, 1998, are entitled to non-cumulative preferential cash dividends payable quarterly in an amount per share of $0.328125. The initial dividend, paid October 28, 1998, was $0.381164 per share. With regulatory approval, the shares may be redeemed by the Bank at par on or after October 29, 2013, in whole or in part, by the payment in cash of $25.00 per share, together with declared and unpaid dividends to the date fixed for redemption.

(8) Class A Preferred Shares are entitled to non-cumulative preferential cash dividends, if and when declared, payable semi-annually in an amount per share of $32.85. The first of such dividends were paid on April 30, 1998. Scotia Mortgage Investment Corporation is a mortgage investment corporation, as defined in the federal income tax act, and as such the dividends received by a holder of the Class A Preferred Shares, which is resident in Canada, will be treated as interest for Canadian federal income tax purposes. With regulatory approval, on or after October 31, 2007, Class A Preferred Shares may be redeemed in whole by the payment of cash by Scotia Mortgage Investment Corporation or, at the option of the Bank, exchanged for common shares of the Bank. On or after October 31, 2007, the Class A Preferred Shares will be exchangeable at the option of the holder into common shares of the Bank, subject to the right of the Bank prior to the exchange date to purchase for cash or find substitute purchasers for such shares. Under certain circumstances the Class A Preferred Shares of Scotia Mortgage Investment Corporation will be automatically exchanged, without the consent of the holder, into Series Z Non-cumulative Preferred Shares of the Bank which would bear the same dividend rate and similar redemption features.

(9) At the January 27, 1998, Annual General Meeting, the shareholders approved a proposal to subdivide the Bank's common shares on a two-for-one basis. The subdivision was effective at the close of business on February 12, 1998, the subdivision record date. Number of shares and per share amounts have been retroactively adjusted accordingly throughout these financial statements.

(10) As at October 31, 1999, common shares totalling 13,676,506 have been reserved for future issue under terms of the Shareholder Dividend and Share Purchase Plan.

b) Stock option plan

Under terms of the Stock Option Plan, options to purchase common shares may be granted to selected employees at an exercise price not less than the closing price of the common shares on the Toronto Stock Exchange on the last trade the day prior to the date of the grant. These options vest over a four year period and are exercisable no later than 10 years after the date of the grant. The outstanding stock options have exercise prices ranging from $13.25 to $35.10 and have a weighted average remaining contractual life of 7.6 years. They expire on dates ranging from June 3, 2004, to September 3, 2009.

A summary of the Bank's stock option activity is as follows:

	1999		1998[1]		1997[1]	
As at October 31	**Number of stock options (000's)**	**Weighted average exercise price**	Number of stock options (000's)	Weighted average exercise price	Number of stock options (000's)	Weighted average exercise price
Outstanding at beginning of year	**17,895**	**$ 23.81**	13,915	$ 18.91	11,354	$ 14.90
Granted	**5,904**	**31.64**	5,259	35.10	4,880	26.05
Exercised	**(1,128)**	**15.85**	(1,047)	16.26	(1,981)	14.06
Forfeited	**(222)**	**21.87**	(232)	20.20	(338)	15.65
Outstanding at end of year	**22,449**	**$ 26.29**	17,895	$ 23.81	13,915	$ 18.91
Exercisable at end of year	**9,260**	**$ 20.35**	6,363	$ 16.83	3,507	$ 14.68
Available for grant	**22,205**		2,887		7,915	

(1) Option amounts have been restated to reflect the two-for-one stock split on February 12, 1998.

12. Income taxes

For the year ended October 31 ($ millions)	**1999**	1998	1997
Income taxes reported in the financial statements are as follows:			
Consolidated Statement of Income	**$ 867**	$ 762	$ 758
Retained earnings:			
Income taxes related to:			
Unrealized foreign currency translation gains and losses	**13**	(63)	(32)
Cost of shares issued and redeemed	**–**	(3)	(3)
Increase in general provision for credit losses (Note 20)	**(236)**	–	–
Total income taxes	**$ 644**	$ 696	$ 723
The current and deferred income taxes are as follows:			
Current income taxes:			
Domestic			
Federal	**$ 300**	$ 315	$ 323
Provincial	**232**	183	135
Foreign	**361**	353	259
	893	851	717
Deferred income taxes:			
Domestic			
Federal	**(171)**	(134)	12
Provincial	**(86)**	(16)	(3)
Foreign	**8**	(5)	(3)
	(249)	(155)	6
Total income taxes	**$ 644**	$ 696	$ 723

For the year ended October 31 ($ millions)	**1999**		1998		1997	
Income taxes in the Consolidated Statement of Income vary from the amounts that would be computed by applying the composite federal and provincial statutory income tax rate for the following reasons:						
Income taxes at statutory rate	**$ 1,055**	**42.8%**	$ 939	42.8%	$ 989	42.9%
Increase (decrease) in income taxes resulting from:						
Lower average tax rate applicable to subsidiaries, associated corporations, and foreign branches	**(164)**	**(6.6)**	(173)	(7.8)	(128)	(5.5)
Tax-exempt income from securities	**(74)**	**(3.0)**	(66)	(3.0)	(59)	(2.6)
Other, net	**50**	**2.0**	62	2.8	(44)	(1.9)
Total income taxes and effective tax rate	**$ 867[(1)]**	**35.2%[(1)]**	$ 762	34.8%	$ 758	32.9%

(1) If the increase in general provision discussed in Note 20 had been charged to income, total income taxes would have been $631 and the effective tax rate would have been 33.0%.

As at October 31 ($ millions)	**1999**	1998
The tax effects of timing differences which give rise to the net deferred income tax asset reported in Other Assets are as follows:		
Deferred income tax asset:		
Allowance for credit losses	**$ 647**	$ 520
Deferred income	**105**	93
Securities	**128**	25
Other	**382**	390
	1,262	1,028
Deferred income tax liability:		
Premises and equipment	**69**	77
Pension fund	**165**	176
Other	**82**	78
	316	331
Net deferred income tax asset	**$ 946**	$ 697

The Bank has reasonable assurance that its net deferred income tax asset will be realized through future reversals of timing differences.

13. Pensions

The Bank operates several pension plans on behalf of its employees. The most recent actuarial valuation was prepared as of November 1, 1998. Total pension fund assets as at October 31, 1999, were $2,724 million (1998 – $2,544 million). The present value of accrued pension benefits attributed to service rendered to October 31, 1999, was approximately $2,156 million (1998 – $2,041 million).

14. Related party transactions

In the ordinary course of business, the Bank provides to its associated corporations normal banking services on terms similar to those offered to non-related parties.

15. Segmented results of operations

Scotiabank is a diversified financial services institution that provides a wide range of financial products and services to retail, commercial and corporate customers around the world. The Bank is organized into five operating ("business") segments: Domestic Banking, International Banking, Corporate Banking, Scotia Capital Markets and Group Treasury.

Domestic Banking provides a comprehensive array of retail and commercial banking services through branch and electronic delivery channels, to individuals and small to medium-sized businesses in Canada. The retail services include: consumer and mortgage lending, credit and debit card services, savings, chequing and retirement deposit products, personal trust services, mutual funds and transaction services. In addition to credit, commercial clients are provided with deposit and cash management services.

International Banking supplies retail and commercial banking services in over 50 countries through branches, subsidiaries and foreign affiliates. The products and services offered are generally the same as those in Domestic Banking.

Corporate Banking manages the Bank's global relationships with large corporations, institutions and governments. A wide range of credit and related services are provided to clients globally.

Scotia Capital Markets is an integrated investment bank which services the capital market and risk management needs of clients. The services include: bond and equity underwriting, foreign exchange, derivative products, retail brokerage and financial advisory services. Also, it conducts trading activities for its own account and manages the short-term funding of the Bank.

Next fiscal year the Bank will be integrating Corporate Banking and Scotia Capital Markets to form one business segment named Scotia Capital.

Group Treasury manages the liquidity requirements and medium and long-term funding of the Bank, as well as the Bank's portfolio of investment securities.

The results of these business segments are based upon the internal financial reporting systems of the Bank. The accounting policies used in these segments are generally consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. The only notable accounting measurement difference is the grossing up of tax-exempt net interest income to an equivalent before-tax basis for those affected segments.

Corporate Adjustments include the elimination of the tax-exempt income gross up included in the business segments' net interest income and provision for income taxes, general provision charges recorded in provision for credit losses, and certain restructuring charges in other non-interest expenses. Additionally, there are other corporate items which are not allocated to an operating segment.

Because of the complexity of the Bank, various estimates and allocation methodologies are used in the preparation of the business segment financial information. The assets and liabilities are transfer priced at wholesale market rates, and corporate expenses are allocated to each segment based on utilization. As well, capital is apportioned to the business segments on a risk-based methodology. Transactions between segments are recorded within segment results as if conducted with a third party and are eliminated on consolidation.

For the year ended October 31, 1999

A) Segment Income

($ millions) *taxable equivalent basis*	Domestic Banking	International Banking	Corporate Banking	Scotia Capital Markets	Group Treasury	Corporate Adjustments[1]	**Total**
Net interest income	$ 2,608	$ 1,095	$ 944	$ 292	$ 57	$ (324)	**$ 4,672**
Provision for credit losses	(233)	(115)	(136)	(1)	–	(150)[2]	**(635)[2]**
Other income	1,176	422	453	837	341	(46)	**3,183**
Net interest and other income	3,551	1,402	1,261	1,128	398	(520)	**7,220**
Amortization of capital assets and goodwill	(161)	(47)	(6)	(25)	(2)	(36)	**(277)**
Other non-interest expenses	(2,371)	(844)	(261)	(830)	(52)	(121)	**(4,479)**
Income before the undernoted:	1,019	511	994	273	344	(677)	**2,464**
Provision for income taxes	(409)	(160)	(390)	(117)	(132)	341	**(867)**
Non-controlling interest in net income of subsidiaries	–	(46)	–	–	–	–	**(46)**
Net income	$ 610	$ 305	$ 604	$ 156	$ 212	$ (336)[2]	**$ 1,551[2]**

B) Average Assets

($ billions)							
Total average assets	$ 80	$ 27	$ 44	$ 54	$ 15	$ 9	**$ 229**

For the year ended October 31, 1998

A) Segment Income

($ millions) taxable equivalent basis	Domestic Banking	International Banking	Corporate Banking	Scotia Capital Markets	Group Treasury	Corporate Adjustments[1]	Total
Net interest income	$ 2,739	$ 1,012	$ 687	$ 207	$ 27	$ (295)	$ 4,377
Provision for credit losses	(296)	(155)	(42)	(2)	–	(100)	(595)
Other income	963	352	389	796	252	106	2,858
Net interest and other income	3,406	1,209	1,034	1,001	279	(289)	6,640
Amortization of capital assets and goodwill	(136)	(39)	(9)	(23)	(1)	(40)	(248)
Other non-interest expenses	(2,249)	(693)	(323)	(844)	(54)	(35)	(4,198)
Income before the undernoted:	1,021	477	702	134	224	(364)	2,194
Provision for income taxes	(416)	(184)	(271)	(60)	(80)	249	(762)
Non-controlling interest in net income of subsidiaries	–	(38)	–	–	–	–	(38)
Net income	$ 605	$ 255	$ 431	$ 74	$ 144	$ (115)	$ 1,394
B) Average Assets *($ billions)*							
Total average assets	$ 78	$ 24	$ 39	$ 50	$ 14	$ 9	$ 214

For the year ended October 31, 1997

A) Segment Income

($ millions) taxable equivalent basis	Domestic Banking	International Banking	Corporate Banking	Scotia Capital Markets	Group Treasury	Corporate Adjustments[1]	Total
Net interest income	$ 2,277	$ 763	$ 502	$ 207	$ 102	$ (134)	$ 3,717
Provision for credit losses	(227)	326	46	–	–	(180)	(35)
Other income	787	201	355	757	415	168	2,683
Net interest and other income	2,837	1,290	903	964	517	(146)	6,365
Amortization of capital assets and goodwill	(108)	(24)	(11)	(23)	(1)	(50)	(217)
Other non-interest expenses	(1,826)	(495)	(297)	(736)	(34)	(454)	(3,842)
Income before the undernoted:	903	771	595	205	482	(650)	2,306
Provision for income taxes	(383)	(303)	(238)	(91)	(195)	452	(758)
Non-controlling interest in net income of subsidiaries	–	(34)	–	–	–	–	(34)
Net income	$ 520	$ 434	$ 357	$ 114	$ 287	$ (198)	$ 1,514
B) Average Assets *($ billions)*							
Total average assets	$ 62	$ 18	$ 33	$ 44	$ 12	$ 10	$ 179

(1) Significant amounts recorded in Corporate Adjustments include:

(a) elimination of the tax-exempt income gross up reported in net interest income and provision for income taxes of $163 in 1999, $129 in 1998, and $103 in 1997.

(b) increase in general provision reported in provision for credit losses of $150 in 1999 (Note 20), $100 in 1998, and $175 in 1997.

(c) National Trustco Inc. restructuring provision reported in other non-interest expenses of $250 in 1997.

(2) Refer to Note 20 in respect of an increase in the general provision for credit losses, charged directly to retained earnings.

