

*This short form prospectus constitutes a public offering only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended or any state securities laws and, subject to certain exceptions, may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories or possessions, or for the account or benefit of U.S. persons. See "Plan of Distribution".*

*Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Executive Vice-President, General Counsel and Secretary, The Bank of Nova Scotia, Scotia Plaza, 44 King Street West, Toronto, Ontario M5H 1H1, telephone: (416) 866-3672, and are also available electronically at [www.sedar.com](http://www.sedar.com). For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained without charge from the Executive Vice-President, General Counsel and Secretary of the Bank at the above mentioned address and telephone number and is also available electronically at [www.sedar.com](http://www.sedar.com).*

## Short Form Prospectus

New Issue

March 17, 2008



## THE BANK OF NOVA SCOTIA

**\$300,000,000**  
**(12,000,000 Shares)**

### **Non-cumulative 5-Year Rate Reset Preferred Shares Series 18**

The holders of Non-cumulative 5-Year Rate Reset Preferred Shares Series 18 (the "Preferred Shares Series 18") of The Bank of Nova Scotia (the "Bank") will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the board of directors of the Bank (the "Board of Directors"), for the initial period commencing on the closing date and ending on and including April 25, 2013 (the "Initial Fixed Rate Period"), payable quarterly on the third last business day of January, April, July and October in each year, at a rate equal to \$0.3125 per share. The initial dividend, if declared, will be payable July 29, 2008 and will be \$0.4315 per share, based on the anticipated closing date of March 25, 2008. Reference is made to "Details of the Offering".

For each five-year period after the Initial Fixed Rate Period (each a "Subsequent Fixed Rate Period"), the holders of Preferred Shares Series 18 will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the third last business day of January, April, July and October in each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate (as defined herein) applicable to such Subsequent Fixed Rate Period by \$25.00. The Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period will be determined by the Bank on the 30th day prior to the first day of such Subsequent Fixed Rate Period and will be equal to the sum of the Government of Canada Yield (as defined herein) on the date on which the Annual Fixed Dividend Rate is determined plus 2.05%. Reference is made to "Details of the Offering".

#### **Option to Convert Into Preferred Shares Series 19**

The holders of Preferred Shares Series 18 will have the right, at their option, to convert their shares into Non-cumulative Floating Rate Preferred Shares Series 19 of the Bank (the "Preferred Shares Series 19"), subject to certain conditions, on April 26, 2013 and on April 26 every five years thereafter. The holders of Preferred Shares Series 19 will be entitled to receive floating rate non-cumulative preferential cash dividends, as and when declared by the Board or Directors, payable quarterly on the third last business day of January, April, July and October in each year (the initial quarterly dividend period and each subsequent quarterly dividend period is referred to as a "Quarterly Floating Rate Period"), in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate (as defined herein) by \$25.00. The Floating Quarterly Dividend Rate will be equal to the sum of the T-Bill Rate (as defined herein) plus 2.05% (calculated on the basis of the actual number of days elapsed in the applicable Quarterly Floating Rate Period divided by 365) determined on the 30th day prior to the first day of the applicable Quarterly Floating Rate Period. Reference is made to "Details of the Offering".

*(continued on next page)*

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Subject to the provisions of the *Bank Act* (Canada) (the “Bank Act”) and to the prior consent of the Superintendent of Financial Institutions Canada (the “Superintendent”) and to the provisions described below under “Restrictions on Dividends and Retirement of Shares”, on April 26, 2013 and on April 26 every five years thereafter, the Bank may redeem all or any part of the then outstanding Preferred Shares Series 18, at the Bank’s option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of \$25.00 together with all declared and unpaid dividends to the date fixed for redemption. Reference is made to “Details of the Offering”.

The Preferred Shares Series 18 and the Preferred Shares Series 19 do not have a fixed maturity date and are not redeemable at the option of the holders of Preferred Shares Series 18 or Preferred Shares Series 19. Reference is made to “Risk Factors”.

The Bank has applied to list the Preferred Shares Series 18 and the Preferred Shares Series 19 on the Toronto Stock Exchange (the “TSX”). Listing will be subject to the Bank fulfilling all of the requirements of the TSX.

The Bank was granted a charter under the laws of the Province of Nova Scotia in 1832, and commenced operations in Halifax, Nova Scotia in that year. Since 1871, the Bank has been a chartered bank under the Bank Act. The Bank is a Schedule I bank under the Bank Act and the Bank Act is its charter. The head office of the Bank is located at 1709 Hollis Street, Halifax, Nova Scotia, B3J 3B7 and its executive offices are at Scotia Plaza, 44 King Street West, Toronto, Ontario, M5H 1H1.

## Price: \$25.00 per share to yield initially 5.00% per annum

Scotia Capital Inc., CIBC World Markets Inc., Desjardins Securities Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc., TD Securities Inc., National Bank Financial Inc., Dundee Securities Corporation, HSBC Securities (Canada) Inc., Laurentian Bank Securities Inc. and Brookfield Financial Corp. (collectively, the “Underwriters”), as principals, conditionally offer the Preferred Shares Series 18, subject to prior sale if, as and when issued by the Bank and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Bank by McCarthy Tétrault LLP and on behalf of the Underwriters by Fasken Martineau DuMoulin LLP.

**Scotia Capital Inc., one of the Underwriters, is an indirect wholly-owned subsidiary of the Bank. The Bank has an 18% equity interest in, and the right, in certain circumstances, to nominate directors to the board of directors of, Dundee Wealth Inc., of which Dundee Securities Corporation, one of the Underwriters, is an indirect wholly-owned subsidiary. Therefore, the Bank is a related issuer of Scotia Capital Inc. and Dundee Securities Corporation under applicable securities legislation. Reference is made to “Plan of Distribution”.**

	<u>Price to the Public</u>	<u>Underwriting Fee<sup>(1)</sup></u>	<u>Net Proceeds to the Bank<sup>(2)(3)</sup></u>
Per share . . . . .	\$25.00	\$0.75	\$24.25
Total . . . . .	\$300,000,000	\$9,000,000	\$291,000,000

(1) The underwriting fee is \$0.25 for each share sold to certain institutions and \$0.75 per share for all other shares sold. The total represents the underwriting fee assuming no shares are sold to such institutions.

(2) Before deducting expenses of issue estimated at \$400,000.

(3) The Bank has granted to the Underwriters an over-allotment option (the “Option”) to purchase up to an additional 1,800,000 Preferred Shares Series 18 at the offering price hereunder, exercisable at any time until April 18, 2008. If the Option is exercised in full, the total “Price to Public”, “Underwriting Fee” and “Net Proceeds to the Bank”, before deducting expenses of the offering, would be \$345,000,000, \$10,350,000 and \$334,650,000, respectively (assuming no Preferred Shares Series 18 are sold to those institutions referred to in (1) above). This short form prospectus qualifies the grant of the Option and the distribution of the Preferred Shares Series 18 issuable upon exercise of the Option. Reference is made to “Plan of Distribution”.

A purchaser who acquires Preferred Shares Series 18 forming part of the Underwriters’ over-allocation position acquires those securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Option or secondary market purchases.

<u>Underwriters’ Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Acquisition Price</u>
Over-allotment option	1,800,000	At any time until April 18, 2008.	\$25.00

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Preferred Shares Series 18. Reference is made to “Plan of Distribution”.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing will take place on March 25, 2008 or such later date as may be agreed upon, but in any event not later than April 25, 2008. A “book-entry only” certificate representing the Preferred Shares Series 18 distributed hereunder will be issued in registered form to CDS Clearing and Depository Services Inc. (“CDS”), or its nominee, and will be deposited with CDS on closing of this offering. No physical certificates representing the Preferred Shares Series 18 will be issued to purchasers, except in limited circumstances, and registration will be made in the depository service of CDS. A purchaser of Preferred Shares Series 18 will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Preferred Shares Series 18 are purchased. Reference is made to “Depository Services”.

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### Forward-looking Statements

The Bank's public communications often include oral or written forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may include comments with respect to the Bank's objectives, strategies to achieve those objectives, expected financial results (including those in the area of risk management), and the outlook for the Bank's businesses and for the Canadian, United States and global economies. Such statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "intent," "estimate," "plan," "may increase," "may fluctuate," and similar expressions of future or conditional verbs such as "will," "should," "would" and "could".

