FIRST QUARTER REPORT

FOR THE PERIOD ENDED
JANUARY 31, 1999

Putting people first.

Scotiabank

CHAIRMAN'S MESSAGE

FOR THE PERIOD ENDED JANUARY 31, 1999

SCOTIABANK STARTED THE NEW FISCAL YEAR WITH STRONG FIRST QUARTER NET INCOME OF $368 MILLION. This was a substantial increase of $37 million or 11% over the same period a year ago. Earnings per share increased to $0.69 from $0.63.

The Bank continued to benefit from the diversification of its operations, with all business lines contributing to the strong results. In particular, both corporate and investment banking recorded substantially higher earnings compared to last year. Within the Bank's international operations, the Caribbean region's profits continued their track record of consistent growth, while the other regions remained stable. Retail and commercial banking in Canada also produced another quarter of solid earnings.

Performance highlights for the first quarter, compared with the preceding quarter, were as follows:

- Net income of $368 million, an increase of $9 million or 3%;
- Earnings per share of $0.69, up from $0.67;
- Return on equity unchanged at 14.8%; and
- Reserves strengthened by the addition of $150 million to general provisions.

REVENUES

Total revenues – net interest income and other income – grew to a record $2.0 billion in the first quarter. This amount was $307 million or 18% higher than in the same quarter a year ago, with double-digit growth in both net interest income and other income, partly due to the consolidation of Banco Quilmes in Argentina.

Net interest income was $1,182 million, with year-over-year growth of $157 million or 15%, which was driven by strong growth in average assets across most business lines. The Bank's interest margin of 2.04% declined slightly over the prior year.

Broad-based growth across most categories led to record quarterly other income of $807 million, $150 million or 23% higher than the same period a year ago. Ongoing enhancements to the Bank's electronic banking services supported the strong customer demand for retail products and services, and led to higher revenues from deposit and payment services. As well, revenues from wealth management products and services continue to be an important source of other income, reflecting the Bank's leadership in personal trust and the ongoing expansion of the retail brokerage operations. Investment banking revenues in the current quarter improved by 21% over the same period a year ago, as trading revenues, particularly foreign exchange trading, more than offset a decline in underwriting fees. Net gains on investment securities were $115 million in the quarter, an increase of $38 million or 49%. Contributing to the higher gains on investment securities was a one-time gain of $77 million realized on the sale of shares acquired several years ago through a loan restructuring.

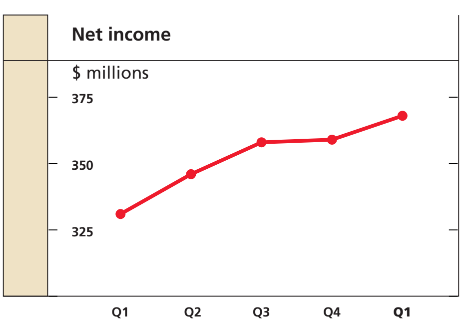
Financial Highlights

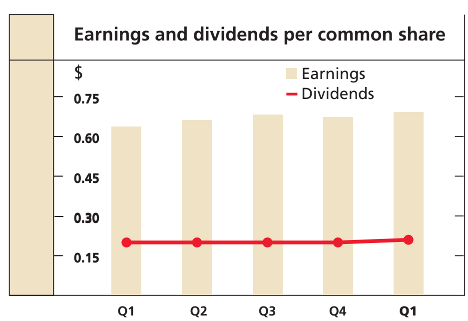
	For the three months ended		
(Unaudited)	**January 31 1999**	October 31 1998	January 31 1998
Net income *($ millions)*	**$ 368**	$ 359	$ 331
Earnings per share *($)*	**$ 0.69**	$ 0.67	$ 0.63
Return on equity	**14.8%**	14.8%	15.2%
Return on assets	**0.62%**	0.62%	0.65%

EXPENSES

The Bank's continued emphasis on cost control resulted in a substantial improvement in the productivity ratio – non-interest expenses as a percentage of total revenues. This key ratio was 56.1% (58.3% when the large one-time security gain mentioned above is excluded), versus 59.9% in the same quarter a year ago, and is better than the Bank's target productivity ratio of 60%. The Bank's productivity ratio continues to be one of the best among the Canadian banks.

Non-interest expenses rose to $1,136 million in the quarter, up 11% or $111 million from the first quarter last year. However, excluding the effect of consolidating Banco Quilmes, the underlying growth was 4% over the same period a year ago. Contributing to this increase were higher staffing in sales and service positions, both in Canada and internationally, and the Bank's ongoing investment in new technology applications and continuous improvement programs.





