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New Issue

June 30, 1998



THE BANK OF NOVA SCOTIA
\$300,000,000
(12,000,000 shares)
Non-cumulative Preferred Shares Series 12

The Non-cumulative Preferred Shares Series 12 (the "Preferred Shares Series 12") of The Bank of Nova Scotia (the "Bank") will be entitled to non-cumulative preferential cash dividends, payable quarterly as and when declared by the Board of Directors. The initial dividend, payable October 28, 1998, shall be \$0.381164 per share, based on the anticipated closing date of July 14, 1998. Thereafter, quarterly dividends shall be at a rate of \$0.328125 per share. Reference is made to "Details of the Offering".

Subject to the provisions of the *Bank Act* (Canada) and the prior consent of the Superintendent of Financial Institutions Canada (the "Superintendent"), on and after October 29, 2013 the Bank may redeem the Preferred Shares Series 12, in whole or in part, at the Bank's option without the consent of the holder, by the payment in cash of a sum equal to \$25.00 per share, together with declared and unpaid dividends to the date fixed for redemption. Reference is made to "Details of the Offering".

In the opinion of counsel, the Preferred Shares Series 12 will be, at the date of issue, eligible for investment under certain statutes as set forth under "Eligibility for Investment".

Price: \$25.00 per share to yield 5.25%

The Toronto Stock Exchange and the Montreal Exchange have conditionally approved the listing of the Preferred Shares Series 12 subject to the fulfillment of certain requirements, including distribution to a minimum number of public shareholders, on or before September 29, 1998.

We, as principals, conditionally offer the Preferred Shares Series 12, subject to prior sale if, as and when issued by the Bank and accepted by us in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Bank by McCarthy Tétrault and on our behalf by Osler, Hoskin & Harcourt. ScotiaMcLeod Inc. ("ScotiaMcLeod") is an indirect wholly-owned subsidiary of the Bank. The Bank is a related and connected issuer of ScotiaMcLeod under applicable securities legislation by virtue of the Bank's ownership of ScotiaMcLeod. Reference is made to "Plan of Distribution".

	Price to the Public	Underwriting Fee (1)	Net Proceeds to the Bank (2)
Per Share	\$25.00	\$0.75	\$24.25
Total	\$300,000,000	\$9,000,000	\$291,000,000

- (1) The underwriting fee is \$0.25 for each share sold to certain institutions and \$0.75 per share for all other shares. The total represents the underwriting fee assuming no Preferred Shares Series 12 are sold to such institutions.
- (2) Before deduction of expenses of the issue payable by the Bank estimated at \$250,000.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that a definitive share certificate representing the Preferred Shares Series 12 will be available for delivery on the closing date of this offering, which is expected to be on or about July 14, 1998. A book-entry only certificate representing the Preferred Shares Series 12 distributed hereunder will be issued in registered form only to the Canadian Depository for Securities Limited ("CDS"), or its nominee, and will be deposited with CDS on closing of this offering. A purchaser of Preferred Shares Series 12 will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Preferred Shares Series 12 are purchased.

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Eligibility for Investment

In the opinion of McCarthy Tétrault, counsel for the Bank, and Osler, Hoskin & Harcourt, counsel for the Underwriters (as herein defined), the Preferred Shares Series 12 to be issued by the Bank hereunder, at the date of such issue, will be eligible investments, without resort to the so-called "basket provisions", or their purchase will not be prohibited, in each case subject to general investment provisions, and in certain cases subject to prudent investment requirements and to additional requirements relating to investment or lending policies or goals, under or by the following statutes:

- (i) *Insurance Companies Act* (Canada)
- (ii) *Trust and Loan Companies Act* (Canada)
- (iii) *Pension Benefits Standards Act 1985* (Canada)
- (iv) *Insurance Act* (Ontario)
- (v) *Loan and Trust Corporations Act* (Ontario)
- (vi) *Pension Benefits Act* (Ontario)
- (vii) *Trustee Act* (Ontario)
- (viii) *Supplemental Pension Plans Act* (Quebec)
- (ix) *an Act respecting insurance* (Quebec)
- (x) *an Act respecting trust companies and savings companies* (Quebec)
- (xi) *Employment Pension Plans Act* (Alberta)
- (xii) *Insurance Act* (Alberta)
- (xiii) *Loan and Trust Corporations Act* (Alberta)
- (xiv) *Financial Institutions Act* (British Columbia).

