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Attention Business/Financial Editors:
^Scotiabank completes fiscal year with strong net income@

TORONTO, Nov. 30 /CNW/ - Scotiabank today reported net income of $1.551 billion for fiscal 1999, up 11% from last year. This marks the Bank's tenth consecutive year of record operating income. Earnings per share were $2.93, up 11% from $2.64 last year, while return on equity was 15.3%.

Net income in the fourth quarter of 1999 was $402 million, compared to $359 million for the last quarter of 1998. Earnings per share during the quarter were $0.76 compared to $0.67 in the fourth quarter of 1998, and return on equity was 15.3% compared to 14.8%.

The Board of Directors today approved a quarterly dividend of 24 cents per common share, payable on January 27, 2000 to shareholders of record as of the close of business on January 4, 2000.

"Strong results for fiscal 1999 reflect substantial contributions by all of our core business lines," said Peter Godsoe, Scotiabank's Chairman and Chief Executive Officer. "Our wholesale businesses -- corporate and investment banking -- had a record year, reflecting a robust North American economy and improved financial markets. International banking benefited from another year of solid growth in the Caribbean and the economic recovery in Asia. And although margins narrowed in the highly competitive Canadian retail and commercial market, our focus on customer service and product innovation led to very good growth in business volumes.

"As we greet the new millennium, Scotiabank can look back on its past with great pride and toward its future knowing that we are well positioned for ongoing success," Godsoe continued. "By putting people first, continuing to build our diverse businesses and carefully managing our costs, we will maintain our record of consistent success -- for our shareholders, our customers and our employees."

During the fourth quarter of 1999, the Bank recorded a one-time increase to the general provision of $550 million ($314 million after tax) as a direct charge to retained earnings, as opposed to net income. This accounting treatment, while not in accordance with Canadian generally accepted accounting principles, is in accordance with the accounting requirements specified by the Superintendent of Financial Institutions Canada (OSFI) under the Bank Act. The impact on the full year and quarterly results are summarized in the attached table of performance highlights.

Business line highlights

The Bank's Canadian Retail and Commercial Banking division earned net income of $610 million in 1999, up $5 million from last year.

"Our domestic retail and commercial operations performed well in 1999 in an intensely competitive environment," said Godsoe. "We generated particularly strong growth in mortgages, up $4.1 billion, and personal deposits, which increased by $1.7 billion, giving Scotiabank the second highest market share in these two important product groups."

To set the stage for future growth, the Bank introduced a number of new and innovative products, including the Scotia Total Equity Plan -- a flexible, all-in-one lending package for homeowners -- and the Scotia One Service -- a comprehensive package for customers with a large number of banking transactions and extensive investing and borrowing needs. Scotiabank also introduced low-cost, convenient packaged account plans and a new overdraft line of credit for small businesses.

Fiscal 1999 also marked a successful year of helping Scotiabank customers to bank when, where and how they want with electronic banking. Scotiabank introduced wireless banking and discount brokerage services in partnership with Rogers Cantel, and was the first to offer mobile merchant terminals nationally to accept debit card payments from any location. The Bank launched e-Scotia.com to provide secure e-commerce solutions and announced a strategic partnership with Microsoft Canada, whereby the Bank will become the premier banking partner on Microsoft's portal Website, MSN.ca.

During 1999, several groups within Scotiabank -- including ScotiaMcLeod, Scotia Discount Brokerage, Scotia Securities, Scotia Cassels Investment Counsel and Scotiatrust -- were realigned to better focus on investment and advisory needs of customers. The new Wealth Management Group made solid progress during the year, earning revenues of $662 million. Assets under administration were 17% higher in 1999, totalling $82 billion at the end of the year. Assets under management by Scotia Cassels Investment Counsel grew a substantial 20% from last year, to $16 billion at the end of 1999.

"Our new Wealth Management Group is well positioned for solid growth in the future as a key part of our domestic strategy," said Godsoe. "By delivering these products and services in an integrated, convenient and knowledgeable way, we will help customers meet their expanding investment needs and improve their financial well-being throughout the various stages of their lives."

Scotiabank's International Banking division had strong earnings of $305 million this year, up 20% over last year.

"In the Caribbean, where we have a dominant 216-branch franchise, we extended our record of exceptional earnings growth," explained Godsoe. "A new brand positioning program and the use of programs proven in the Canadian market contributed to strong gains in lending and deposit volumes."

