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INFORMATION HAS BEEN INCORPORATED BY REFERENCE IN THIS PROSPECTUS FROM DOCUMENTS FILED WITH THE SECURITIES COMMISSIONS OR SIMILAR AUTHORITIES IN CANADA (THE PERMANENT INFORMATION RECORD IN QUEBEC). COPIES OF THE DOCUMENTS INCORPORATED HEREIN BY REFERENCE MAY BE OBTAINED ON REQUEST WITHOUT CHARGE FROM THE SENIOR VICE-PRESIDENT AND SECRETARY OF THE BANK OF NOVA SCOTIA, SCOTIA PLAZA, 44 KING STREET WEST, TORONTO, CANADA M5H 1H1.

Initial Public Offering

March 28, 2000

BNS Capital Trust™
(a trust established under the laws of Ontario)



\$500,000,000

500,000 Scotiabank Trust Securities — Series 2000-1 (Scotia BaTS)™

BNS Capital Trust (the "Trust") is a closed-end trust established under the laws of Ontario by Montreal Trust Company of Canada (the "Trustee"), a subsidiary of The Bank of Nova Scotia (the "Bank"), pursuant to a declaration of trust (the "Declaration of Trust"). The Trust proposes to issue and sell to investors pursuant to this prospectus (the "Offering") transferable trust units called Scotiabank Trust Securities — Series 2000-1 or "Scotia BaTS", each of which represents an undivided beneficial ownership interest in the Trust Assets (as defined herein), principally comprised of co-ownership interests in a pool or pools of first mortgages on residential property insured by Canada Mortgage and Housing Corporation. The Offering will provide investors with the opportunity to invest, through the holding of Scotia BaTS, in the Trust Assets and will provide the Bank with a cost-effective means of raising capital for Canadian bank regulatory purposes. The Trust will also issue securities called Special Trust Securities (the "Special Trust Securities" and, collectively with the Scotia BaTS, the "Trust Securities") to the Bank or affiliates of the Bank. See "Description of the Trust Securities". The Scotia trademark is being used by the Trust under license from the Bank. The Trust is not a trust company and does not carry on business as a trust company and, accordingly, the Trust is not registered under the trust company legislation of any jurisdiction.

The Trust will distribute its Net Distributable Funds (as defined below) on the last day of June and December of each year commencing December 31, 2000 (each, a "Distribution Date"). On each Distribution Date, unless the Bank has failed to declare Dividends (as defined herein) on the basis described herein, a holder of Scotia BaTS will be entitled to receive a non-cumulative fixed cash distribution of \$36.55 per Scotia BaTS (an "Indicated Yield"), representing a per annum yield of 7.31% of the \$1,000 initial issue price. The initial Indicated Yield payable on December 31, 2000 in respect of the period from and including April 4, 2000 up to but excluding December 31, 2000 will be \$54.27 per Scotia BaTS, based on an anticipated closing date for the Offering (the "Closing Date") of April 4, 2000. Each Distribution Date will be either a Regular Distribution Date (as defined herein) or a Distribution Diversion Date (as defined herein). A Distribution Date will be a Regular Distribution Date if the Bank has declared Dividends in the ordinary course as described under "Description of the Trust Securities — The Scotiabank Trust Securities — Indicated Yield". On a Regular Distribution Date, the Indicated Yield will be payable by the Trust on the Scotia BaTS and the Bank, as holder of the Special Trust Securities, will be entitled to receive the Net Distributable Funds (as defined herein), if any, of the Trust remaining after payment of the Indicated Yield on the Scotia BaTS. Any Distribution Date will be a Distribution Diversion Date if the Bank has failed to declare Dividends on the basis described herein. **The Indicated Yield will not be payable by the Trust on the Scotia BaTS on a Distribution Diversion Date and, instead, the Net Distributable Funds of the Trust as at such Distribution Diversion Date will be payable to the Bank as the sole holder of the Special Trust Securities.** For the purposes of this prospectus, the periods commencing on and including the Closing Date to but excluding December 31, 2000 and thereafter from and including each Distribution Date to but excluding the next following Distribution Date are referred to as "Distribution Periods".

Pursuant to the terms of a Bank Share Exchange Trust Agreement between the Bank, the Exchange Trustee (as defined herein) and the Trust (the "Bank Share Exchange Agreement"), the Bank has covenanted for the benefit of holders of Scotia BaTS (the "Dividend Stopper Undertakings") that if, on any Regular Distribution Date, the Trust fails to pay the Indicated Yield in full on the Scotia BaTS, the Bank will not declare dividends of any kind on any Bank Preferred Shares ("Bank Preferred Shares"), Common Shares of the Bank ("Bank Common Shares"), Bank Parity Preferred Shares (as defined herein) or Bank Junior Preferred Shares (as defined herein) (collectively, the "Dividend Restricted Shares") until the month commencing immediately after the third Dividend Declaration Month (as defined herein) following the Trust's failure to pay the Indicated Yield unless the Trust first pays such Indicated Yield (or the unpaid portion thereof) to holders of Scotia BaTS. **It is in the interest of the Bank to ensure, to the extent within its control, that the Trust pay the Indicated Yield on the Scotia BaTS on each Regular Distribution Date so as to avoid triggering the Dividend Stopper Undertakings.** See "Description of the Trust Securities — The Scotiabank Trust Securities — Bank Dividend Stopper Undertakings" and "Risk Factors."

On June 30, 2011 and on any Distribution Date thereafter, each Scotia BaTS may be exchanged at the option of the holder (the "Holder Exchange Right"), on not less than 60 nor more than 90 days' prior written notice by the holder, for one non-cumulative Preferred Share Series Y of the Bank (a "Bank Preferred Share Series Y"). The Holder Exchange Right is subject to the right of the Bank to arrange substituted purchasers for the Scotia BaTS or, with Superintendent Approval (as defined herein), to purchase the Scotia BaTS for a purchase price (the "Redemption Price"), in either case, in respect of each Scotia BaTS tendered for exchange equal to the sum of \$1,000 and the unpaid Indicated Yield payable thereon, if any, for the current Distribution Period to the date of payment (the "Current Unpaid Indicated Yield") and the Indicated Yield remaining unpaid in respect of previous Regular Distribution Dates, if any, (the "Accumulated Unpaid Indicated Yield") and further subject to any redemption rights of the Trust in respect of the Scotia BaTS tendered for exchange. The Current Unpaid Indicated Yield and the Accumulated Unpaid Indicated Yield collectively constitute the "Unpaid Indicated Yield". The Bank Preferred Shares Series Y pay semi-annual non-cumulative cash dividends as and when declared by the Board of Directors equal to \$36.55 per share and are convertible at the option of the holders into Bank Common Shares, provided that a Loss Absorption Event (as defined herein) has not occurred and is then continuing, on the last day of June and December in each year commencing on June 30, 2011 on not less than 60 nor more than 90 days' prior written notice before the date fixed for conversion into that number of fully-paid and freely

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tradeable Bank Common Shares determined by dividing \$1,000, together with declared and unpaid dividends, if any, on the Bank Preferred Shares Series Y to the date of conversion by the greater of \$1.00 and 95% of the weighted average trading price of a Bank Common Share on The Toronto Stock Exchange (the "TSE") during the 20 consecutive trading day period ending on the fourth trading day immediately prior to the date of conversion. See "Description of the Trust Securities — The Scotiabank Trust Securities — Holder Exchange Right", "Description of the Trust Securities — The Scotiabank Trust Securities — Trust Redemption Right" and "Description of Bank Preferred Shares".