In the opinion of such counsel, the Preferred Shares Series 12 will, at the date of issue, be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans.

Documents Incorporated by Reference

The following documents, filed with the Superintendent and the various securities commissions or similar authorities in Canada, are incorporated by reference into this short form prospectus:

- (a) the Bank's Annual Information Form dated November 26, 1997, which includes management's discussion and analysis of financial condition and results of operations as contained in pages 22 to 66 inclusive of the Bank's Annual Report for the year ended October 31, 1997;
- (b) the Bank's consolidated financial statements as at and for the years ended October 31, 1997 and 1996 and the auditors' report thereon;
- (c) the Bank's Management Proxy Circular attached to the Notice of Meeting dated December 12, 1997;
- (d) the Bank's First Quarter Report for the period ended January 31, 1998, which includes comparative consolidated interim financial statements (unaudited);
- (e) the Bank's Second Quarter Report for the period ended April 30, 1998, which includes comparative consolidated interim financial statements (unaudited);
- (f) the material change report of the Bank dated November 26, 1997 relating to the subdivision of the Bank's common shares on a two-for-one basis, subject to regulatory and shareholder approval; and
- (g) the material change report of the Bank dated January 27, 1998 relating to the subdivision of the Bank's common shares on a two-for-one basis.

Any material change report (excluding any confidential report), comparative consolidated interim financial statements (unaudited) and information circular filed by the Bank with securities commissions or similar authorities in the provinces or territories of Canada, subsequent to the date of this short form prospectus and prior to the termination of this offering, shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

The Bank of Nova Scotia

The Bank of Nova Scotia was granted a charter under the laws of the Province of Nova Scotia in 1832, and commenced operations in Halifax, Nova Scotia in that year. Since 1871 the Bank has been a chartered bank under the *Bank Act* (Canada) (the "Bank Act"). The head office is located at 1709 Hollis Street, Halifax, Nova Scotia and the executive offices are at Scotia Plaza, 44 King Street West, Toronto, Ontario, M5H 1H1.

Business of the Bank

In terms of total assets, the Bank is the fourth largest chartered bank in Canada. In Canada, the Bank and its subsidiaries provide a full range of personal, commercial, corporate and investment banking services through an extensive network of branches and offices in all the provinces and territories. Outside Canada, the Bank has branches and offices in over 50 countries which provide a wide range of banking and related financial services, either directly or through subsidiary and associated banks, trust companies and other financial firms.

Changes in Capitalization

The following material changes in the capitalization of the Bank occurred subsequent to the fiscal year ended October 31, 1997:

- (i) on February 10, 1998, the common shares of the Bank (the "Common Shares") began trading on a two-for-one split basis on Canadian stock exchanges and on February 11, 1998 on a two-for-one split basis on the London Stock Exchange; and
- (ii) on April 1, 1998, the Bank issued \$600,000,000 5.40% Debentures due April 1, 2008.

Details of the Offering

The following is a summary of the rights, privileges, restrictions and conditions of or attaching to the preferred shares of the Bank as a class (the "Preferred Shares") and the Preferred Shares Series 12 as a series.

Certain Provisions of the Preferred Shares as a Class

The authorized preferred share capital of the Bank consists of an unlimited number of Preferred Shares without nominal or par value which may be issued for an aggregate consideration not to exceed \$4,000,000,000. The directors of the Bank may divide any unissued Preferred Shares into series and fix the number of shares in each series and the rights, privileges, restrictions and conditions thereof.

Priority

The Preferred Shares of each series will rank on a parity with Preferred Shares of every other series and are entitled to preference over the Common Shares and over any other shares of the Bank ranking junior to the Preferred Shares with respect to the payment of dividends and upon any distribution of assets in the event of liquidation, dissolution or winding-up of the Bank.

Restrictions

The Bank may not create, without the approval of the holders of Preferred Shares, any other class of shares ranking prior to or on a parity with the Preferred Shares, increase the authorized number of Preferred Shares or amend the provisions attaching to the Preferred Shares.

Shareholder Approval

Any approval to be given by the holders of the Preferred Shares may be given by a resolution carried by the affirmative vote of not less than 66⅔% of the votes cast at a meeting of holders of Preferred Shares at which a majority of the outstanding Preferred Shares is represented or, if no quorum is present at such meeting, at any adjourned meeting at which no quorum requirements would apply.