By their very nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not prove to be accurate. Do not unduly rely on forward-looking statements, as a number of important factors, many of which are beyond the Bank's control, could cause actual results to differ materially from the estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: the economic and financial conditions in Canada and globally; fluctuations in interest rates and currency values; liquidity; the effect of changes in monetary policy; legislative and regulatory developments in Canada and elsewhere, including changes in tax laws; operational and reputational risks; the accuracy and completeness of information the Bank receives on customers and counterparties; the timely development and introduction of new products and services in receptive markets; the Bank's ability to expand existing distribution channels and to develop and realize revenues from new distribution channels; the Bank's ability to complete and integrate acquisitions and its other growth strategies; changes in accounting policies and methods the Bank uses to report its financial condition and the results of its operations, including uncertainties associated with critical accounting assumptions and estimates; the effect of applying future accounting changes; global capital markets activity; the Bank's ability to attract and retain key executives; reliance on third parties to provide components of the Bank's business infrastructure; unexpected changes in consumer spending and saving habits; technological developments; fraud by internal or external parties, including the use of new technologies in unprecedented ways to defraud the Bank or its customers; consolidation in the Canadian financial services sector; competition, both from new entrants and established competitors; judicial and regulatory proceedings; acts of God, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments, including terrorist acts and war on terrorism; the effects of disease or illness on local, national or international economies; disruptions to public infrastructure, including transportation, communication, power and water; and the Bank's anticipation of and success in managing the risks implied by the foregoing. A substantial amount of the Bank's

business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank's financial results, businesses, financial condition or liquidity. These and other factors may cause the Bank's actual performance to differ materially from that contemplated by forward-looking statements. For more information, see the discussion on pages 56 to 67 inclusive, of the Bank's 2007 Annual Report and those pages are incorporated herein by reference.

The preceding list of important factors is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Bank and its securities, investors and others should carefully consider the preceding factors, other uncertainties and potential events. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf.

#### **Documents Incorporated by Reference**

The following documents have been filed with the securities regulatory authorities in each province and territory of Canada and are specifically incorporated by reference into, and form an integral part of, this short form prospectus:

- (a) the Bank's Annual Information Form dated December 18, 2007;
- (b) the Bank's Management Proxy Circular attached to the Notice of Meeting dated January 14, 2008;
- (c) the Bank's consolidated interim financial statements (unaudited) and Management's Discussion and Analysis of financial condition and results of operations as at and for the three months ended January 31, 2008;
- (d) the Bank's consolidated financial statements for the years ended October 31, 2007 and 2006, together with the auditors' report thereon;
- (e) the Bank's Management's Discussion and Analysis of financial condition and results of operations as contained in the Bank's Annual Report for the year ended October 31, 2007; and
- (f) a material change report of the Bank dated December 5, 2007 in respect of the Bank's acquisition of Banco del Desarrollo, Chile's seventh largest bank.

**Any documents of the type referred to in the preceding paragraph and any unaudited interim financial statements for the three, six or nine month financial periods, any information circulars and any material change reports (excluding confidential material change reports) filed by the Bank with a securities regulatory authority in Canada after the date of this short form prospectus and prior to the completion or withdrawal of this offering, are deemed to be incorporated by reference in this short form prospectus.**

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein or contemplated in this short form prospectus will be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any 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 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 short form prospectus.**

### **Currency and Accounting Information**

Unless otherwise indicated, all dollar amounts appearing in this short form prospectus are stated in Canadian dollars.

Unless otherwise indicated, all amounts appearing under “Earnings Coverage” are derived from the consolidated financial statements of the Bank, which are presented in accordance with Canadian generally accepted accounting principles.

### **Eligibility for Investment**

In the opinion of McCarthy Tétrault LLP, counsel to the Bank, and Fasken Martineau DuMoulin LLP, counsel to the Underwriters, the Preferred Shares Series 18 to be issued under this short form prospectus, if issued on the date hereof, would be, at that time, qualified investments under the *Income Tax Act* (Canada) (the “Tax Act”) and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans and registered disability savings plans.

### Summary of the Offering

*This summary is qualified by the detailed information appearing elsewhere in this short form prospectus. For a definition of certain terms used in this summary, refer to "Details of the Offering".*

**Issue:** Non-cumulative 5-Year Rate Reset Preferred Shares Series 18.  
**Amount:** \$300,000,000 (12,000,000 shares).  
**Price and Yield:** \$25.00 per share to yield initially 5.00% per annum.

#### Principal Characteristics of the Preferred Shares Series 18

**Dividends:**

Fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, subject to the provisions of the Bank Act, for the initial period commencing on the closing date and ending on and including April 25, 2013 (the "Initial Fixed Rate Period"), payable quarterly on the third last business day of January, April, July and October in each year, at a rate equal to \$0.3125 per share. The initial dividend, if declared, will be payable July 29, 2008 and will be \$0.4315 per share, based on the anticipated closing date of March 25, 2008.

For each five-year period after the Initial Fixed Rate Period (each, a "Subsequent Fixed Rate Period"), fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, subject to the provisions of the Bank Act, payable quarterly on the third last business day of January, April, July and October in each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$25.00. The Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period will be determined by the Bank on the 30th day (a "Fixed Rate Calculation Date") prior to the first day of such Subsequent Fixed Rate Period and will be equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 2.05%.

If the Board of Directors does not declare a dividend, or any part thereof, on the Preferred Shares Series 18 on or before the dividend payment date for a particular quarter, then the entitlement of the holders of the Preferred Shares Series 18 to receive such dividend, or to any part thereof, for such quarter will be forever extinguished.

**Redemption:**

Subject to the provisions of the Bank Act and to the prior consent of the Superintendent and to the provisions described below under "Restrictions on Dividends and Retirement of Shares", on April 26, 2013 and on April 26 every five years thereafter, on not more than 60 nor less than 30 days' notice, the Bank may redeem all or any part of the then outstanding Preferred Shares Series 18, at the Bank's option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of \$25.00 together with all declared and unpaid dividends to the date fixed for redemption.

**Conversion into Preferred Shares Series 19:**

Holders of Preferred Shares Series 18 will, subject to the automatic conversion provisions and the right of the Bank to redeem those shares, have the right, at their option, to convert, on April 26, 2013 and on April 26 every five years thereafter (a "Series 18 Conversion Date"), any or all of their Preferred Shares Series 18 into an equal number of Preferred Shares Series 19 upon giving to the Bank notice thereof not earlier than 30 days prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series 18 Conversion Date.

***Automatic Conversion Provisions:***

If the Bank determines, after having taken into account all shares tendered for conversion by holders of Preferred Shares Series 18 and Preferred Shares Series 19, as the case may be, that there would be outstanding on such Series 18 Conversion Date less than 1,000,000 Preferred Shares Series 18, such remaining number of Preferred Shares Series 18 will automatically be converted on such Series 18 Conversion Date into an equal number of Preferred Shares Series 19. Additionally, if the Bank determines that, after conversion, there would be outstanding on such Series 18 Conversion Date less than 1,000,000 Preferred Shares Series 19 then no Preferred Shares Series 18 will be converted into Preferred Shares Series 19.

***Voting Rights:***

Subject to the provisions of the Bank Act, the holders of Preferred Shares Series 18 will not be entitled as such to receive notice of, attend, or vote at, any meeting of the shareholders of the Bank unless and until the first time at which the Board of Directors has not declared the whole dividend on the Preferred Shares Series 18 in any quarter. In that event, subject as hereinafter provided, the holders of Preferred Shares Series 18 will be entitled to receive notice of, and to attend, meetings of shareholders at which directors of the Bank are to be elected and will be entitled to one vote for each Preferred Share Series 18 held. The voting rights of the holders of the Preferred Shares Series 18 will forthwith cease upon payment by the Bank of the first dividend on the Preferred Shares Series 18 to which the holders are entitled thereunder subsequent to the time such voting rights first arose until such time as the Bank may again fail to declare the whole dividend on the Preferred Shares Series 18 in respect of any quarter, in which event such voting rights will become effective again and so on from time to time.

**Principal Characteristics of the Preferred Shares Series 19**

***Dividends:***

Floating rate non-cumulative preferential cash dividends, as and when declared by the Board of Directors, subject to the provisions of the Bank Act, payable quarterly on the third last business day of January, April, July and October in each year, in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate by \$25.00.

On the 30th day prior to the commencement of the initial quarterly dividend period beginning on April 26, 2013, and on the 30th day prior to the first day of each subsequent quarterly dividend period (the initial quarterly dividend period and each subsequent quarterly dividend period is referred to as a “Quarterly Floating Rate Period”), the Bank will determine the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period. The Floating Quarterly Dividend Rate will be equal to the sum of the T-Bill Rate plus 2.05% (calculated on the basis of the actual number of days elapsed in the applicable Quarterly Floating Rate Period divided by 365) determined on the 30th day prior to the first day of the applicable Quarterly Floating Rate Period.

If the Board of Directors does not declare a dividend, or any part thereof, on the Preferred Shares Series 19 on or before the dividend payment date for a particular quarter, then the entitlement of the holders of the Preferred Shares Series 19 to receive such dividend, or to any part thereof, for such quarter will be forever extinguished.

