

THIRD QUARTER REPORT

FOR THE PERIOD ENDED
JULY 31, 1999

Putting people first.



 **Scotiabank**

CHAIRMAN'S MESSAGE

FOR THE PERIOD ENDED JULY 31, 1999

SCOTIABANK CONTINUED ITS RECORD OF CONSISTENT GROWTH IN EARNINGS, WITH NET INCOME OF \$397 MILLION IN THE THIRD QUARTER. This strong result was 11% higher than a year ago. Earnings per share also rose to \$0.75 from \$0.68 last year. All of the Bank's major business lines made a substantial contribution to these earnings.

Performance highlights for the third quarter, compared with the preceding quarter, include:

- Net income of \$397 million, an increase of 3%;
- Earnings per share of \$0.75, up from \$0.73;
- Return on equity (ROE) of 15.3%, versus 15.7%;
- Tier 1 capital ratio of 8.0%, further strengthened from 7.8%.

Net income for the nine months ended July 31, 1999, was \$1,149 million, up 11% from the same period a year ago. Year-to-date earnings per share grew 10% to \$2.17. ROE was 15.3%, down marginally from 15.5%.

REVENUES

Total revenues, comprised of net interest income and other income, reached \$1.9 billion in the third quarter, 6% higher than last year.

Net interest income grew to \$1,156 million, a 3% rise over the same quarter a year ago. This increase was moderated by the securitizations undertaken by the Bank which resulted in a transfer of net interest income to other income. Contributing to the gains in net interest income were substantial growth in residential mortgages in Canada and higher lending volumes in the Caribbean and in Europe. The overall interest margin was 2.12%, unchanged from the same period last year, notwithstanding a decline in the Canadian interest margin.

Other income for the third quarter was \$786 million, up 10% year over year, with solid contributions by all core businesses, as well as greater securitization revenues. Most notably, there were higher investment banking revenues of \$44 million, and large gains in commercial and corporate credit fees of \$19 million reflecting strong lending activity. During the quarter, gains on

Financial Highlights

	For the three months ended		
(Unaudited)	July 31 1999	April 30 1999	July 31 1998
Net income (\$ millions)	\$ 397	\$ 384	\$ 358
Earnings per share (\$)	\$ 0.75	\$ 0.73	\$ 0.68
Return on equity	15.3%	15.7%	15.5%
Return on assets	0.71%	0.68%	0.66%

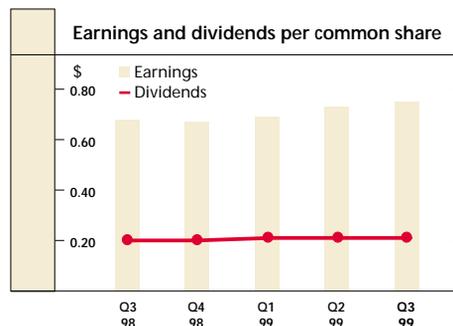
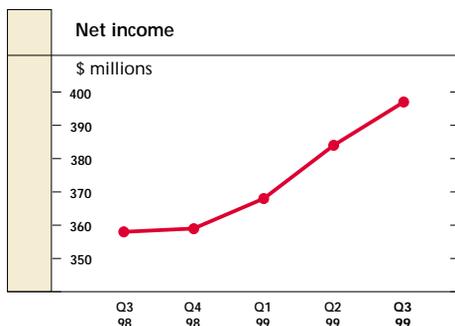
	For the nine months ended	
(Unaudited)	July 31 1999	July 31 1998
Net income (\$ millions)	\$ 1,149	\$ 1,035
Earnings per share (\$)	\$ 2.17	\$ 1.97
Return on equity	15.3%	15.5%
Return on assets	0.67%	0.66%

investment securities of \$89 million were realized, \$24 million more than a year ago. The Bank also recorded a net write down of \$22 million on a portfolio of real estate properties which are in the process of being sold.

