

Prospectus Supplement to Short Form Base Shelf Prospectus dated March 4, 2022

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus supplement together with the short form base shelf prospectus dated March 4, 2022 to which it relates, as amended or supplemented, and each document incorporated by reference into such prospectus, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities to be issued hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and, subject to certain exceptions, may not be offered, sold or delivered, directly or indirectly, in the United States or to or for the account or benefit of U.S. Persons (as defined in Regulation S under the U.S. Securities Act). See "Plan of Distribution" in the short form base shelf prospectus.

New Issue

March 4, 2022



The Bank of Nova Scotia Senior Notes (Principal at Risk Notes)

Equity and Unit Linked Notes

The Bank of Nova Scotia (the "Bank") may, from time to time, offer and issue unsecured and unsubordinated debt securities (principal at risk notes) (the "Notes") in one or more tranches or series as described in its short form base shelf prospectus dated March 4, 2022 (the "Prospectus") establishing the Bank's senior (principal at risk) note program. For the purpose of this prospectus supplement ("product supplement") the Notes will be linked to the performance of one or more securities or other interests of one or more publicly offered companies, or units or other securities or interests of one or more publicly offered partnerships or investment funds (including exchange traded funds), or baskets or combinations of any of the foregoing, as specified in the relevant pricing supplement (a "pricing supplement") to be delivered together with the Prospectus and this product supplement.

The Notes will not constitute deposits under the *Canada Deposit Insurance Corporation Act* or under any other deposit insurance regime.

The return on the Notes will be based on the performance of one or more securities or a portfolio of securities during the term of such Notes. The Notes are designed for investors seeking exposure to, and who are prepared to assume the risks associated with an investment linked to the specified equity or other security or interest or a basket of equity or other securities or interests of one or more publicly offered companies, or units or other securities or interests of one or more publicly offered partnerships or investment funds (including exchange traded funds), or any basket or combination of the foregoing.

An investment in the Notes involves risks. The Notes are not designed to be alternatives to fixed income or money market instruments. The Notes are only appropriate investments for persons who understand the risks associated with structured products and derivatives. The Notes are considered to be "specified derivatives" under applicable Canadian securities laws. An investment in the Notes does not represent a direct or indirect investment in the securities to which it is linked, and investors do not have an ownership or any other interest (including voting rights or the right to receive any dividends, distributions or other income or amounts accruing or paid thereon) in respect of such securities. A purchaser of Notes will be exposed to fluctuations and changes in the price or value of the securities to which the Notes are linked. The price or value of such securities may be volatile and an investment linked to such securities may also be volatile. The Notes are linked to the price performance of the securities which reflects the applicable price changes of such securities.

The Notes do not guarantee the repayment of any amount of the principal (subject to the minimum principal repayment as may be specified in the applicable pricing supplement), or the payment of any return, and may be subject to a cap or other limitation on return and may be fully exposed to any decline in the value of the securities to which the Notes are linked. The amount received at maturity will depend on the price performance of the Underlying Securities. A purchaser of Notes could lose substantially all of his or her investment in the Notes. See “Risk Factors” in the Prospectus, this product supplement and/or the applicable pricing supplement.

In compliance with applicable Canadian securities laws, the Bank has filed an undertaking with the securities regulators in each province and territory of Canada that it will not distribute any Notes that are linked to the performance of equity securities of foreign issuers (as such terms are defined under applicable Canadian securities laws) without pre-clearing with such securities regulators the disclosure contained in the pricing supplements pertaining to such Notes subject to the exceptions set out in such undertaking.

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Prospectus for Notes

Notes that may be issued under the Bank's senior (principal at risk) note program are direct senior unsecured and unsubordinated debt securities. The equity and unit linked Notes will be described in separate documents, including: (1) the Prospectus, and (2)(i) this product supplement, which generally describes a particular type of Note the Bank may issue under its senior (principal at risk) note program, as described in the Prospectus, and/or (ii) a pricing supplement that contains the specific terms (including pricing information) about the Notes being offered. In respect of any particular equity and unit linked Notes the Bank may offer under its senior (principal at risk) note program, the Prospectus together with this product supplement and/or the applicable pricing supplement will collectively constitute the "prospectus" in respect of such Notes. Each of these documents should be read and considered carefully before a prospective purchaser makes an investment decision in respect of the Notes. See "About this Prospectus for Notes" in the Prospectus. A copy of the Prospectus for the Notes will be available at www.investorsolutions.gbm.scotiabank.com.

Documents Incorporated by Reference

This product supplement is deemed to be incorporated by reference into the Prospectus solely for the purpose of the Notes issued pursuant hereto. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full particulars.

Any statement contained or contemplated in a document incorporated or deemed to be incorporated by reference in the Prospectus or in this product supplement will be deemed to be modified or superseded for purposes of this product supplement 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 in the Prospectus or in this product supplement modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this product supplement.

Caution Regarding Forward-Looking Statements

See "Forward-Looking Statements" in the Prospectus and the applicable pricing supplement for any Notes offered.

Trademark Notice

TM Trademark of The Bank of Nova Scotia, used under license (where applicable). Scotiabank is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate including Scotia Capital Inc. (Member-Canadian Investor Protection Fund and regulated by the Investment Industry Regulatory Organization of Canada). Important legal information may be accessed at <https://www.gbm.scotiabank.com/en/legal.html>. Products and services described are available only by Scotiabank licensed entities in jurisdictions where permitted by law. This information is not directed to or intended for use by any person resident or located in any country where its distribution is contrary to its laws. Not all products and services are offered in all jurisdictions.

Description of Equity and Unit Linked Notes

The following terms and conditions, subject to completion and amendment and as supplemented or varied as specified in the applicable pricing supplement, will be applicable to equity and unit linked Notes. The applicable pricing supplement in relation to any particular Notes offering may specify other terms and conditions which will, to the extent so specified or to the extent inconsistent with the following conditions, replace or modify the following conditions for the purposes of such Notes.

Underlying Securities

Notes issued pursuant hereto will be linked to a particular equity or other security or interest or a basket of equity or other securities or interests of one or more publicly offered companies, or units or other securities or interests of one or more publicly offered partnerships or investment funds (including exchange traded funds ("ETFs")), or any basket or combination of the foregoing, which will be specified in the relevant pricing supplement. If the return on the Notes is linked to a basket of equity securities and/or units or securities of investment funds (including ETFs), the relevant pricing supplement will indicate the relative weighting of such securities in the basket and any other compositional or weighting factors relevant to such basket.

In this product supplement, references to "Underlying Securities" means the securities or other interests of one or more issuers or the units or other securities or interests of one or more publicly offered partnerships or investment funds (including ETFs) to which the Notes are linked as specified in the applicable pricing supplement, and references to an "Underlying Security" means any one of the Underlying Securities. References herein to "Underlying Security Issuer" are to the public issuer of Underlying Securities to which the Notes are linked as specified in the applicable pricing supplement. Where the Underlying Securities are units or securities of an investment fund (including an ETF), references to "Underlying Security Issuer" are to the public investment fund, its manager, its investment manager, its investment advisor and/or its sponsor of the Underlying Securities to which the Notes are linked. In cases where the Underlying Security Issuer is an investment fund (including an ETF) that seeks to replicate or correspond to the performance of one or more indices or tracks the performance of one or more commodities, such index or indices are referred to as the "Fund Tracked Index", the public sponsor or sponsors of such index or indices are referred to as the "Fund Tracked Index Sponsor" and such commodity or commodities are referred to as the "Fund Tracked Commodity".

Unless otherwise specified in a pricing supplement in respect of the Notes, the Bank is not, and is not related to, any Underlying Security Issuer or any Fund Tracked Index Sponsor. To the extent the Bank is not, and is not related to, an Underlying Security Issuer or Fund Tracked Index Sponsor:

- (a) the Notes are not issued, endorsed, sponsored or promoted by and are not financial or legal obligations of such Underlying Security Issuer or Fund Tracked Index Sponsor;
- (b) the trade names, service marks, trademarks or registered trademarks of such Underlying Security Issuer or Fund Tracked Index Sponsor are the property of their owner;
- (c) neither the Bank nor any Investment Dealer makes any representation or warranty as to the accuracy or completeness of information regarding the Underlying Securities, the Underlying Security Issuers, any Fund Tracked Index or any Fund Tracked Commodity;
- (d) neither the Bank nor any Investment Dealer has participated in the preparation of publicly available information or made any due diligence inquiry with respect to the Underlying Securities, the Underlying Security Issuers, any Fund Tracked Index, and Fund Tracked Index Sponsor or any Fund Tracked Commodity;

- (e) the Underlying Security Issuer and the Fund Tracked Index Sponsor make no warranties and bear no liabilities with respect to the Notes or to the administration or operation of the Notes;
- (f) the Notes have not been reviewed by the Underlying Security Issuer or the Fund Tracked Index Sponsor as to their legality or their suitability for investment; and
- (g) neither the Bank nor any Investment Dealer can give any assurance that all events occurring prior to the date of the relevant pricing supplement that would affect the price or the value of the Underlying Securities (and therefore the price or value of the Underlying Securities at the time the Notes are priced) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material events concerning the Underlying Securities, the Underlying Security Issuers, any Fund Tracked Index or any Fund Tracked Commodity could affect the amounts that may be payable on the Notes and therefore the market value of the Notes in a secondary market, if any.