***Redemption:***

Subject to the provisions of the Bank Act and to the prior consent of the Superintendent and to the provisions described below under the heading “Restrictions on Dividends and Retirement of Shares”, on not more than 60 nor less than 30 days’ notice, the Bank may redeem all or any part of the then outstanding Preferred Shares Series 19, at the Bank’s option without the consent

of the holder, by the payment of an amount in cash for each such share so redeemed of (i) \$25.00 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on April 26, 2018 and on April 26 every five years thereafter, or (ii) \$25.50 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on any other date on or after April 26, 2013.

***Conversion into Preferred Shares Series 18:***

Holders of Preferred Shares Series 19 will, subject to the automatic conversion provisions and the right of the Bank to redeem those shares, have the right, at their option, to convert, on April 26, 2018 and on April 26 every five years thereafter (a "Series 19 Conversion Date"), any or all of their Preferred Shares Series 19 into an equal number of Preferred Shares Series 18 upon giving to the Bank written notice thereof not earlier than 30 days prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series 19 Conversion Date.

***Automatic Conversion Provisions:***

If the Bank determines, after having taken into account all shares tendered for conversion by holders of Preferred Shares Series 19 and Preferred Shares Series 18, as the case may be, that there would be outstanding on such Series 19 Conversion Date less than 1,000,000 Preferred Shares Series 19, such remaining number of Preferred Shares Series 19 will automatically be converted on such Series 19 Conversion Date into an equal number of Preferred Shares Series 18. Additionally, if the Bank determines that, after conversion, there would be outstanding on such Series 19 Conversion Date less than 1,000,000 Preferred Shares Series 18 then no Preferred Shares Series 19 will be converted into Preferred Shares Series 18.

***Voting Rights:***

Subject to the provisions of the Bank Act, the holders of Preferred Shares Series 19 will not be entitled as such to receive notice of, attend, or vote at, any meeting of the shareholders of the Bank unless and until the first time at which the Board of Directors has not declared the whole dividend on the Preferred Shares Series 19 in any quarter. In that event, subject as hereinafter provided, the holders of Preferred Shares Series 19 will be entitled to receive notice of, and to attend, meetings of shareholders at which directors of the Bank are to be elected and will be entitled to one vote for each Preferred Share Series 19 held. The voting rights of the holders of the Preferred Shares Series 19 will forthwith cease upon payment by the Bank of the first dividend on the Preferred Shares Series 19 to which the holders are entitled thereunder subsequent to the time such voting rights first arose until such time as the Bank may again fail to declare the whole dividend on the Preferred Shares Series 19 in respect of any quarter, in which event such voting rights will become effective again and so on from time to time.

***Priority:***

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

***Tax on Preferred Share Dividends:***

The Bank will elect, in the manner and within the time provided under Part VI.1 of the Tax Act to pay tax at a rate such that holders of Preferred Shares Series 18 and Preferred Shares Series 19 will not be required to pay tax on dividends received on such shares under Part IV.1 of such Act.

## Business of the Bank

The Bank is one of North America's premier financial institutions and Canada's most international bank. The Bank is a full-service financial institution, active in both domestic and international markets. In Canada, the Bank provides a full range of retail, commercial, corporate, investment and wholesale banking services through its extensive network of branches and offices across the country. With approximately 60,000 employees (31,000 in Canada), the Bank, and its affiliates, have branches and offices serving more than 12.5 million customers in some 50 countries, which provide a wide range of banking and financial services.

A list of the principal subsidiaries directly or indirectly owned or controlled by the Bank as at October 31, 2007 is incorporated by reference in the Bank's Annual Information Form dated December 18, 2007.

## Consolidated Capitalization of the Bank

The following table sets forth the consolidated capitalization of the Bank as at January 31, 2008, before and after giving effect to the sale by the Bank of the Preferred Shares Series 18. This table should be read in conjunction with the Bank's consolidated interim financial statements (unaudited) and the Bank's Management's Discussion and Analysis for the three months ended January 31, 2008.

	<u>As at January 31, 2008</u>	<u>As Adjusted as at January 31, 2008<sup>(1)(2)</sup></u>
	(in millions of Canadian dollars)	(in millions of Canadian dollars)
<b>Subordinated Debt</b> . . . . .	\$ 2,150	\$ 2,150
<b>Capital Instrument Liabilities</b> . . . . .	\$ 500	\$ 500
<b>Shareholders' Equity</b>		
Preferred Shares . . . . .	\$ 1,865	\$ 2,165
Common Shares and Contributed Surplus . . . . .	\$ 3,614	\$ 3,614
Retained earnings . . . . .	\$17,809	\$17,809
Accumulated Other Comprehensive Income (Loss) . . . . .	<u>\$(3,295)</u>	<u>\$(3,295)</u>
Total Shareholders' Equity . . . . .	<u>\$19,993</u>	<u>\$20,293</u>
<b>Total Capitalization</b> . . . . .	<u>\$22,643</u>	<u>\$22,943</u>

(1) Adjusted to give effect to the receipt of the proceeds of the sale of the Bank's Preferred Shares Series 18 (not including the proceeds of the sale of the Preferred Shares Series 18 pursuant to the Option).

(2) The Bank filed with the securities regulatory authorities in each of the provinces and territories of Canada a preliminary short form prospectus dated March 5, 2008 to qualify the issuance and sale of subordinated debentures. The adjustments do not reflect this proposed offering of subordinated debentures.

## Details of the Offering

The following is a summary of the rights, privileges, restrictions and conditions of or attaching to the Preferred Shares of the Bank as a class, the Preferred Shares Series 18 as a series, and the Preferred Shares Series 19 as a series.

### Certain Provisions of the Preferred Shares as a Class

The authorized preferred share capital of the Bank consists of an unlimited number of Preferred Shares without nominal or par value. The directors of the Bank may divide any unissued Preferred Shares into series and fix the number of shares in each series and the rights, privileges, restrictions and conditions thereof.

### Priority

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

### ***Restrictions***

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

### ***Shareholder Approval***

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

### **Certain Provisions of the Preferred Shares Series 18 as a Series**

#### ***Definition of Terms***

The following definitions are relevant to the Preferred Shares Series 18.

**“Annual Fixed Dividend Rate”** means, for any Subsequent Fixed Rate Period, the rate of interest (expressed as a percentage rate rounded down to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 2.05%.

**“Bloomberg Screen GCAN5YR Page”** means the display designated as page “GCAN5YR<INDEX>” on the Bloomberg Financial L.P. service (or such other page as may replace the GCAN5YR page on that service) for purposes of displaying Government of Canada Bond yields.

**“Fixed Rate Calculation Date”** means, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of such Subsequent Fixed Rate Period.

**“Government of Canada Yield”** on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Toronto time) on such date and which appears on the Bloomberg Screen GCAN5YR Page on such date; provided that, if such rate does not appear on the Bloomberg Screen GCAN5YR Page on such date, the Government of Canada Yield will mean the average of the yields determined by two registered Canadian investment dealers, other than Scotia Capital Inc., selected by the Bank, as being the yield to maturity on such date (assuming semi-annual compounding) which a Canadian dollar denominated non-callable Government of Canada bond would carry if issued in Canadian dollars at 100% of its principal amount on such date with a term to maturity of five years.

**“Initial Fixed Rate Period”** means the period commencing on the closing date and ending on and including April 25, 2013.

**“Subsequent Fixed Rate Period”** means for the initial Subsequent Fixed Rate Period, the period commencing April 26, 2013 and ending on and including April 25, 2018, and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period and ending on and including April 25 in the fifth year thereafter.

#### ***Dividends***

During the Initial Fixed Rate Period, the holders of the Preferred Shares Series 18 will be entitled to receive fixed quarterly non-cumulative preferential cash dividends, as and when declared by the Board of Directors, subject to the provisions of the Bank Act, on the third last business day of January, April, July and October in each year, at a rate equal to \$0.3125 per share. The initial dividend, if declared, will be payable July 29, 2008 and will be \$0.4315 per share, based on the anticipated closing date of March 25, 2008.

During each Subsequent Fixed Rate Period after the Initial Fixed Rate Period, the holders of Preferred Shares Series 18 will be entitled to receive fixed non-cumulative preferential cash dividends, as and when

declared by the Board of Directors, subject to the provisions of the Bank Act, payable quarterly on the third last business day of January, April, July and October in each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$25.00.

The Annual Fixed Dividend Rate applicable to a Subsequent Fixed Rate Period will be determined by the Bank on the Fixed Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Bank and upon all holders of Preferred Shares Series 18. The Bank will, on the Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period to the registered holders of the then outstanding Preferred Shares Series 18.