EXPENSES

One of the Bank's competitive advantages is its superior productivity. The Bank's productivity ratio – non-interest expenses as a percentage of total revenues – was 60.4% in the third quarter versus 60.7% in the same quarter a year ago. On a year-to-date basis, the productivity ratio of 59.9% was better than the Bank's target of 60%.

Non-interest expenses were \$1.2 billion in the third quarter, \$63 million or 6% above the same period a year ago. Salaries – the Bank's largest expense category – rose by 6% year over year, partly due to higher performance-linked compensation. There were increases in other expenses for new initiatives to build sales and service capabilities, and to enhance the Bank's technology infrastructure. Partly offsetting these higher costs were lower deposit insurance premiums.



CREDIT QUALITY

Net impaired loans were \$342 million as at July 31, 1999, versus \$305 million last quarter. Net impaired loans as a percentage of total loans and acceptances remained unchanged at 0.2%.

The 1999 forecast annual specific provision for credit losses, estimated at \$435 million, was unchanged from last quarter. This quarter's provision for credit losses was \$108 million, one quarter of the estimated annual specific provision, a reduction of \$15 million from the same quarter a year ago. General provisions remained unchanged at \$750 million.

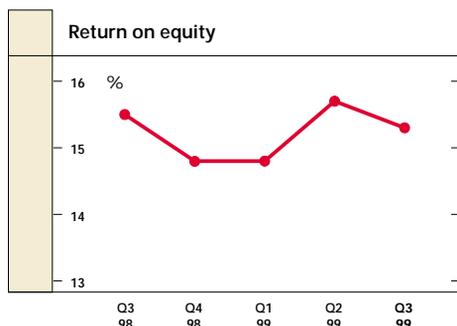
BALANCE SHEET

The Bank's total assets were \$227 billion as at July 31, 1999, almost \$6 billion above the preceding quarter. Approximately half of this increase arose from the translation effect of a weaker Canadian dollar, with the balance arising from higher mortgages, securities and cash resources. Compared to a year ago, total assets were up 2% or \$5 billion.

Loans and acceptances rose to \$143.4 billion or 1% over last year. After adjusting for the \$8 billion of loan securitizations completed over the past year, loans and acceptances grew by 7%. The largest contributor to this success was residential mortgages where an increasing proportion of the growth is being generated by the Bank's new specialized sales forces and electronic delivery channels. Scotiabank presently has the second largest market share of residential mortgages in Canada.

The Bank's securities portfolio was \$33.4 billion as at July 31, 1999, versus \$29.4 billion a year ago. In the Bank's investment securities portfolio, the surplus of market value over book value was \$228 million, versus \$591 million in the preceding quarter. The decline was due in part to the securities gains recognized in the current quarter, as well as lower values for emerging market securities.

Total deposits were \$156.5 billion as at July 31, 1999, basically unchanged from a year ago. However, personal deposits rose by 5%, reflecting strong sales of the Bank's comprehensive range of deposit and investment services. The larger personal deposit base allowed the Bank to reduce its reliance on more expensive wholesale funding.



CAPITAL

The Bank continued to build its capital base to support the growth in operations. Common equity rose to \$9.8 billion as at July 31, 1999, an increase of \$390 million from the preceding quarter. This was mainly attributable to earnings retention of \$266 million, and a foreign currency translation adjustment of \$111 million. The quarterly increase in Tier 1 regulatory capital of almost 4% exceeded the growth in the risk-adjusted assets of 1%, resulting in an improved Tier 1 ratio of 8.0%, up from 7.8% last quarter.

Tier 2 capital increased by \$326 million, mainly due to the issuance of a \$350 million subordinated debenture in the third quarter. As at July 31, 1999, the total capital ratio was 11.5% versus 11.2% at the end of the prior quarter. The strong Tier 1 and total capital ratios are well in excess of the minimum targets of 7% and 10% set by the Bank's regulator.

YEAR 2000

At this time, the Bank has completed the modification, testing and implementation of all important computer systems, and has implemented a rigorous process to ensure all systems remain Year 2000 compliant.