CREDIT QUALITY

The forecast 1999 annual specific provision for credit losses is estimated at $435 million, a reduction of $60 million from the 1998 charge of $495 million, with one-fourth of the 1999 estimate, or $109 million, expensed this quarter. In addition, the Bank increased its general provisions by $150 million, bringing the current quarter's total provision for credit losses to $259 million. After the $150 million increase, general provisions now stand at $750 million.

Credit quality remained strong, with net impaired loans declining to $288 million, or 0.2% of loans and acceptances, as at January 31, 1999, an improvement from $421 million and 0.3% at the end of the preceding quarter.

BALANCE SHEET

As at January 31, 1999, total assets were $232.5 billion, a slight decline from $233.6 billion at the end of the preceding quarter. However, compared to a year ago, total assets rose $21.8 billion or 10%.

Loans and acceptances grew by 15% over last year to $149.4 billion. Residential mortgages in Canada rose 9% with increasing business being generated through specialized sales forces and through the Internet. Corporate and commercial lending increased substantially in the past year, particularly in the U.S. and Caribbean operations, due to the Bank's strong presence in these markets and the translation effect of a weaker Canadian dollar.

Securities holdings were $30.9 billion, as at January 31, 1999, 7% higher than a year ago. As at January 31, 1999, the surplus of market value over book value in the Bank's investment securities portfolio was $208 million.

Total deposits increased to $165.2 billion at the end of the quarter, up 10% year-over-year. Personal deposits grew by over 4%, partly attributable to the success of Scotiabank's Stock-Indexed GICs in Canada, a product in which the Bank is a market leader. The balance of the deposit growth came from wholesale deposits to support the increase in corporate and commercial lending.

CAPITAL

Common equity rose to $9.2 billion as at January 31, 1999, an increase of $182 million from the preceding quarter, primarily from strong earnings retention of $237 million. Partially offsetting this increase was a foreign currency translation adjustment of $69 million due to strengthening of the Canadian dollar in the current quarter. With the Bank's careful management of its balance sheet, the Tier 1 capital ratio remained a solid 7.2%, unchanged from the preceding quarter.

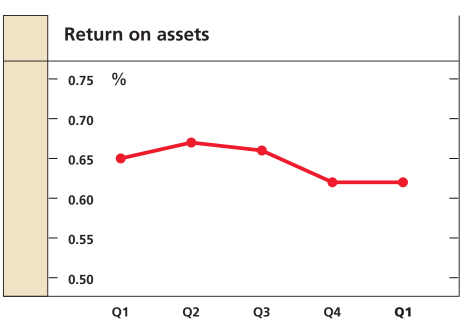
Tier 2 capital grew a modest $99 million as a result of adding $150 million to general provisions, partially offset by a reduction in subordinated debentures. The total capital ratio remained at 10.6%.

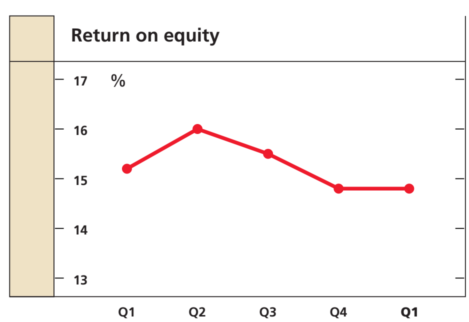
DIVIDEND

The Board of Directors, at its meeting March 1, 1999, approved a quarterly dividend of 21 cents per common share, payable on April 28, 1999, to shareholders of record as of April 6, 1999.

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

March 1, 1999
Toronto, Ontario, Canada





FIRST QUARTER DEVELOPMENTS

TECHNOLOGY AND THE FUTURE

Today's world of commerce increasingly depends on electronic technology. The financial services industry is no different. For example, more than 900,000 Scotiabank customers have signed on with Scotia OnLine, the Bank's Internet banking service.

While banking has always been a people-oriented business, technology helps us to better serve our retail, small business and corporate customers. To do this more effectively, we recently brought all our electronic services under the umbrella of a new Electronic Banking Group. It is responsible for the research, development, marketing, sales and customer service of the Bank's entire range of electronic services – including Internet and telephone banking, automated banking machines, debit and smart card applications, and commercial and corporate services.

Scotiabank is an acknowledged leader in on-line banking and electronic commerce. In particular, Scotiabank's Internet security for personal and small business banking is world-class. So much so, that when Canada Post Corporation was seeking a security solution for its new Internet services – the *electronic post office* – it turned to Scotiabank. Canadians using Canada Post's new Internet services will be protected by on-line security technology that's based on the same leading edge, cryptographic security Scotiabank developed for its Scotia OnLine Internet banking services.

Scotia OnLine customers will benefit from Canada Post's new initiative. Although they can already bank and pay bills over the Internet, they'll be able to participate in a pilot project later this spring which will enable them to view and retrieve their bills from a Canada Post electronic post office box.