If the Board of Directors does not declare a dividend, or any part thereof, on the Preferred Shares Series 18 on or before the dividend payment date for a particular quarter, then the entitlement of the holders of the Preferred Shares Series 18 to receive such dividend, or to any part thereof, for such quarter will be forever extinguished.

### ***Redemption***

The Preferred Shares Series 18 will not be redeemable prior to April 26, 2013. Subject to the provisions of the Bank Act and to the prior consent of the Superintendent and to the provisions described below under the heading "Restrictions on Dividends and Retirement of Shares", on April 26, 2013 and on April 26 every five years thereafter, the Bank may redeem all or any part of the then outstanding Preferred Shares Series 18, at the Bank's option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of \$25.00 together with all declared and unpaid dividends to the date fixed for redemption.

Notice of any redemption will be given by the Bank at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding Preferred Shares Series 18 are at any time to be redeemed, the shares to be redeemed will be redeemed *pro rata*, disregarding fractions. Reference is also made to the provisions described below under the heading "Bank Act Restrictions".

### ***Conversion of Preferred Shares Series 18 into Preferred Shares Series 19***

Holders of Preferred Shares Series 18 will have the right, at their option, on April 26, 2013 and on April 26 every five years thereafter (a "Series 18 Conversion Date"), to convert, subject to the restrictions on conversion described below and the payment or delivery to the Bank of evidence of payment of the tax (if any) payable, all or any of their Preferred Shares Series 18 registered in their name into Preferred Shares Series 19 on the basis of one Preferred Share Series 19 for each Preferred Share Series 18. The conversion of Preferred Shares Series 18 may be effected not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series 18 Conversion Date.

The Bank will, at least 30 days and not more than 60 days prior to the applicable Series 18 Conversion Date, give notice in writing to the then registered holders of the Preferred Shares Series 18 of the above-mentioned conversion right. On the 30th day prior to each Series 18 Conversion Date, the Bank will give notice in writing to the then registered holders of the Preferred Shares Series 18 of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period.

Holders of Preferred Shares Series 18 will not be entitled to convert their shares into Preferred Shares Series 19 if the Bank determines that there would remain outstanding on a Series 18 Conversion Date less than 1,000,000 Preferred Shares Series 19, after having taken into account all Preferred Shares Series 18 tendered for conversion into Preferred Shares Series 19 and all Preferred Shares Series 19 tendered for conversion into Preferred Shares Series 18. The Bank will give notice in writing thereof to all registered holders of Preferred Shares Series 18 at least seven days prior to the applicable Series 18 Conversion Date. Furthermore, if the Bank determines that there would remain outstanding on a Series 18 Conversion Date less than 1,000,000 Preferred Shares Series 18, after having taken into account all Preferred Shares Series 18 tendered for conversion into Preferred Shares Series 19 and all Preferred Shares Series 19 tendered for conversion into Preferred Shares Series 18, then, all, but not part, of the remaining outstanding Preferred Shares Series 18 will automatically be converted into Preferred Shares Series 19 on the basis of one Preferred Share Series 19 for each Preferred Share Series 18 on the applicable Series 18 Conversion Date and the Bank will give notice in writing thereof to the

then registered holders of such remaining Preferred Shares Series 18 at least seven days prior to the Series 18 Conversion Date.

If the Bank gives notice to the registered holders of the Preferred Shares Series 18 of the redemption of all the Preferred Shares Series 18, the Bank will not be required to give notice as provided hereunder to the registered holders of the Preferred Shares Series 18 of an Annual Fixed Dividend Rate or of the conversion right of holders of Preferred Shares Series 18 and the right of any holder of Preferred Shares Series 18 to convert such Preferred Shares Series 18 will cease and terminate in that event.

#### ***Purchase for Cancellation***

Subject to the provisions of the Bank Act, the prior consent of the Superintendent, and the provisions described below under the heading “Restrictions on Dividends and Retirement of Shares”, the Bank may at any time purchase for cancellation any Preferred Share Series 18 in the open market at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

#### ***Restrictions on Dividends and Retirement of Shares***

So long as any of the Preferred Shares Series 18 are outstanding, the Bank will not, without the approval of the holders of outstanding Preferred Shares Series 18 given as specified below:

- (a) pay any dividends on the Common Shares or any other shares ranking junior to the Preferred Shares Series 18 (other than stock dividends payable in shares ranking junior to the Preferred Shares Series 18);
- (b) redeem, purchase or otherwise retire any Common Shares or any other shares ranking junior to the Preferred Shares Series 18 (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Preferred Shares Series 18);
- (c) redeem, purchase or otherwise retire less than all the Preferred Shares Series 18; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of Preferred Shares, redeem, purchase or otherwise retire any other shares ranking on a parity with the Preferred Shares Series 18;

unless, in each such case, all dividends up to and including the dividend payment date for the last completed period for which dividends will be payable will have been declared and paid or set apart for payment in respect of each series of cumulative Preferred Shares then issued and outstanding and on all other cumulative shares ranking on a parity with the Preferred Shares and there will have been paid or set apart for payment all declared dividends in respect of each series of non-cumulative Preferred Shares (including the Preferred Shares Series 18) then issued and outstanding and on all other non-cumulative shares ranking on a parity with the Preferred Shares.

#### ***Issue of Additional Series of Preferred Shares***

The Bank may issue other series of Preferred Shares ranking on a parity with the Preferred Shares Series 18 without the authorization of the holders of the Preferred Shares Series 18.

#### ***Amendments to Preferred Shares Series 18***

The Bank will not, without the approval of the holders of the Preferred Shares Series 18 given as specified below under “Shareholder Approvals”, delete or vary any rights, privileges, restrictions and conditions attaching to the Preferred Shares Series 18. In addition to the aforementioned approval, the Bank will not without, but may from time to time with, the prior approval of the Superintendent, make any such deletion or variation which might affect the classification afforded the Preferred Shares Series 18 from time to time for capital adequacy requirements pursuant to the Bank Act and the regulations and guidelines thereunder.

### ***Shareholder Approvals***

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to the Preferred Shares Series 18 may be given by a resolution carried by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast at a meeting of holders of Preferred Shares Series 18 at which a majority of the outstanding Preferred Shares Series 18 is represented or, if no such quorum is present at such meeting, at any adjourned meeting at which shareholders then present or represented by proxy would form the necessary quorum.

### ***Rights on Liquidation***

In the event of the liquidation, dissolution or winding-up of the Bank, the holders of the Preferred Shares Series 18 will be entitled to receive \$25.00 per share together with all dividends declared and unpaid to the date of payment before any amount will be paid or any assets of the Bank distributed to the holders of any shares ranking junior to the Preferred Shares Series 18. The holders of the Preferred Shares Series 18 will not be entitled to share in any further distribution of the assets of the Bank.

### ***Voting Rights***

Subject to the provisions of the Bank Act, the holders of Preferred Shares Series 18 as such will not be entitled to receive notice of, attend, or vote at, any meeting of the shareholders of the Bank unless and until the first time at which the Board of Directors has not declared the whole dividend on the Preferred Shares Series 18 in respect of any quarter. In that event, the holders of Preferred Shares Series 18 will be entitled to receive notice of, and to attend, meetings of shareholders at which directors of the Bank are to be elected and will be entitled to one vote for each Preferred Share Series 18 held. The voting rights of the holders of the Preferred Shares Series 18 will forthwith cease upon payment by the Bank of the first dividend on the Preferred Shares Series 18 to which the holders are entitled subsequent to the time such voting rights first arose until such time as the Bank may again fail to declare the whole dividend on the Preferred Shares Series 18 in respect of any quarter, in which event such voting rights will become effective again and so on from time to time.

In connection with any action to be taken by the Bank which requires the approval of the holders of Preferred Shares Series 18 voting as a series or as part of the class, each such share will entitle the holder thereof to one vote.

### ***Tax Election***

The Bank will elect, in the manner and within the time provided under Part VI.1 of the Tax Act, to pay tax at a rate such that holders of Preferred Shares Series 18 will not be required to pay tax on dividends received on the Preferred Shares Series 18 under Part IV.1 of such Act.

### ***Business Days***

If any action is required to be taken by the Bank on a day that is not a business day, then such action will be taken on the next succeeding day that is a business day.

## **Certain Provisions of the Preferred Shares Series 19 as a Series**

### ***Definition of Terms***

The following definitions are relevant to the Preferred Shares Series 19.

“**Floating Quarterly Dividend Rate**” means, for any Quarterly Floating Rate Period, the rate of interest (expressed as a percentage rate rounded down to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 2.05% (calculated on the basis of the actual number of days elapsed in such Quarterly Floating Rate Period divided by 365).

“**Floating Rate Calculation Date**” means, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period.