The following table summarizes the Bank's financial results by geographic region. Revenues and expenses which have not been allocated back to specific operating business lines are reflected in Corporate Adjustments.

Geographical Segmentation[1]

For the year ended October 31, 1999 *($ millions)*	Canada	United States	Other International	**Total**
Net interest income	$ 2,919	$ 582	$ 1,345	**$ 4,846**
Provision for credit losses	(147)	(229)	(109)	**(485)**
Other income	2,209	456	564	**3,229**
Non-interest expenses	(3,307)	(236)	(1,056)	**(4,599)**
Provision for income taxes	(593)	(230)	(235)	**(1,058)**
Non-controlling interest in net income of subsidiaries	–	–	(46)	**(46)**
Income	$ 1,081	$ 343	$ 463	**$ 1,887**
Corporate adjustments				**(336)**[2]
Net income				**$ 1,551** [2]
Total average assets *($ billions)*	$ 129	$ 37	$ 54	**$ 220**
Corporate adjustments				**9**
Total average assets including corporate adjustments				**$ 229**

For the year ended October 31, 1998 *($ millions)*	Canada	United States	Other International	Total
Net interest income	$ 2,962	$ 403	$ 1,149	$ 4,514
Provision for credit losses	(297)	(55)	(143)	(495)
Other income	1,840	412	500	2,752
Non-interest expenses	(3,213)	(238)	(920)	(4,371)
Provision for income taxes	(454)	(211)	(188)	(853)
Non-controlling interest in net income of subsidiaries	–	–	(38)	(38)
Income	$ 838	$ 311	$ 360	$ 1,509
Corporate adjustments				(115)
Net income				$ 1,394
Total average assets *($ billions)*	$ 127	$ 30	$ 48	$ 205
Corporate adjustments				9
Total average assets including corporate adjustments				$ 214

For the year ended October 31, 1997 *($ millions)*	Canada	United States	Other International	Total
Net interest income	$ 2,561	$ 287	$ 877	$ 3,725
Provision for credit losses	(204)	12	337	145
Other income	1,756	485	274	2,515
Non-interest expenses	(2,689)	(204)	(662)	(3,555)
Provision for income taxes	(548)	(244)	(292)	(1,084)
Non-controlling interest in net income of subsidiaries	–	–	(34)	(34)
Income	$ 876	$ 336	$ 500	$ 1,712
Corporate adjustments				(198)
Net income				$ 1,514
Total average assets *($ billions)*	$ 106	$ 24	$ 39	$ 169
Corporate adjustments				10
Total average assets including corporate adjustments				$ 179

(1) Revenues are attributed to countries based on where services are performed or assets are recorded.
(2) Refer to Note 20 in respect of an increase in the general provision for credit losses, charged directly to retained earnings.

16. Commitments and contingent liabilities

a) Indirect credit commitments

In the normal course of business, various indirect credit commitments are outstanding which are not reflected in the consolidated financial statements. These may include:

- Guarantees and standby letters of credit which represent an irrevocable obligation to pay a third party when a customer does not meet its contractual financial or performance obligations.
- Documentary and commercial letters of credit which require the Bank to honour drafts presented by a third party when specific activities are completed.
- Commitments to extend credit which represent undertakings to make credit available in the form of loans or other financings for specific amounts and maturities, subject to specific conditions.
- Securities lending transactions under which the Bank, acting as agent, agrees to lend a customer's securities to a borrower. The borrower must fully collateralize the security loan at all times. The Bank indemnifies the customer against credit risk in the event the borrower defaults and fails to return the lent securities.

These financial instruments are subject to normal credit standards, financial controls and monitoring procedures.

The table below provides a detailed breakdown of the Bank's off-balance sheet indirect credit commitments expressed in terms of the contractual amounts of the related commitment or contract. Losses, if any, that may result from these transactions are not expected to be material.

As at October 31 ($ millions)	**1999**	1998
Guarantees and standby letters of credit	**$ 10,803**	$ 10,285
Documentary and commercial letters of credit	**736**	1,181
Commitments to extend credit:		
Original term to maturity of one year or less	**71,902**	53,587
Original term to maturity of more than one year	**43,060**	47,946
Securities lending	**955**	1,451
Total off-balance sheet indirect credit commitments	**$ 127,456**	$ 114,450

b) Lease commitments

Minimum future rental commitments at October 31, 1999, for buildings and equipment under long-term, non-cancellable leases are shown below.

For the year ($ millions)	
2000	**$ 158**
2001	**133**
2002	**111**
2003	**94**
2004	**78**
2005 and thereafter	**680**
Total	**$ 1,254**

Building rent expense, net of rental income from subleases, included in the Consolidated Statement of Income was $187 million (1998 – $172 million; 1997 – $157 million).

c) Pledging of assets

In the ordinary course of business, securities and other assets are pledged against liabilities. Details of assets pledged are shown below:

As at October 31 ($ millions)	**1999**	1998
Assets pledged to:		
Bank of Canada[1]	**$ 73**	$ 65
Foreign governments and central banks[1]	**1,439**	1,070
Clearing systems, payment systems and depositories[1]	**290**	704
Assets pledged in relation to exchange-traded derivative transactions	**89**	29
Assets pledged as collateral related to:		
Securities borrowed	**4,900**	5,275
Obligations related to assets sold under repurchase agreements	**16,781**	14,603
Call loans	**93**	57
Over-the-counter derivative transactions	**70**	–
Total	**$ 23,735**	$ 21,803

(1) Includes assets pledged in order to participate in clearing and payment systems and depositories or to have access to the facilities of central banks in foreign jurisdictions.

d) Litigation

In the ordinary course of business the Bank and its subsidiaries have legal proceedings brought against them. Management does not expect the outcome of these proceedings, in aggregate, to have a material adverse effect on the Bank's consolidated financial position or results of operations.

e) Year 2000

The Year 2000 issue arises because many existing computerized systems identify a year with two digits, rather than four. Such systems, if not modified or replaced, may recognize a date using "00" as the year 1900 or some other date, rather than the year 2000. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000. If the Year 2000 issue is not addressed, the effect on operations and financial reporting may range from minor computational errors to significant systems failure, which could affect the Bank's ability to conduct normal business activities.

Due to the uncertainty inherent in the Year 2000 issue, it is not possible to be certain that all aspects of this issue, including those related to the efforts of customers, suppliers, or other third parties, will be resolved and that the problems will not adversely affect the Bank. In addition, the failure of the Bank's borrowers to fully address the Year 2000 issue may result in increases in impaired loans and provisions for credit losses in future years.

17. Financial instruments

a) Fair value

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Many of the Bank's financial instruments lack an available trading market. Therefore, these instruments have been valued using present value or other valuation techniques and may not necessarily be indicative of the amounts realizable in an immediate settlement of the instruments. In addition, the calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values.

Changes in interest rates are the main cause of changes in the fair value of the Bank's financial instruments. The majority of the Bank's financial instruments are carried at historical cost and are not adjusted to reflect increases or decreases in fair value due to market fluctuations, including those due to interest rate changes. For those financial instruments held for trading purposes, the carrying value is adjusted regularly to reflect the fair value.

The following table sets out the fair values of on-balance sheet financial instruments and derivative instruments of the Bank using the valuation methods and assumptions described below. The fair values disclosed do not reflect the value of assets and liabilities that are not considered financial instruments, such as land, buildings and equipment.

	1999					1998		
	Fair value							
As at October 31 ($ millions)	Trading	Non-trading	**Total**	**Total book value**	**Favourable/ (Unfavourable)**	Total fair value	Total book value	Favourable/ (Unfavourable)
Assets								
Cash resources	$ –	$ 17,115	**$17,115**	**$ 17,115**	**$ –**	$ 22,900	$ 22,900	$ –
Securities (Note 3)	13,939	20,606	**34,545**	**33,969**	**576[1]**	29,987	29,500	487[1]
Assets purchased under resale agreements	13,921	–	**13,921**	**13,921**	**–**	11,189	11,189	–
Loans	–	131,396	**131,396**	**131,938**	**(542)**	140,161	139,293	868
Customers' liability under acceptances	–	9,163	**9,163**	**9,163**	**–**	8,888	8,888	–
Other	–	3,832	**3,832**	**3,832**	**–**	3,273	3,273	–
Liabilities								
Deposits	–	157,015	**157,015**	**156,618**	**(397)**	167,509	166,360	(1,149)
Acceptances	–	9,163	**9,163**	**9,163**	**–**	8,888	8,888	–
Obligations related to assets sold under repurchase agreements	16,781	–	**16,781**	**16,781**	**–**	14,603	14,603	–
Obligations related to securities sold short	2,833	–	**2,833**	**2,833**	**–**	3,121	3,121	–
Other	–	10,614	**10,614**	**10,614**	**–**	8,935	8,935	–
Subordinated debentures	–	5,261	**5,261**	**5,374**	**113**	5,617	5,482	(135)
Derivatives (Note 18)	(612)	603	**(9)**	**(179)[2]**	**170**	296	93[2]	203

(1) This excludes deferred realized hedge losses on securities of $237 (1998 – $329).
(2) This amount represents a net liability in 1999, and a net asset in 1998.

The book value of financial assets and financial liabilities held for purposes other than trading may exceed its fair value due primarily to changes in interest rates. In such instances, the Bank does not reduce the book value of these financial assets and financial liabilities to their fair values as it is the Bank's intention to hold them to maturity.

Determination of fair value

The following methods and assumptions were used to estimate the fair values of on-balance sheet financial instruments:

The fair values of Cash Resources, Assets Purchased under Resale Agreements, Customers' Liability under Acceptances, Other Assets, Obligations Related to Assets Sold under Repurchase Agreements, Obligations Related to Securities Sold Short, Acceptances and Other Liabilities are assumed to approximate their carrying values, due to their short-term nature.

The fair value of securities is assumed to be equal to the estimated market value of securities provided in Note 3. These values are based on quoted market prices, when available. When a quoted price is not readily available, market values are estimated using quoted market prices of similar securities, or other valuation techniques.

The estimated fair value of loans reflects changes in the general level of interest rates that have occurred since the loans were originated. The particular valuation methods used are as follows:

– For loans to designated emerging markets, fair value is based on quoted market prices.
– For floating rate loans, fair value is assumed to be equal to book value as the interest rates on these loans automatically reprice to market.
– For all other loans, fair value is determined by discounting the expected future cash flows of these loans at market rates for loans with similar terms and risks.

The fair values of deposits payable on demand or after notice or floating rate deposits payable on a fixed date are assumed to be equal to their carrying values. The estimated fair values of fixed rate deposits payable on a fixed date are determined by discounting the contractual cash flows, using market interest rates currently offered for deposits with similar terms and risks.

The fair values of subordinated debentures and liabilities of subsidiaries, other than deposits (included in other liabilities), are determined by reference to current market prices for debt with similar terms and risks.

b) Interest rate risk

The following table summarizes carrying amounts of balance sheet assets, liabilities and equity, and off-balance sheet financial instruments in order to arrive at the Bank's interest rate gap based on the earlier of contractual repricing or maturity dates. To arrive at the Bank's view of its effective interest rate gap, adjustments are made to factor in expected mortgage and loan repayments based on historical patterns, and to reclassify the Bank's trading instruments to the immediately rate sensitive category.

	1999						
As at October 31 ($ millions)	Immediately rate sensitive [1]	Within 3 months	Three to 12 months	One to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	$ 1,463	$ 10,445	$ 2,970	$ 5	$ –	$ 2,232	$ 17,115
Investment securities	504	2,427	3,340	5,445	4,817	3,497 [2]	20,030
Trading securities	648	1,750	946	1,915	2,615	6,065	13,939
Assets purchased under resale agreements	–	12,720	1,024	177	–	–	13,921
Loans	23,297	44,168	17,633	44,578	2,409	(147) [3]	131,938
Other assets	–	–	–	–	–	25,748 [4]	25,748
Total assets	25,912	71,510	25,913	52,120	9,841	37,395	222,691
Deposits	11,364	79,330	36,670	17,501	281	11,472	156,618
Obligations related to assets sold under repurchase agreements	–	15,763	1,018	–	–	–	16,781
Obligations related to securities sold short	–	169	240	516	1,576	332	2,833
Subordinated debentures	–	–	380	2,551	2,443	–	5,374
Other liabilities	–	–	–	–	–	29,679 [4]	29,679
Shareholders' equity	–	–	–	–	–	11,406 [4]	11,406
Total liabilities and shareholders' equity	11,364	95,262	38,308	20,568	4,300	52,889	222,691
On-balance sheet gap	14,548	(23,752)	(12,395)	31,552	5,541	(15,494)	–
Off-balance sheet gap	–	(6,918)	10,449	(4,974)	1,443	–	–
Interest rate sensitivity gap based on contractual repricing	14,548	(30,670)	(1,946)	26,578	6,984	(15,494)	–
Adjustment to expected repricing	1,808	4,908	(418)	(2,936)	(2,065)	(1,297)	–
Total interest rate sensitivity gap	**$ 16,356**	**$ (25,762)**	**$ (2,364)**	**$ 23,642**	**$ 4,919**	**$ (16,791)**	**$ –**
Cumulative gap	**16,356**	**(9,406)**	**(11,770)**	**11,872**	**16,791**	**–**	**–**
As at October 31, 1998							
Total interest rate sensitivity gap	$ 14,536	$ (26,422)	$ 2,285	$ 20,490	$ 3,547	$ (14,436)	$ –
Cumulative gap	14,536	(11,886)	(9,601)	10,889	14,436	–	–

(1) Represents those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis, for example, prime rate loans.
(2) This includes financial instruments such as common shares, non-term preferred shares, and shares in associated corporations.
(3) This includes impaired loans.
(4) This includes non-financial instruments.

