SECOND QUARTER REPORT

FOR THE PERIOD ENDED
APRIL 30, 1999

Scotiabank

CHAIRMAN'S MESSAGE

FOR THE PERIOD ENDED APRIL 30, 1999

SCOTIABANK ACHIEVED ANOTHER QUARTER OF CONSISTENT GROWTH IN EARNINGS, WITH A DOUBLE-DIGIT INCREASE IN NET INCOME AND EARNINGS PER SHARE. Net income grew 11% year over year to $384 million this quarter. Earnings per share rose by 10% to $0.73.

All of the Bank's main business lines contributed to the strong net income. Canadian Retail & Commercial Banking results benefitted from strong mortgage growth and the further integration of National Trust's operations with the Bank. Many of the Bank's international units turned in a better performance as the international economies which experienced setbacks in 1998 have started to recover. As well, there were good earnings in Corporate Banking, led by strong lending activity in the United States.

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

- Net income of $384 million, an increase of 4%;
- Earnings per share of $0.73, up from $0.69;
- Return on equity (ROE) of 15.7%, an improvement from 14.8%;
- Tier 1 capital ratio reached 7.8%, a significant increase from 7.2%.

Net income for the six months ended April 30, 1999, rose by 11% to $752 million, up from $677 million in the same period a year ago. Year-to-date earnings per share grew to $1.42 from $1.29. ROE was a strong 15.3%, down slightly from 15.6%.

REVENUES

Total revenues, comprised of net interest income and other income, rose to $1.9 billion in the second quarter, an increase of 2% over the same quarter a year ago. This increase would have been almost 6%, if the substantially higher level of securities gains in the second quarter of last year are excluded.

Net interest income grew to $1,162 million, a 7% increase over the $1,082 million in the same period a year ago. This was attributable to a significant 25% increase in foreign currency net interest income, which resulted from a combination of higher lending volumes in the United States, Europe and Caribbean, and an increase in the interest margin. Domestically, Canadian currency net interest income declined 4% due to additional loan securitizations which had the effect of reducing net interest income while increasing other income. Excluding this effect, the underlying Canadian currency net interest income was relatively unchanged, despite a reduction in the interest margin.

Other income for the second quarter was $750 million, a decline from $798 million in the same period a year ago, due in part to the lower gains on the sale of investment securities recorded this quarter. Growth in the remaining components of other income was broadly based led by increases in securitization revenues and credit fees. Brokerage commissions and trading revenues were also strong in the quarter, but below the exceptionally high levels earned in the second quarter last year.

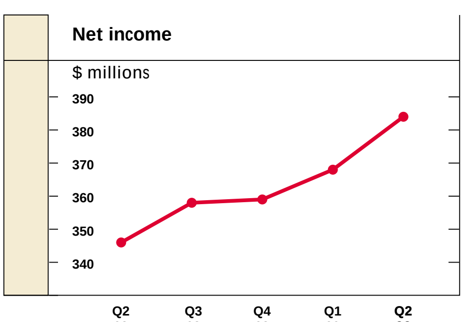
EXPENSES

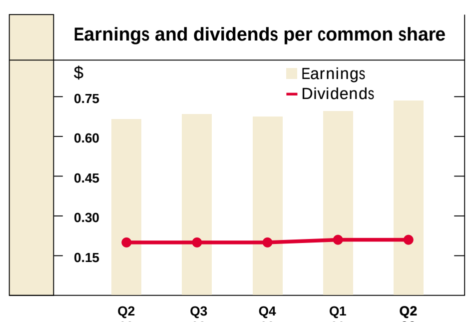
The Bank continued to focus its spending on initiatives which improve customer service and broaden customer choice. As a result, non-interest expenses rose by 4% from the second quarter of last year, including a 13% growth in computer expenses to support these initiatives. Salaries expense – the Bank's largest expense category – increased less than 2% year over year, partly

Financial Highlights

	For the three months ended		
(Unaudited)	**April 30 1999**	January 31 1999	April 30 1998
Net income *($ millions)*	**$ 384**	$ 368	$ 346
Earnings per share *($)*	**$ 0.73**	$ 0.69	$ 0.66
Return on equity	**15.7%**	14.8%	16.0%
Return on assets	**0.68%**	0.62%	0.67%

	For the six months ended	
(Unaudited)	**April 30 1999**	April 30 1998
Net income *($ millions)*	**$ 752**	$ 677
Earnings per share *($)*	**$ 1.42**	$ 1.29
Return on equity	**15.3%**	15.6%
Return on assets	**0.65%**	0.66%





due to lower performance-linked compensation in investment banking.