“**Quarterly Commencement Date**” means the 26th day of each of January, April, July and October in each year.

“**Quarterly Floating Rate Period**” means, for the initial Quarterly Floating Rate Period, the period commencing on April 26, 2013 and ending on and including July 25, 2013, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding Quarterly Commencement Date.

“**T-Bill Rate**” means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on three-month Government of Canada Treasury Bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date.

### ***Issue Price***

The Preferred Shares Series 19 will have an issue price of \$25.00 per share.

### ***Dividends***

The holders of the Preferred Shares Series 19 will be entitled to receive floating rate non-cumulative preferential cash dividends as and when declared by the Board of Directors, subject to the provisions of the Bank Act, payable quarterly on the third last business day of January, April, July and October in each year, in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate by \$25.00.

The Floating Quarterly Dividend Rate for each Quarterly Floating Rate Period will be determined by the Bank on the 30th day prior to the first day of each Quarterly Floating Rate Period. Such determination will, in the absence of manifest error, be final and binding upon the Bank and upon all holders of Preferred Shares Series 19. The Bank will, on the Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to all registered holders of the then outstanding Preferred Shares Series 19.

If the Board of Directors does not declare a dividend, or any part thereof, on the Preferred Shares Series 19 on or before the dividend payment date for a particular Quarterly Floating Rate Period, then the entitlement of the holders of the Preferred Shares Series 19 to receive such dividend, or to any part thereof, for such Quarterly Floating Rate Period will be forever extinguished.

### ***Redemption***

Subject to the provisions of the Bank Act and to the prior consent of the Superintendent and to the provisions described below under the heading “Restrictions on Dividends and Retirement of Shares”, on not more than 60 nor less than 30 days’ notice, the Bank may redeem all or any part of the then outstanding Preferred Shares Series 19, at the Bank’s option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of (i) \$25.00 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on April 26, 2018 and on April 26 every five years thereafter, or (ii) \$25.50 together with all declared and unpaid dividends to the date fixed for redemption in the case of redemptions on any other date on or after April 26, 2013.

Notice of any redemption will be given by the Bank at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding Preferred Shares Series 19 are at any time to be redeemed, the shares to be redeemed will be redeemed *pro rata*, disregarding fractions. Reference is also made to the provisions described below under the heading “Bank Act Restrictions”.

### ***Conversion of Preferred Shares Series 19 into Preferred Shares Series 18***

Holders of Preferred Shares Series 19 will have the right, at their option, on April 26, 2018 and on April 26 every five years thereafter (a “Series 19 Conversion Date”), to convert, subject to the restrictions on conversion described below and the payment or delivery to the Bank of evidence of payment of the tax (if any) payable, all or any of their Preferred Shares Series 19 registered in their name into Preferred Shares Series 18 on the basis of one Preferred Share Series 18 for each Preferred Share Series 19. The conversion of Preferred Shares Series 19

may be effected not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series 19 Conversion Date.

The Bank will, at least 30 days and not more than 60 days prior to the applicable Series 19 Conversion Date, give notice in writing to the then holders of the Preferred Shares Series 19 of the above-mentioned conversion right. On the 30th day prior to each Series 19 Conversion Date, the Bank will give notice in writing to the then registered holders of Preferred Shares Series 19 of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period.

Holders of Preferred Shares Series 19 will not be entitled to convert their shares into Preferred Shares Series 18 if the Bank determines that there would remain outstanding on a Series 19 Conversion Date less than 1,000,000 Preferred Shares Series 18, after having taken into account all Preferred Shares Series 19 tendered for conversion into Preferred Shares Series 18 and all Preferred Shares Series 18 tendered for conversion into Preferred Shares Series 19. The Bank will give notice in writing thereof to all registered holders of the Preferred Shares Series 19 at least seven days prior to the applicable Series 19 Conversion Date. Furthermore, if the Bank determines that there would remain outstanding on a Series 19 Conversion Date less than 1,000,000 Preferred Shares Series 19, after having taken into account all Preferred Shares Series 19 tendered for conversion into Preferred Shares Series 18 and all Preferred Shares Series 18 tendered for conversion into Preferred Shares Series 19, then, all, but not part, of the remaining outstanding Preferred Shares Series 19 will automatically be converted into Preferred Shares Series 18 on the basis of one Preferred Share Series 18 for each Preferred Share Series 19 on the applicable Series 19 Conversion Date and the Bank will give notice in writing thereof to the then registered holders of such remaining Preferred Shares Series 19 at least seven days prior to the Series 19 Conversion Date.

If the Bank gives notice to the registered holders of the Preferred Shares Series 19 of the redemption on a Series 19 Conversion Date of all the Preferred Shares Series 19, the Bank will not be required to give notice as provided hereunder to the registered holders of the Preferred Shares Series 19 of an Annual Fixed Dividend Rate or of the conversion right of holders of Preferred Shares Series 19 and the right of any holder of Preferred Shares Series 19 to convert such Preferred Shares Series 19 will cease and terminate in that event.

#### ***Purchase for Cancellation***

Subject to the provisions of the Bank Act, the prior consent of the Superintendent and the provisions described below under the heading “Restrictions on Dividends and Retirement of Shares”, the Bank may at any time purchase for cancellation any of the Preferred Shares Series 19 in the open market at the lowest price or prices at which in the opinion of the Board of Directors such shares are obtainable.

#### ***Restrictions on Dividends and Retirement of Shares***

So long as any of the Preferred Shares Series 19 are outstanding, the Bank will not, without the approval of the holders of outstanding Preferred Shares Series 19 given as specified below:

- (a) pay any dividends on the Common Shares or any other shares ranking junior to the Preferred Shares Series 19 (other than stock dividends payable in shares of the Bank ranking junior to the Preferred Shares Series 19);
- (b) redeem, purchase or otherwise retire any Common Shares or any other shares ranking junior to the Preferred Shares Series 19 (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Preferred Shares Series 19);
- (c) redeem, purchase or otherwise retire less than all the Preferred Shares Series 19 then outstanding; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of Preferred Shares, redeem, purchase or otherwise retire any other shares ranking on a parity with the Preferred Shares Series 19;

unless, in each such case, all dividends up to and including the dividend payment date for the last completed period for which dividends will be payable will have been declared and paid or set apart for payment in respect of each series of cumulative Preferred Shares then issued and outstanding and on all other cumulative shares

ranking on a parity with the Preferred Shares and there will have been paid or set apart for payment all declared dividends in respect of each series of non-cumulative Preferred Shares (including the Preferred Shares Series 19) then issued and outstanding and on all other non-cumulative shares ranking on a parity with the Preferred Shares.

#### ***Issue of Additional Series of Preferred Shares***

The Bank may issue other series of Preferred Shares ranking on a parity with the Preferred Shares Series 19 without the authorization of the holders of the Preferred Shares Series 19.

#### ***Amendments to Preferred Shares Series 19***

The Bank will not, without the approval of the holders of the Preferred Shares Series 19 given as specified below under “Shareholder Approvals”, delete or vary any rights, privileges, restrictions and conditions attaching to the Preferred Shares Series 19. In addition to the aforementioned approval, the Bank will not without, but may from time to time with, the prior approval of the Superintendent, make any such deletion or variation which might affect the classification afforded the Preferred Shares Series 19 from time to time for capital adequacy requirements pursuant to the Bank Act and the regulations and guidelines thereunder.

#### ***Shareholder Approvals***

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to the Preferred Shares Series 19 may be given by a resolution carried by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast at a meeting of holders of Preferred Shares Series 19 at which a majority of the outstanding Preferred Shares Series 19 is represented or, if no such quorum is present at such meeting, at any adjourned meeting at which shareholders then present or represented by proxy would form the necessary quorum.

#### ***Rights on Liquidation***

In the event of the liquidation, dissolution or winding-up of the Bank, the holders of the Preferred Shares Series 19 will be entitled to receive \$25.00 per share together with all dividends declared and unpaid to the date of payment before any amount will be paid or any assets of the Bank distributed to the holders of any shares ranking junior to the Preferred Shares Series 19. The holders of the Preferred Shares Series 19 will not be entitled to share in any further distribution of the assets of the Bank.

#### ***Voting Rights***

Subject to the provisions of the Bank Act, the holders of Preferred Shares Series 19 as such will not be entitled to receive notice of, attend, or vote at, any meeting of the shareholders of the Bank unless and until the first time at which the Board of Directors has not declared the whole dividend on the Preferred Shares Series 19 in respect of any quarter. In that event, the holders of Preferred Shares Series 19 will be entitled to receive notice of, and to attend, meetings of shareholders at which directors of the Bank are to be elected and will be entitled to one vote for each Preferred Share Series 19 held. The voting rights of the holders of the Preferred Shares Series 19 will forthwith cease upon payment by the Bank of the first dividend on the Preferred Shares Series 19 to which the holders are entitled subsequent to the time such voting rights first arose until such time as the Bank may again fail to declare the whole dividend on the Preferred Shares Series 19 in respect of any quarter, in which event such voting rights will become effective again and so on from time to time.