Certain Provisions of the Preferred Shares Series 12 as a Series

Issue Price

The Preferred Shares Series 12 will have an issue price of \$25.00 each.

Dividends

The holders of the Preferred Shares Series 12 will be entitled to receive a quarterly non-cumulative preferential cash dividend, as and when declared by the Board of Directors, on the third last business day of each of January, April, July and October in each year, at a quarterly rate equal to \$0.328125 per share. The first of such dividends, if declared, shall be paid on October 28, 1998 and shall be \$0.381164 per share, based on the anticipated issue date of July 14, 1998.

If the Board of Directors of the Bank does not declare the dividends, or any part thereof, on the Preferred Shares Series 12 on or before the dividend payment date for a particular quarter, then the entitlement of the holders of the Preferred Shares Series 12 to receive such dividends, or to any part thereof, for such quarter shall be forever extinguished.

Redemption

The Preferred Shares Series 12 will not be redeemable prior to October 29, 2013. On and after October 29, 2013, but subject to the provisions of the Bank Act and to the prior consent of the Superintendent and to the provisions described below under "Restrictions on Dividends and Retirement of Shares", the Bank may redeem at any time all or from time to time any part of the outstanding Preferred Shares Series 12, at the Bank's option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of \$25.00, together with declared and unpaid dividends to the date fixed for redemption.

Notice of any redemption will be given by the Bank at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding Preferred Shares Series 12 are at any time to be redeemed, the shares to be redeemed will be selected by lot or in such other manner as the Bank may determine. Reference is also made to "Restrictions on Bank Shares Under the Bank Act".

Purchase for Cancellation

Subject to the provisions of the Bank Act and to the prior consent of the Superintendent and to the provisions described below under "Restrictions on Dividends and Retirement of Shares", the Bank may at any time purchase for cancellation any Preferred Share Series 12 at the lowest price or prices at which in the opinion of the Board of Directors of the Bank such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Bank, the holders of the Preferred Shares Series 12 shall be entitled to receive \$25.00 per share together with all dividends declared and unpaid to the date of payment before any amount shall be paid or any assets of the Bank distributed to the holders of any shares ranking junior to the Preferred Shares Series 12. The holders of the Preferred Shares Series 12 shall not be entitled to share in any further distribution of the assets of the Bank.

Restrictions on Dividends and Retirement of Shares

So long as any of the Preferred Shares Series 12 are outstanding, the Bank will not, without the approval of the holders of the Preferred Shares Series 12 given as specified below:

- (a) pay any dividends on the Common Shares or any other shares ranking junior to the Preferred Shares Series 12 (other than stock dividends in shares ranking junior to the Preferred Shares Series 12); or
- (b) redeem, purchase or otherwise retire any Common Shares or any other shares ranking junior to the Preferred Shares Series 12 (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Preferred Shares Series 12); or
- (c) redeem, purchase or otherwise retire less than all the Preferred Shares Series 12; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of Preferred Shares, redeem, purchase or otherwise retire any other shares ranking on a parity with the Preferred Shares Series 12;

unless, in each case, all dividends up to and including those payable on the dividend payment date for the last completed period for which dividends shall be payable shall have been declared and paid or set apart for payment in respect of each series of cumulative Preferred Shares then issued and outstanding and on all other cumulative shares ranking on a parity with the Preferred Shares and there shall have been paid or set apart for payment all declared dividends in respect of each series of non-cumulative Preferred Shares (including the Preferred Shares Series 12) then issued and outstanding and on all other non-cumulative shares ranking on a parity with the Preferred Shares.