In Latin America, Scotiabank reached agreement in principle to purchase an additional 33% in Banco Sud Americano in Chile, which will bring the Bank's ownership stake to more than 60%. It made significant progress in strengthening the credit and marketing processes and reducing costs at Grupo Financiero Inverlat, the Bank's Mexican affiliate and at Scotiabank Quilmes, its Argentinean subsidiary, positioning these operations for future growth and profitability.

"In Asia, profitability increased substantially in 1999, driven by the economic recovery and improving credit quality," Godsoe said. "Provisions for credit losses in Asia dropped to virtually zero in 1999, and the prospects for expanding our growing trade finance business look very bright."

Corporate Banking reported record earnings of $604 million, up 40% over 1998. These strong results arose from higher assets, spreads, fee income and securities gains, all of which contributed to a 30% increase in revenues.

"We maintained our status as a leading player in the Canadian syndicated loan market, covering all industries but with a particular focus on the mining, media and communications and transportation sectors," Godsoe said. "And once again, we ranked among the top 10 lenders in the U.S. syndicated bank loan market -- the only Canadian bank to do so. In fact, globally, we acted as agent bank in 134 transactions with a total volume of $131 billion."

Investment Banking earned a record $368 million in 1999, up 69% over 1998. Over half of this income came from Group Treasury, which had earnings of $212 million, an increase of 48% from the prior year. A substantial portion of this increase came from gains of $281 million on the sale of investment securities. Notwithstanding the gains realized during the year, the surplus of market over book value in the Bank's investment portfolio (including emerging market bonds) was $300 million as at October 31, 1999.

Taking advantage of favourable market conditions, Global Trading had a very strong year, generating record earnings in five of seven groups. Fixed income results improved dramatically, reflecting the very active new issue market for bonds during 1999, and higher commercial paper volumes. The corporate finance area continued to enhance its equity research capabilities, achieving top-tier rankings in 13 industry sectors. Notable transactions in corporate finance included acting as global co-ordinator for the $2.5 billion initial public offering for Manulife Financial -- the largest IPO in Canadian history.

"We devoted considerable effort in 1999 to the integration of Corporate Banking and Scotia Capital Markets, which now operate under the banner of Scotia Capital," explained Godsoe. "The move to a relationship-based approach, from a product-based approach, will provide new opportunities to bring customized, tailored solutions to clients."

Financial results

Net interest income on a taxable-equivalent basis was $4.8 billion in 1999, up 7% over 1998. This arose from good asset growth across the Bank's major business lines. The full extent of the growth in interest income was understated in 1999 as a result of higher asset securitizations. In 1999, $9.4 billion of assets were securitized, compared with $1.0 billion in 1998. This reduced interest profit by $175 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 total assets, was 2.11% in 1999, unchanged from the prior year.

Other income reached $3.2 billion in 1999, an 11% increase year over year. Credit fees increased by a substantial 15% in 1999, benefiting from the Bank's position as one of North America's pre-eminent corporate lenders. Investment banking revenues rose by 23%, with solid results in the securities trading, foreign exchange, derivative products and underwriting areas. Revenues from the Bank's retail and commercial accounts increased by 7% due to greater customer usage of a greater variety of products and services. Management and trust revenues also rose by 7%.

Non-interest 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. In addition, the Bank took a $60 million provision for some restructuring in the domestic branch network and the integration of Corporate Banking and Scotia Capital Markets, offset in part by a reversal into income of $20 million in National Trust-related restructuring charges. Excluding these items, operating expenses rose by 4%. Salary growth accounted for approximately 40% of this increase. Other factors included technology investments aimed at better serving our customers, in areas such as ABMs, point-of-sale terminals, and telephone and PC banking. In 1999, the Bank incurred $1.5 billion in taxes -- an amount almost equal to its net income for the year. Bank taxation remains among the highest of all Canadian industries.

The Bank's productivity ratio -- non-interest expenses as a percentage of total revenues -- improved to 59.3%, better than the Bank's target of 60%.

Net impaired loans declined by $577 million in 1999 to -$156 million, with the decrease resulting primarily from an addition to the general provision totalling $700 million in 1999. Net impaired loans as a percentage of loans and acceptances were -0.1% at October 31, 1999. This ratio has steadily improved from the peak of the early 1990s and is now at its lowest level in many years.

Specific provisions for credit losses in 1999 were $485 million, compared to $495 million in 1998. The Bank also increased the general provision by $700 million to $1.3 billion. This $700 million addition was comprised of $150 million charged to the income statement in the first quarter, and a one-time adjustment of $550 million in the fourth quarter charged directly to retained earnings as specified by OSFI.