Information regarding Underlying Securities or an Underlying Security Issuer may be obtained from various public sources including the public disclosure documents filed with securities regulatory authorities by the Underlying Security Issuer or other information publicly disseminated by the Underlying Security Issuer, including its website. Where the Bank is not, and is not related to, an Underlying Security Issuer, any and all information regarding such Underlying Security Issuer and the Underlying Securities it issues included in any pricing supplement will be derived from such publicly available information. The Bank and the Investment Dealers are not responsible for an unrelated Underlying Security Issuer's, or Fund Tracked Index Sponsor's, public disclosure of information on itself or the relevant Underlying Security, Fund Tracked Index or Fund Tracked Commodity, whether contained in filings made with a securities regulator or otherwise.

The inclusion or exclusion of units or securities of an investment fund (including ETFs) in the basket of Underlying Securities is not a recommendation by the Bank or any Investment Dealer to invest in or divest such Underlying Securities. The Bank and any Investment Dealer appointed in respect of the offering of the Notes makes no representation as to the performance of any Underlying Security, any Fund Tracked Index or any Fund Tracked Commodity or the constituent securities or commodities of any Fund Tracked Index. A prospective investor should undertake such independent investigation of the Underlying Security Issuer, the Underlying Securities, and as applicable, any Fund Tracked Index or any Fund Tracked Commodity or the constituent securities or commodities of any Fund Tracked Index as the investor considers necessary in order to make an informed decision as to the merits of an investment in the Notes.

Maturity Date

The maturity date for the Notes will be specified in the relevant pricing supplement. The Bank will redeem the Notes on their maturity date, subject to (i) early redemption or call rights, which will be specified in the applicable pricing supplement, (ii) redemption due to an Extraordinary Event (as defined below), or (iii) redemption, in certain circumstances, due to the occurrence of a Market Disruption Event (as defined below). See "Special Circumstances - Extraordinary Event" and "Special Circumstances - Market Disruption Event".

Amounts Payable

The return on the Notes, if any, will be based on the performance of the Underlying Securities to which the Notes are linked determined as specified in the applicable pricing supplement. The performance of each Underlying Security, including any other factor about the Underlying Security that is relevant to the payments that may be made on the Notes from time to time, will be measured from the value of the Underlying Security at one point in time, which value may be based on an average of measurements made at various points in time, or on the lowest measurement during a period of time, to the value of the

Underlying Security at a subsequent point in time, in each case determined as specified in the applicable pricing supplement. Measurement of the value of the Underlying Securities may be determined by reference to trading or closing prices of the Underlying Securities or determined in accordance with a specified formula or other method of calculation and may occur at one or more intervals over the term of the Notes, all as specified in the applicable pricing supplement. Measurement of any other factors relating to the Underlying Securities relevant to payments that may be made on the Notes from time to time will be determined as specified in the applicable pricing supplement. The percentage change in the value of the Underlying Securities over the measurement period, and in turn, the return on the Notes, may be zero, positive or negative.

The return on the Notes will be determined in the manner described in the applicable pricing supplement and may be paid at maturity or at various times over the term of the Notes, all as specified in the applicable pricing supplement. The specific formula for determining the return on the Notes will be set out in the applicable pricing supplement for such Notes. The return on the Notes will depend on the change and/or percentage change in the value of the Underlying Securities over the term of the Notes and may be:

- enhanced by a participation rate which may amplify, maintain or reduce the return on the Notes;
- subject to an upper limit or cap;
- subject to a lower limit or floor;
- subject to such other variables or methods of calculation as described in the applicable pricing supplement; or
- reduced by an amount attributed to withholding taxes on dividends or other distributions paid on the Underlying Securities.

Changes in the value of the Underlying Securities during the term of the Notes may not be reflected in the calculation of the return on the Notes. The Calculation Agent (as defined in the Prospectus) will calculate the return by comparing the value of the Underlying Securities only at one point in time relative to the value of the Underlying Securities at another one or more points in time, all as specified in the applicable pricing supplement. No other values of the Underlying Securities will be taken into account. For Notes that are linked to the positive performance of the Underlying Securities, even if the change in the value of the Underlying Securities is positive at certain times during the term of the Notes, the change in the value of one or more Underlying Securities may be negative on the day it is determined for purposes of calculating the return. In addition, if the return on the Notes is based on the performance of more than one Underlying Security, the value of one Underlying Security could increase over the term of the Notes but be offset or negated by decreases in the values of the other Underlying Securities. For Notes that are linked to the negative performance of the Underlying Securities, the reverse scenario would apply and the return on the Notes may be positive if the change in the value of the Underlying Securities is negative and may be negative if the change in the value of the Underlying Securities is positive. Accordingly depending on the direction of and percentage change in the values of the Underlying Security measured at one or more points in time to one or more subsequent points in time, as specified in the applicable pricing supplement, the return on the Notes may be negative and a purchaser of the Notes may lose substantially all of the principal of the Notes.

Any payment due and payable on the Notes on a date that is not a Business Day (as defined below) will be postponed until the immediately following Business Day, subject to the occurrence of a Market Disruption Event or an Extraordinary Event.

Principal at Risk Notes

The Notes do not guarantee the repayment of any amount of the principal, subject to the minimum principal repayment as may be specified in the applicable pricing supplement. The applicable pricing supplement for the Notes will specify the amount of the principal of the Notes that is “protected”, which

amount may be as little as 1% of the principal amount of such Notes. Notes in respect of which the minimum principal repayment by the Bank will be an amount in excess of 1% of the principal are referred to as “partially principal protected notes”. All other Notes are “non-protected notes”, which means that all but 1% of the principal amount of such Notes will be fully exposed and investors could lose substantially all of their investment subject to the minimum principal repayment of 1% of the principal amount of such Notes, or \$1.00 per Note. See “Description of the Notes – Principal at Risk” in the Prospectus.

Return of Capital Notes

If specified in the relevant pricing supplement, some or all of the principal of the Notes may be repaid to purchasers in instalments over the term of the Notes and such Notes are referred to as “return of capital” Notes or “ROC Notes”. Instalment payments of principal made over the term of ROC Notes reduce the outstanding principal payable at or prior to maturity. ROC Notes may be partially principal protected notes or non-protected notes as specified in the applicable pricing supplement.

Special Circumstances

The following terms, conditions and definitions, subject to completion and amendment and as supplemented or varied as specified in the applicable pricing supplement, will be applicable to equity and unit linked Notes. The applicable pricing supplement in relation to any particular Notes offering may specify other terms, conditions and definitions which will, to the extent so specified or to the extent inconsistent with the following conditions, replace or modify the following for the purposes of such Notes.

Determinations of the Calculation Agent

All calculations and determinations in respect of the Notes made by the Calculation Agent will, absent manifest error, be final and binding on the holders of Notes and will be made in the Calculation Agent’s sole and absolute discretion. In certain circumstances, the Bank will appoint one or more independent calculation experts. The Calculation Agent will not be responsible for its errors or omissions if made in good faith. See “Description of the Notes – Calculation Agent” and “Description of the Notes – Independent Calculation Experts” in the Prospectus.

Defined Terms

The following terms have the meanings set out below:

“Business Day” means a day, other than a Saturday, a Sunday or a statutory holiday, on which commercial banks are open for business in Toronto. If any date on which any action is otherwise required to be taken in respect of the Notes is not a Business Day, the date on which such action will be taken, except as otherwise indicated, will be the immediately following Business Day and, if the action involves the payment of any amount, no interest or other compensation will be paid as a result of such delay.

“Closing Price” means, in respect of an Underlying Security, the official closing price or value for the applicable Underlying Security on a given day as calculated and announced by the relevant Exchange on an Exchange Business Day in the currency quoted by such Exchange, provided that, if on or after the Issue Date such Exchange materially changes the time of day at which such official closing price or value is determined, the Calculation Agent may thereafter deem the Closing Price to be the price or value of that Underlying Security as of the time of day used by such Exchange to determine the official closing price or value prior to such change.

“Delisting” means, in respect of an Underlying Security, that the relevant Exchange announces that, pursuant to the rules of such Exchange, the Underlying Security ceases (or will cease) to be listed, traded or publicly quoted on such Exchange for any reason (other than a Merger Event or Tender Offer) and is not

immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such Exchange.

“Early Closure” means the closure on any Exchange Business Day of any Exchange or any Related Exchange prior to its Scheduled Closing Time.

“Exchange” means any exchange or trading system on which the Underlying Securities are traded.

“Exchange Business Day” means any day on which each Exchange and each Related Exchange are scheduled to be open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

“Extraordinary Event” means any of the following events that occur on or after the Issue Date and prior to the maturity date for the Notes where the Calculation Agent, acting in its sole and absolute discretion, has determined to designate such event as an “Extraordinary Event”: (i) the Bank is unable to effectively acquire, establish, re-establish, substitute, maintain, unwind or dispose of any actual or notional hedge transaction entered into in connection with the offering of the Notes or to realize, recover or remit the proceeds of any such hedging transaction; (ii) an increase in the cost of acquiring, establishing, re-establishing, substituting, maintaining, unwinding or disposing of any actual or notional hedging transaction entered into in connection with the offering of the Notes or in the cost of realizing, recovering or remitting the proceeds of any such hedging transaction; (iii) as a result of any adoption of, or any change in, any law, order, regulation, decree or notice, or issuance of any directive or promulgation of, or any change in the interpretation, whether formal or informal, by any court, tribunal, regulatory authority or similar administrative or judicial body of any law, order, regulation, decree or notice, after such date or as a result of any other event it would become unlawful for the Bank to acquire, establish, re-establish, substitute, maintain, unwind or dispose of any actual or notional hedge transaction entered into in connection with the offering of Notes; (iv) a Substitution Event occurs and the Calculation Agent fails or is unable to choose a Replacement Underlying Security; (v) an event described in paragraph (j) of the definition of Market Disruption Event has occurred; or (vi) any other event described in the definition of Market Disruption Event has occurred and has continued for at least eight (8) consecutive Exchange Business Days.