Each Scotia BaTS will be exchanged automatically (the "Automatic Exchange"), without the consent of the holder thereof, for one Bank Preferred Share Series Y if: (i) an application for a winding-up order in respect of the Bank pursuant to the *Winding-Up and Restructuring Act* (Canada) is filed by the Attorney General of Canada or a winding-up order in respect of the Bank pursuant to that Act is granted by a court; (ii) the Superintendent advises the Bank in writing that the Superintendent has taken control of the Bank or its assets pursuant to the *Bank Act* (Canada) (the "Bank Act"); (iii) the Superintendent advises the Bank in writing that the Superintendent is of the opinion that the Bank has a risk-based Tier 1 Capital ratio of less than 5.0% or a risk-based Total Capital ratio of less than 8.0%; or (iv) the Superintendent directs the Bank pursuant to the Bank Act to increase its capital or provide additional liquidity and the Bank elects to cause the exchange as a consequence of the issuance of such direction or the Bank does not comply with such direction to the satisfaction of the Superintendent within the time specified therein (each, a "Loss Absorption Event"). Following the Automatic Exchange, holders of Scotia BaTS will cease to have any claim or entitlement in relation to the Trust Assets. **If the Automatic Exchange were to occur and Bank Preferred Shares Series Y were issued in exchange for Scotia BaTS, the cost-effective nature of the consolidated capital raised by the Bank through the issuance of the Scotia BaTS would be lost. Accordingly, it is in the interest of the Bank to ensure that a Loss Absorption Event does not occur, although the events that could give rise to a Loss Absorption Event may be beyond the control of the Bank.** See "Description of the Trust Securities — The Scotiabank Trust Securities — Automatic Exchange" and "Description of Bank Preferred Shares Series Y".

Upon the occurrence of a Tax Event (as defined herein) or a Capital Disqualification Event (as defined herein and, collectively with a Tax Event, a "Special Event"), in each case prior to June 30, 2005, the Trust may, with Superintendent Approval, at its option, upon not less than 30 nor more than 90 days' prior written notice, redeem the Scotia BaTS (the "Trust Special Event Redemption Right") in whole (but not in part) without the consent of the holders thereof, for a cash amount per Scotia BaTS (the "Early Redemption Price") equal to the greater of: (i) the Redemption Price; and (ii) the Scotia BaTS Canada Yield Price (as defined herein). See "Description of the Trust Securities — The Scotiabank Trust Securities — Trust Special Event Redemption Right".

On June 30, 2005 and on any Distribution Date thereafter, the Trust may, with Superintendent Approval, at its option, upon not less than 30 nor more than 60 days' prior written notice, redeem the Scotia BaTS (the "Trust Redemption Right") in whole (but not in part) without the consent of the holders thereof, for a cash amount per Scotia BaTS equal to: (i) the Early Redemption Price if the redemption occurs prior to December 31, 2010; or (ii) the Redemption Price if the redemption occurs on or after December 31, 2010. See "Description of the Trust Securities — The Scotiabank Trust Securities — Trust Redemption Right".

It is expected that the Trust Assets will be purchased primarily from the Bank and/or its affiliates. The Bank will act as Administrative Agent (as defined herein) to the Trust and the Bank and/or its affiliates will, collectively, act as Servicer (as defined herein) of the Trust Assets. See "The Trust — Business of the Trust", "The Trust — Servicing of Trust Assets" and "The Trust — Administration and Advisory Agreement".

An investment in Scotia BaTS could be replaced in certain circumstances, without the consent of the holder, by an investment in Bank Preferred Shares Series Y. Investors should therefore carefully consider the disclosure with respect to the Bank included and incorporated by reference in this prospectus. An investment in Scotia BaTS is subject to certain risks. See "Risk Factors". The Trust is a newly-formed entity and, accordingly, it is not possible to determine interest or asset coverages with respect to the Scotia BaTS.

The TSE has conditionally approved the listing of the Scotia BaTS subject to the fulfillment of the usual requirements of such exchange on or prior to June 21, 2000.

The Trust is expected to be a registered investment for purposes of the *Income Tax Act* (Canada) (the "Tax Act") and, as such, the Scotia BaTS will be qualified investments, and will not be foreign property, for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans. See "Eligibility for Investment".

Price: \$1,000 per Scotia BaTS

The Underwriters (as defined herein), as principals, conditionally offer the Scotia BaTS, subject to prior sale if, as and when issued by the Trust and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" subject to the approval of certain legal matters on behalf of the Trust and the Bank by McCarthy Tétrault and on behalf of the Underwriters by Fasken Martineau DuMoulin LLP. **Scotia Capital Inc. is an indirect wholly-owned subsidiary of the Bank. Each of the Trust and the Bank is a related issuer of Scotia Capital Inc. under applicable securities legislation by virtue of the Bank's interest in the Trust and Scotia Capital Inc. See "Plan of Distribution".** This prospectus also qualifies for distribution the Exchange Provisions (as defined herein) and the Subscription Right (as defined herein).

	Price to the Public	Underwriters' Fee⁽¹⁾	Net Proceeds to Trust⁽²⁾
Per Scotia BaTS	\$1,000	\$30	\$970
Total	\$500,000,000	\$15,000,000	\$485,000,000

(1) The Underwriters' fee is \$10 for each Scotia BaTS sold to certain institutions and \$30 for all other Scotia BaTS sold. The per Scotia BaTS and total amounts represent the Underwriters' fee and net proceeds to the Trust assuming that no Scotia BaTS are sold to such institutions. See "Plan of Distribution".

(2) Before deduction of expenses of the Offering, estimated at \$1,300,000 which, together with the Underwriters' fee, are payable by the Trust.