Current efforts are focussed on testing with external parties, including infrastructure service providers, such as securities exchanges, and on the refinement and testing of contingency plans. The Bank has successfully completed three full simulations for its branch banking operations in Canada.

However, due to the general uncertainty of the Year 2000 issue and the Bank's dependency upon the preparedness of other parties, it is not possible to be certain that all aspects of the Year 2000 issue will be resolved and that these problems will not adversely affect the Bank.

Overall, the Bank continues to believe that the steps it has taken and the contingency plans that are being put in place, will address the challenges that may arise from the Year 2000 issue. We guarantee that on and after January 1, 2000, our clients' records, accounts and deposits will be safe.

DIVIDEND

The Board of Directors, at its meeting August 31, 1999, approved a dividend increase of 3 cents per common share, raising the quarterly dividend to 24 cents, payable on October 27, 1999, to shareholders of record as of October 5, 1999.

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

August 31, 1999
Toronto, Ontario, Canada

THIRD QUARTER DEVELOPMENTS



TECHNOLOGICAL ADVANCES

Scotiabank is committed to providing customers with the latest in banking technology to help them bank when, where and how they want. A new partnership with Rogers

Cantel Inc. will give Canadians access to their financial information anytime, anywhere – right in the palm of their hand.

The Cantel AT&T Interactive Messaging Device provides customers with a complete range of banking and discount brokerage information at their fingertips, including bank account and credit card balances and statements, stock quotes, portfolio information and e-mail messages of up to 2,700 words. The device transmits information securely, in real time, over the Cantel AT&T Mobitex network.

Scotiabank and Rogers Cantel also joined forces to provide mobile Scotia 2020 point-of-sale terminals in Winnipeg during the Pan Am Games this summer, allowing spectators and participants to use debit and credit cards to pay for food and beverages. The terminals have been successfully piloted in Ontario over the past year, and Scotiabank plans to be the first bank to offer them to businesses across Canada this fall.



COMMITMENT TO CUSTOMERS

Since 1971, when Scotiabank became the first bank in Canada to locate a branch on a First Nations reserve, the Bank has demonstrated its continuing commitment to the Aboriginal community. The Bank recently expanded and renovated its Standoff branch, on the Blood Tribe reserve in Alberta. Consultations with tribal elders have resulted in a branch design and decor that is unique and meaningful to the people of the Blood Nation.

Scotiabank also opened its first on-reserve branch in Ontario in June, in Rama, on reserve lands of the Chippewas of Mnjikaning First Nation. The Bank worked closely with the Band to design a full-service retail branch that is both culturally pleasing and equipped with the latest in banking technology. This includes a paperless, “forms-free” environment, where deposit and withdrawal forms are no longer necessary.

The Bank has two other on-reserve branches, in The Pas, Man., and West Vancouver, B.C. Across Canada, 115 Aboriginal-focus branches provide services to communities, including access to capital, housing loans, business training and employment opportunities.



HELPING CONSUMERS

The Scotia Borrower's Reality Check – Canada's first comprehensive interactive borrowing tool, launched in June – is the latest in a series of on-line aids designed to help Canadians better manage their financial affairs.

A recent Scotia Credit Poll revealed that 59% of Canadians say that “being in debt scares me.” While 75% say they will be paying down their debt over the next 12 months, 54% have not reduced their debt load at all in the past five years.

The Borrower's Reality Check enables Canadians to examine their personal borrowing situation in the privacy of their own homes or offices and develop a plan to reduce borrowing costs and overall debt levels. Customers can access the software on the Scotiabank website (www.scotiabank.ca), or pick up complimentary CD-ROMs or computer diskettes at all Scotiabank branches.