“Final Price” means, in respect of an Underlying Security, the Closing Price of the Underlying Security on the Final Valuation Date.

“Final Valuation Date” will be a date specified in the applicable pricing supplement, provided that if the Final Valuation Date is not an Exchange Business Day, then the Final Valuation Date will be the immediately preceding Exchange Business Day.

“Initial Price” means, in respect of an Underlying Security, the Closing Price of the Underlying Security on the Initial Valuation Date.

“Initial Valuation Date” will be a date specified in the applicable pricing supplement, provided that if the Initial Valuation Date is not an Exchange Business Day, the Initial Valuation Date will be the first succeeding day that is an Exchange Business Day.

“Insolvency” means, in respect of an Underlying Security, that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution, winding-up or analogous proceeding affecting the relevant Underlying Security Issuer: (i) all of the relevant Underlying Securities of such Underlying Security Issuer are required to be transferred to a trustee, liquidator or similar official; or (ii) holders of such Underlying Securities become legally prohibited from transferring them.

“Issue Date” will be a date, as specified in the applicable pricing supplement as the date on which the Notes are to be issued.

“Merger Date” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

“Merger Event” means, in respect of an Underlying Security, any: (i) reclassification or change of the relevant Underlying Security that results in a transfer of or an irrevocable commitment to transfer all of the outstanding Underlying Securities of the relevant Underlying Security Issuer to another entity or person; (ii) consolidation, amalgamation, merger or binding share exchange of the relevant Underlying Security Issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Underlying Security Issuer is the continuing entity and which does not result in a reclassification or change of all of the outstanding Underlying Securities of such Underlying Security Issuer); (iii) take-over bid, tender offer, exchange offer, plan of arrangement, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Underlying Securities of the relevant Underlying Security Issuer that results in a transfer of or an irrevocable commitment to transfer all such Underlying Securities (other than such Underlying Securities owned or controlled by such other entity or person); (iv) consolidation, amalgamation, merger or binding share exchange of the relevant Underlying Security Issuer or its subsidiaries with or into another entity in which such Underlying Security Issuer is the continuing entity and which does not result in a reclassification or change of all the outstanding Underlying Securities of such Underlying Security Issuer but results in the outstanding Underlying Securities (other than Underlying Securities owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Underlying Securities immediately following such event (commonly referred to as a “reverse merger”); or (v) such other event having substantially the same effect as the events described in (i) to (iv) inclusive, in each case if the Merger Date is on or before the date on which the Underlying Security Return in respect of such Underlying Security is determined, all the foregoing as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

“Nationalization” means, in respect of an Underlying Security, that all such Underlying Securities or all or substantially all of the assets of the applicable Underlying Security Issuer are nationalized, expropriated or otherwise required to be transferred to any governmental agency, authority or entity.

“Potential Adjustment Event” means, in respect of an Underlying Security, the occurrence of any of the following events: (i) a subdivision, consolidation or reclassification of the relevant Underlying Securities (unless resulting in a Merger Event), or a free distribution or dividend of such Underlying Securities to existing holders by way of bonus, capitalization or similar issue; (ii) a distribution, issue or dividend to existing holders of the relevant Underlying Securities of: (a) additional such Underlying Securities; or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the applicable Underlying Security Issuer equally or proportionately with such payments to such holders of Underlying Securities; or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the applicable Underlying Security Issuer as a result of a spin-off or other similar transaction, or (d) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent; (iii) an extraordinary dividend or other distribution (paid in cash or otherwise) in respect of the relevant Underlying Securities (where the characterization of a dividend or other distribution as “extraordinary” will be determined by the Calculation Agent); (iv) a call by the applicable Underlying Security Issuer in respect of the relevant Underlying Securities that are not fully paid; (v) a repurchase by the applicable Underlying Security Issuer or any of its subsidiaries of the relevant Underlying Securities whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; (vi) in respect of the applicable Underlying Security Issuer, an event that results in any

shareholder rights being distributed or becoming separated from the shares of common stock or other shares of the capital stock of such Underlying Security Issuer pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred shares, warrants, debt instruments or share rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event will be readjusted upon any redemption of such rights; or (vii) any other event that may have a dilutive or concentrative effect on the theoretical value of the relevant Underlying Securities as determined by the Calculation Agent.

“Principal Amount” means the principal amount of a Note, as specified in the applicable pricing supplement.

“Related Exchange” means any exchange, trading system or market quotation system on which futures, options or other similar instruments related to the Underlying Securities are listed or traded from time to time.

“Scheduled Closing Time” means, in respect of an Exchange or Related Exchange and an Exchange Business Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Exchange Business Day, without regard to after hours or any other trading outside of the regular trading session hours.

“Substitution Event” means, in respect of an Underlying Security, any event which, in the determination of the Calculation Agent, has adversely affected or may potentially adversely affect the liquidity of the Underlying Security (as compared with its liquidity at the Issue Date) and may include, but is not limited to: (i) any actual or proposed Nationalization; (ii) any actual or proposed Insolvency; (iii) any actual or proposed Delisting; (iv) any Merger Event or Tender Offer; or (v) any event, circumstance or cause which has restricted or will restrict the ability of the Bank or its affiliates to acquire, place, establish, re-establish, substitute, maintain, modify, unwind or dispose of any hedge transaction in respect of an Underlying Security, or to realize, recover or remit the proceeds of any such hedge transaction, in each case that is deemed by the Calculation Agent, in its sole discretion, to be a Substitution Event.

“Tender Offer” means, in respect of an Underlying Security, a take-over bid, tender offer, exchange offer, plan of arrangement, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding relevant Underlying Securities of the applicable Underlying Security Issuer, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

“Tender Offer Date” means, in respect of a Tender Offer, the date on which the relevant Underlying Securities in the amount of the applicable percentage threshold are actually purchased or otherwise obtained as determined by the Calculation Agent.

“Underlying Security Return” means, in respect of an Underlying Security, the number (which can be zero, positive or negative, and which is to be expressed as a percentage, rounded to two decimal places) calculated by the Calculation Agent as follows:

$$(\text{Final Price} - \text{Initial Price}) \div \text{Initial Price}$$

subject to any maximum Underlying Security Return in respect of an Underlying Security as specified in the applicable pricing supplement.

“Valuation Date” means, as applicable, the Initial Valuation Date or the Final Valuation Date or such other date, or dates, including without limitation, any valuation dates relating to an automatic call feature of the Notes in favour of the Bank or any valuation dates related to any payments that may be payable on the Notes during the term of the Notes, as specified in the applicable pricing supplement as a valuation date.

Potential Adjustment Event

Following an announcement by an Underlying Security Issuer of the terms of any Potential Adjustment Event in respect of its Underlying Securities, the Calculation Agent will determine whether such Potential Adjustment Event has a dilutive or concentrative effect on the theoretical value of the relevant Underlying Security and, if so, will: (i) make corresponding adjustments, if any, to any one or more of the Initial Price and Final Price, as the case may be, of such Underlying Security, the formula for calculating the Underlying Security Return of such Underlying Security, or any other component or variable relevant to the determination or calculation of the Maturity Redemption Amount or any other amounts that may be payable on the Notes, during the term or at maturity, as the Calculation Agent determines appropriate to account for the dilutive or concentrative effect; and (ii) determine the effective date of any such adjustment. The Calculation Agent may (but need not) determine any appropriate adjustments by reference to the adjustments in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Underlying Security traded on such options exchange. Save as expressly provided in the applicable pricing supplement, the Calculation Agent will make no adjustment in respect of any distribution of cash.

Market Disruption Event

If the Calculation Agent determines, in its sole discretion that a Market Disruption Event in respect of an Underlying Security has occurred and is continuing on the Issue Date or on any Valuation Date, then the Issue Date or that Valuation Date, as the case may be, the determination of the applicable Closing Price, the calculation of the Underlying Security Return for the relevant Underlying Security, and any other determination or calculation to be made on the Issue Date or such Valuation Date, as the case may be, will be postponed to the next Exchange Business Day on which there is no Market Disruption Event in effect.

If, on the eighth Exchange Business Day following the date originally scheduled as the Issue Date or a Valuation Date, as the case may be, such Issue Date or Valuation Date, as applicable, has not occurred due to a Market Disruption Event (including, for greater certainty, due to any one or more Market Disruption Events that may have occurred in respect of any one or more or all of the Underlying Securities on any one or more of the Exchanges or Related Exchanges, and in all such circumstances the respective Exchange Business Days on which any such Market Disruption Event(s) have occurred, may be included in and counted towards the eight Exchange Business Days referred to above whether or not consecutive for any particular Underlying Security), then, subject as set forth below, and despite the occurrence of any such Market Disruption Event in respect of that Underlying Security or any other Underlying Security on or after such eighth Exchange Business Day, the Calculation Agent may determine that:

- (a) such eighth Exchange Business Day shall be the Issue Date or the Valuation Date, as applicable; and
- (b) the Closing Price of such Underlying Security for such Issue Date or Valuation Date, as applicable, shall be determined by the Calculation Agent, in its sole discretion, without any liability on the part of the Calculation Agent, taking into account all market circumstances considered by the Calculation Agent to be relevant, acting reasonably (the “MDE Formula”).