The tables on the following page summarize average effective yields, by the earlier of the contractual repricing or maturity dates, for the following on-balance sheet rate-sensitive financial instruments (these rates are shown before and after adjusting for the impact of related derivatives used by the Bank for asset/liability risk management purposes).

Average effective yields by the earlier of the contractual repricing or maturity dates:

	1999						
	Unadjusted						
As at October 31 (%)	Immediately rate sensitive	Within 3 months	Three to 12 months	One to 5 years	Over 5 years	**Total**	**Adjusted total** [1]
Cash resources	4.9%	5.0%	5.3%	5.0%	–%	**5.1%**	**5.1%**
Investment securities[2]	4.6	9.1	8.0	6.3	5.9	**6.9**	**6.8**
Trading securities	5.0	4.3	5.2	6.1	6.5	**5.6**	**5.6**
Assets purchased under resale agreements[3]	–	4.9	5.0	5.4	–	**4.9**	**4.9**
Loans[4]	8.1	7.0	7.4	7.0	7.1	**7.2**	**7.2**
Deposits[3]	4.0	4.8	5.3	5.5	5.5	**4.9**	**5.2**
Obligations related to assets sold under repurchase agreements[3]	–	4.8	4.9	–	–	**4.8**	**4.8**
Obligations related to securities sold short	–	4.7	5.1	6.1	6.4	**6.1**	**6.1**
Subordinated debentures[3]	–	–	5.8	6.5	6.7	**6.5**	**6.0**

	1998						
	Unadjusted						
As at October 31 (%)	Immediately rate sensitive	Within 3 months	Three to 12 months	One to 5 years	Over 5 years	Total	Adjusted total [1]
Cash resources	5.0%	5.1%	5.5%	5.6%	–%	5.3%	5.3%
Investment securities[2]	6.4	8.0	8.8	7.4	7.1	7.6	7.4
Trading securities	5.1	5.0	4.7	4.9	5.5	5.1	5.1
Assets purchased under resale agreements[3]	–	5.6	8.8	–	–	5.7	5.7
Loans[4]	8.0	7.0	7.4	7.3	7.1	7.3	7.3
Deposits[3]	4.1	5.0	5.3	6.0	5.9	5.2	5.3
Obligations related to assets sold under repurchase agreements[3]	–	5.6	6.3	–	–	5.6	5.6
Obligations related to securities sold short	–	5.2	4.8	4.7	5.5	5.2	5.2
Subordinated debentures[3]	–	4.3	5.8	6.3	6.7	6.3	6.0

(1) After adjusting for the impact of related derivatives.
(2) Yields are based on book values, net of the related country risk provision, and contractual interest or stated dividend rates adjusted for amortization of premiums and discounts. Yields on tax-exempt securities have not been computed on a taxable equivalent basis.
(3) Yields are based on book values and contractual interest rates.
(4) Yields are based on book values, net of allowance for credit losses, and contractual interest rates, adjusted for the amortization of any deferred income.

c) Credit exposure

The following table summarizes the credit exposure of the Bank to businesses and governments by sector:

	1999				
As at September 30 ($ millions)	Loans and acceptances[1]	Guarantees and letters of credit	Derivative instruments[2]	**Total**	1998
Primary industry and manufacturing	$ 26,043	$ 3,091	$ 651	**$ 29,785**	$ 31,438
Commercial and merchandising	27,496	2,851	84	**30,431**	30,380
Real estate	4,082	638	27	**4,747**	4,911
Transportation and communication	10,613	1,675	194	**12,482**	13,899
Banks and other financial services	7,041	1,502	7,256	**15,799**	23,067
Foreign governments and central banks	577	282	36	**895**	1,251
Canadian governments	341	24	1,139	**1,504**	1,853
Total	$ 76,193	$ 10,063	$ 9,387	**$ 95,643**	$ 106,799
General provision[2][3]				**1,131**	582
				$ 94,512	$ 106,217

(1) Excludes assets purchased under resale agreements.
(2) Credit risk amount and general provision as at October 31.
(3) The remaining $169 (1998 – $18) of the $1,300 (1998 – $600) general provision is allocated against loans other than business and government loans.

d) Anticipatory hedges

In its normal course of business, the Bank may decide to hedge anticipatory transactions such as future foreign revenues and expenses and planned deposit campaigns. As at October 31, 1999, and 1998, there were no material anticipatory hedges outstanding.

18. Derivative instruments

a) Notional amounts

The following table provides the aggregate notional amounts of off-balance sheet derivative instruments outstanding by type and segregated between those used by the Bank in its dealer capacity (Trading) and those used in the Bank's asset/liability risk management process (ALM). The notional amounts of these contracts represent the derivatives volume outstanding and do not represent the potential gain or loss associated with the market risk or credit risk of such instruments. The notional amounts represent the amount to which a rate or price is applied to determine the amount of cash flows to be exchanged.

As at October 31 ($ millions)	1999			1998		
	Trading	ALM	**Total**	Trading	ALM	Total
Interest rate contracts						
Exchange traded:						
Futures	$ 61,699	$ 18,901	**$ 80,600**	$ 63,129	$ 14,632	$ 77,761
Options purchased	9,061	–	**9,061**	8,058	–	8,058
Options written	1,883	–	**1,883**	47	–	47
	72,643	18,901	**91,544**	71,234	14,632	85,866
Over-the-counter:						
Forward rate agreements	71,348	63,619	**134,967**	126,571	47,660	174,231
Swaps	414,957	69,470	**484,427**	462,213	73,332	535,545
Options purchased	21,722	5,904	**27,626**	40,587	139	40,726
Options written	32,899	388	**33,287**	53,125	304	53,429
	540,926	139,381	**680,307**	682,496	121,435	803,931
Total	$ 613,569	$ 158,282	**$ 771,851**	$ 753,730	$ 136,067	$ 889,797
Foreign exchange contracts[(1)]						
Exchange traded:						
Futures	$ 2,216	$ –	**$ 2,216**	$ 1,911	$ –	$ 1,911
Options purchased	278	–	**278**	108	–	108
Options written	11	–	**11**	56	–	56
	2,505	–	**2,505**	2,075	–	2,075
Over-the-counter:						
Spot and forwards	167,624	7,637	**175,261**	195,321	10,225	205,546
Swaps	33,591	7,328	**40,919**	28,134	7,295	35,429
Options purchased	6,640	110	**6,750**	12,200	–	12,200
Options written	3,215	110	**3,325**	9,497	–	9,497
	211,070	15,185	**226,255**	245,152	17,520	262,672
Total	$ 213,575	$ 15,185	**$ 228,760**	$ 247,227	$ 17,520	$ 264,747
Other derivative contracts[(2)]						
Exchange traded	$ 6,366	$ –	**$ 6,366**	$ 5,946	$ –	$ 5,946
Over-the-counter	8,185	2,960	**11,145**	5,931	9,043	14,974
Total	$ 14,551	$ 2,960	**$ 17,511**	$ 11,877	$ 9,043	$ 20,920
Total notional amounts outstanding	$ 841,695	$ 176,427	**$ 1,018,122**	$ 1,012,834	$ 162,630	$ 1,175,464

(1) Includes gold-related derivatives.
(2) Includes equity, precious metals other than gold, base metals, and credit derivatives.

b) Remaining term to maturity

The following table summarizes the remaining term to maturity of the notional amounts of the Bank's derivative instruments by type:

As at October 31 ($ millions)	1999 Within 1 year	One to 5 years	Over 5 years	**Total**
Interest rate contracts				
Futures	$ 52,390	$ 28,210	$ –	**$ 80,600**
Forward rate agreements	130,105	4,862	–	**134,967**
Swaps	235,764	202,150	46,513	**484,427**
Options purchased	20,821	12,578	3,288	**36,687**
Options written	10,553	24,608	9	**35,170**
	449,633	272,408	49,810	**771,851**
Foreign exchange contracts				
Futures	2,216	–	–	**2,216**
Spot and forwards	162,023	12,138	1,100	**175,261**
Swaps	8,008	25,999	6,912	**40,919**
Options purchased	5,455	1,561	12	**7,028**
Options written	2,162	1,174	–	**3,336**
	179,864	40,872	8,024	**228,760**
Other derivative contracts	13,641	3,672	198	**17,511**
Total	$ 643,138	$ 316,952	$ 58,032	**$ 1,018,122**

As at October 31 ($ millions)	1998 Within 1 year	One to 5 years	Over 5 years	Total
Interest rate contracts				
Futures	$ 51,212	$ 26,549	$ –	$ 77,761
Forward rate agreements	170,098	4,133	–	174,231
Swaps	254,151	234,943	46,451	535,545
Options purchased	28,788	15,936	4,060	48,784
Options written	16,045	37,418	13	53,476
	520,294	318,979	50,524	889,797
Foreign exchange contracts				
Futures	1,911	–	–	1,911
Spot and forwards	191,882	12,824	840	205,546
Swaps	7,571	20,823	7,035	35,429
Options purchased	10,238	2,070	–	12,308
Options written	7,916	1,637	–	9,553
	219,518	37,354	7,875	264,747
Other derivative contracts	17,908	2,977	35	20,920
Total	$ 757,720	$ 359,310	$ 58,434	$ 1,175,464

c) Credit risk

As with on-balance sheet assets, derivative instruments are subject to credit risk. Credit risk arises from the possibility that counterparties may default on their obligations to the Bank. However, whereas the credit risk of on-balance sheet assets is represented by the principal amount net of any applicable allowance for credit losses, the credit risk associated with derivatives is normally a small fraction of the notional amount of the derivative instrument. Derivative contracts expose the Bank to credit loss only if changes in market rates affect a counterparty's position unfavourably and the counterparty defaults on payment. Accordingly, credit risk of derivatives is represented by the positive fair value of the instrument.

Negotiated over-the-counter derivatives often present greater credit exposure than exchange-traded contracts. The net change in the exchange-traded contracts is normally settled daily in cash with the exchange. Holders of these contracts look to the exchange for performance under the contract.

The Bank strives to limit credit risk by dealing with counterparties that it believes are creditworthy, and manages its credit risk for derivatives through the same credit risk process applied to on-balance sheet assets.

The Bank pursues opportunities to reduce its exposure to credit losses on derivative instruments. These opportunities include entering into master netting arrangements with counterparties. The credit risk associated with favourable contracts is eliminated by a master netting arrangement to the extent that unfavourable contracts with the same counterparty are not settled before favourable contracts.

The following table summarizes the credit exposure of the Bank's derivatives. The credit risk amount (CRA) represents the estimated replacement cost, or positive fair value, for all contracts without taking into account any master netting or collateral arrangements that have been made. The CRA does not reflect actual or expected losses.

The credit equivalent amount (CEA) is the CRA plus an add-on for potential future exposure. The add-on amount is based on a formula prescribed in the Capital Adequacy Guideline of the Superintendent. The risk weighted balance is the CEA multiplied by counterparty risk factors prescribed by this Guideline.

					1999		1998
As at October 31 ($ millions)	Notional amount	Credit risk amount (CRA) (a)	Potential future exposure (b)	Credit equivalent amount (CEA) (a) + (b)	**Risk weighted balance**	Credit risk amount (CRA)	Risk weighted balance
Interest rate contracts							
Futures	$ 80,600	$ –	$ –	$ –	**$ –**	$ –	$ –
Forward rate agreements	134,967	81	24	105	**21**	195	42
Swaps	484,427	4,945	1,706	6,651	**1,277**	8,752	2,202
Options purchased	36,687	228	112	340	**75**	380	133
Options written	35,170	–	–	–	**–**	–	–
	771,851	5,254	1,842	7,096	**1,373**	9,327	2,377
Foreign exchange contracts							
Futures	2,216	–	–	–	**–**	–	–
Spot and forwards	175,261	2,189	2,086	4,275	**1,201**	3,803	1,700
Swaps	40,919	1,033	1,898	2,931	**528**	1,410	497
Options purchased	7,028	223	133	356	**77**	471	222
Options written	3,336	–	–	–	**–**	–	–
	228,760	3,445	4,117	7,562	**1,806**	5,684	2,419
Other derivative contracts	17,511	688	1,301	1,989	**586**	653	567
Total derivatives	$ 1,018,122	$ 9,387	$ 7,260	$ 16,647	**$ 3,765**	$ 15,664	$ 5,363
Less: impact of master netting agreements		3,668			**1,215**	5,357	1,573
Total		$ 5,719			**$ 2,550**	$ 10,307	$ 3,790

d) Fair value

Fair values of exchange-traded derivatives are based on quoted market prices. Fair values of over-the-counter (OTC) derivatives are determined using pricing models, which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions.

The following table summarizes the fair value of derivatives segregated by type and segregated between trading and those derivatives used in the Bank's asset/liability risk management process (ALM).