The productivity ratio – non-interest expenses as a percentage of total revenues – was 61.0% in the second quarter, versus 59.9% last year. The year-to-date productivity ratio for the first six months of the current fiscal year was 59.7%, which was better than the Bank's target level of 60%. The Bank's productivity ratio remains among the best of the Canadian banks.

CREDIT QUALITY

The 1999 forecast annual specific provision for credit losses, estimated at $435 million, was unchanged from last quarter. This quarter's total provision for credit losses was $109 million, one-quarter of the estimated annual specific provision, versus $259 million in the preceding quarter when $150 million was added to general provisions. As at April 30, 1999, general provisions were $750 million.

Credit quality remained relatively stable, with net impaired loans as a percentage of loans and acceptances at 0.2%, consistent with the preceding quarter. Net impaired loans were $305 million as at April 30, 1999, versus $288 million last quarter, with modest fluctuations among the business lines.

BALANCE SHEET

Total assets were $221 billion as at April 30, 1999, a decline of $11 billion or 5% from the preceding quarter, mainly due to the securitization of $7.4 billion of loans during the second quarter and the translation effect of a stronger Canadian dollar. However, compared to a year ago, total assets rose by 5% or $10 billion.

Loans and acceptances grew to $140.5 billion, a 4% increase over last year. During the most recent quarter, the Bank completed three loan securitizations: $3.9 billion of corporate loans in the United States, $2.5 billion of residential mortgages, and $1.0 billion of credit card receivables. After adjusting for these securitizations and the $1.0 billion of credit card receivables securitized in the fourth quarter of last year, loans and acceptances increased by 11% over last year. Much of this growth was generated in residential mortgages, and in the corporate and commercial lending portfolios in the United States, Europe and the Caribbean.

The Bank's securities portfolio was $32.1 billion as at April 30, 1999, 10% higher than a year ago. The surplus of market value over book value in the Bank's investment securities portfolio was $591 million at quarter end, a sharp improvement from $208 million in the preceding quarter, reflecting higher unrealized gains in the Bank's equity securities portfolio and the continued recovery in the value of emerging market securities.

Total deposits were $152.6 billion as at April 30, 1999, a 2% increase over the prior year. Personal deposits had the largest growth at 5%, reflecting in part the popularity of the Bank's deposit products, such as stock-indexed and cashable GICs.

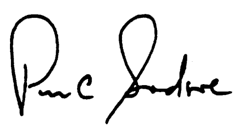
CAPITAL

Common equity grew to $9.4 billion as at April 30, 1999, an increase of $155 million from the preceding quarter. The growth was primarily attributable to earnings retention of $254 million, which was partially offset by a foreign currency translation adjustment of $111 million resulting from the strengthening Canadian dollar. This net increase in capital, coupled with a decline in risk-adjusted assets, partially due to the loan securitizations, led to a significant improvement in the Tier 1 capital ratio to 7.8%, up from 7.2% in the preceding quarter.

As at April 30, 1999, the total capital ratio rose to 11.2% from 10.6% at the end of the prior quarter. Shortly after the quarter end, the Bank issued a $350 million 15 year 5.75% subordinated debenture, which will further improve the total capital ratio by 24 basis points.

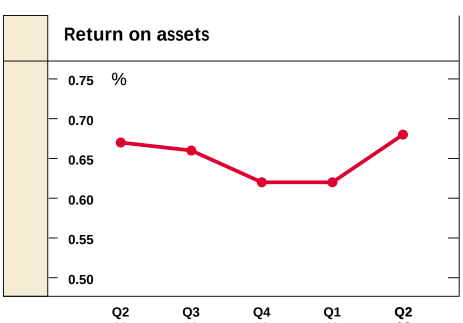
DIVIDEND

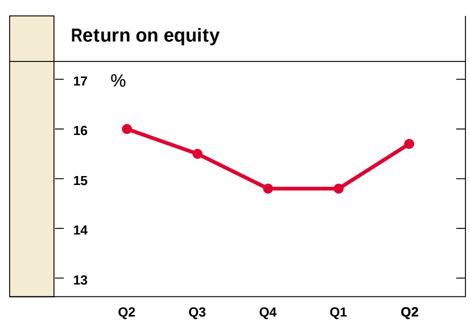
The Board of Directors, at its meeting May 26, 1999, approved a quarterly dividend of 21 cents per common share, payable on July 28, 1999, to shareholders of record as of July 6, 1999.