A Market Disruption Event may delay the determination of a Closing Price or an Underlying Security Return and, consequently, the calculation and payment of any amounts that may be payable on the Notes, during the term and at maturity, as applicable, including the Maturity Redemption Amount. In such

circumstances, the Bank may delay such payment until the tenth Business Day following the determination of the applicable Closing Price or Underlying Security Return or the calculation of any amounts payable on the Notes and no interest shall be paid in respect of such delay.

“Market Disruption Event” means, in respect of an Underlying Security, the occurrence or existence of any *bona fide* event, circumstance or cause (whether or not reasonably foreseeable) beyond the reasonable control of the Bank or any person that does not deal at arm’s length with the Bank which has or will have a material adverse effect on the ability of market participants generally to acquire, establish, re-establish, substitute, maintain, unwind, modify or dispose of hedges of positions in respect of such Underlying Security. A Market Disruption Event in respect of an Underlying Security may include, without limitation, any of the following events:

- (a) any failure of trading to commence, or the permanent discontinuance of trading, or any suspension of or limitation imposed on trading by any relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by any relevant Exchange or Related Exchange or otherwise (i) relating to the Underlying Security on the Exchange, or (ii) in futures or options contracts or futures contracts relating to the Underlying Security on any relevant Related Exchange;
- (b) an Early Closure unless such Early Closure is announced by such relevant Exchange or Related Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange or Related Exchange on such Exchange Business Day; and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Scheduled Closing Time on such Exchange Business Day;
- (c) any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general: (i) to effect transactions in, or obtain market values for, the Underlying Security on any relevant Exchange; or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Underlying Security on any relevant Related Exchange;
- (d) the failure on any Exchange Business Day of any relevant Exchange or Related Exchange to open for trading during its regular trading session;
- (e) the adoption, change, enactment, publication, decree or other promulgation of any statute, regulation, rule or notice, howsoever described, or any order of any court or other governmental or regulatory authority, or any issuance of any directive or promulgation of, or any change in the interpretation, whether formal or informal, by any court, tribunal, regulatory authority or similar administrative or judicial body of any law, order, regulation, decree or notice, howsoever described or any other event that makes or would make it unlawful, impracticable or disadvantageous for the Bank to perform its obligations under the Notes or for dealers to generally acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of the Underlying Security or to realize, recover or remit the proceeds of any such hedge transaction in respect of the Underlying Security or has or would have a material and adverse effect on the economy or the trading of securities generally on any relevant Exchange or Related Exchange;
- (f) the taking of any action by any governmental, administrative, legislative or judicial authority or power of any country, or any political subdivision thereof, which has a material adverse effect on the financial markets of Canada or the U.S. or the country in which any relevant Exchange or relevant Related Exchange is located;

- (g) any outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, natural calamities) that has or would have a material adverse effect on the ability of the Bank to perform its obligations under the Notes or of dealers generally to acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of the Underlying Security or to realize, recover or remit the proceeds of any such hedge transaction in respect of the Underlying Security or has or would have a material and adverse effect on the economy or the trading of securities generally on any relevant Exchange or Related Exchange;
- (h) an increase in the cost of acquiring, placing, establishing, re-establishing, substituting, maintaining, modifying or unwinding or disposing of any hedge transaction in connection with the Underlying Security or in the cost of realizing, recovering or remitting the proceeds of any such hedge transaction;
- (i) the termination or material amendment of any hedging contract with a third party; or
- (j) a significant adverse risk to investors, as determined by the Calculation Agent, regarding the market price, value, marketability, or return payable (including the risk of the imposition of U.S. withholding tax) with respect to the Notes as a result of any adoption of, or any change in, any law, order, regulation, tax, decree or notice, or issuance of any directive or promulgation of, or any change in the interpretation, whether formal or informal, by any court, tribunal, regulatory authority or similar administrative or judicial body of any law, order, regulation, decree or notice.

Substitution Event

If the Calculation Agent determines that a Substitution Event has occurred in respect of an Underlying Security (the "Deleted Underlying Security"), the following will apply, effective on a date as determined by the Calculation Agent (the "Substitution Date"):

- (a) no adjustments for Potential Adjustment Events in respect of such Deleted Underlying Security will apply;
- (b) the Calculation Agent may choose (in its absolute discretion) a new security (the "Replacement Underlying Security") as a substitute for such Deleted Underlying Security;
- (c) such Deleted Underlying Security will not be considered as an Underlying Security for purposes of determining the calculation of the Maturity Redemption Amount or any other amounts that may be payable on the Notes on or after the Substitution Date;
- (d) the Replacement Underlying Security will be an Underlying Security, the issuer of such Replacement Underlying Security will be the Underlying Security Issuer in respect of such Replacement Underlying Security and the primary exchange or market quotation system on which such Replacement Underlying Security is listed, traded or quoted, as determined by the Calculation Agent, will be the relevant Exchange in respect of such Replacement Underlying Security; and
- (e) the Calculation Agent will determine, in its discretion, the Initial Price of such Replacement Underlying Security by taking into account all relevant market circumstances, including the Initial Price of such Deleted Underlying Security and the Closing Price or estimated value on the Substitution Date of the Deleted Underlying Security and the Closing Price or estimated value on the Substitution Date of the Replacement Underlying Security, and will make adjustments, if any, to any one or more of the formula for calculating the Underlying Security Return of such Replacement Underlying Security, or any other component or variable relevant to the

determination or calculation of the Maturity Redemption Amount or any other amounts that may be payable on the Notes during the term or at maturity, as the Calculation Agent determines appropriate to account for the economic effect on the Notes of the relevant Substitution Event (including adjustments to account for changes in volatility, expected dividends or other distributions, stock loan rate or liquidity relevant to the applicable substitution).

Upon choosing a Replacement Underlying Security, the Calculation Agent will promptly give details of such substitution and brief details of the Substitution Event to holders of the Notes by posting such details at www.investorsolutions.gbm.scotiabank.com. For greater certainty, the Replacement Underlying Security chosen by the Calculation Agent may be any security of an Underlying Security Issuer that was the continuing entity in respect of a Merger Event. The Calculation Agent may decide not to choose a Replacement Underlying Security as a substitute for a Deleted Underlying Security if the Calculation Agent determines that there are no appropriate securities which offer sufficient liquidity in order for the Bank or its affiliates to place, maintain or modify hedges in respect of such securities, in which case the Calculation Agent may declare an Extraordinary Event, with the consequences described under “Special Circumstances – Extraordinary Event”. In respect of Notes linked to a basket of Underlying Securities, if the Calculation Agent decides not to choose a Replacement Underlying Security as a substitute for a Deleted Underlying Security and does not declare an Extraordinary Event, the calculation of any amounts that may be payable on the Notes, including the Maturity Redemption Amount, will be determined on or after the Substitution Date based on the Underlying Securities remaining in the basket without any liability on the part of the Calculation Agent.

Merger Event and Tender Offer

On or after a Merger Date or Tender Offer Date in respect of an Underlying Security, the Calculation Agent may either: (i)(A) make adjustment(s), if any, to any one or more of the Initial Price and Final Price, as the case may be, of the relevant Underlying Security, the formula for calculating the Underlying Security Return of such Underlying Security, or any other component or variable relevant to the determination of any amounts that may be payable on the Notes, including the Maturity Redemption Amount, as the Calculation Agent, in its sole discretion, deems appropriate to account for the economic effect on the Notes of the relevant Merger Event or Tender Offer, which may, but need not, be determined by reference to the adjustments made in respect of such Merger Event or Tender Offer by an options exchange to options on the relevant Underlying Securities traded on such options exchange; and (B) determine the effective date of the adjustments; or (ii) if the Calculation Agent determines that no adjustments that it could make under paragraph (i) will produce a commercially reasonable result, the Calculation Agent may designate the relevant Merger Event or Tender Offer to be a Substitution Event in respect of the relevant Underlying Security.

Extraordinary Event

If the Calculation Agent determines that an Extraordinary Event has occurred, the Bank may, at its option upon notice to holders of the Notes (the “Extraordinary Event Notification”), elect to discharge its obligations under all outstanding Notes effective on the Exchange Business Day set out in the Extraordinary Event Notification (the “Extraordinary Event Date”) by accelerating the determination of any amounts that may be payable under the Notes and making an accelerated payment of such amount to holders of Notes prior to the maturity date of the Notes (the “Accelerated Payment”). Upon such election, the Accelerated Payment per Note will be determined and calculated by the Calculation Agent, acting in good faith in accordance with industry-accepted valuation methods taking into account all relevant market circumstances, using the Closing Price of each Underlying Security, as applicable, as of such date, subject to the following, as applicable:

- (a) if a Market Disruption Event is then in effect in respect of an Underlying Security, the Closing Price of that Underlying Security shall be determined in accordance with the MDE Formula; and
- (b) the Calculation Agent shall make such adjustments, if any, to the formula for calculating any amounts that may be payable on the Notes, during the term and at maturity, as applicable, including the Underlying Security Return and the Maturity Redemption Amount, as the Calculation Agent reasonably determines appropriate to account for the fact that, as a consequence of the occurrence and continuance of an Extraordinary Event, the Closing Price is to be determined as of the Extraordinary Event Date.