	1999		1998	
As at October 31 ($ millions)	**Favourable**	**Unfavourable**	Favourable	Unfavourable
Trading				
Interest rate contracts				
Forward rate agreements	**$ 47**	**$ 54**	$ 165	$ 149
Swaps	**4,246**	**3,908**	7,465	6,913
Options	**227**	**283**	378	432
	4,520	**4,245**	8,008	7,494
Foreign exchange contracts				
Forwards	**2,109**	**1,887**	3,680	3,085
Swaps	**835**	**1,767**	1,059	2,979
Options	**223**	**226**	471	258
	3,167	**3,880**	5,210	6,322
Other derivative contracts	**352**	**526**	457	544
Total fair value – trading	**$ 8,039**	**$ 8,651**	$ 13,675	$ 14,360
ALM(1)				
Interest rate contracts				
Forward rate agreements	**$ 34**	**$ 18**	$ 30	$ 48
Swaps	**699**	**469**	1,287	531
Options	**1**	**8**	2	12
	734	**495**	1,319	591
Foreign exchange contracts				
Forwards	**80**	**103**	123	283
Swaps	**198**	**132**	351	131
Options	**–**	**2**	–	–
	278	**237**	474	414
Other derivative contracts	**336**	**13**	196	3
Total fair value – ALM	**$ 1,348**	**$ 745**	$ 1,989	$ 1,008
Total gross fair values before netting	**$ 9,387**	**$ 9,396**	$ 15,664	$ 15,368
Less: impact of master netting agreements	**3,668**	**3,668**	5,357	5,357
Total	**$ 5,719**	**$ 5,728**	$ 10,307	$ 10,011

(1) The fair values of these derivative financial instruments wholly or partially offset the changes in fair values of related on-balance sheet financial instruments.

19. Acquisition of National Trustco Inc.

On August 14, 1997, the Bank acquired 95% of the common shares of National Trustco Inc. A further 1% was purchased in September 1997. The total consideration in respect of these purchases amounted to $1,205 million. This consisted of cash of $870 million and the issuance of 11,364,334 common shares of the Bank with an ascribed value of $335 million. Prior to August 14, 1997, the Bank held 4% of the common shares in National Trustco Inc. with a carrying value of $31 million.

The acquisition was accounted for using the purchase method. Goodwill of $124 million was recognized and is being amortized over 20 years on a straight-line basis.

Following the acquisition of National Trustco Inc., the Bank determined that it was necessary to restructure the combined operations. As a result, restructuring plans were prepared which detailed the actions to be taken and the estimated costs that would be incurred. These costs cover branch and office closures and mergers, staff severance and other related items and were originally estimated at $250 million. During 1999, the Bank completed its review of the costs required to complete the integration of National Trustco Inc., and as a result, reversed $20 million. As at October 31, 1999, $104 million of these restructuring costs were still outstanding.

20. General provision

a) Change in estimate

A general provision is established by the Bank to recognize losses which have occurred as at the Balance Sheet date but have not yet been specifically identified on an individual item-by-item basis. Experience has indicated that there is a period of time between when a loss event occurs, that is an event affecting a borrower's ability to repay interest and/or principal, and when the Bank is able to identify such an event.

In the fourth quarter, the Bank revised its methodology for establishing the general provision. The previous methodology assumed that losses incurred on any individual credit would ordinarily become apparent within a one-year time frame, and accordingly specific provisions for credit losses would be recorded in that time frame. The revised methodology incorporates the Bank's experience that losses incurred by the Bank become apparent only over a longer period of time, and that the average term to maturity is a better indicator of this longer period. The revision to the methodology resulted in a one-time increase in the general provision of $550 million, raising the general provision to $1,300 million. The Superintendent has specified that this one-time adjustment to the general provision, net of applicable income taxes, be treated as a charge to retained earnings, with no adjustment to opening retained earnings.

During 1999, the Bank increased the general provision by $700 million (1998 – $100 million; 1997 – $175 million), of which $150 million (1998 – $100 million; 1997 – $175 million) was charged to the Provision for Credit Losses in the Consolidated Statement of Income in the first quarter. The remaining $550 million, as referred to above, was charged directly to retained earnings, net of applicable income taxes of $236 million. This treatment is not in accordance with GAAP.

b) Impact on Consolidated Financial Statements presented in accordance with Canadian Generally Accepted Accounting Principles (GAAP)

As described in Note 20 a), the Superintendent has specified that the increase in the general provision for credit losses of $550 million arising from the above noted change in estimate be charged directly to retained earnings, net of applicable income taxes of $236 million. If the increase had been recorded in accordance with GAAP, the increase would have been charged to Provision for Credit Losses in the Consolidated Statement of Income. The Consolidated Financial Statements would not have been affected other than as set out below:

Consolidated Statement of Income

The following is a summary of the impact on certain categories in the Consolidated Statement of Income if the increase in the general provision had been recorded in accordance with GAAP:

For the year ended October 31, 1999 *($ millions except per share amounts)*	As reported	In accordance with GAAP
Provision for credit losses	$ 635	$ 1,185
Net interest income after provision for credit losses	4,037	3,487
Net interest and other income	7,220	6,670
Income before income taxes and non-controlling interest in subsidiaries	2,464	1,914
Provision for income taxes	867	631
Net income	1,551	1,237
Net income available to common shareholders	1,443	1,129
Net income per common share	$ 2.93	$ 2.29

Subsidiaries[1]

Name	Principal offie address	Carrying value of shares owned by the Bank and its subsidiaries[2] ($ millions)
Ahorromet Scotiabank, S.A. (53%)	San Salvador, El Salvador	$ 31
Ahorromet Valores, S.A.		
BNS International (Hong Kong) Limited	Hong Kong, China	$ 6
BNS Investments Inc.	Toronto, Ontario	$ 2,351
The Bank of Nova Scotia Properties Inc.		
Kings Place II Limited		
Scotia Properties Quebec Inc.		
Scotia Realty Limited		
Montreal Trust Company	Montreal, Quebec	
Montreal Trust Company of Canada		
MTCC Security Agent Corporation	Toronto, Ontario	
MontroServices Corporation	Montreal, Quebec	
e-Scotia.com Inc.	Toronto, Ontario	
Scotia Holdings (US) Inc.	Atlanta, Georgia	
The Bank of Nova Scotia Trust Company of New York	New York, New York	
American Securities Transfer & Trust, Inc.	Denver, Colorado	
Scotiabanc Inc.	Atlanta, Georgia	
Scotia Merchant Capital (US) Inc.	Atlanta, Georgia	
Scotia Merchant Capital Corporation	Toronto, Ontario	
The Bank of Nova Scotia Berhad	Kuala Lumpur, Malaysia	$ 90
The Bank of Nova Scotia International Limited	Nassau, Bahamas	$ 4,736
BNS International (Barbados) Limited	Warrens, Barbados	
BNS Pacific Limited	Port Louis, Mauritius	
Scotia Finance Private Limited	New Delhi, India	
The Bank of Nova Scotia Asia Limited	Singapore	
The Bank of Nova Scotia Channel Islands Limited	Jersey, Channel Islands	
The Bank of Nova Scotia Trust Company Channel Islands Limited		
The Bank of Nova Scotia Trust Company (Bahamas) Limited	Nassau, Bahamas	
The Bank of Nova Scotia Trust Company (Cayman) Limited	Grand Cayman, Cayman Islands	
Scotiatrust (Asia) Limited	Hong Kong, China	
Scotiabank (Ireland) Limited	Dublin, Ireland	
Scotia Insurance (Barbados) Limited	Warrens, Barbados	
Scotia Realty Bahamas Limited	Nassau, Bahamas	
Scotia Realty Cayman Limited	Grand Cayman, Cayman Islands	
Scotia Subsidiaries Limited	Nassau, Bahamas	
Scotiabank (Bahamas) Ltd.		
Scotiabank (British Virgin Islands) Limited	Road Town, Tortola, B.V.I.	
Scotiabank (Cayman Islands) Limited	Grand Cayman, Cayman Islands	
The Bank of Nova Scotia Jamaica Limited (70%)	Kingston, Jamaica	$ 183
Scotiabank Jamaica Trust & Merchant Bank Limited		
Scotia Jamaica Building Society		
Scotia Jamaica Insurance Agency Limited		
Scotia Jamaica Life Insurance Company		
The Bank of Nova Scotia Trust Company (Caribbean) Limited	Bridgetown, Barbados	$ 3

(1) The Bank owns 100% of the outstanding voting shares of each subsidiary unless otherwise noted. The listing excludes inactive subsidiaries.

(2) Investments held in foreign currencies have been translated to Canadian dollars using October 31, 1999, closing spot rates of exchange.

(3) The carrying value of shares owned by the Bank and its subsidiaries is less than one million dollars.

(4) Associated corporation effectively controlled by the Bank.

(5) Formerly ScotiaMcLeod Inc.

(6) Formerly Scotia Capital Markets (USA) Inc.

Name	Principal office address	Carrying value of shares owned by the Bank and its subsidiaries (2) ($ millions)
Boracay Limited	Hong Kong, China	$ 1
KBI Investment Fund Inc.	Toronto, Ontario	$ – (3)
Kings Place Operations Ltd. (53%)	Fredericton, New Brunswick	$ – (3)
Market Square Leaseholds Ltd.	Saint John, New Brunswick	$ – (3)
The Mortgage Insurance Company of Canada	Toronto, Ontario	$ 322
National Trustco Inc. The Bank of Nova Scotia Trust Company National Trust Company Victoria and Grey Mortgage Corporation National Trust and Banking Corporation (Caribbean) Limited	Toronto, Ontario Grand Cayman, Cayman Islands	$ 1,150
Nova Scotia Inversiones Limitada	Santiago, Chile	$ 49
RoyNat Inc. RoyNat Capital Inc. Roydolco Inc. RoyNat Management Inc.	Toronto, Ontario	$ 18
Scotia Cassels Investment Counsel Limited	Toronto, Ontario	$ 35
Scotia General Insurance Company	Toronto, Ontario	$ 173
Scotia International Limited Corporacion Mercaban de Costa Rica, S.A. Grupo BNS de Costa Rica, S.A. Scotiabank de Costa Rica, S.A. ScotiaValores Puesto de Bolsa, S.A. Scotiabank Anguilla Limited Scotiabank Quilmes, S.A. Scotia Mercantile Bank	Nassau, Bahamas San Jose, Costa Rica The Valley, Anguilla Buenos Aires, Argentina Grand Cayman, Cayman Islands	$ 614
Scotia Life Insurance Company	Toronto, Ontario	$ 28
Scotia Mortgage Corporation	Toronto, Ontario	$ 250
Scotia Mortgage Investment Corporation	St. John's, Newfoundland	$ 61
Scotia Realty Antilles N.V.	St. Maarten, Netherlands Antilles	$ 3
Scotia Securities Inc. Scotia Financial Planning Inc. Scotia Discount Brokerage Inc. SSI Funding Company SSIF, L.L.C.	Toronto, Ontario Wilmington, Delaware	$ 351
Scotiabank de Puerto Rico	Hato Rey, Puerto Rico	$ 205
Scotiabank Europe plc	London, England	$ 946
Scotiabank Trinidad and Tobago Limited (4) (47%) Scotiatrust and Merchant Bank Trinidad and Tobago Limited	Port of Spain, Trinidad	$ 58
ScotiaMcLeod Corporation ScotiaMcLeod Holdings Inc. Scotia Capital Inc. (5) Scotia Capital (USA) Inc. (6) ScotiaMcLeod Financial Services Inc. ScotiaMocatta (Australia) Pty Ltd.	Toronto, Ontario New York, New York Toronto, Ontario Sydney, Australia	$ 335
ScotiaMocatta Depository Corporation	New York, New York	$ 3
ScotiaMocatta Limited	London, England	$ 15
Scotia Participações e Serviços Ltda.	Sao Paulo, Brazil	$ 1
Tour Scotia Ltée (50%)	Montreal, Quebec	$ – (3)

Eleven-year Statistical Review

As at October 31 ($ millions)	**1999**	1998	1997	1996
Assets				
Cash resources				
Cash and deposits with Bank of Canada	**$ 1,944**	$ 2,360	$ 1,058	$ 1,485
Deposits with other banks	**15,171**	20,540	17,116	13,252
Cheques and other items in transit, net	**–**	–	–	–
	17,115	22,900	18,174	14,737
Securities				
Investment	**20,030**	17,392	17,091	15,835
Trading	**13,939**	12,108	10,908	10,070
	33,969	29,500	27,999	25,905
Assets purchased under resale agreements	**13,921**	11,189	8,520	9,112
Loans				
Residential mortgages	**47,861**	45,818	41,647	30,653
Personal and credit cards	**16,396**	18,574	17,668	16,718
Business and governments	**67,681**	74,901	57,904	48,953
	131,938	139,293	117,219	96,324
Other				
Customers' liability under acceptances	**9,163**	8,888	7,575	5,945
Land, buildings and equipment	**1,681**	1,759	1,716	1,523
Other assets	**14,904**	20,059	13,950	11,755
	25,748	30,706	23,241	19,223
	$ 222,691	$ 233,588	$ 195,153	$ 165,301
Liabilities and shareholders' equity				
Deposits				
Personal	**$ 65,715**	$ 62,656	$ 59,239	$ 47,768
Business and governments	**64,070**	70,779	56,928	44,981
Banks	**26,833**	32,925	22,808	25,145
	156,618	166,360	138,975	117,894
Other				
Cheques and other items in transit, net	**60**	304	340	459
Acceptances	**9,163**	8,888	7,575	5,945
Obligations related to assets sold under repurchase agreements	**16,781**	14,603	11,559	7,894
Obligations related to securities sold short	**2,833**	3,121	3,739	6,509
Other liabilities	**20,258**	23,843	18,263	15,499
Non-controlling interest in subsidiaries	**198**	173	137	101
	49,293	50,932	41,613	36,407
Subordinated debentures	**5,374**	5,482	5,167	3,251
Shareholders' equity				
Capital stock				
Preferred shares	**1,775**	1,775	1,468	1,325
Common shares	**2,678**	2,625	2,567	2,161
Retained earnings	**6,953**	6,414	5,363	4,263
	11,406	10,814	9,398	7,749
	$ 222,691	$ 233,588	$ 195,153	$ 165,301

(1) Certain comparative amounts have been reclassified to conform with current year presentation.
(2) Pre 1996 comparative amounts have not been restated to reflect the reporting of unrealized gains and unrealized losses on trading derivative instruments on a gross basis in Other Assets and Other Liabilities respectively, as they were not reasonably determinable.