Subscriptions for the Scotia BaTS will be received by the Underwriters 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 the Closing Date will be on or about April 4, 2000 or such later date as the Trust, the Bank and the Underwriters may agree, but in any event not later than May 4, 2000. The Scotia BaTS will be issued in "book-entry only" form and, accordingly, physical certificates representing Scotia BaTS will not be available except in limited circumstances. See "Description of the Trust Securities — The Scotiabank Trust Securities — Book-Entry Only Form".

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ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault, counsel to the Trust and the Bank, and Fasken Martineau DuMoulin LLP, counsel to the Underwriters, subject to compliance with the prudent investment standards and the general investment provisions and restrictions of the statutes referred to below and, where applicable, the regulations thereunder and, in certain cases, subject to satisfaction of additional requirements relating to investments or lending policies or goals and, in certain cases, the filing of such policies or goals, the Scotia BaTS to be issued by the Trust hereunder would not, if issued on the date hereof, be precluded as investments, under or by the following statutes:

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| <p><i>Insurance Companies Act (Canada)</i>
 <i>Trust and Loan Companies Act (Canada)</i>
 <i>Pension Benefits Standards Act, 1985</i>
 (Canada)
 <i>Financial Institutions Act (British Columbia)</i>
 <i>Insurance Act (Alberta)</i>
 <i>Loan and Trust Corporations Act (Alberta)</i>
 <i>Pension Benefits Act (Ontario)</i></p> | <p><i>Supplemental Pension Plans Act (Quebec)</i>
 <i>an Act respecting insurance (Quebec)</i>
 (other than by a guarantee fund corporation)
 <i>an Act respecting trust companies and savings</i>
 <i>companies (Quebec) (for a trust company</i>
 <i>investing its own funds and funds received</i>
 <i>as deposits and for a savings company)</i></p> |
|--|--|

The Trust is expected to be a registered investment for purposes of the Tax Act and, as such, in the opinion of such counsel, the Scotia BaTS would, if issued on the date hereof, be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans and, if draft regulations to the Tax Act are proclaimed in force, registered education savings plans and may be held in such plans subject to the terms of the particular plan trust and will not be prohibited investments for registered pension plans. The Scotia BaTS will not be foreign property for purposes of the Tax Act.

THE SCOTIA BaTS, WHILE EXCHANGEABLE IN CERTAIN CIRCUMSTANCES FOR PREFERRED SHARES OF THE BANK, DO NOT REPRESENT OBLIGATIONS OF OR INTERESTS IN AND ARE NOT GUARANTEED OR INSURED BY, THE BANK OF NOVA SCOTIA, MONTREAL TRUST COMPANY OF CANADA OR ANY OF THEIR RESPECTIVE AGENTS OR AFFILIATES. THE SCOTIA BaTS ARE NOT

INSURED OR GUARANTEED BY THE CANADA DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY OR INSTRUMENTALITY.

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the Bank's Annual Information Form dated November 30, 1999 which incorporates by reference management's discussion and analysis of financial condition and results of operations for the year ended October 31, 1999 as contained in pages 21 to 54 inclusive of the Bank's Annual Report for the year ended October 31, 1999;
- (b) the Bank's consolidated financial statements as at and for the year ended October 31, 1999 and 1998 and the auditors' report thereon;
- (c) the Bank's Management Proxy Circular attached to the Notice of Meeting dated January 14, 2000; and
- (d) the Bank's First Quarter Report to Shareholders for the period ended January 31, 2000, which includes comparative consolidated interim financial statements (unaudited).

Material change reports (excluding confidential reports), comparative consolidated interim financial statements (unaudited), information circulars and any annual information forms, all as filed by the Bank with the various securities commissions or any similar authorities in Canada pursuant to the requirements of applicable securities legislation after the date of this prospectus and prior to the termination of the Offering, shall be deemed to be incorporated by reference into this prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this 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 other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded in its unmodified or superseded form shall not be deemed to constitute a part of this prospectus. Copies of the documents incorporated by reference herein may be obtained on request without charge from the Senior Vice-President and Secretary of the Bank at Scotia Plaza, 44 King Street West, Toronto, Ontario M5H 1H1.

PROSPECTUS SUMMARY

The following is a summary only and is qualified in its entirety by and should be read in conjunction with the more detailed information appearing elsewhere in this prospectus. Reference is made to the Glossary section for the meaning of certain defined terms.

THE OFFERING

Issuer:	BNS Capital Trust, a closed-end trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust.
Offering:	500,000 Scotiabank Trust Securities — Series 2000-1 (Scotia BaTS), being a class of units of the Trust.
Amount of Offering:	\$500,000,000.
Price:	\$1,000 per Scotia BaTS.
Ratings:	The Scotia BaTS are rated “A” yn by Dominion Bond Rating Service Limited (“DBRS”), A– by Standard & Poors Corporation (“S&P”) and P-2 by CBRS Inc. (“CBRS”). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization.
Use of Proceeds:	The estimated net proceeds to the Trust from the Offering of approximately \$493,000,000 (after deducting the estimated Underwriters’ fee and the estimated expenses of the Offering) together with the net proceeds received on the Closing Date by the Trust of \$120,000,000 from the subscription by the Bank for Special Trust Securities will be used to fund the acquisition by the Trust of the Initial Trust Assets (as herein defined) from the Bank and/or its Mortgage Subsidiaries. See “Use of Proceeds”.
Indicated Yield:	Each Scotia BaTS entitles the holder to receive a non-cumulative Indicated Yield of \$36.55 on the last day of June and December of each year commencing December 31, 2000 provided that such date is a Regular Distribution Date, representing a per annum yield of 7.31% of the initial issue price. The initial Indicated Yield, payable on December 31, 2000, will be \$54.27 per Scotia BaTS for the period from and including the anticipated Closing Date of April 4, 2000 to but excluding December 31, 2000. A Distribution Date will be a Regular Distribution Date unless the Bank has failed to declare (such failure being a “Distribution Diversion Event”) regular dividends on the Bank Preferred Shares of any series, the Bank Parity Preferred Shares (if any), or if no Bank Preferred Shares or Bank Parity Preferred Shares are then outstanding, the Bank Junior Preferred Shares (if any), or, if no such shares are then outstanding, on Bank Common Shares, in accordance with the Bank’s ordinary dividend practice in effect from time to time (in either case, a “Dividend”) in the Reference Dividend Declaration Month. The Reference Dividend Declaration Month in respect of any Distribution Date (other than December 31, 2000) is the most recent Dividend Declaration Month (as defined herein) preceding the commencement of the Distribution Period ending on the day preceding such Distribution Date. The Reference Dividend Declaration Month in respect of the December 31, 2000 Distribution Date is the month of February, 2000. Accordingly, whether the Indicated Yield on the Scotia BaTS will be payable by the Trust on any Distribution Date will be determined prior to the commencement of the Distribution Period ended on the day preceding such Distribution Date. On any Regular Distribution Date, the Indicated Yield will be payable by the Trust