INTERNATIONAL GROWTH

During the quarter, Scotiabank extended its operations in the thriving market of India, where it has served corporate and multinational customers for more than 16 years. This summer, the Bank launched Scotiafinance, an Indian-based finance company which will initially focus on retail and commercial loans. The Bank also announced plans to open its fifth full-service branch in India, in Hyderabad, the country's high-tech, software and telecommunications industry hub. The branch will provide commercial finance, trade finance, short-term working capital, private banking and gold services.

In July, Scotiabank announced it had signed a letter of intent to purchase an additional stake in Chile's Banco Sud Americano for US\$116 million. This investment, subject to government approval, will give Scotiabank ownership control in Banco Sud Americano, with almost 61%. Headquartered in Santiago, Banco Sud Americano has assets of US\$3.1 billion, and offers a full range of retail, commercial and corporate financial services through 78 branches.

Scotiabank continues to have confidence in the long-term outlook for Latin America. The Chilean economy has been among the most stable in Latin America over the past decade, with average annual growth rates of more than 7%.

Interim Consolidated Statement of Income

	For the three months ended			For the nine months ended	
	July 31 1999	April 30 1999	July 31 1998	July 31 1999	July 31 1998
<i>(Unaudited) (\$ millions except per share amounts)</i>					
Interest income					
Loans	\$ 2,565	\$ 2,631	\$ 2,652	\$ 8,004	\$ 7,465
Securities	480	457	455	1,378	1,321
Deposits with banks	212	231	252	730	749
	3,257	3,319	3,359	10,112	9,535
Interest expense					
Deposits	1,720	1,787	1,862	5,501	5,286
Subordinated debentures	81	75	95	232	261
Other	300	295	283	879	762
	2,101	2,157	2,240	6,612	6,309
Net interest income	1,156	1,162	1,119	3,500	3,226
Provision for credit losses	108	109	123	476	471
Net interest income after provision for credit losses	1,048	1,053	996	3,024	2,755
Other income					
Deposit and payment services	152	146	162	452	459
Investment management and trust	79	83	83	242	231
Credit fees	136	128	117	389	334
Investment banking	246	246	202	729	671
Net gain on investment securities	89	37	65	241	248
Other	84	110	84	290	225
	786	750	713	2,343	2,168
Net interest and other income	1,834	1,803	1,709	5,367	4,923
Non-interest expenses					
Salaries	583	576	551	1,715	1,632
Pension contributions and other staff benefits	96	83	86	257	234
Premises and equipment, including depreciation	250	261	254	762	708
Other	267	268	242	786	729
	1,196	1,188	1,133	3,520	3,303
Income before the undernoted:	638	615	576	1,847	1,620
Provision for income taxes	228	218	207	661	558
Non-controlling interest in net income of subsidiaries	13	13	11	37	27
Net income	\$ 397	\$ 384	\$ 358	\$ 1,149	\$ 1,035
Preferred dividends paid	\$ 27	\$ 27	\$ 24	\$ 81	\$ 70
Net income available to common shareholders	\$ 370	\$ 357	\$ 334	\$ 1,068	\$ 965
Net income per common share	\$ 0.75	\$ 0.73	\$ 0.68	\$ 2.17	\$ 1.97

Note: Certain comparative amounts in this quarterly report have been reclassified to conform with current period presentation.