Consolidated Balance Sheet[1]

1995[2]	1994	1993	1992	1991	1990	1989
$ 1,233	$ 1,220	$ 1,119	$ 1,078	$ 1,008	$ 1,033	$ 1,117
15,495	10,168	7,515	6,692	5,766	6,759	7,054
–	–	–	567	248	52	579
16,728	11,388	8,634	8,337	7,022	7,844	8,750
13,820	17,093	10,894	9,417	6,429	4,985	5,171
8,154	8,473	6,944	4,811	4,112	3,200	2,268
21,974	25,566	17,838	14,228	10,541	8,185	7,439
8,378	4,304	4,606	1,706	1,306	1,329	606
28,581	26,767	18,600	16,703	14,596	12,787	10,808
15,274	13,372	11,599	11,113	11,601	11,864	11,102
45,554	42,336	37,399	38,530	34,628	33,842	31,474
89,409	82,475	67,598	66,346	60,825	58,493	53,384
5,563	4,796	3,921	3,726	5,380	7,695	7,831
1,485	1,200	1,099	1,110	1,043	999	853
3,652	3,199	2,814	1,924	2,038	2,263	1,971
10,700	9,195	7,834	6,760	8,461	10,957	10,655
$ 147,189	$ 132,928	$ 106,510	$ 97,377	$ 88,155	$ 86,808	$ 80,834
$ 45,538	$ 42,431	$ 31,288	$ 29,058	$ 27,539	$ 25,530	$ 23,097
41,747	35,660	30,009	30,902	25,000	25,501	26,117
24,060	21,664	16,451	16,667	15,294	14,248	12,180
111,345	99,755	77,748	76,627	67,833	65,279	61,394
277	365	450	–	–	–	–
5,563	4,796	3,921	3,726	5,380	7,695	7,831
7,354	5,798	4,926	2,574	1,986	1,802	1,377
5,416	5,989	4,191	2,779	1,953	1,871	1,550
6,532	6,793	6,158	4,413	4,471	4,435	3,561
133	175	56	51	17	19	17
25,275	23,916	19,702	13,543	13,807	15,822	14,336
3,249	3,016	3,156	2,128	1,979	1,832	1,758
1,575	1,100	1,300	1,000	1,000	750	550
1,994	1,839	1,429	1,308	1,201	1,106	1,016
3,751	3,302	3,175	2,771	2,335	2,019	1,780
7,320	6,241	5,904	5,079	4,536	3,875	3,346
$ 147,189	$ 132,928	$ 106,510	$ 97,377	$ 88,155	$ 86,808	$ 80,834

Eleven-year Statistical Review

For the year ended October 31 *($ millions except per share amounts)*	1999	1998	1997	1996
Interest income				
Loans	$ 10,654	$ 10,269	$ 8,082	$ 7,881
Securities	1,874	1,815	1,636	1,757
Deposits with banks	943	1,007	770	740
	13,471	13,091	10,488	10,378
Interest expense				
Deposits	7,284	7,303	5,714	5,969
Subordinated debentures	314	354	260	214
Other	1,201	1,057	797	841
	8,799	8,714	6,771	7,024
Net interest income	4,672	4,377	3,717	3,354
Provision for credit losses(3)	635	595	35	380
Net interest income after provision for credit losses(3)	4,037	3,782	3,682	2,974
Other income	3,183	2,858	2,683	2,008
Net interest and other income(3)	7,220	6,640	6,365	4,982
Non-interest expenses				
Salaries	2,297	2,193	1,973	1,702
Pension contributions and other staff benefits	330	308	229	208
Premises and equipment, including depreciation	1,007	958	778	664
Other	1,142	987	803	663
Restructuring provisions following acquisitions	(20)	–	250	(20)
Write off of goodwill	–	–	26	–
	4,756	4,446	4,059	3,217
Income before the undernoted:(3)	2,464	2,194	2,306	1,765
Provision for income taxes(3)	867	762	758	665
Non-controlling interest in net income of subsidiaries	46	38	34	31
Net income(3)	$ 1,551	$ 1,394	$ 1,514	$ 1,069
Preferred dividends paid	$ 108	$ 97	$ 99	$ 113
Net income available to common shareholders(3)	$ 1,443	$ 1,297	$ 1,415	$ 956
Average number of common shares outstanding (000's)(4)	493,136	490,914	478,972	468,716
Net income per common share(3)(4)(5)	$ 2.93	$ 2.64	$ 2.95	$ 2.04
Dividends per common share(4)	$ 0.87	$ 0.80	$ 0.74	$ 0.65

(1) Certain comparative amounts have been reclassified to conform with current year presentation.
(2) Pre 1992 comparative amounts have not been restated to reflect the reclassification of gains and losses on securities from Interest Income to Other Income as they were not reasonably determinable.
(3) Refer to Note 20 in respect of an increase in the general provision for credit losses, charged directly to retained earnings.
(4) Amounts have been retroactively adjusted to reflect the two-for-one stock split on February 12, 1998.
(5) Net income per common share has been calculated on the daily average of equivalent fully paid common shares outstanding.

Consolidated Statement of Income[1]

1995	1994	1993	1992	1991[2]	1990	1989
$ 8,007	$ 6,090	$ 5,382	$ 5,729	$ 6,650	$ 6,836	$ 6,253
1,991	1,287	1,243	1,201	1,299	1,072	959
597	391	313	357	484	616	638
10,595	7,768	6,938	7,287	8,433	8,524	7,850
6,166	4,149	3,706	4,191	5,287	5,936	5,335
209	172	133	134	166	180	156
1,046	487	434	374	462	436	287
7,421	4,808	4,273	4,699	5,915	6,552	5,778
3,174	2,960	2,665	2,588	2,518	1,972	2,072
560	567	465	449	374	238	895
2,614	2,393	2,200	2,139	2,144	1,734	1,177
1,498	1,606	1,380	1,197	883	831	850
4,112	3,999	3,580	3,336	3,027	2,565	2,027
1,438	1,401	1,255	1,153	1,075	966	916
214	182	144	117	101	76	63
588	533	481	461	421	364	323
604	578	483	443	399	369	360
–	175	–	–	–	–	–
–	162	–	–	–	–	–
2,844	3,031	2,363	2,174	1,996	1,775	1,662
1,268	968	1,217	1,162	1,031	790	365
371	455	490	475	391	271	135
21	31	13	11	7	7	8
$ 876	$ 482	$ 714	$ 676	$ 633	$ 512	$ 222
$ 104	$ 97	$ 92	$ 79	$ 79	$ 69	$ 34
$ 772	$ 385	$ 622	$ 597	$ 554	$ 443	$ 188
457,197	437,427	416,563	406,166	394,899	380,396	370,299
$ 1.69	$ 0.88	$ 1.49	$ 1.47	$ 1.40	$ 1.16	$ 0.50
$ 0.62	$ 0.58	$ 0.56	$ 0.52	$ 0.50	$ 0.50	$ 0.44

Eleven-year Statistical Review

For the year ended October 31 ($ millions)	**1999**	1998	1997	1996
Preferred shares				
Bank:				
Balance at beginning of year	**$ 1,525**	$ 1,218	$ 1,325	$ 1,575
Issued	**–**	311	143	100
Redeemed	**–**	(4)	(250)	(350)
Balance at end of year	**1,525**	1,525	1,218	1,325
Scotia Mortgage Investment Corporation:				
Balance at beginning of year	**250**	250	–	–
Issued	**–**	–	250	–
Balance at end of year	**250**	250	250	–
Total preferred shares	**$ 1,775**	$ 1,775	$ 1,468	$ 1,325
Common shares				
Balance at beginning of year	**$ 2,625**	$ 2,567	$ 2,161	$ 1,994
Issued on acquisition of National Trustco Inc. (Note 19)	**–**	–	335	–
Issued to acquire Montreal Trustco Inc.	**–**	–	–	–
Issued under Shareholder Dividend and Share Purchase Plan, Stock Option Plan, and other	**53**	58	71	167
Balance at end of year	**$ 2,678**	$ 2,625	$ 2,567	$ 2,161
Retained earnings				
Balance at beginning of year	**$ 6,414**	$ 5,363	$ 4,263	$ 3,751
Implementation of impaired loans accounting policy(1)	**–**	–	–	(116)
Net income	**1,551**	1,394	1,514	1,069
Dividends: Preferred	**(108)**	(97)	(99)	(113)
Dividends: Common	**(429)**	(393)	(355)	(305)
Net unrealized foreign exchange gains (losses)	**(160)**	152	43	(19)
Net cost of shares issued and redeemed, and other	**(1)**	(5)	(3)	(4)
Net increase in general provision for credit losses (Note 20)	**(314)**	–	–	–
Balance at end of year	**$ 6,953**	$ 6,414	$ 5,363	$ 4,263

Eleven-year Statistical Review

	1999	1998	1997	1996
Common Share Information				
Return on equity (%)(4)	**15.3**	15.3	20.2	15.8
Earnings per share ($)(4)(5)(6)	**2.93**	2.64	2.95	2.04
Dividends per share ($)(6)	**0.87**	0.80	0.74	0.65
Dividend payout (%)(4)(7)	**29.7**	30.3	25.1	31.9
Dividend yield (%)(8)	**2.7**	2.4	2.7	3.7
Price to earnings multiple(4)(8)	**11.2**	12.8	9.2	8.7
Number of shares outstanding (000's)(6)	**494,252**	492,089	489,812	474,893
Book value per common share ($)(6)	**19.49**	18.37	16.19	13.53
Share price ($)(6):				
High	**36.90**	44.70	34.10	21.20
Low	**28.60**	22.80	20.55	14.19
Close – October 31	**33.60**	32.20	31.08	21.13
Capital Ratios				
Risk-adjusted (%):				
Tier 1	**8.1**	7.2	6.9	6.7
Total	**11.9**	10.6	10.4	8.9
Assets to capital ratio(9)	**13.5**	14.9	14.2	16.4
Common equity to total assets (%)	**4.4**	3.9	4.1	3.9
Other Information				
Average total assets ($ millions)	**229,037**	213,973	179,176	158,803
Return on assets (%)(4)	**.68**	.65	.85	.67
Number of branches and offies	**1,654**	1,741	1,658	1,464
Number of employees(10)	**40,894**	42,046	38,648	34,592
Number of Automated Banking Machines	**2,322**	2,244	2,030	1,526

(1) In accordance with the guidelines issued by the Superintendent, in fiscal 1996, the Bank adopted new impaired loans accounting principles established by the Canadian Institute of Chartered Accountants. The adoption of these principles by the Bank resulted in a one-time increase in the allowance for credit losses recorded in the Consolidated Balance Sheet of $202 and a corresponding cumulative charge to opening retained earnings of $116 (being net of deferred income taxes of $86) in fiscal 1996.

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

(3) Pre 1996 comparative amounts have not been restated to reflect the separate reporting of unrealized gains and losses on trading derivative instruments in Other Assets and Other Liabilities as they were not reasonably determinable.

(4) If the increase in the general provision had been charged to income (Note 20) then these 1999 financial ratios would have been: return on equity 12.0%, earnings per share $2.29, dividend payout 38.0%, price to earnings multiple 14.3, and return on assets .54%.