Exchange Option

Upon notice being given by the Bank from time to time with the prior approval of the Superintendent, a holder of Preferred Shares Series 12 may exchange all but not less than all of the Preferred Shares Series 12 held by such holder into an equal number of a new issue of a series of fully-paid and freely tradeable Preferred Shares (the "New Preferred Shares") issued by the Bank which at the time of such issue qualifies as Tier 1 capital for regulatory capital purposes of the Bank on the date fixed for exchange in such notice (the "Exchange Date"). The Bank shall give not less than 30 nor more than 60 days' prior notice of such exchange right, which notice shall be irrevocable and shall apply to all Preferred Shares Series 12 then outstanding. An Exchange Date must be a Dividend Payment Date. Any holder of Preferred Shares Series 12 who wishes to exchange all of its Preferred Shares Series 12 shall surrender or cause to be surrendered the Preferred Shares Series 12 to be exchanged, together with appropriate exchange instructions (which surrender and exchange instructions shall be irrevocable) on or prior to the Exchange Date at one of the principal offices of the transfer agent and registrar for the Preferred Shares Series 12. The Bank will issue New Preferred Shares in the same aggregate number as the surrendered Preferred Shares Series 12, determined on a share for share basis, to the holder of Preferred Shares Series 12 upon surrender of the Preferred Share Series 12 for exchange. At the time of the exchange, each holder of Preferred Shares Series 12 who has surrendered its Preferred Shares Series 12 shall be deemed to have exchanged and transferred to the Bank all such holder's right, title and interest in and to its Preferred Shares Series 12 and shall cease to be a holder thereof and all rights of such holder as a holder of Preferred Shares Series 12 will cease and such person shall therefrom be deemed to be and shall for all purposes be a holder of New Preferred Shares.

Issue of Additional Series of Preferred Shares

The Bank may issue other series of Preferred Shares without the authorization of the holders of the Preferred Shares Series 12.

Amendments to Preferred Shares Series 12

The Bank will not, without the approval of the holders of the Preferred Shares Series 12 given as specified below, delete or vary any rights, privileges, restrictions and conditions attaching to the Preferred Shares Series 12. In addition to the aforementioned approval, the Bank will not without, but may from time to time with, the prior approval of the Superintendent make any such deletion or variation which might affect the classification afforded the

Preferred Shares Series 12 from time to time for capital adequacy requirements pursuant to the Bank Act and the Regulations and Guidelines thereunder.

Shareholder Approvals

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to the Preferred Shares Series 12 may be given by a resolution carried by the affirmative vote of not less than 66⅔% of the votes cast at a meeting of holders of Preferred Shares Series 12 at which a majority of the outstanding Preferred Shares Series 12 is represented or, if no quorum is present at such meeting, at any adjourned meeting at which no quorum would apply.

Voting Rights

The holders of the Preferred Shares Series 12 as such will not be entitled to receive notice of or to attend or to vote at any meeting of the shareholders of the Bank unless and until the first time at which the Board of Directors of the Bank has not declared the whole dividend on the Preferred Shares Series 12 in any quarter. In that event, the holders of the shares will be entitled to receive notice of, and to attend, meetings of shareholders at which directors are to be elected and will be entitled to one vote for each share held. The voting rights of the holders of the Preferred Shares Series 12 shall forthwith cease upon payment by the Bank of the first dividend on the Preferred Shares Series 12 to which the holders are entitled subsequent to the time such voting rights first arose until such time as the Bank may again fail to declare the whole dividend on the Preferred Shares Series 12 in any quarter, in which event such voting rights shall become effective again and so on from time to time.

Depository Services

Except as otherwise provided below, the Preferred Shares Series 12 will be issued in "book-entry only" form and must be purchased, transferred, redeemed or exchanged through participants ("Participants") in the depository service of The Canadian Depository for Securities Limited or a successor (collectively "CDS") or its nominee, which include securities brokers and dealers, banks and trust companies. On the closing date, the Bank will cause a global certificate representing the Preferred Shares Series 12 to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of Preferred Shares Series 12 will be entitled to a certificate or other instrument from the Bank or CDS evidencing that purchaser's ownership thereof, and no purchaser will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such purchaser. Each purchaser of Preferred Shares Series 12 will receive a customer confirmation of purchase from the registered dealer from which the Preferred Shares Series 12 are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book entry accounts for its Participants having interests in the Preferred Shares Series 12.

If (i) the Bank determines, or CDS notifies the Bank in writing, that CDS is no longer willing or able to discharge properly the responsibilities as depository with respect to the Preferred Shares Series 12 and the Bank is unable to locate a qualified successor, or (ii) the Bank at its option elects, or is required by law, to terminate the book entry system, then certificates representing the Preferred Shares Series 12 will be issued to purchasers thereof or their nominees.

Manner of Effecting Transfer, Redemption or Exchange

A transfer, redemption or exchange of Preferred Shares Series 12 will be effected through records maintained by CDS or its nominee with respect to interests of Participants, and on the records of Participants with respect to interests of persons other than Participants. Purchasers of Preferred Shares Series 12 who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interests in the Preferred Shares Series 12, may do so only through Participants.