to each holder of Scotia BaTS and the Net Distributable Funds, if any, of the Trust, after payment of the Indicated Yield, will be payable to the Bank as the sole holder of the Special Trust Securities. In the event of the occurrence of a Distribution Diversion Event in any Reference Dividend Declaration Month, the Distribution Date occurring on the day following the first Distribution Period commencing following such Distribution Diversion Event will be a Distribution Diversion Date. The Indicated Yield on the Scotia BaTS will not be payable by the Trust on a Distribution Diversion Date and, instead, the Net Distributable Funds of the Trust will be distributed to the Bank as the sole holder of the Special Trust Securities. See “Description of the Trust Securities — The Scotiabank Trust Securities — Indicated Yield”.

Bank Dividend Stopper Undertakings:

Pursuant to the terms of the Bank Share Exchange Agreement, the Bank has covenanted for the benefit of holders of Scotia BaTS that, in the event that the Trust fails to pay the Indicated Yield in full on the Scotia BaTS on any Regular Distribution Date, the Bank will not declare dividends of any kind on the Dividend Restricted Shares, being the Bank Preferred Shares, Bank Common Shares, Bank Parity Preferred Shares and Bank Junior Preferred Shares, until the Dividend Declaration Resumption Month, being the month commencing immediately after the third Dividend Declaration Month following the Trust’s failure to pay the Indicated Yield in full on the Scotia BaTS unless the Trust first pays such Indicated Yield (or the unpaid portion thereof) to holders of Scotia BaTS. **It is in the interest of the Bank to ensure, to the extent within its control, that the Trust pay the Indicated Yield on the Scotia BaTS on each Regular Distribution Date so as to avoid triggering the Dividend Stopper Undertakings.** See “Description of the Trust Securities — The Scotiabank Trust Securities — Bank Dividend Stopper Undertakings” and “Risk Factors”.

Set forth below is a table indicating the relationship among the Reference Dividend Declaration Month, the Distribution Period, the Distribution Date and the Dividend Declaration Resumption Month:

Reference Dividend Declaration Month⁽¹⁾⁽⁴⁾	Commencement of Current Distribution Period⁽²⁾	Distribution Date	Dividend Declaration Resumption Month⁽³⁾
February, 2000	April 4, 2000	December 31, 2000	November, 2001
December, 2000	December 31, 2000	June 30, 2001	May, 2002
May, 2001	June 30, 2001	December 31, 2001	November, 2002

- (1) The Reference Dividend Declaration Months are based on the Bank’s current practice with respect to declaring Dividends. If such practice were to change in the future in terms of the timing or frequency of the declaration of Dividends, the Reference Dividend Declaration Months referred to above may change. However, the Reference Dividend Declaration Month in respect of any Distribution Date would, in all events, continue to be the Dividend Declaration Month closest to but preceding the commencement of the Distribution Period ended on the day preceding such Distribution Date.
- (2) Each Distribution Date is the last day of the Distribution Period which commences following the Reference Dividend Declaration Month with the result that, prior to the commencement of any Distribution Period, the question of whether the Distribution Date falling on the day immediately following such Distribution Period will be a Regular Distribution Date or a Distribution Diversion Date, and the entitlement of holders of Scotia BaTS, will have been determined.
- (3) The Dividend Declaration Resumption Month is only relevant if the Trust fails to pay the Indicated Yield in full on the Scotia BaTS on any Regular Distribution Date.
- (4) These months are based on the current anticipated dates on which the Bank will declare dividends in 2000. In previous years, the Bank has declared dividends in November. While

there can be no certainty as to the actual date, it is currently anticipated that for 2001 and future years the Bank may revert to a November dividend declaration.

Voting Rights:

The Scotia BaTS are non-voting except in certain limited circumstances. See “Description of the Trust Securities — The Scotiabank Trust Securities — Voting Rights”.

Holder Exchange Right:

On June 30, 2011 and on any Distribution Date thereafter, each Scotia BaTS may, at the option of the holder on not less than 60 nor more than 90 days' prior written notice by the holder to the Trust and the Bank, be exchanged for one Bank Preferred Share Series Y. The right of a holder to exchange Scotia BaTS for Bank Preferred Shares Series Y is subject to the prior right of the Bank to arrange substituted purchasers therefor or, with Superintendent Approval, to purchase such Scotia BaTS for a purchase price, in each case, of a cash amount per Scotia BaTS equal to the Redemption Price and is subject to the prior right of the Trust, with Superintendent Approval, to redeem the Scotia BaTS upon payment in cash of an amount per Scotia BaTS equal to the Redemption Price. The Bank Preferred Shares Series Y pay semi-annual non-cumulative cash dividends as and when declared by the Board of Directors equal to \$36.55 per share and are convertible at the option of the holders into Bank Common Shares, provided that a Loss Absorption Event has not occurred and is then continuing, on the last day of June and December in each year commencing on June 30, 2011 on not more than 90 and not less than 60 days' prior written notice before the date fixed for conversion into that number of fully-paid and freely tradeable Bank Common Shares determined by dividing \$1,000, together with declared and unpaid dividends on the Bank Preferred Shares Series Y to the date of conversion, if any, by the greater of \$1.00 and 95% of the weighted average trading price of a Bank Common Share on the TSE during the 20 consecutive trading day period ending on the fourth trading day immediately prior to the date of conversion. See “Description of the Trust Securities — The Scotiabank Trust Securities — Holder Exchange Right”, “Description of the Trust Securities — The Scotiabank Trust Securities — Trust Redemption Right”, “Description of the Trust Securities — The Scotiabank Trust Securities — Capital Reorganizations and Amalgamations” and “Description of Bank Preferred Shares Series Y”.