Consolidated Statement of Changes in Shareholders' Equity

1995	1994	1993	1992	1991	1990	1989
$ 1,100	$ 1,300	$ 1,000	$ 1,000	$ 750	$ 550	$ 350
675	–	300	–	250	200	200
(200)	(200)	–	–	–	–	–
1,575	1,100	1,300	1,000	1,000	750	550
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
$ 1,575	$ 1,100	$ 1,300	$ 1,000	$ 1,000	$ 750	$ 550
$ 1,839	$ 1,429	$ 1,308	$ 1,201	$ 1,106	$ 1,016	$ 954
–	–	–	–	–	–	–
–	280	–	–	–	–	–
155	130	121	107	95	90	62
$ 1,994	$ 1,839	$ 1,429	$ 1,308	$ 1,201	$ 1,106	$ 1,016
$ 3,302	$ 3,175	$ 2,771	$ 2,335	$ 2,019	$ 1,780	$ 1,773
–	–	–	–	–	–	–
876	482	714	676	633	512	222
(104)	(97)	(92)	(79)	(79)	(69)	(34)
(283)	(253)	(233)	(211)	(197)	(190)	(163)
(15)	9	20	50	(37)	(11)	(15)
(25)	(14)	(5)	–	(4)	(3)	(3)
–	–	–	–	–	–	–
$ 3,751	$ 3,302	$ 3,175	$ 2,771	$ 2,335	$ 2,019	$ 1,780

Other Statistics[2][3]

14.2	7.9	14.4	15.7	16.7	14.9	6.5
1.69	0.88	1.49	1.47	1.40	1.16	0.50
0.62	0.58	0.56	0.52	0.50	0.50	0.44
36.7	65.8	37.5	35.3	35.6	42.9	87.0
4.6	4.1	4.4	4.8	6.6	6.9	5.4
8.1	16.0	8.6	7.4	5.4	6.3	16.3
464,513	452,518	422,544	412,374	402,123	389,567	375,388
12.37	11.36	10.90	9.89	8.79	8.02	7.45
15.13	16.63	14.75	12.38	10.00	9.07	9.63
12.13	11.57	10.94	9.50	5.25	5.50	6.82
14.44	13.75	14.50	12.00	9.88	5.50	8.63
6.7	6.2	6.5	5.7	5.5	4.6	4.1
9.6	9.6	10.4	8.6	8.5	7.3	6.8
15.2	15.2	12.9	14.8	14.9	16.5	17.1
3.9	3.9	4.3	4.2	4.0	3.6	3.5
137,988	120,619	100,836	93,807	88,073	83,697	77,974
.64	.40	.71	.72	.72	.61	.28
1,460	1,454	1,376	1,361	1,329	1,311	1,284
33,717	33,272	30,375	30,675	29,616	30,114	29,618
1,429	1,381	1,280	1,190	1,070	873	422

(5) Net income per common share has been calculated on the daily average of equivalent fully paid common shares outstanding.
(6) Amounts have been retroactively adjusted to reflect the two-for-one stock split on February 12, 1998.
(7) Dividend payments as a percentage of Net Income Available to Common Shareholders.
(8) Based on the average of high and low common share prices and earnings per share.
(9) Based on guidelines issued by the Superintendent of Financial Institutions Canada, the Bank's assets to capital ratio is calculated by dividing adjusted total assets by total regulatory capital.
(10) Includes all personnel (part-time stated on a full-time equivalent basis) of the Bank and all its subsidiaries.

Statement Of Corporate Governance Practices

SINCE THE BOARD OF DIRECTORS AND MANAGEMENT OF THE BANK believe good corporate governance is essential to the effective, efficient and prudent operation of the Bank's business, they have established an internal control environment with strong corporate governance structures and procedures in place. These structures and procedures comply with the guidelines for corporate governance adopted by the Toronto and Montreal Stock Exchanges in 1995 (the "Exchange Guidelines").

Scotiabank founded its governance system on an extensive and interrelated network of Board activities and Bank policies. It is supported by strong management supervision, internal audits, external audit by two independent chartered accounting firms and the annual examination by the Office of the Superintendent of Financial Institutions (OSFI).

The Board annually certifies that the Bank adheres to the Canada Deposit Insurance Corporation (CDIC) Standards of Sound Business and Financial Practices. Furthermore, all directors, officers and employees of the Bank must comply with the standards of conduct set out in Scotiabank's Guidelines for Business Conduct.

Compliance

The primary responsibilities of the Bank's Group Compliance Department include: maintaining the Scotiabank Guidelines for Business Conduct, the Scotiabank Group Compliance Program and infrastructure (including the Group-wide Compliance Network), the Bank Act Legislative Compliance Management System, and other specialized compliance programs, current with industry best practices, evolving market conditions and new business initiatives; and acting as an in-house resource on selected matters dealing with business conduct or customer or investor protection. The Compliance Network is composed of compliance officers (for example, the Head of Global Compliance for Scotia Capital) who have specific subsidiary, business line and/or departmental compliance responsibilities. These compliance officers have a direct reporting relationship to their respective business unit heads and a dotted line relationship to the Senior Vice-President, Group Compliance.

Communication with Stakeholders

To maintain good communication with various constituencies, the Bank has facilities and mechanisms that allow investors, customers and the general public to obtain information and make enquiries.

Shareholders and investment institutions may direct their questions to the Secretary or Investor Relations, Finance Division of the Bank. The public can obtain information and communicate with the Bank through the Bank's World Wide Website.

In addition, senior officers meet with members of the investment community each quarter. These meetings are accessible to the public via the Internet. As well, senior officers meet with interested shareholders and investors throughout the year to discuss the Bank's operating results and banking trends.

Queries from the media and general public are handled by the Bank's Public and Corporate Affairs Department.

The Bank has procedures to inform customers about borrowing costs and transaction fees and to respond to customer enquiries and complaints. Generally, comments or complaints are dealt with directly by the branches or vice-presidents' offices.

Scotiabank Ombudsman

Unresolved customer complaints are heard and dealt with impartially by the Bank's Ombudsman, who reports directly to the Chief Executive Officer. The Scotiabank Ombudsman has the power to review and make recommendations on all retail and small business customer service decisions made within the Bank. For small business disputes, customers may also access the Scotia Business Credit Mediation Program.

As a last resort, customers may go directly to the Canadian Banking Ombudsman, whose mandate has expanded to include personal banking complaints, for an impartial review of the situation.

The Board of Directors

The Board held ten meetings during the 1999 fiscal year.

At the fiscal year end, the Bank's Board of Directors numbered 27 members, and was comprised of business and community leaders active at the regional, national and international levels – providing an important breadth of expertise. Overall, the size and composition of the Scotiabank Board reflects the broad geographic reach of the Bank's customer base, the communities in which it operates and its far flung international operations. The number of directors authorized by the by-laws ranges from a minimum of seven, as required by the Bank Act, to a maximum of 35 directors.

A diverse and highly qualified group of directors is critical to the effectiveness of the Board. The Corporate Governance

Committee of the Board, which is composed exclusively of outside directors, identifies, evaluates and recommends nominees for directorship. The Committee assesses nominee candidates based on their individual suitability, keeping in mind the size of the Board and the desired diversity of composition.

The Exchange Guidelines recommend that the majority of the Board and of every Board Committee be comprised of unrelated directors. An unrelated director is one who is independent of management and free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Bank, other than interests and relationships arising from shareholding. Directors drawn from the ranks of management are related directors.

The Bank Act contains the concept of affiliated directors of which there may be no more than two-thirds of the Board. Of the 27 members of the Bank's Board, four are affiliated as defined by the act, including two directors from management. Having considered the relevant definitions in the Exchange Guidelines and the directors having individually considered their respective interests and relationships, it has been determined that the Board has five related directors, which include all of the affiliated directors.

The Bank has a Directors' Share Purchase Plan to encourage directors to apply all or part of their Board fees to acquire the Bank's shares.

The performance of the Board is monitored by the Corporate Governance Committee and the Chairman of the Board. The Board of Directors and the Corporate Governance Committee have been, and continue to be, proactive and diligent in developing and reviewing the Bank's corporate governance structures and procedures.

The Mandate of the Board of Directors

The mandate of the Board of Directors is to supervise the management of the Bank's business and affairs to maintain the strength and integrity of the Bank. In this context, the Board oversees the Bank's strategic direction, its organizational structure and the succession planning of senior management to serve the interests of the Bank, its customers, investors and employees.

Annually, the Board evaluates the Bank's strategy within the financial institutions marketplace. It reviews and approves policies and practices relating to areas of risk management, including credit, capital, foreign exchange, precious and base metals, interest rate, liquidity, securities portfolio, real estate appraisals, derivative products, environmental and country risk. The Audit Committee approves the Bank's internal control policies and the Board is responsible for monitoring the integrity of the internal control system. A comprehensive, annual self-assessment is conducted by the Bank, measuring its adherence to certain core policies and procedures, the results of which are reported to the Board and regulators. The Board was apprised periodically of the Year 2000 project status.

In addition, the Board regularly reviews the performance of the Bank on a consolidated basis, as well as the performance of individual divisions and major subsidiaries. It compares and measures results against previously established and approved plans, against performance in past years and against industry peers.

The Board appoints the Chief Executive Officer and other executive officers, and establishes the appropriate level of compensation.

Specific decisions requiring Board approval are outlined in the Bank Act, as are specific duties of the Board and the Audit and Conduct Review Committees. To assist the Board with its work, other Committees have been established to review in greater depth particular areas of its mandate.

Assessment of Management Performance

The Human Resources Committee assists the Board in assessing management's performance, based on both qualitative and quantitative information. Taken into account are such factors as experience and sustained personal performance, demonstrated leadership ability and the achievement of the Bank's strategic goals.

Specific criteria include:

- achievement of key profit plan targets, including ROE, productivity and loan quality targets,
- achievement of key customer satisfaction goals,
- maintenance of a high level of safety and security for customers' deposits, as determined by various regulatory and audit reviews,
- continuance as a superior employer, and
- maintenance of high standards of business ethics.

Governance Information for Directors

Upon joining the Board, directors receive information concerning their duties and responsibilities under the Bank Act and other applicable legislation. All directors are provided with a "Corporate and Governance Information" book which is updated annually, and which familiarizes directors with the Board's policies and the Bank's corporate profile and organization. It also describes key business lines and the Bank's corporate governance policies and practices.

Conflict of Interest Guidelines

The Bank has adopted measures to promote the independence of the Board. Conflict of interest guidelines and procedures for directors and officers have been in place for many years. Board Committees are chaired by outside directors, and Bank directors and officers are requested, when appropriate, to absent themselves for part of Board or Committee meetings to allow independent discussion of particular items. In addition, the Bank Act contains provisions concerning self-dealing, affiliated directors, and the composition of the Board and certain committees.

The Board has implemented a procedure for a director to engage an outside advisor at the Bank's expense with the authority of the chair of the Corporate Governance Committee. The Corporate Governance Committee has responsibility for reviewing the relationship between management and the Board.

Committees of the Board of Directors

There are six standing Committees of the Board and three Regional Advisory Committees. All directors participate in at least one standing Committee and a portion of the membership of each Committee rotates periodically. The majority of standing Committee members are Canadian residents and unrelated directors, as defined in the Exchange Guidelines. The majority of the members of the Audit and Conduct Review Committees are not affiliated, and all members of both Committees are outside directors.

Audit Committee

Chair: David Morton
Members: Lloyd I. Barber, E. Kendall Cork, N. Ashleigh Everett, John C. Kerr, Hon. Barbara J. McDougall, Ian McDougall, Elizabeth Parr-Johnston, Arthur R.A. Scace, Paul D. Sobey.

The Audit Committee's mandate incorporates requirements under the Bank Act, the Securities Act, OSFI and the CDIC, and includes the following responsibilities:

i) reviewing the annual statements of the Bank and such returns of the Bank as specified by the Superintendent of Financial Institutions;
ii) ensuring that appropriate internal controls are in place and reviewing investments and transactions that could adversely affect the well-being of the Bank; and
iii) meeting with the independent Auditors and, similarly, meeting with the Bank's internal Audit Department to discuss the annual statements of the Bank, the returns and relevant transactions and the effectiveness of the Bank's internal control procedures.

The Committee met four times during this fiscal year, and the independent Auditors and the Bank's internal Audit Department were invited to attend all the meetings. The Committee meets with staff from OSFI to receive its report on the annual examination of the Bank.

Conduct Review Committee

Chair: David H. Race
Members: Lloyd I. Barber, Malcolm R. Baxter, C.J. Chen, Sir Denis Mountain, Helen A. Parker.

The responsibilities of the Committee are in accordance with the Bank Act. The mandate includes:

i) reviewing the Bank's procedures for verifying that transactions with related parties of the Bank comply with the Bank Act, reviewing the practices of the Bank to identify any transactions with its related parties that may have a material effect on the Bank's stability or solvency, and establishing criteria for determining whether the value of transactions with related parties of the Bank are nominal or immaterial to the Bank; and
ii) monitoring procedures established by the Board to identify and resolve conflicts of interest, to restrict the use of confidential information, to deal with certain customer complaints and to provide disclosure of information to customers as required by the Bank Act.

Annually, the Board reports to OSFI on the proceedings of the Committee.

The Committee had two meetings during this fiscal year, to which the independent Auditors and the Bank's internal Audit Department were invited.

Corporate Governance Committee

Chair: John T. Mayberry
Members: Sir Graham Day, M. Keith Goodrich, Hon. Henry N.R. Jackman, Robert L. Pierce, Arthur R.A. Scace.

The Committee's mandate is to enhance the Bank's corporate governance through a process of continuing assessment and adjustment. Further, the members determine suitable candidates for nominees as directors, periodically review the mandates of the Board and its Committees, propose agenda items and content for submissions to the Board and review the relationship between management and the Board.

The Committee met three times during this fiscal year.

Executive Committee

Chair: Robert L. Pierce
Members: E. Kendall Cork, Sir Graham Day, Peter C. Godsoe, Hon. Henry N.R. Jackman, Pierre J. Jeanniot, John T. Mayberry, David Morton, David H. Race, Arthur R.A. Scace, Allan C. Shaw.