The ability of a purchaser to pledge Preferred Shares Series 12 or otherwise take action with respect to such purchaser's interest in Preferred Shares Series 12 (other than through a Participant) may be limited due to the lack of a physical certificate.

Payment of Dividends and Other Amounts

Payments of dividends and other amounts in respect of the Preferred Shares Series 12 will be made by the Bank to CDS or its nominee, as the case may be, as registered holder of the Preferred Shares Series 12. As long as CDS or its nominee is the registered owner of the Preferred Shares Series 12, CDS or its nominee, as the case may be, will be considered the sole owner of the Preferred Shares Series 12 for the purposes of receiving payment on the Preferred Shares Series 12.

The Bank expects that CDS or its nominee, upon receipt of any payment in respect of the Preferred Shares Series 12, will credit, on the date an amount is payable, the Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Preferred Shares Series 12 as shown on the records of CDS or its nominee. The Bank also expects that payments by the Participants to the owners of beneficial interests in such Preferred Shares Series 12 held through such Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participants. The responsibility and liability of the Bank in respect of the Preferred Shares Series 12 issued in book entry form is limited to making payment of any amount due on such Preferred Shares Series 12 to CDS or its nominee.

Bank Act Restrictions

Under the Bank Act, the Bank, with the prior consent of the Superintendent, may redeem or purchase any of its shares, including the Preferred Shares Series 12, unless there are reasonable grounds for believing that the Bank is, or the payment would cause the Bank to be, in contravention of any regulation made under the Bank Act respecting the maintenance by banks of adequate capital and adequate and appropriate forms of liquidity, or any direction to the Bank made by the Superintendent pursuant to Subsection 485(3) of the Bank Act regarding its capital or its liquidity. No such direction to the Bank has been made to date.

The Bank is also prohibited under the Bank Act from paying or declaring a dividend if there are reasonable grounds for believing that the Bank is, or the payment would cause the Bank to be, in contravention of any regulation made under the Bank Act respecting the maintenance by banks of adequate capital and adequate or appropriate forms of liquidity, or any direction to the Bank made by the Superintendent pursuant to Subsection 485(3) of the Bank Act regarding its capital or its liquidity. As at the date hereof, this limitation would not restrict a payment of quarterly dividends on the Preferred Shares Series 12. Further, no such direction to the Bank has been made to date.

Restraints on Bank Shares Under the Bank Act

The Bank Act contains restrictions on the allotment, transfer, acquisition, holding and voting of all shares of a chartered bank. By way of summary, no person, or persons acting jointly or in concert, shall have a significant interest in any class of shares of a Schedule I bank, including the Bank. For purposes of the Bank Act, a person has a significant interest in a class of shares of a bank where the aggregate of:

- a) any shares of that class beneficially owned by the person; and
- b) any shares of that class beneficially owned by entities controlled by the person exceeds 10% of all of the outstanding shares of that class of shares of the bank.

Purchasers of the Preferred Shares Series 12 may be required to furnish declarations relative to the foregoing in a form prescribed by the Bank.

Common Shares

The authorized common share capital of the Bank consists of an unlimited number of Common Shares, the aggregate consideration for which shall not exceed \$5,000,000,000, of which 490,980,086 Common Shares were outstanding as at April 30, 1998.

The holders of the Common Shares are entitled to vote at all meetings of the shareholders of the Bank except meetings at which only the holders of Preferred Shares of one or more series are entitled to vote.

After the payment to the holders of the Preferred Shares of the amount or amounts to which they may be entitled, the holders of the Common Shares shall be entitled to receive the remaining property of the Bank upon the liquidation, dissolution or winding-up thereof.

Canadian Federal Income Tax Considerations

In the opinion of McCarthy Tétrault and Osler, Hoskin & Harcourt, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser of Preferred Shares Series 12 who, within the meaning of the *Income Tax Act* (Canada) (the "Act"), is resident in Canada, deals at arm's length with the Bank and holds the Preferred Shares Series 12 as capital property. The Preferred Shares Series 12 acquired by "financial institutions", as defined in the Act for purposes of the "mark-to-market" rules, will generally not be held as capital property by such purchasers. Purchasers who do not hold their Preferred Shares Series 12 as capital property should consult their own tax advisors with respect to their own particular circumstances.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Accordingly, prospective purchasers are urged to consult their own tax advisors with respect to their particular circumstances.