Automatic Exchange:

Each Scotia BaTS will be exchanged automatically, without the consent of the holder thereof, for one Bank Preferred Share Series Y upon the occurrence of a Loss Absorption Event, being any one of the following: (i) an application for a winding-up order in respect of the Bank pursuant to the *Winding-up and Restructuring Act* (Canada) is filed by the Attorney General of Canada or a winding-up order in respect of the Bank pursuant to that Act is granted by a court; (ii) the Superintendent advises the Bank in writing that the Superintendent has taken control of the Bank or its assets pursuant to the Bank Act; (iii) the Superintendent advises the Bank in writing that the Superintendent is of the opinion that the Bank has a risk-based Tier 1 Capital ratio of less than 5.0% or a risk-based Total Capital ratio of less than 8.0%; or (iv) the Superintendent directs the Bank pursuant to the Bank Act to increase its capital or provide additional liquidity and the Bank elects to cause the exchange as a consequence of the issuance of such direction or the Bank does not comply with such direction to the satisfaction of the Superintendent within the time specified therein. The Automatic Exchange shall occur as of 8:00 a.m. (Eastern time) on the date that a Loss Absorption Event occurs. Following the Automatic Exchange, holders of Scotia BaTS will cease to have any claim or entitlement in relation to the Trust Assets. If, for any reason, the Automatic Exchange does not result in the exchange of all Scotia BaTS then outstanding

for Bank Preferred Shares Series Y, the Trust will redeem each Scotia BaTS not so exchanged for consideration consisting of one Bank Preferred Share Series Y. **If the Automatic Exchange were to occur and Bank Preferred Shares Series Y were issued in exchange for the Scotia BaTS, the cost-effective nature of the consolidated capital raised by the Bank through the issuance of the Scotia BaTS would be lost. Accordingly, it is in the interest of the Bank to ensure that a Loss Absorption Event does not occur, although the events that could give rise to a Loss Absorption Event may be beyond the Bank's control.** See "Description of the Trust Securities — The Scotiabank Trust Securities — Automatic Exchange" and "Description of the Bank Preferred Shares Series Y".

No Redemption at the Option of the Holder:

The Scotia BaTS are not redeemable at the option of the holder.

Trust Special Event Redemption Right:

Upon the occurrence of a Tax Event or a Capital Disqualification Event, in each case prior to June 30, 2005, the Scotia BaTS will, upon not less than 30 nor more than 90 days' prior written notice by the Trustee, with Superintendent Approval, be redeemable by the Trust at its option in whole (but not in part) and without the consent of the holders thereof, for a cash amount per Scotia BaTS equal to the Early Redemption Price, being the greater of: (i) the Redemption Price; and (ii) a price per Scotia BaTS calculated to provide an annual yield thereon to December 31, 2010 equal to the Government of Canada Yield (as defined herein) plus 0.35% determined on the Business Day immediately preceding the date on which the Trust has given notice of the redemption of the Scotia BaTS as a consequence of the exercise of the Trust Special Event Redemption Right plus the Unpaid Indicated Yield (the "Scotia BaTS Canada Yield Price"). For such purpose, the Government of Canada Yield means, on any date, the average of the yields determined by any two registered Canadian investment dealers selected by the Bank as being the annual yield to maturity on such date, compounded semi-annually, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on the date of redemption or termination, as the case may be, with a maturity date of December 31, 2010. See "Description of the Trust Securities — The Scotiabank Trust Securities — Trust Special Event Redemption Right".

Trust Redemption Right:

On June 30, 2005 and on any Distribution Date thereafter, the Trust may, with Superintendent Approval, at its option, upon not less than 30 nor more than 60 days' prior written notice, redeem the Scotia BaTS in whole (but not in part) and without the consent of the holders thereof, for a cash amount per Scotia BaTS equal to: (i) the Early Redemption Price if the redemption occurs prior to December 31, 2010; or (ii) the Redemption Price if the redemption occurs on or after December 31, 2010. See "Description of the Trust Securities — The Scotiabank Trust Securities — Trust Redemption Right".

Purchase for Cancellation:

On or after the date that is five years after the Closing Date, the Scotia BaTS may be purchased, in whole or in part, by the Trust, with Superintendent Approval, in the open market or by tender or private contract at any price. Scotia BaTS purchased by the Trust shall be cancelled and shall not be reissued.

Rights on Termination of the Trust:

As long as any Scotia BaTS are outstanding, the Trust may only be terminated with the approval of the Bank, as holder of the Special Trust Securities, and with Superintendent Approval: (i) upon the occurrence of a Special Event prior to June 30, 2005; or (ii) for any reason on June 30, 2005 or any

Distribution Date thereafter. The Declaration of Trust provides that holders of Scotia BaTS are not entitled to initiate proceedings for the termination of the Trust.

Pursuant to the Bank Share Exchange Agreement, the Bank has covenanted for the benefit of holders of Scotia BaTS that, as long as any Scotia BaTS are outstanding, the Bank will not approve the termination of the Trust unless the Trust has sufficient funds to pay the Early Redemption Price or the Redemption Price, as applicable. Holders of Scotia BaTS and the Bank and/or its affiliates, as holders of the Special Trust Securities, will rank *pari passu* in the distribution of the property of the Trust in the event of a termination of the Trust, after the discharge of the claims of creditors, if any. See “Description of the Trust Securities — The Scotiabank Trust Securities — Rights on Termination of the Trust.”

Additional Bank Covenants:

In addition to the Dividend Stopper Undertakings, the Bank has covenanted for the benefit of the holders of Scotia BaTS, pursuant to the Bank Share Exchange Agreement, that:

- (i) all of the outstanding Special Trust Securities will be held at all times, directly or indirectly, by the Bank;
- (ii) as long as any Scotia BaTS are outstanding, the Bank will not take any action to cause the termination of the Trust except as set forth under “Description of the Trust Securities — The Scotiabank Trust Securities — Rights on Termination of the Trust” and with Superintendent Approval; and
- (iii) the Bank will not assign or otherwise transfer its obligations under the Bank Share Exchange Agreement, except in the case of a merger, consolidation, amalgamation, reorganization or a sale of substantially all of the assets of the Bank.

Book-Entry Only Form:

The Scotia BaTS will be issued under the book-entry only system operated by The Canadian Depository for Securities Limited or its nominees (“CDS”) and must be purchased or transferred through participants (collectively, “Participants”) in the depository service of CDS. Participants include securities brokers and dealers, banks and trust companies. Accordingly, physical certificates representing the Scotia BaTS will not be available except in the limited circumstances described under “Description of the Trust Securities — The Scotiabank Trust Securities — Book-Entry Only Form”.

THE TRUST

General

The Trust is a closed-end trust established under the laws of the Province of Ontario by the Trustee pursuant to a Declaration of Trust. The Offering will provide investors with the opportunity to invest, through the holding of Scotia BaTS, in the Trust Assets and will provide the Bank with a cost-effective means of raising capital for Canadian bank regulatory purposes. All of the Special Trust Securities will be owned by the Bank, directly or indirectly. See “Description of the Trust Securities — The Special Trust Securities”. As a result of the Offering, the Trust will become a reporting issuer for the purposes of applicable securities laws in Canada and will be required, among other things, to make continuous disclosure filings with applicable securities regulatory authorities.