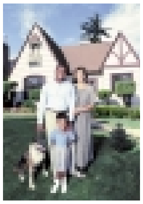
Peter C. Godsoe
Chairman of the Board and
Chief Executive Officer

May 26, 1999
Toronto, Ontario, Canada





SECOND QUARTER DEVELOPMENTS



SCOTIA TOTAL EQUITY PLAN

Always anticipating ways to better meet the needs of our customers and help them manage both sides of the household balance sheet in order to achieve their financial goals, the Bank launched the revolutionary *Scotia Total Equity Plan* in April. Modelled on National Trust's very successful *Credit Manager* program, the *Scotia Total Equity Plan* is further proof that our customers truly are benefiting from the "best of both worlds" as a result of the acquisition of National Trust.

With its one-time credit application, the *Scotia Total Equity Plan* gives homeowners flexibility and greater control over all their personal borrowing needs, including mortgages, lines of credit, personal loans, Scotiabank VISA and overdraft protection. Homeowners with at least 25 per cent equity in their home are eligible to borrow up to 75 per cent of its current market value. Customers have the flexibility of splitting their borrowing across different products so it doesn't all come due at the same time. They also benefit from preferred lending rates – a 7.25 per cent annual interest rate on Value VISA, for example.

YEAR 2000 READINESS

The Year 2000 program remains the highest priority for Scotiabank. At this time, the Bank has virtually completed the modification, testing and implementation of all important computer systems. Any remaining systems modifications or replacements will be completed well before the Year 2000.

Efforts are currently focussed on testing with external parties, including infrastructure service providers, such as securities exchanges, and on the refinement and testing of contingency plans. In this regard, the Bank successfully completed a full simulation for domestic banking operations on April 30, 1999.

However, due to the general uncertainty of the Year 2000 issue and our 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 adequately 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.

ELECTRONIC BANKING EXPANDS

Scotiabank is committed to a strategy of making it easy for customers to access our services, in whatever manner they prefer. The number of customers using TeleScotia telephone banking, Scotia OnLine Internet banking and Scotia Discount Brokerage on-line trading is growing rapidly. For example, the number of registered users of Scotia OnLine grew by 355 per cent from the first quarter of 1998 to the first quarter of 1999 – proof that customers want the kind of flexibility alternate delivery channels offer.

We continue to add new enhancements and options to our electronic banking menu. During the busy RRSP season, customers were able to avoid the last-minute RRSP rush by using Scotia OnLine Internet banking to purchase both registered and non-registered investment products, including Scotia Mutual Funds and guaranteed investment certificates. As well, Scotia OnLine now lets customers access their Scotia Mortgage, Scotia Plan Loan, Scotia Student Loan and U.S. dollar savings account balances on-screen. They can also re-order cheques on-line.

ScotiaGold VISA customers can enjoy similar on-line conveniences. They can check how many ScotiaGold Reward Points they've accumulated, browse the rewards catalogue and do some "virtual shopping" with their reward points.

All Scotia OnLine transactions are carried out under the protection of Scotiabank's award-winning security system, developed by Entrust Technologies Inc. It is the most advanced security system for financial transactions found on the Internet.

ENHANCED WEALTH MANAGEMENT

The managed asset business of ScotiaMcLeod, the private client division of Scotia Capital Markets, has grown by 300 per cent over the past two years.

To keep this growth on a strong trajectory, during the quarter, ScotiaMcLeod introduced the Summit Program, a managed asset or "wrap" program geared toward investors with portfolios valued at $500,000 or more. (ScotiaMcLeod also offers the Pinnacle Program for investors with portfolios of $50,000 or more.)