In connection with any action to be taken by the Bank which requires the approval of the holders of Preferred Shares Series 19 voting as a series or as part of the class, each such share will entitle the holder thereof to one vote.

#### ***Tax Election***

The Bank will elect, in the manner and within the time provided under Part VI.1 of the Tax Act, to pay tax at a rate such that holders of Preferred Shares Series 19 will not be required to pay tax on dividends received on the Preferred Shares Series 19 under Part IV.1 of such Act.

#### ***Business Days***

If any action is required to be taken by the Bank on a day that is not a business day, then such action will be taken on the next succeeding day that is a business day.

### **Depository Services**

Except as otherwise provided below, the Preferred Shares Series 18 and Preferred Shares Series 19 will be issued in “book-entry only” form and must be purchased, transferred, redeemed, converted or exchanged through participants (“Participants”) in the depository service of CDS or its nominee, which include securities brokers and dealers, banks and trust companies. On the closing date, the Bank will cause a global certificate representing the Preferred Shares Series 18 to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of Preferred Shares Series 18 or Preferred Shares Series 19, as applicable, will be entitled to a certificate or other instrument from the Bank or CDS evidencing that purchaser’s ownership thereof, and no purchaser will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such purchaser. Each purchaser of Preferred Shares Series 18 or Preferred Shares Series 19, as applicable, will receive a customer confirmation of purchase from the registered dealer from which the Preferred Shares Series 18 or Preferred Shares Series 19, as applicable, are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Preferred Shares Series 18 or Preferred Shares Series 19, as applicable.

Neither the Bank nor the Underwriters will assume any liability for: (i) any aspect of the records relating to the beneficial ownership of the Preferred Shares Series 18 or Preferred Shares Series 19, as applicable, held by CDS or the payments relating thereto; (ii) maintaining, supervising or reviewing any records relating to the Preferred Shares Series 18 or Preferred Shares Series 19, as applicable; or (iii) any advice or representation made by or with respect to CDS and those contained in this short form prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and persons, other than Participants, having an interest in the Preferred Shares Series 18 or Preferred Shares Series 19, as applicable, must look solely to Participants for payments made by or on behalf of the Bank to CDS in respect of the Preferred Shares Series 18 or Preferred Shares Series 19, as applicable.

If: (i) required by applicable law; (ii) the book-entry system ceases to exist; (iii) the Bank determines, or CDS notifies the Bank in writing, that CDS is no longer willing or able to discharge properly the responsibilities as depository with respect to the Preferred Shares Series 18 or Preferred Shares Series 19, as applicable, and the Bank is unable to locate a qualified successor; or (iv) the Bank at its option elects, or is required by law, to terminate the book-entry system, then certificates representing the Preferred Shares Series 18 or Preferred Shares Series 19, as applicable, will be issued to holders thereof or their nominees.

#### ***Manner of Effecting Conversion, Transfer or Redemption***

A conversion, transfer or redemption of Preferred Shares Series 18 or Preferred Shares Series 19, as applicable, will be effected through records maintained by CDS or its nominee with respect to interests of Participants, and on the records of Participants with respect to interests of persons other than Participants. Holders of Preferred Shares Series 18 or Preferred Shares Series 19, as applicable, who are not Participants, but

who desire to purchase, sell, convert or otherwise transfer ownership of or other interests in the Preferred Shares Series 18 or Preferred Shares Series 19, may do so only through Participants.

Reference is also made to “Bank Act Restrictions”.

### ***Payment of Dividends and Other Amounts***

Payments of dividends and other amounts in respect of the Preferred Shares Series 18 or Preferred Shares Series 19, as applicable, will be made by the Bank to CDS or its nominee, as the case may be, as registered holder of the Preferred Shares Series 18 or Preferred Shares Series 19, as applicable. As long as CDS or its nominee is the registered owner of the Preferred Shares Series 18 or Preferred Shares Series 19, as applicable, CDS or its nominee, as the case may be, will be considered the sole owner of the Preferred Shares Series 18 or Preferred Shares Series 19, as applicable, for the purposes of receiving payments on the Preferred Shares Series 18 or Preferred Shares Series 19, as applicable.

The Bank expects that CDS or its nominee, upon receipt of any payment in respect of the Preferred Shares Series 18 or Preferred Shares Series 19, as applicable, will credit, on the date such payment is received, the Participants’ accounts with payments in amounts proportionate to their respective beneficial interests in the Preferred Shares Series 18 or Preferred Shares Series 19, as applicable, as shown on the records of CDS or its nominee. The Bank also expects that payments by the Participants to the owners of beneficial interests in such Preferred Shares Series 18 or Preferred Shares Series 19, as applicable, held through such Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such Participants. The responsibility and liability of the Bank in respect of the Preferred Shares Series 18 or Preferred Shares Series 19, as applicable, issued in book-entry form is limited to making payment of any amount due on such Preferred Shares Series 18 or Preferred Shares Series 19, as applicable, to CDS or its nominee.

### **Bank Act Restrictions**

The Bank Act contains restrictions on the issue, transfer, acquisition and beneficial ownership of all shares of a chartered bank. The following is a summary of such restrictions. No person may be a major shareholder of a bank if the bank has equity of \$8 billion or more (which would include the Bank). A person is a major shareholder of a bank if: (i) the aggregate of shares of any class of voting shares beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 20% of that class of voting shares; or (ii) the aggregate of shares of any class of non-voting shares beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 30% of that class of non-voting shares. No person may have a significant interest in any class of shares of a Canadian chartered bank, including the Bank, unless the person first receives the approval of the Minister of Finance (Canada). For purposes of the Bank Act, a person has a significant interest in a class of shares of a bank where the aggregate of any shares of the class beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly in concert with that person exceeds 10% of all of the outstanding shares of that class of shares of such bank.

The Bank Act also prohibits the registration of a transfer or issue of any shares of the Bank to Her Majesty in right of Canada or of a province or any agent or agency of Her Majesty in either of those rights, or to the government of a foreign country or any political subdivision, agent or agency of any of them.

Under the Bank Act, the Bank cannot redeem or purchase any of its shares, including the Preferred Shares Series 18 and Preferred Shares Series 19, unless the consent of the Superintendent has been obtained. In addition, the Bank Act prohibits the Bank from purchasing or redeeming any shares or paying any dividends if there are reasonable grounds for believing that the Bank is, or the payment would cause the Bank to be, in contravention of the Bank Act requirement to maintain, in relation to the Bank’s operations, adequate capital and appropriate forms of liquidity and to comply with any regulations or directions of the Superintendent in relation thereto.

## Canadian Federal Income Tax Considerations

In the opinion of McCarthy Tétrault LLP and Fasken Martineau DuMoulin LLP, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser of Preferred Shares Series 18 and Preferred Shares Series 19 who, within the meaning of the Tax Act, is resident at all relevant times in Canada or deemed to be a resident of Canada, deals at arm's length with the Bank, is not affiliated with the Bank, holds the Preferred Shares Series 18 or Preferred Shares Series 19 as capital property and is not exempt from tax under Part I of the Tax Act.

Generally, the Preferred Shares Series 18 and the Preferred Shares Series 19 will be capital property to a purchaser provided the purchaser does not hold such shares in the course of carrying on a business of trading or dealing in securities and does not acquire them as part of an adventure in the nature of a trade. Certain purchasers who might not otherwise be considered to hold Preferred Shares Series 18 or Preferred Shares Series 19 as capital property may, in certain circumstances, be entitled to have them and all other "Canadian securities", as defined in the Tax Act, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a purchaser that is a "financial institution" for the purposes of the "mark to market rules", to a purchaser, an interest in which would be a "tax shelter investment" or a purchaser to whom the "functional currency" reporting rules apply, each as defined in the Tax Act. Such purchasers should consult their own tax advisors. Furthermore, this summary is not applicable to a purchaser that is a "specified financial institution", as defined in the Tax Act, that receives or is deemed to receive, alone or together with persons with whom it does not deal at arm's length, in the aggregate dividends in respect of more than 10% of the Preferred Shares Series 18 or the Preferred Shares Series 19, as the case may be, outstanding at the time the dividend is received. This summary also assumes that all issued and outstanding Preferred Shares Series 18 or Preferred Shares Series 19 are listed on a designated stock exchange in Canada (as defined in the Tax Act) at such times as dividends (including deemed dividends) are paid or received on such shares.