Business of the Trust

The Trust’s business objective is to acquire and hold the Trust Assets that will generate net income for distribution to holders of Trust Securities. The Initial Trust Assets will consist primarily of undivided co-ownership interests (“Mortgage Co-Ownership Interests”) in one or more pools of Canada Mortgage and Housing Corporation (“CMHC”) insured first mortgages on residential property situated in Canada, such as single family dwellings, duplexes, townhouses, condominium units or multiple-unit family dwellings (collectively, “Residential Mortgages”) originated by the Initial Sellers. The Initial Sellers will enter into one or more Mortgage Sales, Pooling and Servicing Agreements and Series 2000-1 Purchase Agreements (as defined herein) which, together, will provide for the transfer of co-ownership interests in Residential Mortgages and the Mortgage Co-Ownership Interests. The Trust intends to acquire the Trust Assets primarily from the Bank and/or its affiliates. The Trust Assets will be serviced directly or indirectly by the Bank and/or its affiliates. The Trust will, from time to time, purchase additional Eligible Trust Assets out of proceeds received in connection with the Trust Assets. The price of any Trust Asset purchased by the Trust is intended to be equal to the fair market value thereof. See “Business of the Trust — Description of Initial Trust Assets”.

Capitalization

As a newly-formed entity, the Trust has no prior operating history. Immediately after the issuance by the Trust of the Scotia BaTS pursuant to the Offering, the subscription by the Bank for the Special Trust Securities and the purchase by the Trust of the Initial Trust Assets, the Trust will have approximately \$613,000,000 in Trust Assets, \$500,000,000 of capital attributable to the Scotia BaTS, \$120,000,000 of capital attributable to the Special Trust Securities less \$7,000,000 of estimated issue-related costs. See “Business of the Trust — Certain Transactions Incidental to the Offering”, “Capitalization of the Trust” and “Risk Factors”.

Conflicts of Interest

Due to the nature of the Trust’s relationship with the Bank and its affiliates, it is possible that conflicts of interest may arise with respect to certain transactions between the parties. It is intended that any agreements or transactions between the Trust, on the one hand, and the Bank or its affiliates, on the other hand, will be fair to all parties and consistent with market terms and conditions for such types of transactions. However, there can be no assurance that any such agreement or transaction will be on terms as favourable to the Trust as would have been obtained from unaffiliated third parties. See “Business of the Trust — Conflict of Interest Policies”.

Servicing of Trust Assets

The Trust Assets will be serviced directly or indirectly by the Bank and/or its affiliates. The Trust Assets will generally be acquired by the Trust on a fully-serviced basis. See “Business of the Trust — Description of Eligible Trust Assets — General”.

Administration and Advisory Agreement

The Trustee will enter into an administration and advisory agreement with the Bank (the “Administration and Advisory Agreement”) pursuant to which the Trustee will delegate certain of its duties in relation to the

Trust to the Bank. The Bank, in its role as advisor and administrative agent under the Administration and Advisory Agreement (the “Administrative Agent”), will provide the Trust advice and counsel with respect to the management of the Trust Assets and will administer the day-to-day operations of the Trust and provide other advice or counsel as may be requested from time to time by the Trust. The Administrative Agent may from time to time delegate or sub-contract all or a portion of its obligations under the Administration and Advisory Agreement to one or more of its affiliates. The Bank and certain of its affiliates and their respective personnel have substantial experience in mortgage finance and in the administration of Trust Assets. See “Business of the Trust — The Administrative Agent”.

Liquidity

The Trust will only borrow funds from the Bank pursuant to an unsecured credit facility extended by the Bank to the Trust (the “Credit Facility”) and will use borrowed funds only for the purposes of ensuring liquidity in the normal course of the Trust’s activities. The Bank will charge interest rates on any borrowings by the Trust that are not higher than prevailing market rates. See “Business of the Trust — Liquidity”.

RISK FACTORS

The purchase of Scotia BaTS is subject to certain risks including the following: (i) in certain specified circumstances, including at a time when the Bank’s financial condition is deteriorating or proceedings for the winding-up of the Bank have been commenced, the Scotia BaTS will be automatically exchanged for Bank Preferred Shares Series Y without the consent of the holders of Scotia BaTS and, as a result, holders of Scotia BaTS will have no claim or entitlement to the Trust Assets other than indirectly in their capacity as preferred shareholders of the Bank; (ii) there can be no assurance that the income of the Trust from the Trust Assets will be sufficient to pay the Indicated Yield on the Scotia BaTS in full on Regular Distribution Dates; (iii) there can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Trust’s ability to pay the Indicated Yield on the Scotia BaTS in full on Regular Distribution Dates; (iv) the ownership of shares of the Bank is subject to certain restrictions; (v) the Trust will be dependent in virtually every phase of its operations on the diligence and skill of the Bank or its sub-contractors and delegates under the Administration and Advisory Agreement and the Bank and its Mortgage Subsidiaries as Servicer; (vi) there can be no assurance that an active trading market in the Scotia BaTS will develop or be sustained or that the Scotia BaTS may be resold at or above the initial public offering price; (vii) the Indicated Yield is non-cumulative and, as a result, if the Indicated Yield is not paid on a Distribution Date by reason of the occurrence of a Distribution Diversion Event, a holder of Scotia BaTS will not be entitled to receive such Indicated Yield subsequently; and (viii) the Scotia BaTS have no fixed final maturity date and holders of Scotia BaTS have no right to call for the redemption of the Scotia BaTS. See “Risk Factors”.

GLOSSARY

In this prospectus, unless the context otherwise requires:

Accumulated Unpaid Indicated Yield means, at any time, an amount per Scotia BaTS equal to the Indicated Yield payable by the Trust thereon in respect of all previous Regular Distribution Dates remaining unpaid by the Trust, if any.

Administration and Advisory Agreement means the agreement between the Trust and the Bank pursuant to which the Bank will serve as Administrative Agent to the Trust.

Administrative Action means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of an intention to adopt such procedures or regulations) by any legislative body, court, governmental authority or regulatory body having appropriate jurisdiction.

Administrative Agent means the Bank in its capacity as advisor and administrative agent to the Trust pursuant to the Administration and Advisory Agreement or any successor to the Bank in such capacity.

Automatic Exchange means the automatic exchange of each Scotia BaTS for one Bank Preferred Share Series Y upon the occurrence of a Loss Absorption Event.

Bank means The Bank of Nova Scotia.

Bank Act means the *Bank Act* (Canada), as amended from time to time.

Bank Common Shares means the Common Shares of the Bank.