This summary is based upon the current provisions of the Act, the regulations thereunder, all specific proposals to amend the Act and the regulations publicly announced by the Minister of Finance prior to the date hereof and the administrative practices published by Revenue Canada. This summary does not otherwise take into account any changes in law, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations.

Dividends

Dividends (including deemed dividends) received on the Preferred Shares Series 12 by an individual will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received by individuals (other than certain trusts) from taxable Canadian corporations.

The Preferred Shares Series 12 will be taxable preferred shares as defined in the Act. The terms of the Preferred Shares Series 12 require the Bank to make the necessary election under Part VI.1 of the Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Act on dividends paid (or deemed to be paid) by the Bank on the Preferred Shares Series 12.

Dividends (including deemed dividends) on the Preferred Shares Series 12 received by a corporation will be included in computing income and will generally be deductible in computing the taxable income of the corporation.

A private corporation, as defined in the Act, or any other corporation controlled, whether by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual or a related group of individuals, will generally be liable to pay a 33⅓% refundable tax under Part IV of the Act on dividends received (or deemed to be received) on the Preferred Shares Series 12 to the extent such dividends are deductible in computing its taxable income.

Dispositions

A holder who disposes of or is deemed to dispose of the Preferred Shares Series 12 (either on redemption of the shares for cash or otherwise) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder thereof. If the shareholder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares to the extent and under circumstances prescribed by the Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Generally, three-quarters of any such capital gain will be included in computing the holder's income as a taxable capital gain and three-quarters of any such capital loss may be deducted from the holder's taxable capital gains in accordance with the rules contained in the Act. Capital gains realized by an individual may give rise to a liability for minimum tax. Taxable capital gains of a Canadian-controlled private corporation (as defined in the Act) may be subject to an additional refundable tax at a rate of 6⅔%.

Redemption

If the Bank redeems for cash or otherwise acquires the Preferred Shares Series 12 other than by a purchase in the manner in which shares are normally purchased by a member of the public in the open market, the holder will be deemed to have received a dividend equal to the amount, if any, paid by the Bank in excess of the paid-up capital of such shares at such time. The difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

Ratings

The Preferred Shares Series 12 are provisionally rated P-2 by CBRS Inc. ("CBRS"), the second highest of five rating categories granted by CBRS for preferred shares generally and the highest category for non-cumulative preferred shares.

The Preferred Shares Series 12 are provisionally rated Pfd-1 (low) by Dominion Bond Rating Service Limited ("DBRS"). Pfd-1 is the highest of five categories of ratings granted by DBRS for preferred shares generally. In certain cases, preferred shares may have a "low" characterization to reflect relative strength within a rating category. DBRS does not grant a rating higher than Pfd-1 (low) for non-cumulative preferred shares.

Neither of the foregoing ratings should be construed as a recommendation to buy, sell or hold securities. Either of the foregoing ratings may be revised or withdrawn at any time by the respective rating organization.

Dividend Coverage

After giving effect to this offering, the annual dividend requirement on the outstanding Preferred Shares, as a class, and on the preferred shares of Scotia Mortgage Investment Corporation, a subsidiary of the Bank, ("SMIC") (collectively, the "Outstanding Preferred Shares"), would amount to \$115 million, assuming average annual dividend rates of 7.15%, 7.10%, 7.00%, 6.75%, 0.80%, 6.00% and 5.25% for the Preferred Shares Series 6, 7, 8, 9, 10, 11 and 12, respectively, of the Bank, and 6.57% on the preferred shares of SMIC. The Bank's net income for the 12 months ended October 31, 1997 was \$1,514 million and for the 12 months ended April 30, 1998 was \$1,594 million. These amounts are approximately 13.1 times and 13.8 times, respectively, such annual dividend requirement.

After giving effect to the issue of the 5.40% Debentures due 2008 referred to under "Changes in Capitalization", the annual interest requirement and amortization of discounts, premiums and issue expenses on all subordinated indebtedness of the Bank outstanding as at October 31, 1997 would have amounted to \$353 million and as at April 30, 1998 would have amounted to \$360 million.