Generally, the Committee serves as an advisor to management. The mandate of the Committee is to:

i) advise executive management on highly sensitive or major strategic issues and on special risk situations; and
ii) examine and report to the Board on the public issues facing the Bank and to recommend policies as applicable.

During intervals between Board meetings, the Committee may exercise all of the powers of the Board, subject to the limitations under the Bank Act or as determined by the Board.

There were 10 meetings of the Committee during this fiscal year.

Human Resources Committee

Chair: Sir Graham Day
Members: Pierre J. Jeanniot, Laurent Lemaire, John T. Mayberry, David Morton, Robert L. Pierce, Gerald W. Schwartz, Isadore Sharp, Allan C. Shaw.

The Human Resources Committee reviews the compensation to be paid to senior executives and senior officers, the general criteria and design of incentive bonus and stock option plans and the distribution of related awards, the senior level organization structure, staffing and succession planning. The Committee also assesses the performance of the Chief Executive Officer, and reviews assessments made of other executive officers.

During this fiscal year, the Committee held five meetings.

Pension Committee

Chair: David H. Race
Members: Lloyd I. Barber, Malcolm R. Baxter, Bruce R. Birmingham, C.J. Chen, Sir Denis Mountain, Helen A. Parker.

The Pension Committee monitors and supervises the administration of The Scotiabank Pension Plan and the administration and investment of the Fund maintained in connection with the Pension Plan. Specifically, the Committee considers all amendments to the Pension Plan and approves the Fund's Statement of Investment Policies, Procedures and Guidelines, which it reviews annually. The Committee also recommends to the Board the appointment or removal of the Custodian of the Fund and retains competent professional actuaries and auditors, whose reports are reviewed by the Committee.

The Committee met two times during this fiscal year.

Regional Advisory Committees

The Regional Advisory Committees have been established in Quebec, the Prairie region and British Columbia/Yukon, and act in an advisory rather than decision-making capacity.

These Committees have been established to provide better opportunities for directors residing in particular regions to participate to a greater extent in the Bank's affairs in those regions. The Committees provide advice and counsel of a general nature to local senior management, including matters relating to the acquisition of new business and regional commercial trends. The Committees also review regional forecasts, results and strategies, as well as business development opportunities.

Scotiabank's Board of Directors

The contributions made by the members of the Board of Directors are vital to the Bank's success, and are gratefully acknowledged. Members continued to serve the Bank and its shareholders with their customary skill, dedication and insight during the past year.

Because of the age limitation provision in the by-laws of the Bank, Messrs. David Morton, Robert L. Pierce, David H. Race and Sir Denis Mountain will not stand for re-election to the Board. Each of these individuals has served the Bank with distinction and will be greatly missed.

HONORARY DIRECTORS

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

David W. Barr
Toronto, Ontario

Kenneth V. Cox, D.Sc., LL.D.
Saint John, New Brunswick

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

The Right Honourable
Lord Keith of Castleacre
London, England

Gordon F. MacFarlane
Surrey, British Columbia

Donald Maclaren
Ottawa, Ontario

Gerald J. Maier
Calgary, Alberta

Malcolm H.D. McAlpine
Herts, England

H. Harrison McCain, C.C., LL.D.
Florenceville, New Brunswick

William S. McGregor
Edmonton, Alberta

David E. Mitchell
Calgary, Alberta

Paul J. Phoenix
Burlington, Ontario

Cedric E. Ritchie, O.C.
Toronto, Ontario

Thomas G. Rust, C.M., LL.D.
Vancouver, British Columbia

Judson W. Sinclair
Toronto, Ontario

Marie Wilson, Q.C.
Toronto, Ontario

Board of Directors

PETER C. GODSOE

Mr. Godsoe is Chairman of the Board and Chief Executive Officer of Scotiabank. He has been a Scotiabank director since February 1, 1982, and currently sits on the Executive Committee. He lives in Toronto, Ont.

LLOYD I. BARBER, C.C., S.O.M., LL.D., PH.D.

Dr. Barber is President Emeritus of the University of Regina. A Scotiabank director since September 28, 1976, he currently sits on the Audit, Conduct Review and Pension Committees. He lives in Regina Beach, Sask.

MALCOLM R. BAXTER

Mr. Baxter is Chairman, President and Chief Executive Officer of Coast Tire and Auto Service Ltd. He has been a Scotiabank director since March 31, 1992, and currently sits on the Conduct Review and Pension Committees. He lives in Saint John, N.B.

BRUCE R. BIRMINGHAM

Mr. Birmingham is President of Scotiabank. He has been a Scotiabank director since September 29, 1992, and currently sits on the Pension Committee. He lives in Oakville, Ont.

C.J. CHEN

Mr. Chen is Senior Partner of Rajah & Tann. He has been a Scotiabank director since October 30, 1990, and currently sits on the Conduct Review and Pension Committees. He lives in Singapore.

E. KENDALL CORK

Mr. Cork is Managing Director of Sentinel Associates Limited. He has been a Scotiabank director since December 4, 1973, and currently sits on the Audit and Executive Committees. He lives in Hillsburgh, Ont.

SIR GRAHAM DAY

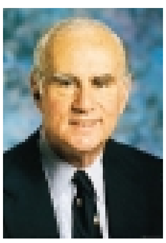
Sir Graham is a company director, Chairman of Ontario Hydro Services Company Inc. and Counsel to Stewart McKelvey Stirling Scales. A Scotiabank director since October 31, 1989, he currently sits on the Corporate Governance, Executive and Human Resources Committees. He lives in Hantsport, N.S.

N. ASHLEIGH EVERETT

Ms. Everett is President of Royal Canadian Securities Limited. She has been a Scotiabank director since October 28, 1997, and currently sits on the Audit Committee. She lives in Winnipeg, Man.

M. KEITH GOODRICH

Mr. Goodrich is the retired Chairman of Moore Corporation Limited. He has been a Scotiabank director since August 28, 1990, and currently sits on the Corporate Governance Committee. He lives in Lake Forest, Ill., U.S.A.



THE HONOURABLE HENRY N.R. JACKMAN

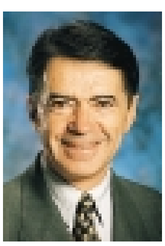
Mr. Jackman is Chairman and President of E-L Financial Corporation Limited. A Scotiabank director since September 30, 1997, he currently sits on the Corporate Governance and Executive Committees. He lives in Toronto, Ont.

PIERRE J. JEANNIOT, O.C.

Mr. Jeanniot is Director General and Chief Executive Officer of the International Air Transport Association. He has been a Scotiabank director since June 26, 1990, and currently sits on the Executive and Human Resources Committees. He lives in Canton de Vaud, Switzerland.

JOHN C. KERR, O.B.C.

Mr. Kerr is Chairman and Chief Executive Officer of Lignum Ltd. He has been a Scotiabank director since March 30, 1999, and currently sits on the Audit Committee. He lives in Vancouver, B.C.



LAURENT LEMAIRE

Mr. Lemaire is President and Chief Executive Officer of Cascades Inc. He has been a Scotiabank director since March 31, 1987, and currently sits on the Human Resources Committee. He lives in Warwick, Que.

JOHN T. MAYBERRY

Mr. Mayberry is President and Chief Executive Officer of Dofasco Inc. He has been a Scotiabank director since March 29, 1994, and currently sits on the Corporate Governance, Executive and Human Resources Committees. He lives in Burlington, Ont.

THE HONOURABLE BARBARA J. MCDOUGALL

Mrs. McDougall is President and Chief Executive Officer of the Canadian Institute of International Affairs. A Scotiabank director since March 30, 1999, she currently sits on the Audit Committee. She lives in Toronto, Ont.

IAN MCDOUGALL

Mr. McDougall is former Vice Chairman and Chief Financial Officer of Inco Limited. He has been a Scotiabank director since February 24, 1981, and currently sits on the Audit Committee. He lives in Lynbrook, N.Y., U.S.A.

DAVID MORTON

Mr. Morton is a company director and former Chairman and Chief Executive Officer of Alcan Aluminium Limited. A Scotiabank director since March 31, 1987, he currently sits on the Audit, Executive and Human Resources Committees. He lives in Westmount, Que.

SIR DENIS MOUNTAIN, Bt.

Sir Denis is a corporate director. He has been a Scotiabank director since March 14, 1978, and currently sits on the Conduct Review and Pension Committees. He lives in London, England.

HELEN A. PARKER

Mrs. Parker is a company director. She has been a Scotiabank director since November 26, 1976, and currently sits on the Conduct Review and Pension Committees. She lives in Sidney, B.C.

ELIZABETH PARR-JOHNSTON, PH.D.

Dr. Parr-Johnston is President and Vice-Chancellor of the University of New Brunswick. A Scotiabank director since October 26, 1993, she currently sits on the Audit Committee. She lives in Fredericton, N.B.

ROBERT L. PIERCE, Q.C.

Mr. Pierce is Chairman and Chief Executive Officer of Foothills Pipe Lines Ltd. A Scotiabank director since February 16, 1971, he currently sits on the Corporate Governance, Executive and Human Resources Committees. He lives in Calgary, Alta.

DAVID H. RACE

Mr. Race is former Chairman and Chairman of the Executive Committee of CAE Inc. A Scotiabank director since November 27, 1992, he currently sits on the Conduct Review, Executive and Pension Committees. He lives in Toronto, Ont.

ARTHUR R.A. SCACE, Q.C.

Mr. Scace is a Partner of McCarthy Tétrault. He has been a Scotiabank director since March 25, 1997, and currently sits on the Audit, Corporate Governance and Executive Committees. He lives in Toronto, Ont.

GERALD W. SCHWARTZ

Mr. Schwartz is Chairman, Chief Executive Officer and President of Onex Corporation. He has been a Scotiabank director since May 26, 1999, and currently sits on the Human Resources Committee. He lives in Toronto, Ont.

ISADORE SHARP, O.C.

Mr. Sharp is Chairman and Chief Executive Officer of Four Seasons Hotels Inc. He has been a Scotiabank director since March 27, 1990, and currently sits on the Human Resources Committee. He lives in Toronto, Ont.

ALLAN C. SHAW

Mr. Shaw is Chairman and Chief Executive Officer of The Shaw Group Limited. A Scotiabank director since September 30, 1986, he currently sits on the Executive and Human Resources Committees. He lives in Halifax, N.S.

PAUL D. SOBEY

Mr. Sobey is President and Chief Executive Officer of the Empire Company Limited. He has been a Scotiabank director since August 31, 1999, and currently sits on the Audit Committee. He lives in Kings Head, Pictou County, N.S.

Corporate Listings

As at November 1, 1999

Executive Officers

From left:

PETER C. GODSOE
Chairman of the Board & Chief Executive Officer

BRUCE R. BIRMINGHAM
President

ROBERT W. CHISHOLM
Vice-Chairman, Domestic Banking

RICHARD E. WAUGH
Vice-Chairman, Wealth Management and International Banking

BARRY R. F. LUTER
Co-Chairman & Co-CEO, Scotia Capital

W. DAVID WILSON
Co-Chairman & Co-CEO, Scotia Capital

JOHN F. M. CREAN
Senior Executive Vice-President, Global Risk Management

S. DENNIS N. BELCHER
Executive Vice-President, Investment Banking Credit & Credit Policy and Special Accounts Management

Domestic Banking and Regional Offices

ATLANTIC REGION
Senior Vice-President
John G. Keith

QUEBEC REGION
Senior Vice-President
J. Guy Bisaillon

TORONTO REGION
Senior Vice-President
Dieter W. Jentsch

ONTARIO REGION
Senior Vice-President
David J. Chapman

PRAIRIE REGION
Senior Vice-President
George E. Marlatte

BRITISH COLUMBIA & YUKON REGION
Senior Vice-President
Bev Voice

COMMERCIAL BANKING

COMMERCIAL REAL ESTATE BANKING
Senior Vice-President
Malcolm Seddon

MID-MARKET BANKING
Senior Vice-President
R. Alex Connolly

SMALL & MEDIUM-SIZED ENTERPRISES
Senior Vice-President
Ron E. Laursen

RETAIL PRODUCTS & MARKETING

MARKETING
Senior Vice-President
Barbara F. Mason

RETAIL DEPOSITS & SERVICES
Senior Vice-President
Wendy G. Hannam

RETAIL LENDING SERVICES
Senior Vice-President
Alberta G. Cefis

Wealth Management

Scotiatrust
President & CEO
J. Rory MacDonald

Bahamas Trust Co.
Managing Director
Douglas H. Stewart

Scotia Cassels Investment Counsel Limited
President & CEO
Douglas A.S. Mills

Scotia Discount Brokerage Inc.
Scotia Securities Inc.
President & CEO
Andrew H. Scipio del Campo

ScotiaMcLeod
Private Client Financial Services
Managing Director and Head
James M. Werry

Electronic Banking

ENTERPRISE SOLUTIONS
Senior Vice-President
L. Paul LeBlanc

ELECTRONIC COMMERCE PRODUCT DEVELOPMENT
Senior Vice-President
J. Drew Brown

ELECTRONIC BANKING BUSINESS SERVICES
Senior Vice-President
Mary Anne Chambers

Scotia Capital

CANADIAN RELATIONSHIP MANAGEMENT
Deputy Chairman,
Co-Head, Canadian Relationship Management
John C. Eby