Capital funds increased by $902 million to $17 billion at October 31, 1999. Seventy per cent or $630 million of this increase was growth in Tier 1 capital arising from a substantial increase in retained earnings generated by the Bank's solid net income performance. Tier 2 capital grew by about $442 million or 8% mainly because of the increase in the general provision.

The Bank's Tier 1 capital ratio grew to 8.1% at October 31, 1999 from 7.2% last year, despite the 21 basis point reduction to Tier 1 capital from the addition to the general provision in the fourth quarter of 1999. As well, the Total capital ratio increased to 11.9% from 10.6%. Both ratios are well in excess of levels defined by OSFI as "well capitalized", (7% for Tier 1 capital and 10% for Total capital).

Total assets were $222.7 billion at October 31, 1999. The full extent of loan growth over the last year was muted by the asset securitizations that the Bank completed in 1999, the impact of which was a reduction of $9.0 billion in total assets. Adjusting for securitizations, assets decreased by $1.9 billion, primarily due to the foreign currency translation arising from a stronger Canadian dollar.

Year 2000

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems, if not modified or replaced, may incorrectly recognize a date using "00" as other than the year 2000. This could result 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 Y2K compliant. In addition, all critical business partners have confirmed they are compliant. Contingency plans to deal with any failure of mission-critical systems have been updated and rigorously tested. Disaster, back-up and recovery processes have also been successfully tested.

The Bank's success in minimizing the impact of the Year 2000 issue and ensuring a reliable transition also depends on the readiness of external parties. These parties include 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.

By modifying and replacing internal Bank systems, monitoring the readiness of key external parties, and developing both specific system and overall business contingency plans, the Bank believes it has mitigated the risk of the Year 2000 issue. However, it is not possible to be certain that all aspects of the Year 2000 issue affecting the Bank, including those related to the efforts of customers, suppliers or other third parties, will not materially and adversely affect the Bank.

The ability and readiness of the Bank's customers and counterparties may affect credit risk. Any failure of customers to fully address the Year 2000 issue may 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.

Community involvement

"Vibrant, healthy communities are key to growing vibrant, healthy businesses," Godsoe concluded. "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, including a $1.5 million donation to The University of Western Ontario's Centre for Research on Violence Against Women and Children and $200,000 to fund the second World Conference on Breast Cancer in Ottawa in July. In addition, through the Scotia Employee Volunteer Program, now in its second year, Scotiabank has donated more than $400,000 to registered charities where Scotiabank employees and pensioners have volunteered their time.

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Performance Highlights — Scotiabank

	For the three months ended		
	October 31 1999 (1)	July 31 1999	October 31 1998
Net income (millions)	$402	$397	$359
Earnings per share	$0.76	$0.75	$0.67
Return on equity	15.3%	15.3%	14.8%
Return on assets	0.70%	0.71%	0.62%
Productivity ratio	59.8%	60.4%	60.9%

	For the twelve months ended	
	October 31 1999 (1)	October 31 1998
Net income (millions)	$1,551	$1,394
Earnings per share	$2.93	$2.64
Return on equity	15.3%	15.3%

Return on assets	0.68%	0.65%
Productivity ratio	59.3% (2)	60.4%

(1) The above financial results have 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 of $550 million ($314 million after tax), 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. Had the one-time increase to the general provision been recorded as a charge to the Statement of Income, the above financial results would have been as follows: a) for the three months ended October 31, 1999 -- net income $88 million, earnings per share $0.12, return on equity 2.5%, return on assets 0.15%; b) for the twelve months ended October 31, 1999 -- net income $1,237 million, earnings per share $2.29, return on equity 12.0% and return on assets 0.54%.

(2) The productivity ratio was 59.9% when a one-time gain of $77 million realized on the sale of shares acquired several years ago through a loan restructuring is excluded.

Consolidated Statement of Income Scotiabank

	For the three months ended			For the twelve months ended	
($ millions)	October 31 1999(1)	July 31 1999	October 31 1998	October 31 1999(1)	October 31 1998
Interest income					
Loans	$2,650	$2,565	$2,804	$10,654	$10,269
Securities	496	480	494	1,874	1,815
Deposits with banks	213	212	258	943	1,007
	3,359	3,257	3,556	13,471	13,091
Interest expense					
Deposits	1,783	1,720	2,017	7,284	7,303
Subordinated debentures	82	81	93	314	354
Other	322	300	295	1,201	1,057
	2,187	2,101	2,405	8,799	8,714
Net interest income	1,172	1,156	1,151	4,672	4,377
Provision for credit losses	159	108	124	635	595
Net interest income after provision for credit losses	1,013	1,048	1,027	4,037	3,782