The annual dividend requirement on the Outstanding Preferred Shares would amount to \$202 million grossed-up to a pre-tax equivalent basis assuming an effective marginal tax rate of 42.8%. The net income of the Bank, before income taxes and before the deduction of interest, amortization of discounts, premiums and issue expenses in respect of subordinated indebtedness, for the 12 months ended October 31, 1997 amounted to \$2,532 million and for the 12 months ended April 30, 1998 amounted to \$2,688 million. These amounts are approximately 4.6 times and 4.8 times, respectively, the aggregate of interest, amortization of discounts, premiums and issue expenses in respect of subordinated indebtedness and grossed-up dividend requirements on the Outstanding Preferred Shares of \$555 million for the 12 months ended October 31, 1997 and \$562 million for the 12 months ended April 30, 1998.

Asset Coverage

After giving effect to this offering and the issue of the 5.40% Debentures due 2008 referred to under "Changes in Capitalization", the adjusted net tangible assets of the Bank as at April 30, 1998 and October 31, 1997, respectively, available to cover the Outstanding Preferred Shares would have been as follows:

	April 30, 1998	October 31, 1997
	(millions)	(millions)
Total Assets	\$ 211,929	\$ 195,153
Deduct: Deposit Liabilities	(149,246)	(138,975)
Other Liabilities	(47,058)	(41,613)
Identifiable Intangibles	(239)	(246)
Goodwill	(147)	(123)
Net tangible assets	15,239	14,196
Add: Net proceeds of this offering	291	291
Add: Net proceeds of the issue of the 5.40% Debentures due 2008	-	594
Adjusted net tangible assets available for subordinated indebtedness and Outstanding Preferred Shares	15,530	15,081
Deduct: Subordinated indebtedness (including the 5.40% Debentures due 2008)	5,773	5,767
Adjusted net tangible assets available for Outstanding Preferred Shares	<u>\$ 9,757</u>	<u>\$ 9,314</u>

The adjusted net tangible assets available at October 31, 1997 and April 30, 1998 for Outstanding Preferred Shares amounted to 5.3 times and 5.5 times, respectively, the aggregate issue price of the Outstanding Preferred Shares of \$1,768 million at October 31, 1997 and \$1,775 million at April 30, 1998.

The adjusted net tangible assets available for subordinated indebtedness and Outstanding Preferred Shares amounted to 2.0 times at October 31, 1997 and 2.1 times at April 30, 1998 the aggregate of the adjusted principal amount of such subordinated indebtedness and the aggregate issue price of the Outstanding Preferred Shares.

Plan of Distribution

Under an agreement (the "Underwriting Agreement") dated June 23, 1998 between the Bank and the underwriters whose names appear under the heading "Certificate of the Underwriters" (the "Underwriters"), the Bank has agreed to sell and the Underwriters have agreed to purchase on July 14, 1998, or on such other date not later than August 25, 1998 as may be agreed upon, subject to the terms and conditions contained therein including the approval of certain legal matters, all but not less than all of the 12,000,000 Preferred Shares Series 12 at a price of \$25.00 per share payable in cash to the Bank against delivery of the Preferred Shares Series 12. The Underwriting Agreement provides that the Underwriters will be paid an underwriting fee per share equal to \$0.25 with respect to Preferred Shares Series 12 sold to certain institutions and \$0.75 with respect to all other Preferred Shares Series 12.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion upon the occurrence of certain stated events.

Pursuant to policy statements of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase the Preferred Shares Series 12. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the by-laws and rules of The Toronto Stock Exchange and the Montreal Exchange relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer when the order was not solicited during the period of distribution. In connection with this offering and subject to the foregoing and to applicable law, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Preferred Shares Series 12 at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

ScotiaMcLeod is an indirect wholly-owned subsidiary of the Bank. The decision to distribute the Preferred Shares Series 12 and the determination of the terms of the distribution were made through negotiation between the Bank on the one hand and the Underwriters on the other hand. Other than as noted above, the net proceeds of the issue will not be assigned for the benefit of ScotiaMcLeod.

Use of Proceeds

The estimated net proceeds to the Bank from the sale of the \$300,000,000 aggregate amount of Preferred Shares Series 12, after deducting the expenses of issue, will amount to \$290,750,000. Such proceeds will be added to the Bank's capital.

After giving effect to this offering, the Bank's Tier 1 and Total capital ratios for regulatory purposes as at April 30, 1998 would have been 7.02% and 10.55%, respectively.