Deputy Chairman,
Co-Head, Canadian Relationship Management
Scot A. Martin

Deputy Chairman
Gordon J. Homer

Deputy Chairman
Richard E. Lint

Deputy Chairman
Daniel F. Sullivan

CANADIAN CAPITAL STRUCTURING
Executive Managing Director,
Head of Canadian Capital Structuring
Brian J. Porter

Managing Director,
Co-Head of Bank Finance
Robert V. Finlay

Managing Director,
Co-Head of Bank Finance
Borden R. Osmak

Managing Director,
Head of Mergers and Acquisitions
William N. Gula

Managing Director,
Head of Corporate Finance
Carmen M. Piché

Managing Director,
Head of Specialized Finance
David Santangeli

Managing Director,
Head of Institutional Equities
James W. Mountain

Managing Director,
Head of Institutional Equity Sales and Marketing
Lawrence R. Lewis

Managing Director,
Head of Equity Research
Laurel J. Ward

Managing Director,
Head of Equity Capital Markets
Robert C. Williams

U.S. AND EUROPE
Executive Managing Director,
Head of U.S. East
Kevin R. Ray

Executive Managing Director,
Head of U.S. West
John E. Oliver

Executive Managing Director,
Head of Europe
Terry K. Fryett

GLOBAL TRADING
Executive Managing Director,
Co-Head of Global Trading
Tom A. Healy

Executive Managing Director,
Co-Head of Global Trading
C. John Schumacher

Managing Director,
Deputy Head of Capital Markets Group
Michael Durland

Managing Director,
Deputy Head of Capital Markets Group
John F. Madden

Managing Director,
Head of ScotiaMocatta
Larry J. Scott

Managing Director,
Head of Foreign Exchange and Money Markets
Barry M. Wainstein

INFRASTRUCTURE
Managing Director,
Head of Strategic Planning and Marketing
Raymond G. Darke

Managing Director,
Chief Financial Officer
Colleen M. Johnston

Managing Director,
Head of Compliance
Joan C. Smart

Managing Director,
Co-Head of Human Resources
David W. Whitaker

Managing Director,
Co-Head of Human Resources
Ruth G. Woods

Integrated Support Services (ISS)

Senior Vice-President and Head,
Integrated Support Services
Mark I. Greenspan

Senior Vice-President,
Securities Operations
Norman K.J. Graham

Senior Vice-President,
Risk Management and Control
Jeffrey C. Heath

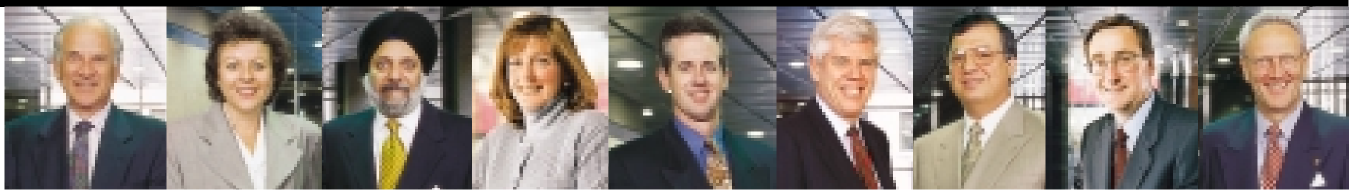
Senior Vice-President,
Front Office Development
Gail J. Smith

Senior Vice-President,
Global Trading Operations and IBD
Charles Wickett

Group Treasury

INVESTMENTS
Senior Vice-President
Russell A. Morgan

PENSIONS
Senior Vice-President
Ramsay R. Holmes



From left:

ROBERT L. BROOKS
Executive Vice-President & Group Treasurer

SYLVIA D. CHROMINSKA
Executive Vice-President, Human Resources

SARABJIT S. MARWAH
Executive Vice-President and Chief Financial Officer

PEGGY MULLIGAN
Executive Vice-President, Systems and Operations

ROBERT H. PITFIELD
Executive Vice-President and Group Head, Wealth Management

WILLIAM P. SUTTON
Executive Vice-President, Latin America

ALBERT E. WAHBE
Executive Vice-President, Electronic Banking and President, e-Scotia.com

WARREN K. WALKER
Executive Vice-President, Retail Products & Marketing

JOHN A. YOUNG
Executive Vice-President, Domestic Branch Banking

Global Risk Management

COMMERCIAL CREDIT
Senior Vice-Presidents
David W. Ritcey
Donald S. Teslyk

CORPORATE & INTERNATIONAL CREDIT
Senior Vice-Presidents
John W. Agnew
Richard W. Hale-Sanders
Stephen P. Hart
S.M. (Mickey) Kitchell

REAL ESTATE CREDIT
Senior Vice-President
F. George Wilson

POLICY & INFORMATION SYSTEMS/ANALYTICS/ TRADING POLICY
Senior Vice-President
Ameen Karmally

ANALYTICS
Senior Vice-President
Peter F.J. Heffernan

International Banking

PACIFIC REGION
Senior Vice-President
Robin S. Hibberd

CARIBBEAN,CENTRAL AMERICA & MEDITERRANEAN
Senior Vice-President
J. Brooke Frizzell

INTERNATIONAL ADMINISTRATION & FINANCE
Senior Vice-President & CAO
Timothy P. Hayward

Senior Vice-President
Electronic Financial Services
W. Robert Stark

INTERNATIONAL CORPORATE FINANCE
Senior Vice-President
Brian E. Maloney

LATIN AMERICA
GRUPO FINANCIERO INVERLAT
Managing Director
Peter C. Cardinal

Deputy General Director
Finance and Operations
Jim T. Meek

SCOTIABANK QUILMES
Chief Executive Officer
Anatol von Hahn

BANCO DEL CARIBE
Executive President
Alan Macdonald

TRADE FINANCE & CORRESPONDENT BANKING
Senior Vice-President
Timothy G. Plumptre

Corporate Administration

ECONOMICS AND PUBLIC & CORPORATE AFFAIRS
Senior Vice-President & Chief Economist
Warren Jestin

EXECUTIVE OFFICES ADMINISTRATION & SECRETARY
Senior Vice-President & Secretary
R. Peter Gerad

FINANCE & ADMINISTRATION
Senior Vice-President & Chief Accountant
Eugene J. Rovas

Senior Vice-President & Comptroller
Daniel L. Chui

AUDIT
Senior Vice-President & Chief Inspector
Luke A. Vanneste

Senior Vice-Presidents
Thomas C. Nicol
John R. Roblin

GENERAL COUNSEL
Senior Vice-President & General Counsel
George E. Whyte

Group Compliance
Senior Vice-President
L. Louise Cannon

TAXATION
Senior Vice-President
Reginald W. Kowalchuk

HUMAN RESOURCES
Senior Vice-Presidents
Diane S. Caravan
Shirley P. Fudge

SYSTEMS & OPERATIONS
BANKING OPERATIONS
Senior Vice-President
Terry C. Maloney

IT APPLICATIONS ARCHITECTURE
Senior Vice-President
Carol E. Brandt

RETAIL SYSTEMS DEVELOPMENT
Senior Vice-President
Sue E. Harrison

SYSTEMS DEVELOPMENT & SUPPORT
Senior Vice-President
David K. Gill

SYSTEMS OPERATIONS & TECHNICAL SERVICES
Senior Vice-President
Jean-Charles Petitclerc

YEAR 2000 PROGRAM OFFICE
Senior Vice-President
Michael D. Evans

REAL ESTATE
Senior Vice-President
Andrew B. Lennox

Other Businesses

American Securities Transfer & Trust, Inc.
President
Ian Yewer

Montreal Trust Company
President & CEO
Robert W. Chisholm

National Trust Company, Victoria and Grey Mortgage Corporation
President & CEO
Robert W. Chisholm

RoyNat Inc.
President & CEO
Rod M. Reynolds

Mortgage Insurance Company of Canada, Scotia General Insurance Company, Scotia Life Insurance Company
President & CEO
Oscar Zimmerman

Scotia Merchant Capital Corporation
Managing Directors
Andrew R. Brenton
S. Jane Rowe

Scotiabank Europe plc
Managing Director
Roger A. Ellis

Scotiabank (Ireland) Ltd.
Managing Director
Peter Kluge

For a detailed list of the locations and complete addresses of our branches and affiliates in more than 50 countries around the world, please refer to Scotiabank's Worldwide Directory. To obtain a copy, contact Public & Corporate Affairs by phone (416) 866-3925, fax (416) 866-4988 or e-mail: corpaff@scotiabank.ca, or visit Scotiabank's Web site at www.scotiabank.com.

Shareholder Information

ANNUAL MEETING

Shareholders are invited to attend the 168th Annual Meeting of The Bank of Nova Scotia, to be held on February 29, 2000, at the Calgary Centre for Performing Arts, Jack Singer Concert Hall, 205-8th Avenue S.E., Calgary, Alberta, Canada, beginning at 10:00 a.m. (Mountain time).

SHAREHOLDINGS AND DIVIDENDS

Information regarding your shareholdings and dividends may be obtained by contacting the Transfer Agent.

DIRECT DEPOSIT SERVICE

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

DIVIDEND AND SHARE PURCHASE PLAN

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

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

For more information on participation in the Plan, please contact the Transfer Agent.

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 Stock Exchange.

Series 6, 7, 8, 9, 11 and 12 Preferred Shares of the Bank are listed on the Toronto and Montreal stock exchanges.

STOCK SYMBOLS

Stock	Ticker Symbol	CUSIP No.
Common shares	BNS	064149 10 7
Series 6, Preferred	BNS.PR.E	064149 70 1
Series 7, Preferred	BNS.PR.F	064149 80 0
Series 8, Preferred	BNS.PR.G	064149 88 3
Series 9, Preferred	BNS.PR.H	064149 87 5
Series 11, Preferred	BNS.PR.I	064149 84 2
Series 12, Preferred	BNS.PR.J	064149 81 8

DIVIDEND DATES FOR 2000

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

Record Date	Payment Date
Jan. 4	Jan. 27
April 4	April 26
July 4	July 27
Oct. 3	Oct. 27

QUARTERLY EARNINGS REPORTING

For 2000, Scotiabank's quarterly earnings are anticipated to be announced February 29, June 1, August 29 and December 6.

FUTURE ANNUAL MEETING

The Annual Meeting for the year 2001 is scheduled for Tuesday, March 6, in Halifax, Nova Scotia at 10:00 a.m. (Atlantic time).

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 $2.594 after adjustment for the two-for-one stock split in 1976, the three-for-one stock split in 1984 and the two-for-one stock split in 1998.

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; however, if you are registered with different names and/or addresses, multiple mailings may result.

If you receive, but do not require, more than one mailing for the same ownership, please contact the Transfer Agent to combine the accounts.

CREDIT RATINGS

Senior Long-Term Debt

CBRS	A+(high)
DBRS	AA(low)
IBCA	AA-
Moody's	Aa3
Standard & Poor's	A+

Non-Cumulative Preferred Shares

CBRS	P-2
DBRS	Pfd-1(low)n

Commercial Paper

CBRS	A-1(high)
DBRS	R-1(middle)
Moody's	P-1
Standard & Poor's	A-1

Connecting with Scotiabank

Corporate Headquarters

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

Shareholder Services

TRANSFER AGENT AND REGISTRAR
MAIN AGENT
Montreal Trust Company of Canada
151 Front Street West, 8th Floor
Toronto, Ontario
Canada M5J 2N1
Tel.: (416) 981-9633; 1-800-663-9097
Fax: (416) 981-9507
E-mail: faq@montrealtrust.com

CO-TRANSFER AGENT (U.S.A.)
The Bank of Nova Scotia
Trust Company of New York
23rd Floor, 1 Liberty Plaza
New York, N.Y. 10006
Tel.: (212) 225-5470
Fax: (212) 225-5436
Telex: 00126777

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Ilford, Essex
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Fax: 0181 478 7717
E-mail: irg@easynet.co.uk

SECRETARY'S DEPARTMENT
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Tel.: (416) 866-4790
Fax: (416) 866-5090
E-mail: corpsec@istar.ca

FINANCIAL ANALYSTS, PORTFOLIO MANAGERS AND OTHER INSTITUTIONAL INVESTORS
Tel.: (416) 866-5982
Fax: (416) 866-7867
E-mail: invrelns@scotiabank.ca

For Further Information

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

CUSTOMER SERVICE CENTRE
1-800-4-SCOTIA

Online

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

Annual Report

For copies of the annual report and other financial reports:
Tel: (416) 866-3925
Fax: (416) 866-4988
E-mail: corpaff@scotiabank.ca

Worldwide Directory

For complete addresses, please refer to the Worldwide Directory. To obtain a copy, contact:
Public and Corporate Affairs
44 King Street West
Toronto, Ontario
Canada M5H 1H1
Tel.: (416) 866-3925
Fax: (416) 866-4988
E-mail: corpaff@scotiabank.ca
Web site: www.scotiabank.com

Office of the Ombudsman

44 King Street West
Toronto, Ontario
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Fax: (416) 933-3276

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