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

This summary is based upon the current provisions of the Tax Act, the regulations thereunder, all specific proposals to amend the Tax Act and the regulations publicly announced by the Minister of Finance prior to the date hereof (the "Proposals") and counsel's understanding of the current administrative practices and assessing policies published in writing by the Canada Revenue Agency (the "CRA"). This summary does not otherwise take into account any changes in law or in administrative practices or assessing policies, whether by legislative, administrative or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations, which may be different from those discussed herein. No assurance can be given that the Proposals will be enacted as proposed or at all.

### *Dividends*

Dividends (including deemed dividends) received on the Preferred Shares Series 18 or the Preferred Shares Series 19 by an individual (other than certain trusts) will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received by individuals from taxable Canadian corporations, including the enhanced dividend tax credit rules applicable to any dividends designated by the Bank as "eligible dividends" in accordance with the Tax Act.

Dividends (including deemed dividends) on the Preferred Shares Series 18 and the Preferred Shares Series 19 received by a corporation will be included in computing income and will generally be deductible in computing the taxable income of the corporation.

The Preferred Shares Series 18 and the Preferred Shares Series 19 will be "taxable preferred shares" as defined in the Tax Act. The terms of the Preferred Shares Series 18 and the Preferred Shares Series 19 require the Bank to make the necessary election under Part VI.1 of the Tax Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Tax Act on dividends paid (or deemed to be paid) by the Bank on the Preferred Shares Series 18 and the Preferred Shares Series 19.

A private corporation, as defined in the Tax Act, or any other corporation controlled, whether by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Preferred Shares Series 18 and the Preferred Shares Series 19 to the extent such dividends are deductible in computing its taxable income.

### ***Dispositions***

A holder who disposes of or is deemed to dispose of the Preferred Shares Series 18 or the Preferred Shares Series 19 (either on redemption of the shares or other acquisition by the Bank but not including a conversion) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder thereof. The amount of any deemed dividend arising on the redemption or acquisition by the Bank of Preferred Shares Series 18 or the Preferred Shares Series 19 will generally not be included in computing the proceeds of disposition of a holder for purposes of computing the capital gain or capital loss arising on the disposition of such shares. See “Redemption” below. If the shareholder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares to the extent and under circumstances prescribed by the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Generally, one-half of any such capital gain will be included in computing the holder’s income as a taxable capital gain and one-half of any such capital loss may be deducted from the holder’s taxable capital gains in accordance with the rules contained in the Tax Act. Any such capital gain realized by an individual may give rise to a liability for alternative minimum tax. Taxable capital gains of a Canadian controlled private corporation (as defined in the Tax Act) may be subject to an additional refundable tax at a rate of 6 $\frac{2}{3}$ %.

### ***Redemption***

If the Bank redeems for cash or otherwise acquires the Preferred Shares Series 18 or the Preferred Shares Series 19, other than by a purchase in the manner in which shares are normally purchased by a member of the public in the open market, the holder will be deemed to have received a dividend equal to the amount, if any, paid by the Bank, including any redemption premium, in excess of the paid-up capital of such shares at such time as computed for purposes of the Tax Act. See “Dividends” above. The difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. See “Dispositions” above. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

### ***Conversion***

The conversion of a Preferred Share Series 18 into a Preferred Share Series 19 and a Preferred Shares Series 19 into a Preferred Shares Series 18 will be deemed not to be a disposition of property and accordingly will not give rise to any capital gain or capital loss. The cost to a holder of a Preferred Share Series 19 or Preferred Share Series 18, as the case may be, received on the conversion will be deemed to be equal to the holder’s adjusted cost base of the Preferred Share Series 18 or Preferred Share Series 19, as the case may be, immediately before the conversion.

### ***Alternative Minimum Tax***

A capital gain realized, or a dividend received or deemed to be received, by an individual or a trust (other than certain specified trusts) may give rise to a liability for alternative minimum tax.

## **Ratings**

The Preferred Shares Series 18 are provisionally rated “Pfd-1” by DBRS Limited (“DBRS”). “Pfd-1” is in the highest category available from DBRS for preferred shares.

The Preferred Shares Series 18 are provisionally rated “P-1 (Low)” by Standard & Poor’s Ratings Services (“S&P”), a division of The McGraw-Hill Companies (Canada) Corporation, using the S&P Canadian scale for preferred shares and are provisionally rated “A” using S&P’s global scale for preferred shares. The “P-1” rating is in the highest of the five categories used by S&P on its Canadian preferred share scale. A reference to “high” or “low” reflects the relative strength within the rating category. The “A” rating is in the highest of the three categories used by S&P on its global scale.

The Preferred Shares Series 18 are provisionally rated Aa3 by Moody’s Investors Service, Inc. (“Moody’s”), a subsidiary of Moody’s Corporation. Securities rated “Aa” are judged to be of high quality and are subject to very low credit risk. The modifier “3” indicates that the obligation ranks at the lower end of the “Aa” rating category.

Prospective purchasers of Preferred Shares Series 18 should consult the relevant rating organization with respect to the interpretation and implications of the foregoing provisional ratings. The foregoing ratings should not be construed as recommendations to buy, sell or hold Preferred Shares Series 18. Ratings may be revised or withdrawn at any time by the respective rating organizations.

## **Earnings Coverage**

The Bank’s dividend requirements on its outstanding Preferred Shares, after giving effect to the issue of the Preferred Shares Series 18 to be distributed under this short form prospectus, assuming complete exercise of the Option to purchase up to an additional 1,800,000 Preferred Shares Series 18, and adjusted to a before-tax equivalent using a statutory income tax rate of 34.73% for the 12 months ended October 31, 2007 and 34.25% for the 12 months ended January 31, 2008, amounted to \$168 million and \$166 million for the 12 months ended January 31, 2008. The Bank’s interest requirements for subordinated debentures, capital instrument liabilities, those instruments that were reclassified as deposits from capital instrument liabilities in accordance with the pronouncements issued by the Canadian Institute of Chartered Accountants for the 12 months ended October 31, 2007 and adjusted for a full year’s interest expense for the Scotiabank Trust Subordinated Notes, the Bank’s 5.30% subordinated debentures due 2018 and the Bank’s 3.015% subordinated callable notes due 2037 amounted to \$381 million and \$368 million for the 12 months ended January 31, 2008. The Bank’s earnings before interest and income tax for the 12 months ended October 31, 2007 were \$5,416 million and \$5,148 million for the 12 months ended January 31, 2008, which were 9.88 times and 9.64 times the Bank’s aggregate dividend and interest requirements, respectively, for those periods after giving effect to the issue of the Preferred Shares Series 18, assuming full exercise of the Option and adjusted for a full year’s interest expense for the Scotiabank Trust Subordinated Notes, the Bank’s 5.30% subordinated debentures due 2018, the Bank’s 3.015% subordinated callable notes due 2037.

## **Plan of Distribution**

Pursuant to an agreement (the “Underwriting Agreement”) dated March 6, 2008 between the Bank and the Underwriters, the Bank has agreed to sell and the Underwriters have agreed to purchase on March 25, 2008, or on such other date not later than April 25, 2008 as may be agreed upon, subject to the terms and conditions contained therein, all but not less than all of the 12,000,000 Preferred Shares Series 18 at a price of \$25.00 per share payable in cash to the Bank against delivery of the Preferred Shares Series 18. The Underwriting Agreement provides that the Underwriters will be paid an underwriting fee per share equal to \$0.25 with respect to Preferred Shares Series 18 sold to certain institutions and \$0.75 with respect to all other Preferred Shares Series 18. Assuming no Preferred Shares Series 18 are sold to such institutions, the underwriting fee would be \$9,000,000.

The Bank has granted the Underwriters the Option, exercisable at any time until April 18, 2008, to purchase up to an additional 1,800,000 Preferred Shares Series 18 at the offering price (the “Option Shares”). This short form prospectus qualifies the grant of the Option and the distribution of the Option Shares issuable upon

exercise of the Option. The Underwriters will be paid an underwriting fee equal to \$0.25 per Option Share sold to certain institutions and \$0.75 with respect to all other Option Shares.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Preferred Shares Series 18 if any are purchased under the Underwriting Agreement.

The Bank has applied to list the Preferred Shares Series 18 and the Preferred Shares Series 19 on the Toronto Stock Exchange (the "TSX"). Listing will be subject to the Bank fulfilling all of the requirements of the TSX.

Neither the Preferred Shares Series 18 nor the Preferred Shares Series 19 have been or will be registered under the *Securities Act of 1933* of the United States of America, as amended (the "1933 Act") or any state securities laws and may not be offered or sold within the United States, territories or possessions or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act.