If the Bank elects to make the Accelerated Payment prior to the maturity date of the Notes, payment will be made no later than the tenth Business Day after the Extraordinary Event Date. Payment of the Accelerated Payment will constitute payment in full on the Notes and no other payments will be made or due in respect of the Notes and an investor's right to receive any additional return under the Notes will be extinguished. It is possible that the Accelerated Payment amount may be less than the Principal Amount and may not reflect any increase in the prices of the Underlying Securities prior to the Extraordinary Event Date.

If the Bank determines that an Extraordinary Event has occurred in respect of an Underlying Security and the Extraordinary Event is the result of an event described in paragraphs (a), (b), (c) or (d) of the definition of Market Disruption Event, then, in lieu of electing to pay the Accelerated Payment, the Bank may (i) use an alternative Exchange to determine the Closing Price of such Underlying Security in place of the relevant Exchange specified in the applicable pricing supplement, or (ii) obtain an alternative reference source or basis for determining the Closing Price of such Underlying Security which, in the reasonable determination of the Bank, most closely approximates the value of such Underlying Security, and thereafter such alternative Exchange or reference source or basis, as the case may be, will become the relevant Exchange or reference source or basis, as the case may be, for determining the Closing Price of such Underlying Security for the purposes of the Notes in the future.

Available Information Regarding Notes and Underlying Securities

Investors may obtain current information regarding the Notes and the percentage change in the value of the Underlying Security or basket of Underlying Securities for such Notes at a point in time at www.investorsolutions.gbm.scotiabank.com. Such information includes the key terms of the Notes (i.e. maturity date, term, amount of any minimum principal repayment, the Underlying Securities, and availability of secondary markets), the current performance of the Notes (i.e. initial price, current price and return since inception), the performance of the Underlying Securities and any applicable early trading charges. The percentage change in the Underlying Securities levels posted at www.investorsolutions.gbm.scotiabank.com will be calculated as if the date on which the information is provided is the maturity date of the specified Notes and does not reflect the resale price of such Notes prior to their maturity date. See "Secondary Market for Notes" in the Prospectus.

Historical Trading Price Information and Historical Dividend and Distribution Information

The Bank may provide historical information relating to the trading prices of Underlying Securities to which the Notes are linked in the pricing supplement for such Notes. A purchaser should not take any such historical trading prices as an indication of future performance. The Bank cannot provide any assurance that the trading prices of any Underlying Securities will not decrease. A purchaser of Notes may receive little or no return on the Notes and the amounts payable on such Notes may be substantially less than the principal amount thereof. The Bank may provide information relating to historical dividend and distribution yields of an Underlying Security or a basket of Underlying Securities in the pricing supplement for such Notes. Such dividend and distribution yield information is for comparative purposes only and is

not an indication of any future dividends or distributions that might be paid or payable on an Underlying Security or a basket of Underlying Securities. See “Risk Factors – “Historical performance of Underlying Securities should not be taken as an indication of future performance”.

Hypothetical Returns on the Notes

The pricing supplement for the Notes may include a table, chart, hypothetical examples for illustrative purposes, or other explanation showing a hypothetical return for such Notes at maturity (or prior to maturity in the respect of Notes that are subject to an automatic call feature in favour of the Bank), based on a range of hypothetical trading prices for the Underlying Securities or other values related to such securities such as dividend yields in respect of the Underlying Securities, and on various key assumptions shown in the pricing supplement. Any such information will be provided for purposes of illustration only; it should not be viewed as an indication or prediction of future investment results. Such information is intended merely to illustrate the impact of various hypothetical market levels of Underlying Securities or of other values related to such securities such as dividend yields in respect of the Underlying Securities on any valuation date as calculated in the manner described in the relevant pricing supplement and assuming all other variables remained constant.

As shown in the applicable pricing supplement, the hypothetical amounts payable on the Notes may bear little or no relationship to the actual market value of the Notes on that date or at any other time, including any time a purchaser of the Notes may wish to sell such Notes. In addition, a purchaser should not view such hypothetical amounts as an indication of the possible financial return on an investment in the Notes, since the financial return will be affected by various factors including taxes, if applicable, that the hypothetical information does not take into account. Moreover, whatever the financial return on the Notes might be, it may bear little relation to, and may be much less than, the financial return that a purchaser might realize from a direct investment in the Underlying Securities, any Fund Tracked Index or any Fund Tracked Commodity or the constituent securities or commodities of any Fund Tracked Index.

Various risk factors that may affect the market value of the Notes, and the unpredictable nature of that market value, are described under “Risk Factors” in the Prospectus, this product supplement and/or the relevant pricing supplement.

Dealings in Underlying Securities

The Bank and its affiliates may from time to time, in the course of their respective normal business operations, have dealings in the Underlying Securities or with the Underlying Securities Issuers (including acting as an advisor on corporate transactions either directly or indirectly through affiliates who provide such services in their normal course of business) or in the constituent securities and issuers comprising any Fund Tracked Index, and certain of their affiliates, or commodities comprising any Fund Tracked Commodity, including through the extension of credit to, or by investing in, such securities, entities or commodities. The Bank and its affiliates will act in the normal course of business in these circumstances and will not take into account the effect, if any, of such actions on Underlying Securities or any amounts that may be payable on the Notes or the interests of purchasers of Notes generally.

Canadian Taxation Considerations

The principal Canadian federal income tax consequences generally applicable to an initial purchaser of the Notes will be described in the pricing supplement for such Notes.

Risk Factors

An investment in the Notes is subject to the risks described below, as well as the risks described under “Risk Factors” in the Prospectus and the applicable pricing supplement. The Notes are not secured debt and involve greater risks than ordinary unsecured debt securities. Investing in the Notes is not equivalent to investing directly in the Underlying Securities, a Fund Tracked Commodity or constituent securities or commodities comprising a Fund Tracked Index to which the Notes are linked. **The Notes are not appropriate investments for persons who do not understand the risks associated with structured products or derivatives. Prospective purchasers should carefully consider whether the Notes are suited to their respective particular circumstances.**

This section describes certain risks relating to an investment in the Notes. Prospective purchasers should read the following information about these risks, together with the other information in the Prospectus, this product supplement and/or the applicable pricing supplement, before investing in the Notes.

Risk Factors Relating to the Offering of the Notes Generally

An investment in the Notes may result in a loss

The Notes do not guarantee the return of the entire amount of the principal of the Notes and, unless otherwise specified in the applicable pricing supplement for the Notes, the Bank will not repay a fixed amount of principal on the Notes on their maturity date. The return on the Notes may be zero, positive or negative and will depend on the direction of and percentage change in the value of the Underlying Securities over the applicable measurement period and the specified correlation between the direction of such change and the return on the Notes. For Notes linked to the positive performance of the Underlying Security, as specified in the applicable pricing supplement, the amount payable on the Notes may be less than the principal amount per Note even if the value of the Underlying Securities rises at certain periods during the term of the Notes. In addition, for Notes linked to a Basket of Underlying Securities, the value of one or more Underlying Securities could increase over the term of the Notes, but be offset or negated by decreases in the values of the other Underlying Securities on which the return on the Notes is based. For Notes that are linked to the negative performance of the Underlying Securities, the reverse scenario would apply and the return on the Notes may be positive if the change in the value of the Underlying Securities is negative and may be negative if the change in the value of the Underlying Securities is positive. Accordingly depending on the direction of and percentage change in the values of the Underlying Security measured at one or more points in time to one or more subsequent points in time, as specified in the applicable pricing supplement, the return on the Notes may be negative and a purchaser of the Notes may lose substantially all of the principal of the Notes.

As a result, a purchaser of the Notes may receive less, and possibly significantly less, than the principal amount of such Notes. Subject to any minimum principal repayment as specified in the applicable pricing supplement, purchasers of Notes could lose their entire investment.

The Notes are not suitable for all investors

An investor should reach a decision to invest in Notes only after carefully considering, in conjunction with his or her own advisors (financial and tax), the suitability of the Notes in light of his or her investment objectives and the other information set out in the Prospectus, this product supplement and/or the applicable pricing supplement. None of the Bank, any Investment Dealer selling the Notes or any of their respective affiliates or associates makes any recommendation as to whether or not the Notes are a suitable investment for any person.

The return on the Notes may be lower than the return on other debt securities of comparable maturity

The return on the Notes, which could be negative, may be less than the return that could be earned on other investments, including traditional interest-bearing debt securities of the Bank with the same term to maturity as the Notes. Unlike traditional interest-bearing debt securities, subject to any minimum principal repayment and as otherwise may be specified in the relevant pricing supplement, the Notes do not guarantee the return of a principal amount on their maturity date.

Principal protection on the Notes depends on the creditworthiness of the Bank and does not apply to sales in the secondary market

In respect of any partially principal protected Note, such principal protection applies only where the Notes are held to maturity and not if a purchaser chooses to sell the Notes in any secondary market prior to maturity. The ability to receive principal protection on the Notes depends on the creditworthiness of the Bank. The Notes, however, have not been and will not be specifically rated by any rating agency. There can be no assurance that if the Notes were specifically rated by these rating agencies that the Notes would have the same rating as the Bank's unsecured and unsubordinated obligations with a term to maturity of one year or more. A rating is not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency. See "Business of the Bank" and "Secondary Market for Notes" in the Prospectus.