Consolidated Balance Sheet Highlights

<i>(Unaudited) (\$ millions)</i>	As at			% Change July '99/ July '98
	July 31 1999	April 30 1999	July 31 1998	
Assets				
Cash resources	\$ 19,626	\$ 17,445	\$ 19,109	2.7%
Securities	33,350	32,149	29,424	13.3
Assets purchased under resale agreements	13,706	12,606	12,778	7.3
Loans – Residential mortgages	46,655	45,004	44,405	5.1
– Personal and credit cards	18,300	17,797	19,272	(5.0)
– Business and governments	69,159	68,499	70,098	(1.3)
	134,114	131,300	133,775	0.3
Customers' liability under acceptances	9,292	9,223	8,306	11.9
Other assets	17,311	18,753	19,264	(10.1)
	\$ 227,399	\$ 221,476	\$ 222,656	2.1%
Liabilities and Shareholders' Equity				
Deposits – Personal	\$ 64,962	\$ 64,338	\$ 61,869	5.0%
– Business and governments	65,437	63,663	64,712	1.1
– Banks	26,099	24,582	29,767	(12.3)
	156,498	152,583	156,348	0.1
Acceptances	9,292	9,223	8,306	11.9
Obligations related to assets sold under repurchase agreements	18,801	15,441	15,663	20.0
Obligations related to securities sold short	4,103	5,341	4,000	2.6
Other liabilities	21,713	22,700	21,643	0.3
Subordinated debentures	5,451	5,037	6,164	(11.6)
Equity – Preferred shares	1,775	1,775	1,775	–
– Common shares	2,665	2,653	2,616	1.9
– Retained earnings	7,101	6,723	6,141	15.6
	\$ 227,399	\$ 221,476	\$ 222,656	2.1%

Condensed Consolidated Statement of Cash Flows

<i>(Unaudited) (\$ millions)</i>	For the nine months ended	
	July 31 1999	July 31 1998
Cash flows provided by (used in) operating activities	\$ 1,816	\$ (725)
Cash flows (used in) provided by financing activities	(2,305)	17,997
Cash flows provided by (used in) investing activities	44	(15,478)
Effect of exchange rate changes on cash and cash equivalents	(132)	182
(Decrease) increase in cash and cash equivalents	\$ (577)	\$ 1,976
Cash and cash equivalents, beginning of period	4,431	2,230
Cash and cash equivalents, end of period*	\$ 3,854	\$ 4,206

* Cash and cash equivalents are comprised of Cash and Deposits with Bank of Canada, Deposits with other banks (operating), Cheques and other items in transit, and Advances from Bank of Canada (if any).

Condensed Consolidated Statement of Changes in Shareholders' Equity

<i>(Unaudited) (\$ millions)</i>	For the nine months ended	
	July 31 1999	July 31 1998
Balance at beginning of period	\$ 10,814	\$ 9,398
Common shares issued	40	49
Preferred shares issued	-	311
Preferred shares redeemed	-	(4)
Net income	1,149	1,035
Dividends – Preferred	(81)	(70)
– Common	(311)	(294)
Net unrealized foreign exchange gains and losses, and other	(70)	107
Balance at end of period	\$ 11,541	\$ 10,532

Quarterly Components of Net Income and Average Assets

<i>(Unaudited) (\$ millions)</i>	For the three months ended			For the nine months ended	
	July 31 1999	April 30 1999	July 31 1998	July 31 1999	July 31 1998
Net income					
By business line:					
Canadian retail & commercial banking	\$ 147	\$ 147	\$ 156	\$ 455	\$ 461
Corporate banking	144	142	122	483	314
Investment banking	97	90	43	275	197
International banking	85	82	64	220	168
Other	(76)	(77)	(27)	(284)	(105)
	\$ 397	\$ 384	\$ 358	\$ 1,149	\$ 1,035
By geography:					
Canada	\$ 252	\$ 241	\$ 208	\$ 764	\$ 648
United States	100	102	90	330	240
International	121	118	87	339	252
Other	(76)	(77)	(27)	(284)	(105)
	\$ 397	\$ 384	\$ 358	\$ 1,149	\$ 1,035
Average assets					
By business line:					
Canadian retail & commercial banking	\$ 79,725	\$ 78,694	\$ 79,296	\$ 79,637	\$ 77,681
Corporate banking	40,993	45,723	39,305	44,528	37,155
Investment banking	66,367	69,992	62,817	69,580	62,692
International banking	27,494	27,412	24,237	27,382	22,502
Other	8,686	8,639	9,019	8,924	8,817
	\$ 223,265	\$ 230,460	\$ 214,674	\$ 230,051	\$ 208,847
By geography:					
Canada	\$ 128,284	\$ 128,487	\$ 126,743	\$ 129,132	\$ 124,663
United States	34,485	39,149	30,001	37,695	28,677
International	51,810	54,185	48,911	54,300	46,690
Other	8,686	8,639	9,019	8,924	8,817
	\$ 223,265	\$ 230,460	\$ 214,674	\$ 230,051	\$ 208,847