Bank Exchange Rate means, in respect of the Bank Preferred Shares Series Y, the greater of \$1.00 and 95% of the weighted average trading price of a Bank Common Share on the TSE during the 20 consecutive trading day period ending on the fourth day prior to the date of conversion.

Bank Junior Preferred Shares means preferred or preference shares issued by the Bank ranking junior to the Bank Preferred Shares.

Bank Parity Preferred Shares means preferred or preference shares issued by the Bank ranking *pari passu* with the Bank Preferred Shares.

Bank Preferred Shares means the non-cumulative Preferred Shares of the Bank (including the Bank Preferred Shares Series Y).

Bank Preferred Shares Series Y means the non-cumulative Preferred Shares, Series Y of the Bank.

Bank Share Exchange Agreement means the Bank Share Exchange Trust Agreement between the Bank, the Trust and the Exchange Trustee providing for, among other things, the Dividend Stopper Undertakings and other covenants of the Bank as well as the respective rights and obligations of the Bank, the Trust and the holders of the Scotia BaTS with respect to the Subscription Right and with respect to the exchange of Scotia BaTS for Bank Preferred Shares Series Y in connection with the Exchange Provisions.

Board of Directors means the board of directors of the Bank.

Business Day means a day on which the Bank is open for business in the City of Toronto, other than a Saturday, Sunday or any statutory or civic holiday in Toronto, Ontario.

Capital Disqualification Event means a Tier 1 Capital Disqualification Event or a Total Capital Disqualification Event.

Capital Guidelines means the Canadian bank regulatory guidelines issued by the Superintendent or other governmental authority in Canada concerning the maintenance of adequate capital reserves by Canadian chartered banks, including the Bank, from time to time.

CBRS means CBRS Inc.

CDS means The Canadian Depository for Securities Limited and its nominees, or any successor thereto carrying on the business of a depository.

CDS Procedures mean the customary practices and procedures of CDS.

Closing Date means the date of closing of the Offering.

CMHC means Canada Mortgage and Housing Corporation.

Co-Owner means each person who acquires a co-ownership interest in the assets held by the Custodian.

Co-Ownership Assets means assets held by the Custodian from time to time on behalf of the co-owners.

Credit Facility means the credit facility to be provided by the Bank to the Trust.

Current Unpaid Indicated Yield means, at any time, an amount per Scotia BaTS equal to the unpaid Indicated Yield payable by the Trust thereon, if any, in respect of the current Distribution Period and, for purposes of calculating Early Redemption Price in respect of a Trust Special Event Redemption Right, "Current Unpaid Indicated Yield" means an amount per Scotia BaTS equal to the unpaid Indicated Yield from and including the preceding Distribution Period to but excluding the Trust Special Event Redemption Right redemption date.

Custodian means Montreal Trust Company of Canada as agent, nominee and bare trustee under the Mortgage Sales, Pooling and Servicing Agreements.

DBRS means Dominion Bond Rating Service Limited.

Declaration of Trust means the declaration of trust by the Trustee dated February 25, 2000 as amended and restated as of March 1, 2000 establishing the Trust and the rights, privileges, restrictions and conditions attached to the Trust Securities, as may be further amended and restated from time to time.

Deferred Income Plans means registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans and registered pension plans.

Distribution Date means the last day in June and December of each year commencing December 31, 2000, which will be either: (i) a Regular Distribution Date if the Bank declares Dividends in the Reference Dividend Declaration Month; or (ii) a Distribution Diversion Date if the Bank does not declare Dividends in the Reference Dividend Declaration Month.

Distribution Diversion Date means a Distribution Date, other than a Regular Distribution Date, on which the Indicated Yield on the Scotia BaTS is not payable by the Trust and, instead, the Bank as sole direct or indirect holder of the Special Trust Securities is entitled to receive the Net Distributable Funds of the Trust.

Distribution Diversion Event means the failure of the Bank to declare Dividends in a Reference Dividend Declaration Month, in which event the Distribution Date occurring on the day following the first Distribution Period commencing following such month shall be a Distribution Diversion Date.

Distribution Period means the periods from and including the Closing Date to but excluding December 31, 2000 and thereafter from and including each Distribution Date to but excluding the next following Distribution Date.

Dividend Declaration Months means the months in which the Bank ordinarily declares Dividends, from time to time, before giving effect to any stoppage of the declaration of Dividends pursuant to the Dividend Stopper Undertakings.

Dividend Declaration Resumption Month means the month commencing immediately after the third Dividend Declaration Month following the Trust's failure to pay the Indicated Yield in full on the Scotia BaTS, being the month in which the Bank may resume declaring dividends on the Dividend Restricted Shares.

Dividend Restricted Shares means, collectively, the Bank Preferred Shares, the Bank Parity Preferred Shares, the Bank Junior Preferred Shares and the Bank Common Shares, being the shares of the Bank that are subject to the Dividend Stopper Undertakings.

Dividend Stopper Undertakings means the undertakings of the Bank, for the benefit of the holders of Scotia BaTS which are set forth in the Bank Share Exchange Agreement, to refrain from declaring Dividends of any kind on the Dividend Restricted Shares until the Dividend Declaration Resumption Month in the event that, on any Regular Distribution Date, the Trust fails to pay the Indicated Yield in full on the Scotia BaTS.

Dividends means the regular cash dividends declared by the Bank on the Bank Preferred Shares, the Bank Parity Preferred Shares (if any), or, if no such shares are then outstanding, the Bank Junior Preferred Shares (if any), or if no such shares are then outstanding, on the Bank Common Shares in accordance with the Bank's ordinary dividend practice in effect from time to time.

Early Redemption Price means a cash amount per Scotia BaTS equal to the greater of: (i) the Redemption Price; and (ii) the Scotia BaTS Canada Yield Price.

Eligible Investments means money and any debt obligation that is a qualified investment under the Tax Act by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans, except where the qualification of such property contains conditions regarding the annuitant, the beneficiary, the employer or the subscriber under the plan unless the Trust is satisfied that such conditions are satisfied.

Eligible Trust Assets means Residential Mortgages, Mortgage Co-Ownership Interests, Mortgage-Backed Securities, Eligible Investments and certain contractual rights in respect of the business and operations of the Trust.

Exchange Provisions means, collectively, the Holder Exchange Right and the Automatic Exchange.

Exchange Trustee means Montreal Trust Company of Canada, as trustee for the holders of Scotia BaTS pursuant to the Bank Share Exchange Agreement.

Extraordinary Resolution means a resolution passed by the holders of Scotia BaTS representing not less than 66 $\frac{2}{3}$ % of the total number of outstanding Scotia BaTS represented and voted at a meeting of holders of Scotia BaTS at which quorum is present, or a resolution in writing signed by the holders of Scotia BaTS representing not less than 66 $\frac{2}{3}$ % of the outstanding Scotia BaTS.