Uncertain return until maturity or early redemption

The return on the Notes will be uncertain until maturity or early redemption. Whether there is a return on the Notes will depend on the performance of the Underlying Securities and the amount of any principal repayments (subject to the minimum principal repayment as may be specified in the applicable pricing supplement) or other payments on the Notes over the term of the Notes (as specified in the applicable pricing supplement). There can be no assurance that the Notes will generate a positive return or that the objectives of the Notes will be achieved. Depending on the performance of the Underlying Securities, the amount of any principal repayments (subject to the minimum principal repayment as may be specified in the applicable pricing supplement) or other payments on the Notes over the term of the Notes (as specified in the applicable pricing supplement), an investor could lose substantially all of his or her investment in the Notes (subject to the minimum principal repayment as may be specified in the applicable pricing supplement). Investors should understand that the risks associated with this type of investment are greater than that normally associated with other types of investments and the Notes are only appropriate for investors who understand the risks associated with structured products and derivatives.

Owning Notes is not the same as owning the Underlying Securities or the constituent securities or commodities of a Fund Tracked Index

The return on the Notes will not reflect the return an investor would realize on an investment directly in the Underlying Securities to which the Notes are linked or the constituent securities or commodities of a Fund Tracked Index held for a similar period because:

- the amount payable on the Notes may be subject to an upper limit or a cap;
- the return on the Notes may be subject to a participation rate which may reduce the return on the Notes;
- the return on the Notes may be reduced by an amount attributed to withholding taxes on dividends or other distributions paid on the Underlying Securities; and
- the value of Underlying Securities may not reflect the value of any dividends, distributions or other income or amounts paid on the Underlying Securities or the constituent securities of a Fund Tracked Index.

Even if the value of the Underlying Securities appreciate from the initial value of such securities during the term of the Notes, the market value of the Notes may not increase by a corresponding amount. It is also possible for the market value of the Notes prior to maturity to decline while the value of the Underlying Securities appreciates.

Substitution Events will affect the value of the Notes

Certain events may constitute Substitution Events, whereby the Calculation Agent may be entitled to substitute the securities of an Underlying Security Issuer for another Underlying Security Issuer and, as a result, make adjustments to the formula for calculating any amounts that may be payable on the Notes. Such events or actions may affect the value of the Notes and the amounts that may be payable on the Notes. See “Special Circumstances – Substitution Event”.

A Market Disruption Event may affect the determination of the value of Underlying Securities

The Calculation Agent may determine, in its sole and absolute discretion, that certain events constitute a Market Disruption Event, whereby the Calculation Agent would be entitled to postpone a Valuation Date specified in the applicable pricing supplement for the determination of a Closing Price to a later date in respect of the affected Underlying Security which may delay the calculation and/or payment of any amounts that may be payable on the Notes. Fluctuations in the Closing Price of the affected Underlying Security may occur in the interim. In certain cases, a Market Disruption Event may result in a change to the formula for calculating any amounts that may be payable on the Notes. As a result of such events, the amounts that may be payable on the Notes may be adversely affected. See “Special Circumstances – Market Disruption Event”.

Extraordinary Events will affect the return on the Notes

If an Extraordinary Event occurs, then the Bank may accelerate the calculation and payment of the return (if any) on the Notes. Unless otherwise specified in the relevant pricing supplement, in such case a holder of Notes will receive the Accelerated Payment on such Notes and following such payment, no further payments will be made on such Notes. As a result, a holder of Notes may lose substantially all of his or her investment. In certain cases, an Extraordinary Event may result in an alternative exchange or trading system being used for the determination of the Closing Price of the affected Underlying Security as determined by the Calculation Agent. See “Special Circumstances – Extraordinary Event”.

Limited anti-dilution protection

The Calculation Agent may adjust the value of Underlying Securities for the purposes of determining the return on the Notes for share or unit splits, reverse share or unit splits, dividends, distributions, extraordinary dividends or distributions and other events that affect the Underlying Security Issuer’s capital structure, in the circumstances described under “Special Circumstances – Potential Adjustment Event”, and may make corresponding adjustments to the formula for calculating any amounts that may be payable on the Notes. The Calculation Agent is not required to make an adjustment for every corporate or fund event that may affect an Underlying Security which may adversely affect the value of the Notes.

The Bank may be permitted to redeem the Notes prior to their maturity

On the occurrence of an Extraordinary Event or as otherwise specified in the applicable pricing supplement for the Notes, the Bank may have the right to redeem the Notes prior to their maturity date. If the Bank redeems, or “calls”, the Notes prior to their maturity, investments in the Notes will terminate and holders of such Notes will not be entitled to any appreciation in the value of Underlying Securities or any regular payment of interest or principal, if applicable, after such redemption. Unless the redemption feature of the Notes is expressed in the applicable pricing supplement to be mandatory or automatic upon the occurrence

of specified events, there is no assurance that the Bank will exercise any right of early redemption that it may have.

Risk Factors Relating to Conflicts of Interest

The Bank's other business activities may create conflicts of interest

The Bank and its affiliates expect to engage in trading activities related to the Underlying Securities, Fund Tracked Commodities and constituent securities of Fund Tracked Indices, which activities will not be for the account of holders of the Notes and will not be undertaken on behalf of such holders. These trading activities may present a conflict between a holder's interest in the Notes and the Bank's or its affiliates' interests in proprietary accounts and in facilitating transactions (including options and other derivatives transactions) for customers and in accounts under the management of the Bank's or its affiliates' management. These trading activities could influence the price or value of the Underlying Securities in a manner adverse to the interests of holders of the Notes. The Bank and its affiliates may, at present or in the future, engage in business with Underlying Security Issuers and constituents of Fund Tracked Indices, including making loans to or providing advisory services (including investment banking and merger and acquisition advisory services). These activities may present a conflict between the Bank and its affiliates' interests and the interests of holders of the Notes. Moreover, the Bank and its affiliates may have published, or in the future may publish, research reports with respect to Underlying Security Issuers and constituents of Fund Tracked Indices. This research may be modified from time to time without notice and may express opinions or make recommendations that are inconsistent with purchasing or holding the Notes. Advisors at Scotia Capital Inc. or advisors at other dealers may request and may negotiate the terms of certain Notes on behalf of their clients, including any fees payable to such advisors under the Notes, which may pose a potential conflict of interest between the advisors and their clients. Any of these activities by the Bank or its affiliates or the dealers may affect the price or value of the Underlying Securities and, therefore, the market value of the Notes. The Bank will carry on business, including with respect to its dividend policy, without regard to the effect that its decisions may have on the Notes. See "Dealings in Underlying Securities".

Potential conflicts of interest where the Bank is, or is related to, any Fund Tracked Index Sponsor or if the Bank calculates formulae or models to which Notes are linked

The Bank or one or more of its affiliates may be a Fund Tracked Index Sponsor or responsible for making calculations under models or formulae to which Notes are linked. In certain circumstances, the Bank's role and responsibilities in this capacity may give rise to conflicts of interest. Even though any Fund Tracked Index, formula or model will be calculated in accordance with certain principles or rules, such calculations require certain judgments and decisions to be made. If the Bank is, or is related to, a Fund Tracked Index Sponsor, or if the Bank is responsible for calculating a formula or model, it will be directly or indirectly responsible for these judgments and decisions. Determinations made by a Fund Tracked Index Sponsor could affect the performance of the applicable Fund Tracked Index and determinations of formulae or models by the Bank may affect the performance of the Notes. Further, in certain circumstances where one of the Bank's affiliates is a Fund Tracked Index Sponsor, there may be a conflict of interest between the Bank and such affiliate as the Fund Tracked Index Sponsor and the Bank's role in trading Underlying Securities and derivative instruments. The Bank or its affiliates may hedge the market risks with the Bank's obligations to pay the amounts due on the Notes. The Bank or its affiliates expect to make a profit in connection with these arrangements.

Trading and other transactions by the Bank or its affiliates in Underlying Securities, Fund Tracked Commodities or the constituent securities of any Fund Tracked Index or derivative products on the Underlying Securities, Fund Tracked Commodities or constituent securities of any Fund Tracked Index may affect the market value of the Notes

The Bank or one or more of its affiliates may hedge the Bank's obligations under the Notes by purchasing or selling:

- Underlying Securities, Fund Tracked Commodities or the constituent securities of any Fund Tracked Index; or
- futures contracts, options or other derivatives relating to Underlying Securities, Fund Tracked Commodities or the constituent securities of any Fund Tracked Index;

and these hedges may be adjusted by, among other things, purchasing or selling any of the foregoing at any time. Although they are not expected to, any of these hedging activities may decrease the market price of Underlying Securities, Fund Tracked Commodities or the constituent securities of any Fund Tracked Index, and, therefore, decrease the market value of the Notes. It is possible that the Bank or its affiliates could receive substantial returns from these hedging activities while the market value of the Notes declines.

The Bank and its affiliates may also engage in trading in Underlying Securities, Fund Tracked Commodities or the constituent securities of any Fund Tracked Index and other investments relating to those interests on a regular basis as part of their respective businesses, for proprietary accounts, for other accounts under management or to facilitate transactions for customers, including block trade transactions. Any of these activities could decrease the market price of Underlying Securities and, therefore, decrease the market value of the Notes. The Bank and its affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to changes in the performance of Underlying Securities, Fund Tracked Commodities or the constituent securities of any Fund Tracked Index. By introducing competing products into the marketplace in this manner the Bank or its affiliates could adversely affect the market value of the Notes.