The Summit Program replaces and improves upon the popular Weir Program, which the firm introduced in 1994. Program enhancements include the addition of new money management companies which employ different investing styles; the Summit Quarterly Monitor, an individualized, easy-to-understand printed summary of the client's portfolio; and a new mandate that considers tax efficiency an important objective in addition to total return. Finally, there's access to the Pinnacle Program mutual funds, a proprietary line of mutual funds available exclusively to clients of ScotiaMcLeod's managed asset programs.

Interim Consolidated Statement of Income

(Unaudited) ($ millions except per share amounts)	For the three months ended April 30 1999	January 31 1999	April 30 1998	For the six months ended April 30 1999	April 30 1998
Interest income					
Loans	**$ 2,631**	$ 2,808	$ 2,469	**$ 5,439**	$ 4,813
Securities	**457**	441	448	**898**	866
Deposits with banks	**231**	287	253	**518**	497
	3,319	3,536	3,170	**6,855**	6,176
Interest expense					
Deposits	**1,787**	1,994	1,734	**3,781**	3,424
Subordinated debentures	**75**	76	84	**151**	166
Other	**295**	284	270	**579**	479
	2,157	2,354	2,088	**4,511**	4,069
Net interest income	**1,162**	1,182	1,082	**2,344**	2,107
Provision for credit losses	**109**	259	224	**368**	348
Net interest income after provision for credit losses	**1,053**	923	858	**1,976**	1,759
Other income					
Deposit and payment services	**146**	154	152	**300**	297
Investment management and trust	**83**	80	76	**163**	148
Credit fees	**128**	125	114	**253**	217
Investment banking	**246**	237	273	**483**	469
Net gain on investment securities	**37**	115	106	**152**	183
Other	**110**	96	77	**206**	141
	750	807	798	**1,557**	1,455
Net interest and other income	**1,803**	1,730	1,656	**3,533**	3,214
Non-interest expenses					
Salaries	**576**	556	567	**1,132**	1,081
Pension contributions and other staff benefits	**83**	78	80	**161**	148
Premises and equipment, including depreciation	**261**	251	232	**512**	454
Other	**268**	251	266	**519**	487
	1,188	1,136	1,145	**2,324**	2,170
Income before the undernoted:	**615**	594	511	**1,209**	1,044
Provision for income taxes	**218**	215	158	**433**	351
Non-controlling interest in net income of subsidiaries	**13**	11	7	**24**	16
Net income	**$ 384**	$ 368	$ 346	**$ 752**	$ 677
Preferred dividends paid	**$ 27**	$ 27	$ 23	**$ 54**	$ 46
Net income available to common shareholders	**$ 357**	$ 341	$ 323	**$ 698**	$ 631
Net income per common share	**$ 0.73**	$ 0.69	$ 0.66	**$ 1.42**	$ 1.29

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 April 30 1999	As at January 31 1999	As at April 30 1998	% Change April '99/ April '98
Assets				
Cash resources	**$ 17,445**	$ 20,745	$ 18,815	(7.3)%
Securities	**32,149**	30,899	29,244	9.9
Assets purchased under resale agreements	**12,606**	11,140	12,322	2.3
Loans – Residential mortgages	**45,004**	46,559	42,996	4.7
– Personal and credit cards	**17,797**	18,538	18,962	(6.1)
– Business and governments	**68,499**	75,149	65,103	5.2
	131,300	140,246	127,061	3.3
Customers' liability under acceptances	**9,223**	9,127	7,585	21.6
Other assets	**18,753**	20,340	16,902	11.0
	$ 221,476	$ 232,497	$ 211,929	4.5 %
Liabilities and Shareholders' Equity				
Deposits – Personal	**$ 64,338**	$ 63,609	$ 61,281	5.0 %
– Business and governments	**63,663**	67,275	61,758	3.1
– Banks	**24,582**	34,314	26,207	(6.2)
	152,583	165,198	149,246	2.2
Acceptances	**9,223**	9,127	7,585	21.6
Obligations related to assets sold under repurchase agreements	**15,441**	15,660	15,176	1.7
Obligations related to securities sold short	**5,341**	3,389	4,561	17.1
Other liabilities	**22,700**	22,891	19,736	15.0
Subordinated debentures	**5,037**	5,236	5,773	(12.7)
Equity – Preferred shares	**1,775**	1,775	1,475	20.3
– Common shares	**2,653**	2,639	2,597	2.1
– Retained earnings	**6,723**	6,582	5,780	16.3
	$ 221,476	$ 232,497	$ 211,929	4.5 %