A COMMITMENT TO PEOPLE

Scotiabank is strongly committed to being involved in the communities we serve, contributing to worthwhile causes across Canada and around the world.

As a national sponsor of *Take Our Kids To Work Day*, Scotiabank was pleased to welcome more than 900 students and their parents or sponsors to offices and branches across Canada on November 4, 1998. Students are provided with an opportunity to get a first-hand look at the workplace and begin thinking about career and educational choices. This popular event began in the Greater Toronto Area more than five years ago and, in 1997, expanded across the country with more than 400,000 students participating. The program has been expanded to the Caribbean, where more than 1,000 students in Trinidad and Tobago are involved.

SERVING CANADIANS' WEALTH MANAGEMENT NEEDS

Building market share in savings and investments is a key part of the Scotiabank Group's overall strategy.

Scotiabank's 1999 Investment Poll, conducted by Goldfarb Consultants and released on January 26, 1999, shows that Canadians have not fully factored their retirement needs into their plans. Scotiabank is taking the lead to help Canadians plan effectively for the future.

The *Scotia High 5 Plan* – five proven steps investors can take to achieve higher investment returns, while lowering risk – forms the cornerstone of this year's RRSP campaign. It encourages investors to diversify their portfolios and plan their investments for the long term.

The Scotiabank Group has an expanded array of RRSP products and services for investors to choose from through its branches, from investment specialists, over the telephone or the Internet. Among the offerings are the recently expanded Scotia Mutual Funds family (27 funds), asset allocation services, Scotia RRSP Catch-Up Loans and Stock-Indexed GICs.

In addition, in mid-January, Scotia Discount Brokerage Inc. (SDBI) gave self-reliant investors a boost when it became the first major financial institution to share its back-end load (deferred sales charge) mutual fund commissions with customers. And in February, SDBI went a step further, becoming the first bank-owned discount brokerage firm to eliminate commissions, offering instant savings on more than 400 eligible front-end load mutual funds. In both cases, investors end up with more money to invest and the potential for greater long-term investment growth.

LEADING THE WAY IN THE CARIBBEAN

The Scotiabank team is one of the Bank's core strengths – and we're committed to making it even stronger. Research clearly demonstrates a strong link between employee satisfaction and customer satisfaction. That's why the Bank is committed to providing employees with extra support to improve their skills and learning opportunities and, at the same time, enhance productivity and customer service.

For example, late last year, Scotiabank introduced the "leader coach" program throughout its Caribbean and Central American network, where competition in the financial services marketplace is strong and frequent change is the order of the day. Employees selected as leader coaches have strong change management and team-building skills. Their ultimate goal is to create a stronger sales and service culture.

These new initiatives will help Scotiabank bolster its position as the largest bank and leading force in the Caribbean.

Interim Consolidated Statement of Income

(Unaudited) ($ millions except per share amounts)	January 31 1999	October 31 1998	January 31 1998
	For the three months ended		
Interest income			
Loans	**$ 2,808**	$ 2,804	$ 2,344
Securities	**441**	494	418
Deposits with banks	**287**	258	244
	3,536	3,556	3,006
Interest expense			
Deposits	**1,987**	2,017	1,690
Subordinated debentures	**83**	93	82
Other	**284**	295	209
	2,354	2,405	1,981
Net interest income	**1,182**	1,151	1,025
Provision for credit losses	**259**	124	124
Net interest income after provision for credit losses	**923**	1,027	901
Other income			
Deposit and payment services	**154**	160	145
Investment management and trust	**80**	79	72
Credit fees	**125**	138	103
Investment banking	**237**	127	196
Net gain on investment securities	**115**	74	77
Other	**96**	112	64
	807	690	657
Net interest and other income	**1,730**	1,717	1,558
Non-interest expenses			
Salaries	**556**	561	514
Pension contributions and other staff benefits	**78**	74	68
Premises and equipment, including depreciation	**251**	250	222
Other	**251**	258	221
	1,136	1,143	1,025
Income before the undernoted:	**594**	574	533
Provision for income taxes	**215**	204	193
Non-controlling interest in net income of subsidiaries	**11**	11	9
Net income	**$ 368**	$ 359	$ 331
Preferred dividends paid	**$ 27**	$ 27	$ 23
Net income available to common shareholders	**$ 341**	$ 332	$ 308
Net income per common share	**$ 0.69**	$ 0.67	$ 0.63