Potential conflicts of interest between holders of Notes and the Calculation Agent

The Calculation Agent will, among other things, determine the amount payable on the Notes. The Bank may change the Calculation Agent after the Issue Date of any Notes without notice to holders thereof. See "Description of the Notes – Calculation Agent" in the Prospectus. The Calculation Agent will exercise judgment when performing its functions. From time to time, the Calculation Agent may also make certain decisions and determinations with respect to the Notes, including in the event of the occurrence of any special circumstances which include a Market Disruption Event and an Extraordinary Event. Since these determinations by the Calculation Agent will affect the payment on the Notes, the Calculation Agent may have a conflict of interest if it needs to make any such decisions.

Risk Factors Relating to Equity Linked Notes, Unit Linked Notes and the Underlying Securities

Risks Relating to the Underlying Securities

Any amount of the principal of a Note that may be payable at or before maturity and any variable return or other payment will be determined, in whole or in part, by reference to the performance of an Underlying Securities or a basket of Underlying Securities to which the Notes are linked as specified in the pricing supplement. Accordingly, certain risk factors applicable to a direct investment in the Underlying Securities are also applicable to an investment in the Notes such as, specific risks associated with a particular Underlying Security Issuer, including, without limitation, geographic risk, risks related to business operations, market sector and industry, market capitalization risk, emerging or developing market risk, commodity risk, currency exchange risk, and changes in income tax, securities and other laws, competition

and technological developments. Closing Prices will also be influenced by both complex and interrelated political, geopolitical, social, economic, financial and other factors that can affect the financial and securities markets generally and by various circumstances that can influence the price or value of an Underlying Security. See “Volatility of equity markets”. A prospective investor should undertake such independent investigation of an Underlying Security Issuer and the Underlying Securities to which the Notes are linked as the investor considers necessary in order to make an informed decision as to the merits of an investment in the Notes.

Volatility of equity markets

Volatility is the term used to describe the size and frequency of price and market fluctuations. Equity securities, including Underlying Securities and those designed to replicate the performance of equity securities (e.g. using derivatives), are susceptible to general market fluctuations and increases and decreases in value based on many unpredictable factors including, but not limited to, market confidence, the perception of equity markets generally, changes in economic conditions including, economic expansions or contractions and increasing or decreasing trends in inflation rates and interest rates, epidemics, pandemics or other public health emergencies, climate change, natural disasters, war, regional conflicts, acts and threats of terrorism, levels of foreign or domestic economic growth, global economic events, volatility in global financial markets, and the perceptions of a specific issuer or issuers of securities. Perceptions about equity markets are based on unpredictable factors including past performance, expectations with regard to domestic economic, monetary and regulatory policies, domestic and international political, geopolitical, economic, financial and social policies and trends, and innumerable other factors. The volatility of the prices of certain Underlying Securities may be more volatile than the equity market generally, meaning that such prices can fluctuate and change considerably in relatively short periods and the performance of such prices cannot be predicted. If the volatility, or anticipated volatility, of any of the Underlying Securities changes during the term of the Notes, the trading value of the Notes may be adversely affected. In periods of high volatility, the likelihood of an investor not receiving a return of the full principal amount of the Notes increases.

Securities issued by foreign issuers may be subject to additional risks

Underlying Securities that are foreign securities, and foreign securities markets, may be more volatile than Canadian securities and securities markets. Direct or indirect government intervention to stabilize foreign securities markets, as well as cross shareholding in foreign issuers may affect trading prices and volumes in those markets. There may be less publicly-available information about foreign issuers than there is about Canadian issuers subject to the reporting requirements of the Canadian securities regulators, and foreign issuers are subject to accounting, auditing and financial reporting standards and requirements that may be different from those applicable to Canadian reporting issuers. Where a foreign issuer reports, or its securities trade, in a currency other than the Canadian dollar, there may be currency risk, and performance of the Notes and/or the Underlying Securities may be affected by currency fluctuations and volatility.

Notes linked to only one Underlying Security or a limited number of Underlying Securities may be subject to concentration risk

Notes that are linked to only one Underlying Security or a limited number of Underlying Securities offer less diversification and increased concentration risk than an investment linked to more broadly diversified underlying interests and are potentially subject to greater volatility. In addition, where the Underlying Securities are units or securities of investment funds (including ETFs), the degree of concentration risk will depend on the investment objectives of the funds as well as the component securities of the investment funds, and market conditions that adversely affect one of the component securities are more likely to adversely affect other issuers represented in the fund. Similarly, where the Notes are linked to a basket of Underlying Securities, the degree of concentration risk will depend on the component Underlying Securities in the basket, any specific sector or industry or geographic region that is represented by the

Underlying Securities in the basket, and market conditions that affect one or more of the Underlying Securities Issuers of the Underlying Securities in the basket could adversely affect other Underlying Securities Issuers of the Underlying Securities represented in the basket.

Holders of the Notes will not have any rights in respect of any Underlying Securities

The Notes do not represent a direct or indirect investment in the Underlying Securities to which the Notes are linked or the constituent securities or commodities of a Fund Tracked Index. A holder of the Notes will not have any right or entitlement in the Underlying Securities or the constituent securities of a Fund Tracked Index including voting rights, or the right to receive any dividends, distributions or other income or amounts accruing or paid thereon or any other rights with respect to the Underlying Securities or the constituent securities or commodities of a Fund Tracked Index.

There is generally no restriction on the Bank's or its affiliates' ability to hedge, sell, pledge or otherwise convey all or any of the Underlying Securities acquired by the Bank or its affiliates. Neither the Bank nor its affiliates will hedge, pledge or otherwise hold any Underlying Securities for the benefit of holders of Notes under any circumstances. Consequently, in the event of bankruptcy, insolvency or liquidation of the Bank, any such Underlying Securities owned by the Bank or its affiliates will be subject to the claims of the Bank's creditors generally and will not be available for the benefit of holders of Notes specifically.

The Bank and the Investment Dealers are not responsible for the public disclosure of Underlying Security Issuers or sponsors of any Fund Tracked Index

Where the Bank is not, and is not related to the Underlying Security Issuer or the Fund Tracked Index Sponsor, such Underlying Security Issuer or Fund Tracked Index Sponsor will not be involved in the offering of the Notes, will have no obligation of any sort with respect to the Notes and will have no obligation to take interests of Note holders into consideration for any reason, including in taking any corporate or fund actions that might affect the value of the Notes.

Where the Bank is not, and is not related to, an Underlying Security Issuer or a Fund Tracked Index Sponsor, the Bank does not, and in all cases, the Investment Dealers do not assume any responsibility for the adequacy or completeness of the information about such Underlying Security Issuer or the relevant Underlying Security, Fund Tracked Index or Fund Tracked Commodity contained in this product supplement, any pricing supplement or in any of the Underlying Security Issuer's or the Fund Tracked Index Sponsor's publicly available information or determine if there has been any omission by any Underlying Security Issuer or any Fund Tracked Index Sponsor to disclose any facts, information or events which may have occurred prior to or subsequent to the date as of which any information has been furnished by any Underlying Security Issuer or any Fund Tracked Index Sponsor which may affect the significance or accuracy of such information. The Bank and the Investment Dealers are not responsible for an unrelated Underlying Security Issuer's, or Fund Tracked Index Sponsor's, public disclosure of information on itself or the relevant Underlying Security, Fund Tracked Index or Fund Tracked Commodity, whether contained in filings made with securities regulators or otherwise. See "Description of Equity and Unit Linked Notes – Underlying Securities".

Historical performance of Underlying Securities should not be taken as an indication of future performance

The performance of the Underlying Securities will affect the value of the Notes. The historical performance of Underlying Securities is not necessarily an indication of the future performance of such Underlying Securities. As a result, it is impossible to predict whether the value of Underlying Securities will rise or fall during the term of the Notes. The value of the Underlying Securities will be influenced by complex and interrelated political, geopolitical, social, economic, financial and other factors. In addition, the value of the Underlying Securities may also be impacted by the declaration and payment of dividends and distributions

and by the ability of Underlying Security Issuers to declare and pay dividends or make distributions in respect of such Underlying Securities or to sustain or increase such dividends and distributions at or above historical levels in the future. Historical levels of dividends and distributions paid in respect of an Underlying Security or a basket of Underlying Securities, if any, are not indicative of future payments, which payments are uncertain and depend upon various factors, including, without limitation, the financial position, earnings ratio and cash requirements of the Underlying Security Issuer, and the state of the financial markets and foreign and domestic economies in general. It is not possible to predict if dividends or distributions paid in respect of an Underlying Security or a basket of Underlying Securities will increase, decrease or remain the same over the term of the Notes. See “Historical Trading Price Information and Historical Dividend and Distribution Information”.

Dependence on fund managers

Managed investment funds or portfolios, including Underlying Securities that are managed funds or portfolios, depend on the skill and acumen of the management of such funds and portfolios. The individual managers generally will not devote all of their time to the business of such funds and portfolios. If such managers should cease to participate in the management of the funds and portfolios, the ability to select attractive investments and manage the funds and portfolios could be severely impaired. There can be no assurance that: (a) the investment objectives of the investment funds or portfolios will be realized; (b) the investment strategies of the investment funds or portfolios will be successful; or (c) where applicable, the distribution policy of the assets in the investment funds or portfolios can be maintained. Past performance of the management is not indicative of future returns.