Condensed Consolidated Statement of Cash Flows

(Unaudited) ($ millions)	For the six months ended April 30 1999	For the six months ended April 30 1998
Cash flows provided by (used in) operating activities	**$ 489**	$ (1,804)
Cash flows (used in) provided by financing activities	**(5,273)**	14,693
Cash flows provided by (used in) investing activities	**4,196**	(11,933)
Effect of exchange rate changes on cash and cash equivalents	**(350)**	14
(Decrease) increase in cash and cash equivalents	**$ (938)**	$ 970
Cash and cash equivalents, beginning of period	**4,431**	2,230
Cash and cash equivalents, end of period*	**$ 3,493**	$ 3,200

* *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 six months ended April 30 1999	April 30 1998
Balance at beginning of period	**$ 10,814**	$ 9,398
Common shares issued	**28**	30
Preferred shares issued	**–**	11
Preferred shares redeemed	**–**	(4)
Net income	**752**	677
Dividends – Preferred	**(54)**	(46)
– Common	**(207)**	(196)
Net unrealized foreign exchange gains and losses, and other	**(182)**	(18)
Balance at end of period	**$ 11,151**	$ 9,852

Quarterly Components of Net Income and Average Assets

(Unaudited) ($ millions)	For the three months ended April 30 1999	January 31 1999	April 30 1998	For the six months ended April 30 1999	April 30 1998
Net income					
By business line:					
Canadian retail & commercial banking	**$ 147**	$ 161	$ 145	**$ 308**	$ 305
Corporate banking	**142**	197	92	**339**	192
Investment banking	**90**	88	89	**178**	154
International banking	**82**	53	67	**135**	104
Other	**(77)**	(131)	(47)	**(208)**	(78)
	$ 384	$ 368	$ 346	**$ 752**	$ 677
By geography:					
Canada	**$ 241**	$ 271	$ 217	**$ 512**	$ 440
United States	**102**	128	80	**230**	150
International	**118**	100	96	**218**	165
Other	**(77)**	(131)	(47)	**(208)**	(78)
	$ 384	$ 368	$ 346	**$ 752**	$ 677
Average assets					
By business line:					
Canadian retail & commercial banking	**$ 78,694**	$ 80,454	$ 77,737	**$ 79,591**	$ 76,860
Corporate banking	**45,723**	46,898	36,659	**46,323**	36,062
Investment banking	**69,992**	72,394	63,710	**71,213**	62,627
International banking	**27,412**	27,244	22,790	**27,325**	21,618
Other	**8,639**	9,322	9,933	**9,044**	8,480
	$ 230,460	$ 236,312	$ 210,829	**$ 233,496**	$ 205,647
By geography:					
Canada	**$ 128,487**	$ 130,594	$ 124,140	**$ 129,561**	$ 123,607
United States	**39,149**	39,499	29,664	**39,329**	28,003
International	**54,185**	56,897	47,092	**55,562**	45,557
Other	**8,639**	9,322	9,933	**9,044**	8,480
	$ 230,460	$ 236,312	$ 210,829	**$ 233,496**	$ 205,647

Risk-Adjusted Capital Ratios

(Unaudited) ($ millions)		As at April 30 1999	January 31 1999	April 30 1998
Qualifying capital:	Tier 1	**$ 11,189**	$ 11,022	$ 9,851
	Total	**$ 16,018**	$ 16,285	$ 14,947
Risk-adjusted assets		**$ 143,540**	$ 153,238	$ 144,540
Capital ratios:	Tier 1	**7.8%**	7.2%	6.8%
	Total	**11.2%**	10.6%	10.3%

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:	**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		**$ 0.420 ****				
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 third 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:
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44 King Street West, Toronto, Ontario,
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For other information and for media inquiries, please contact the Public and Corporate Affairs Department at the above address.
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For information relating to Scotiabank and its services, visit us at our World Wide Web site: http://www.scotiabank.ca

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