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

Consolidated Balance Sheet Highlights

(Unaudited) ($ millions)	As at January 31 1999	October 31 1998	January 31 1998	% Change January '99/ January '98
Assets				
Cash resources	**$ 20,745**	$ 22,900	$ 20,660	0.4%
Securities	**30,899**	29,500	28,764	7.4
Assets purchased under resale agreements	**11,140**	11,189	11,620	(4.1)
Loans – Residential mortgages	**46,559**	45,818	42,457	9.7
– Personal and credit cards	**18,538**	18,574	18,419	0.6
– Business and governments	**75,149**	74,901	62,220	20.8
	140,246	139,293	123,096	13.9
Customers' liability under acceptances	**9,127**	8,888	7,215	26.5
Other assets	**20,340**	21,818	19,336	5.2
	$ 232,497	$ 233,588	$ 210,691	10.3%
Liabilities and Shareholders' Equity				
Deposits – Personal	**$ 63,609**	$ 62,656	$ 61,031	4.2%
– Business and governments	**67,275**	70,779	61,607	9.2
– Banks	**34,314**	32,925	27,350	25.5
	165,198	166,360	149,988	10.1
Acceptances	**9,127**	8,888	7,215	26.5
Obligations related to assets sold under repurchase agreements	**15,660**	14,603	13,796	13.5
Obligations related to securities sold short	**3,389**	3,121	3,542	(4.3)
Other liabilities	**22,891**	24,320	21,264	7.7
Subordinated debentures	**5,236**	5,482	5,229	0.1
Equity – Preferred shares	**1,775**	1,775	1,473	20.5
– Common shares	**2,639**	2,625	2,580	2.3
– Retained earnings	**6,582**	6,414	5,604	17.4
	$ 232,497	$ 233,588	$ 210,691	10.3%

Condensed Consolidated Statement of Cash Flows

(Unaudited) ($ millions)	For the three months ended January 31 1999	January 31 1998
Cash flows provided by (used in) operating activities	**$ 2**	$ (680)
Cash flows provided by financing activities	**1,963**	10,966
Cash flows (used in) investing activities	**(1,245)**	(9,144)
Effect of exchange rate changes on cash and cash equivalents	**(104)**	62
Increase in cash and cash equivalents	**$ 616**	$ 1,204
Cash and cash equivalents, beginning of period	**4,431**	2,230
Cash and cash equivalents, end of period*	**$ 5,047**	$ 3,434

* *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

(Unaudited) ($ millions)	For the three months ended **January 31 1999**	January 31 1998
Balance at beginning of period	**$ 10,814**	$ 9,398
Common shares issued	**14**	13
Preferred shares issued	**–**	7
Preferred shares redeemed	**–**	(2)
Net income	**368**	331
Dividends – Preferred	**(27)**	(23)
– Common	**(104)**	(98)
Other	**(69)**	31
Balance at end of period	**$ 10,996**	$ 9,657

Quarterly Components of Net Income and Average Assets

(Unaudited) ($ millions)	For the three months ended **January 31 1999**	October 31 1998	January 31 1998
Net income			
By business line:			
Canadian retail & commercial banking	**$ 161**	$ 144	$ 160
Corporate banking	**197**	117	100
Investment banking	**88**	21	65
International banking	**53**	87	37
Other	**(131)**	(10)	(31)
	$ 368	$ 359	$ 331
By geography:			
Canada	**$ 271**	$ 190	$ 223
United States	**128**	71	70
International	**100**	108	69
Other	**(131)**	(10)	(31)
	$ 368	$ 359	$ 331
Average assets			
By business line:			
Canadian retail & commercial banking	**$ 80,454**	$ 80,148	$ 76,012
Corporate banking	**46,898**	44,173	35,483
Investment banking	**72,394**	68,459	61,579
International banking	**27,244**	26,124	20,483
Other	**9,322**	9,897	7,601
	$ 236,312	$ 228,801	$ 201,158
By geography:			
Canada	**$ 130,594**	$ 131,551	$ 123,092
United States	**39,499**	33,958	26,395
International	**56,897**	53,395	44,070
Other	**9,322**	9,897	7,601
	$ 236,312	$ 228,801	$ 201,158

Risk-Adjusted Capital Ratios

(Unaudited) ($ millions)		As at January 31 1999	October 31 1998	January 31 1998
Qualifying capital:	Tier 1	**$ 11,022**	$ 10,839	$ 9,650
	Tier 2	**5,263**	5,164	4,737
Total qualifying capital		**$ 16,285**	$ 16,003	$ 14,387
Risk-adjusted assets		**$ 153,238**	$ 150,770	$ 143,497
Capital ratios:	Tier 1	**7.2%**	7.2%	6.7%
	Tier 2	**3.4**	3.4	3.3
Total capital ratio		**10.6%**	10.6%	10.0%

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:	**First****	**$ 0.210**	**$ 18.71**	**$ 36.30**	**$ 29.75**	**$ 32.50**
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 $0.21 per share has been declared and is payable in the second 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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