Passive investment risk

Where the Underlying Securities are, or are comprised of, units or securities of investment funds (including ETFs) that seek to replicate or correspond to the performance of a Fund Tracked Index with no active management, the Underlying Security Issuer will not be actively managed by a fund manager. Accordingly, the fund manager will not attempt to take defensive positions in declining markets and adverse financial condition of a constituent in the Fund Tracked Index may not result in the elimination of the component security in the Underlying Security Issuer’s investment portfolio unless such component security is removed from the Fund Tracked Index.

Tracking error

Where the Underlying Securities are, or are comprised of, units or securities of investment funds (including ETFs) that seek to replicate or correspond to the performance of a Fund Tracked Index, the Underlying Securities may under-perform or otherwise diverge from the performance of, the Fund Tracked Index. Factors which may cause the performance of the Underlying Securities to diverge from the performance of the Fund Tracked Index include, but are not limited to:

- the ability of the fund sponsor or fund manager to perform its obligations with respect to the fund’s investment objectives;
- the investment fund may not fully replicate the Fund Tracked Index;
- the temporary unavailability of certain component securities of the Fund Tracked Index;
- differences in trading hours between the units or securities of the investment fund and the Fund Tracked Index;
- differences in currencies between the investment fund and the Fund Tracked Index; and
- the performance of any derivative instruments contained in the investment fund.

Trading below net asset value

Units or securities of an investment fund may trade below their net asset value and may be subject to fluctuations due to changes in the market value of its component securities, which may adversely affect the value of the Notes.

Counterparty credit and borrowing risk

From time to time, an investment fund may engage in securities lending transactions and may also invest in derivatives. These activities could expose the investment fund to the credit risk that a counterparty may be unable to meet its obligations, resulting in a loss to the investment fund. An investment fund may also borrow cash to fund dividends and distributions to holders of units or securities of the investment fund in advance of receiving such amounts from the applicable constituent issuer, which could expose the investment fund to the risk of defaulting on its obligations to the lender and the risk of having to repay such borrowed amounts through disposition of the investment fund's assets. These events may adversely affect the performance of the Underlying Securities that are, or are comprised of, units or securities of investment funds, and therefore could negatively impact the value of the Notes linked to such Underlying Securities.

Commodities markets are volatile

Where the Underlying Securities are, or are comprised of, units or securities of investment funds (including ETFs) that seek to replicate or correspond to the performance of a Fund Tracked Commodity, the Underlying Securities are susceptible to the volatility of commodity prices, which is generally high. Prices of commodities can be impacted by a variety of factors, including changes in supply and demand (whether actual, perceived, anticipated, unanticipated or unrealized), economic activity, geographical and political events, war, regional conflicts, acts and threats of terrorism, domestic and foreign government policies, fiscal, monetary and exchange control programs, changes in interest rates, labour disruptions, price ceilings imposed by exchange or regulatory authorities, and weather phenomena. Such events tend to have global impacts on commodity prices, regardless of where the event took place. Speculative activity and market expectations with respect to such events can also result in price fluctuations. These factors and events may adversely affect the performance of the Underlying Securities that are, or are comprised of, units or securities of investment funds (including ETFs) that seek to replicate or correspond to the performance of a Fund Tracked Commodity, and therefore could negatively impact the value of the Notes linked to such Underlying Securities.

Disruptions in supply and demand of Fund Tracked Commodities may negatively impact the value of the Notes

The prices of commodities may fluctuate widely as a result of supply and demand disruptions, particularly in areas of major production or consumption of a particular commodity. Where production of a particular commodity is concentrated in a limited number of areas or controlled by a limited number of producers, changes affecting such areas or producers could have a disproportionate impact on the prices of the particular commodity. Similarly, where commodities are used primarily in one sector, changes in the level of activity in such sector may have a disproportionate effect on global demand for a particular commodity. These factors and events may adversely affect the performance of the Underlying Securities that are, or comprise, units or securities of investment funds (including ETFs) that seek to replicate or correspond to the performance of a Fund Tracked Commodity, and therefore could negatively impact the value of the Notes linked to such Underlying Securities.

Trading suspension or disruptions in Fund Tracked Commodities and related futures may negatively impact the value of the Notes

Trading in commodities and related futures contracts is highly speculative. The commodities futures market can be impacted by a variety of factors, including lack of liquidity in the markets, participation by speculators, and regulatory and government intervention. Current and spot prices of commodities may also affect the prices of futures contracts in respect of such commodities in a volatile and unpredictable manner. In addition, certain futures exchanges impose daily price fluctuation limits on the maximum or minimum price of a futures contract. As trades may not be effected outside such limit prices, such limit prices could have the effect of precluding trading in a particular contract or forcing the liquidation of contracts at disadvantageous times or prices. These factors and events may negatively affect the performance of the Underlying Securities that are, or comprise, units or securities of investment funds (including ETFs) that seek to replicate or correspond to the performance of a Fund Tracked Commodity, and therefore could negatively impact the value of the Notes linked to such Underlying Securities.

Changes that affect the Underlying Securities, and to the extent that the Underlying Securities seek to replicate or correspond to a Fund Tracked Index, changes that affect the Fund Tracked Index, will affect the market value of the Notes and the amount payable on the Notes

Changes affecting the Underlying Securities or the Underlying Security Issuers, such as dividends, distributions or other income or amounts accruing or paid thereon, reorganizations or mergers, and changes in the policies of any Fund Tracked Index Sponsor concerning the calculation of such Fund Tracked Index, additions, deletions or substitutions of its constituent securities, may be reflected in the value of the relevant Underlying Securities and could affect the amount payable on the Notes and the market value of the Notes prior to maturity. If events such as these occur, or if the value of Underlying Securities is not determinable because of a Market Disruption Event or for any other reason, the Calculation Agent may determine the value of Underlying Securities and the amount payable on the Notes in a manner it considers appropriate, in its sole discretion. See "Special Circumstances".

Risk Factors Relating to the Secondary Market

There may not be an active trading market for the Notes

There may be little or no secondary market for the Notes. Unless otherwise specified in the relevant pricing supplement, the Notes will not be listed or quoted on any securities exchange or any electronic communications network. Unless otherwise specified in the applicable pricing supplement, Scotia Capital Inc. and other affiliates of the Bank may, under normal market conditions, provide a secondary market for the Notes, but they are not obligated to do so, and they may stop any such market-making activities at any time in their sole and absolute discretion, without prior notice to investors. A prospective investor should not base his or her decision to purchase the Notes on the availability of a secondary market or, if a secondary market is available, on the expectation that the bid price for the Notes will be equal to or greater than the Principal Amount invested by such investor. See "Secondary Market for Notes" in the Prospectus.

The market value of the Notes may be influenced by unpredictable factors and sales of the Notes in the secondary market may result in significant losses

Even if a secondary market for the Notes develops and is maintained, it may not provide significant liquidity or trade at prices advantageous to purchasers of Notes. Many factors independent of the Bank's creditworthiness may affect the trading market and market value of the Notes. These factors include, but are not limited to:

- the trading price of Underlying Securities and the degree to which the performance of each Underlying Security correlates to one another;

- the volatility of the Underlying Securities to which the Notes are linked;
- the dividend or distribution rate or any other income or amounts paid, if any, on the Underlying Securities (while not paid to holders of the Notes, dividend or distribution payments or any other income or amounts paid, on the Underlying Securities may influence the value of Underlying Securities and if specified in the applicable pricing supplement, may correspond to certain payments made on the Notes);
- economic, financial, regulatory, political, military, judicial and other events that affect stock markets generally and which may affect the value of Underlying Securities;
- the time remaining to the maturity of the Notes;
- any early redemption (or call) features of the Notes;
- the level, direction and volatility of interest rates and currency exchange rates;
- disruptions of market trading in Underlying Securities and related futures markets; and
- the quantity and liquidity of the Underlying Securities.

These factors interrelate in complex ways, and the effect of one factor on the market value of the Notes may offset or enhance the effect of another factor.

Notes that are designed for specific investment objectives or strategies may have a more limited trading market and may experience more price volatility. There may be a limited number of buyers for such Notes and this may affect the price received for such Notes in the secondary market or the ability to sell such Notes at all.

Transaction costs in any secondary market are expected to be high. The difference between bid and ask prices for the Notes in any secondary market could be substantial. Sales in the secondary market may be subject to fees or charges. If holders of Notes wish to sell their Notes before maturity, they may have to do so at a substantial discount from the issue price and, as a result, may suffer substantial losses. See “Secondary Market for Notes” in the Prospectus.

Disruptions to financial markets

Disruptions to financial markets may cause interruptions, limitations, breakdowns, suspensions or the permanent discontinuance of trading on any exchange or trading system on which the Underlying Securities are traded, which may adversely affect the prices of the Underlying Securities, the amounts that may be payable on the Notes and the value of the Notes on or prior to maturity. In addition, such occurrences may result in the inability or impracticability of the Calculation Agent to determine a bid price for the Notes or may result in a bid price that is unfavourable to holders of the Notes, and may also lead to the determination by the Calculation Agent that a special circumstance has occurred, including a Market Disruption Event, or an Extraordinary Event which may result in the Notes being redeemed prior to the Maturity Date. See “Special Circumstances”.