Pursuant to policy statements of the Ontario Securities Commission and the Autorité des marchés financiers (Québec), the Underwriters may not, throughout the period of distribution under this short form prospectus, bid for or purchase the Preferred Shares Series 18. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by Market Regulation Services Inc. relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer when the order was not solicited during the period of distribution. In connection with this offering and subject to the foregoing and to applicable law, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Preferred Shares Series 18 at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

**Scotia Capital Inc., one of the Underwriters, is an indirect wholly-owned subsidiary of the Bank. The Bank has an 18% equity interest in, and the right, in certain circumstances, to nominate directors to the board of directors of, Dundee Wealth Inc., of which Dundee Securities Corporation, one of the Underwriters, is an indirect wholly-owned subsidiary. As a result, the Bank is a related issuer of Scotia Capital Inc. and Dundee Securities Corporation under applicable securities legislation. The decision to distribute the Preferred Shares Series 18 and the determination of the terms of the offering were made through negotiations between the Bank on the one hand and the Underwriters on the other hand. CIBC World Markets Inc., an Underwriter, in respect of which the Bank is not a related or connected issuer, has participated in the structuring and pricing of the offering and in the due diligence activities performed by the Underwriters for the offering. Neither Scotia Capital Inc. nor Dundee Securities Corporation will receive any benefit from the Bank in connection with this offering other than a portion of the underwriting fee payable by the Bank.**

#### **Use of Proceeds**

The net proceeds to the Bank from the sale of the Preferred Shares Series 18, after deducting the estimated expenses of issue and the underwriting fee (assuming no Preferred Shares Series 18 are sold to institutions and assuming no exercise of the Option), will amount to \$290,600,000. Such proceeds will be added to the Bank's general funds and will be used for general business purposes.

#### **Transfer Agent and Registrar**

Computershare Trust Company of Canada, at its principal offices in the cities of Vancouver, Calgary, Winnipeg, Toronto, Montreal and Halifax, will be the transfer agent and registrar for the Preferred Shares Series 18 and the Preferred Shares Series 19.

#### **Risk Factors**

An investment in Preferred Shares Series 18 of the Bank is subject to certain risks.

The Bank has covenanted that, if a distribution is not paid when due on any outstanding Scotiabank Trust Securities (also known as “Scotia BaTS”) issued by BNS Capital Trust or Scotiabank Capital Trust, the Bank will not pay dividends on its “Dividend Restricted Shares”, which would include the Preferred Shares Series 18 and the Preferred Shares Series 19, until the twelfth month following the failure to pay the required distribution in full, unless the required distribution is paid to the holders of Scotia BaTS.

The value of Preferred Shares Series 18 and the Preferred Shares Series 19, respectively, will be affected by the general creditworthiness of the Bank. The section entitled “Management’s Discussion and Analysis” contained in the Bank’s Annual Report for the year ended October 31, 2007 is incorporated by reference in this short form prospectus. This analysis discusses, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the Bank’s business, financial condition or results of operations.

Real or anticipated changes in credit ratings on the Preferred Shares Series 18 or the Preferred Shares Series 19, if any, may affect the market value of the Preferred Shares Series 18 and the Preferred Shares Series 19, respectively. In addition, real or anticipated changes in credit ratings can affect the cost at which the Bank can transact or obtain funding, and thereby affect the Bank’s liquidity, business, financial condition or results of operations.

The Preferred Shares Series 18 and the Preferred Shares Series 19 are non-cumulative and dividends are payable at the discretion of the Board of Directors. Reference is made to “Earnings Coverage”, which is relevant to an assessment of the risk that the Bank will be unable to pay dividends on the Preferred Shares Series 18 or the Preferred Shares Series 19.

The Preferred Shares Series 18 rank, and the Preferred Shares Series 19 will, if issued, rank, equally with other Preferred Shares of the Bank in the event of an insolvency or winding-up of the Bank. If the Bank becomes insolvent or is wound-up, the Bank’s assets must be used to pay deposit liabilities and other debt, including subordinated debt, before payments may be made on Preferred Shares Series 18 or the Preferred Shares Series 19.

Prevailing yields on similar securities will affect the market value of Preferred Shares Series 18 and the Preferred Shares Series 19. Assuming all other factors remain unchanged, the market value of the Preferred Shares Series 18 and the Preferred Shares Series 19 will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities will also affect the market value of the Preferred Shares Series 18 and the Preferred Shares Series 19 in an analogous manner.

The redemption or purchase by the Bank of the Preferred Shares Series 18 and the Preferred Shares Series 19 is subject to the consent of the Superintendent and other restrictions contained in the Bank Act. Reference is made to “Bank Act Restrictions”.

Neither Preferred Shares Series 18 nor the Preferred Shares Series 19 have a fixed maturity date and are not redeemable at the option of the holders of Preferred Shares Series 18 or Preferred Shares Series 19, as applicable. The ability of a holder to liquidate its holdings of Preferred Shares Series 18 or Preferred Shares Series 19, as applicable, may be limited.

The dividend rate in respect of the Preferred Shares Series 18 and Preferred Shares Series 19 will reset every five years and quarterly, respectively. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

An investment in the Preferred Shares Series 18 may become an investment in Preferred Shares Series 19 without the consent of the holder in the event of an automatic conversion in the circumstances described under “Conversion of Preferred Shares Series 18 into Preferred Shares Series 19” above. Upon the automatic conversion of the Preferred Shares Series 18 into Preferred Shares Series 19, the dividend rate on the Preferred Shares Series 19 will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time.

Stock market volatility may affect the market price of the Preferred Shares Series 18 and Preferred Shares Series 19 for reasons unrelated to the Bank’s performance.

There can be no assurance that an active trading market will develop for the Preferred Shares Series 18 after the offering or for the Preferred Shares Series 19 following the issuance of any of those shares, or if developed, that such a market will be sustained at the offering price of the Preferred Shares Series 18 or the issue price of the Preferred Shares Series 19.

### **Legal Matters**

Legal matters in connection with the issue and sale of the Preferred Shares Series 18 will be passed upon, on behalf of the Bank, by McCarthy Tétrault LLP and, on behalf of the Underwriters, by Fasken Martineau DuMoulin LLP. The partners, associates and counsel of each of McCarthy Tétrault LLP and Fasken Martineau DuMoulin LLP beneficially own, directly or indirectly, less than 1% of the issued and outstanding securities of the Bank or of any associate or affiliate of the Bank.

### **Statutory Rights of Withdrawal and Rescission**

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

## Certificate of the Bank

Dated: March 17, 2008

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the *Bank Act* (Canada) and the regulations thereunder and the securities legislation of all provinces and territories of Canada. For the purpose of the Province of Québec, this simplified prospectus, together with documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) RICHARD E. WAUGH  
President and  
Chief Executive Officer

(Signed) LUC A. VANNESTE  
Executive Vice-President and  
Chief Financial Officer

On behalf of the Board of Directors

(Signed) JOHN THOMAS MAYBERRY  
Director

(Signed) MICHAEL JOHN LANGTRY KIRBY  
Director

## Certificate of the Underwriters

Dated: March 17, 2008

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

SCOTIA CAPITAL INC.

By: (Signed) MARY ROBERTSON

CIBC WORLD MARKETS INC.

By: (Signed) SHANNAN M. LEVERE

DESJARDINS SECURITIES INC.

By: (Signed) THOMAS L. JARMAI

BMO NESBITT BURNS INC.

RBC DOMINION SECURITIES INC.

TD SECURITIES INC.

By: (Signed) BRADLEY J. HARDIE

By: (Signed) RAJIV BAHL

By: (Signed) JONATHAN BROER

NATIONAL BANK FINANCIAL INC.

DUNDEE SECURITIES CORPORATION

By: (Signed) DARIN E. DESCHAMPS

By: (Signed) DAVID HINCHEY

HSBC SECURITIES (CANADA) INC.

By: (Signed) LAURA MCELWAIN

LAURENTIAN BANK SECURITIES INC.

By: (Signed) PIERRE GODBOUT

BROOKFIELD FINANCIAL CORP.

By: (Signed) MARK MURSKI

### **Auditors' Consent**

We have read the Short Form Prospectus dated March 17, 2008 of The Bank of Nova Scotia (the "Bank") relating to the Bank's issuance and sale of \$300,000,000 Non-cumulative 5-Year Rate Reset Preferred Shares Series 18. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the above mentioned prospectus, of our auditors' report to the shareholders of the Bank on the consolidated balance sheets of the Bank as at October 31, 2007 and 2006 and the consolidated statements of income, changes in shareholders' equity, comprehensive income and cash flows for the years then ended. Our report is dated December 6, 2007.

(Signed) "KPMG LLP"  
Chartered Accountants, Licensed Public Accountants

Toronto, Canada  
March 17, 2008