Legal Matters

Legal matters in connection with the issue and sale of the Preferred Shares Series 12 will be passed upon, on behalf of the Bank, by McCarthy Tétrault and, on behalf of the Underwriters, by Osler, Hoskin & Harcourt. Arthur R.A. Scace, a partner of McCarthy Tétrault, is a director of the Bank.

Transfer Agent and Registrar

Registration and transfer of the Preferred Shares Series 12 may be effected at the principal offices of Montreal Trust Company of Canada in Vancouver, Calgary, Winnipeg, Toronto, Montreal and Halifax.

Statutory Rights of Withdrawal and Rescission

Securities legislation in several of the provinces provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

Certificate of the Bank

Dated June 30, 1998

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the *Bank Act* (Canada) and the regulations thereunder and the securities laws of all provinces and territories of Canada. For the purposes of the *Securities Act* (Quebec), this short form prospectus, as supplemented by the documents incorporated herein by reference, contains no misrepresentation likely to affect the value or the market price of the securities to be distributed.

(Signed) P.C. GODSOE
*Chairman of the Board and
Chief Executive Officer*

(Signed) S.S. MARWAH
*Executive Vice President and
Chief Financial Officer*

On behalf of the Board of Directors

(Signed) DAVID H. RACE
Director

(Signed) E. KENDALL CORK
Director

Certificate of the Underwriters

Dated June 30, 1998

To the best of our knowledge, information and belief, the foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the *Bank Act* (Canada) and the regulations thereunder and the securities laws of all the provinces and territories of Canada. For the purposes of the *Securities Act* (Quebec), to the best of our knowledge, information and belief, this short form prospectus, as supplemented by the documents incorporated herein by reference, contains no misrepresentation likely to affect the value or the market price of the securities to be distributed.

SCOTIAMCLEOD INC.

RBC DOMINION SECURITIES INC.

By: (Signed) JOHN L. SHERRINGTON

By: (Signed) M. MARIANNE HARRIS

NESBITT BURNS INC.

CIBC WOOD GUNDY SECURITIES INC.

By: (Signed) THOMAS E. FLYNN

By: (Signed) PETER IRWIN

MIDLAND WALWYN CAPITAL INC.

TD SECURITIES INC.

By: (Signed) COLIN S. MERCIER

By: (Signed) J. DAVID BEATTIE

LÉVESQUE BEAUBIEN GEOFFRION INC.

FIRST MARATHON SECURITIES LIMITED

By: (Signed) IAN MCPHERSON

By: (Signed) VINCENZA SERA

TRILON SECURITIES CORPORATION

NEWCREST CAPITAL INC.

By: (Signed) BRUCE K. ROBERTSON

By: (Signed) JAMES HINDS

The following includes the name of every person having an interest, directly or indirectly, to the extent of not less than 5 percent in the capital of:

SCOTIAMCLEOD INC.: an indirect wholly-owned subsidiary of the Bank;

RBC DOMINION SECURITIES INC.: RBC Dominion Securities Limited, a majority-owned subsidiary of a Canadian chartered bank;

NESBITT BURNS INC.: The Nesbitt Burns Corporation Limited, a majority-owned subsidiary of a Canadian chartered bank;

CIBC WOOD GUNDY SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank;

MIDLAND WALWYN CAPITAL INC.: wholly-owned by Midland Walwyn Inc.;

TD SECURITIES INC.: a wholly-owned subsidiary of a Canadian chartered bank;

LÉVESQUE BEAUBIEN GEOFFRION INC.: wholly-owned by Lévesque, Beaubien and Company Inc., a majority-owned subsidiary of a Canadian chartered bank;

FIRST MARATHON SECURITIES LIMITED: a wholly-owned subsidiary of First Marathon Inc.;

TRILON SECURITIES CORPORATION: a wholly-owned subsidiary of Trilon Financial Corporation; and

NEWCREST CAPITAL INC.: A. Boileau, P. Brehl, D. Davidson, D. Dawson, R. Dorrance, D. Gordon, J. Gravel, P. Grosskopf, J. Hinds, S. MacNicol, J. Massicotte, D. McCracken, J. O'Sullivan, L. Pettigrew, R. Pryde, B. Robert, Sanwa Holdings Canada Inc., M. Schwartz and G. Williams.