Risk-Adjusted Capital Ratios

<i>(Unaudited) (\$ millions)</i>	As at		
	July 31 1999	April 30 1999	July 31 1998
Qualifying capital: Tier 1	\$ 11,599	\$ 11,189	\$ 10,543
Total	\$ 16,731	\$ 16,018	\$ 15,933
Risk-adjusted assets	\$ 144,931	\$ 143,540	\$ 152,797
Capital ratios: Tier 1	8.0%	7.8%	6.9%
Total	11.5%	11.2%	10.4%

SHAREHOLDER & INVESTOR INFORMATION

DIRECT DEPOSIT SERVICE

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

DIVIDEND AND SHARE PURCHASE PLAN

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

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

For more information on participation in the Plan, please contact the Transfer Agent.

DIVIDEND DATES FOR 1999

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

Record Date	Payment Date
Jan. 5	Jan. 27
April 6	April 28
July 6	July 28
Oct. 5	Oct. 27

COMMON SHARE INFORMATION

Quarter	Dividend	Book Value*	Toronto Stock Exchange Prices		
			High	Low	Close
1999: Third	\$ 0.210	\$ 19.78	\$ 35.10	\$ 30.00	\$ 31.35
Second	0.210	19.01	36.90	30.10	34.65
First	0.210	18.71	36.30	29.75	32.50
Year-to-date	\$ 0.630 **				
1998: Fourth	\$ 0.200	\$ 18.37	\$ 34.00	\$ 22.80	\$ 32.20
Third	0.200	17.81	40.75	33.45	33.95
Second	0.200	17.06	44.70	32.33	39.25
First	0.200	16.69	35.25	27.88	31.93
Year	\$ 0.800				
1997: Fourth	\$ 0.185	\$ 16.19	\$ 34.10	\$ 28.90	\$ 31.08
Third	0.185	14.96	33.13	26.53	33.00
Second	0.185	14.45	28.70	23.80	26.53
First	0.185	13.93	24.00	20.55	23.80
Year	\$ 0.740				

Note: Amounts have been adjusted to reflect the two-for-one stock split on February 12, 1998.

* At quarter end.

** A dividend of \$0.24 per share has been declared and is payable in the fourth quarter.

DUPLICATED COMMUNICATION

Some registered holders of The Bank of Nova Scotia shares might receive more than one copy of shareholder mailings, such as this Quarterly Report. Every effort is made to avoid duplication, but if you are registered in different names and/or addresses, multiple mailings result.

If you receive, but do not require, more than one mailing for the same ownership, please write to the Transfer Agent to combine the accounts.

GENERAL INFORMATION

Information on your shareholdings and dividends may be obtained by writing to the Bank's Transfer Agent:
Montreal Trust Company of Canada
151 Front Street West, 8th Floor
Toronto, Ontario, Canada M5J 2N1
Telephone: (416) 981-9633; 1-800-663-9097
Fax: (416) 981-9507
E-mail: faq@montrealtrust.com

Financial analysts, portfolio managers and other investors requiring financial information, please contact Investor Relations, Finance Department:
Scotiabank
Scotia Plaza
44 King Street West, Toronto, Ontario,
Canada M5H 1H1
Telephone: (416) 866-5982
Fax: (416) 866-7867
E-mail: invrelns@scotiabank.ca

For other information and for media inquiries, please contact the Public and Corporate Affairs Department at the above address.
Telephone: (416) 866-3925
Fax: (416) 866-4988
E-mail: corpaff@scotiabank.ca

For information relating to Scotiabank and its services, visit us at our World Wide Web site:
<http://www.scotiabank.ca>

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