Other income					
Deposit and payment services	150	152	160	602	619
Investment management and trust	89	79	79	331	310
Credit fees	154	136	138	543	472
Investment banking	250	246	127	979	798
Net gain on investment securities	102	89	74	343	322
Securitization revenues	42	45	10	155	38
Other	53	39	102	230	299
	840	786	690	3,183	2,858
Net interest and other income	1,853	1,834	1,717	7,220	6,640
Non-interest expenses					
Salaries	582	583	561	2,297	2,193
Pension contributions and other staff benefits	73	96	74	330	308
Premises and equipment, including depreciation	245	250	250	1,007	958
Other	356	267	258	1,142	987
Restructuring provision for National Trustco Inc.	(20)	-	-	(20)	-
	1,236	1,196	1,143	4,756	4,446
Income before the undernoted:	617	638	574	2,464	2,194
Provision for income taxes	206	228	204	867	762
Non-controlling interest in net income of subsidiaries	9	13	11	46	38
Net income	$402	$397	$359	$1,551	$1,394
Preferred dividends paid	$27	$27	$27	$108	$97
Net income available to common shareholders	$375	$370	$332	$1,443	$1,297

Certain comparative amounts in these financial statements have been reclassified to conform with current period presentation.
(1) Refer to footnote (1) on Performance Highlights page.

Consolidated Balance Sheet Highlights — Scotiabank

	As at		
($ millions)	October 31 1999	July 31 1999	October 31 1998
Cash resources	$17,115	$19,626	$22,900
Securities	33,969	33,350	29,500
Assets purchased under resale agreements	13,921	13,706	11,189
Loans	131,938	134,114	139,293
Other assets	25,748	26,603	30,706
Total assets	$222,691	$227,399	$233,588
Deposits - Personal	$65,715	$64,962	$62,656
- Business and governments	64,070	65,437	70,779
- Banks	26,833	26,099	32,925
Total deposits	156,618	156,498	166,360
Other liabilities	49,293	53,909	50,932
Subordinated debentures	5,374	5,451	5,482
Equity - Preferred	1,775	1,775	1,775
- Common	9,631	9,766	9,039
Total liabilities and equity	$222,691	$227,399	$233,588

Components of Net Income and Average Assets — Scotiabank

	For the three months ended			For the twelve months ended	
($ millions)	October 31 1999	July 31 1999	October 31 1998	October 31 1999	October 31 1998
Net Income					
By business line:					
Domestic Banking	$155	$147	$144	$610	$605
International Banking	85	85	87	305	255

Corporate Banking	121	144	117	604	431
Scotia Capital Markets	42	35	3	156	74
Group Treasury	51	62	18	212	144
Corporate adjustments (1)	(52)	(76)	(10)	(336)	(115)
	$402	$397	$359	$1,551	$1,394
By geography:					
Canada	$317	$252	$190	$1,081	$838
United States	13	100	71	343	311
International	124	121	108	463	360
Corporate adjustments (1)	(52)	(76)	(10)	(336)	(115)
	$402	$397	$359	$1,551	$1,394
Average Assets					
By business line:					
Domestic Banking	$80,943	$79,725	$80,148	$79,966	$78,313
International Banking	28,132	27,494	26,124	27,573	23,415
Corporate Banking	41,358	40,993	44,173	43,725	38,924
Scotia Capital Markets	51,377	51,694	54,858	53,999	50,567
Group Treasury	15,570	14,673	13,601	14,917	13,578
Corporate adjustments	8,792	8,686	9,897	8,857	9,176
	$226,172	$223,265	$228,801	$229,037	$213,973
By geography:					
Canada	$130,870	$128,284	$131,551	$129,569	$126,410
United States	34,903	34,485	33,958	36,992	30,007
International	51,607	51,810	53,395	53,619	48,380
Corporate adjustments	8,792	8,686	9,897	8,857	9,176
	$226,172	$223,265	$228,801	$229,037	$213,973

(1) Refer to footnote (1) on Performance Highlights page.

Capital and Common Share Information

Scotiabank

	As at		
	October 31 1999	July 31 1999	October 31 1998

Capital ratios			
Tier 1	8.1%	8.0%	7.2%
Total	11.9%	11.5%	10.6%
Common shares outstanding (millions)	494.3	493.8	492.1
Book value per share	$19.49	$19.78	$18.37
Market value per share	$33.60	$31.35	$32.20

	For the three months ended		
	October 31 1999	July 31 1999	October 31 1998
Common dividends paid			
Total (millions)	$118.5	$103.7	$98.4
Per share	$0.24	$0.21	$0.20

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