Government of Canada Yield means, on any date, the average of the yields determined by any two registered Canadian investment dealers selected by the Bank as being the annual yield to maturity on such date, compounded semi-annually, which a non-callable Government of Canada Bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on the date of redemption or termination, as the case may be, with a maturity date of December 31, 2010.

Holder Exchange Right means the right of a holder of a Scotia BaTS, at its option, to exchange each Scotia BaTS for one Bank Preferred Share Series Y on June 30, 2011 and on any Distribution Date thereafter.

Indicated Yield means the non-cumulative fixed cash distribution per Scotia BaTS payable by the Trust on Regular Distribution Dates in the amount of \$36.55, except in the case of the Regular Distribution Date occurring on December 31, 2000, on which the Indicated Yield payable by the Trust will be \$54.27 assuming a Closing Date of April 4, 2000.

Ineligible Person means any person whose address is in, or whom the Bank or its transfer agent has reason to believe is a resident of, any jurisdiction outside of Canada to the extent that the issuance by the Bank to such person, pursuant to the Exchange Provisions, of Bank Preferred Shares Series Y would require the Bank to take any action to comply with securities, banking or analogous laws of such jurisdiction.

Initial Sellers means the Bank and/or its Mortgage Subsidiaries.

Initial Trust Assets means the Trust Assets to be acquired by the Trust from the Initial Sellers on the Closing Date pursuant to the Mortgage Sales, Pooling and Servicing Agreements and the Series 2000-1 Purchase Agreements.

Loss Absorption Event means an event giving rise to the Automatic Exchange, being the occurrence of any one of the following: (i) an application for a winding-up order in respect of the Bank pursuant to the *Winding-up and Restructuring Act* (Canada) is filed by the Attorney General of Canada or a winding-up order in respect

of the Bank pursuant to that Act is granted by a court; (ii) the Superintendent advises the Bank in writing that the Superintendent has taken control of the Bank or its assets pursuant to the Bank Act; (iii) the Superintendent advises the Bank in writing that the Superintendent is of the opinion that the Bank has a risk-based Tier 1 Capital ratio of less than 5.0% or a risk-based Total Capital ratio of less than 8.0%; or (iv) the Superintendent directs the Bank pursuant to the Bank Act to increase its capital or provide additional liquidity and the Bank elects to cause the automatic exchange as a consequence of the issuance of such direction or the Bank does not comply with such direction to the satisfaction of the Superintendent within the time specified therein.

Mortgage-Backed Securities means securities representing undivided co-ownership interests in a pool of Residential Mortgages.

Mortgage Co-Ownership Interests means undivided co-ownership interests in one or more pools of Residential Mortgages or Eligible Investments.

Mortgage Sales, Pooling and Servicing Agreements means one or more master Mortgage Sales, Pooling and Servicing Agreements between the Bank and the Initial Sellers as sellers and initial servicers and the Custodian as agent, nominee and bare trustee for and on behalf of such sellers, the co-owners as defined therein and persons who from time to time are parties to series purchase agreements providing for the transfer of and servicing of Mortgage Co-Ownership Interests.

Mortgage Subsidiaries means any or all of Scotia Mortgage Corporation and other subsidiaries of the Bank, from time to time, engaged in mortgage operations.

Net Distributable Funds means, at any time, the amount by which the sum of: (i) income and gains derived by the Trust from the Eligible Trust Assets; and (ii) amounts received by the Trust from the Bank that are designated by the Bank as such, in each case that have not previously been distributed to holders of Scotia BaTS or the Bank as holder of the Special Trust Securities, exceeds expenses of the Trust and any required reserves for expenses established by the Trust.

New Bank Preferred Shares means the new series of non-cumulative preferred shares of the Bank that may be created by the Bank as contemplated herein.

Offering means the offering of Scotia BaTS by the Trust pursuant to this prospectus.

Participants means the participants in the depository service of CDS.

Redemption Price means, at any time in respect of each Scotia BaTS, an amount equal to \$1,000 plus the Unpaid Indicated Yield thereon, if any.

Reference Dividend Declaration Month means, in respect of any Distribution Date (other than December 31, 2000), the most recent Dividend Declaration Month occurring prior to the commencement of the Distribution Period ended on the day preceding such Distribution Date, such months intended to be November and May in respect of Distribution Dates from June 30, 2001 forward and, in respect of the December 31, 2000 Distribution Date, the month of February, 2000.

Regular Distribution Date means a Distribution Date on which the Indicated Yield on the Scotia BaTS is payable by the Trust, by virtue of the Bank having declared Dividends in the Reference Dividend Declaration Month.

Residential Mortgages means CMHC-insured first mortgages on residential property situated in Canada such as single family dwellings, duplexes, townhouses, condominium units or multiple-unit family dwellings.

“S&P” means Standard & Poors Corporation.

Scotia BaTS mean the Scotiabank Trust Securities-Series 2000-1 to be issued by the Trust to investors in Canada pursuant to the Offering.

Scotia BaTS Canada Yield Price means a price per Scotia BaTS calculated to provide an annual yield thereon to December 31, 2010 equal to the Government of Canada Yield plus 0.35% determined on the Business Day immediately preceding the date on which the Trust has given notice of the redemption of the Scotia BaTS

(whether pursuant to the Trust Special Event Redemption Right or the Trust Redemption Right) or the Business Day immediately preceding the date of the termination of the Trust, as the case may be, plus the Unpaid Indicated Yield. For such purposes, it is assumed that the Indicated Yield will be paid on each Distribution Date to December 31, 2010.

Series 2000-1 Purchase Agreements means one or more Series 2000-1 Purchase Agreements among the Initial Sellers, the Custodian and the Trust providing for the transfer to the Trust of the Mortgage Co-Ownership Interests.

Servicer means, collectively, the Bank and its Mortgage Subsidiaries, in their respective capacities as servicer of the Trust Assets pursuant to the terms of the Mortgage Sales, Pooling and Servicing Agreements.

Significant Shareholder means any person who beneficially owns directly, or indirectly through entities controlled by such person or persons associated with or acting jointly or in concert with such person, shares of any class of the Bank in excess of 10% of the total number of outstanding shares of that class, provided that a person who, as a result of the exercise of the Holder Exchange Right, would become a Significant Shareholder through the acquisition of Bank Preferred Shares Series Y shall not be deemed to be a Significant Shareholder if such person has elected to concurrently convert all or any of such Bank Preferred Shares Series Y into Bank Common Shares with the result that such person, immediately following the effective date of exercise of the Holder Exchange Right, would, directly or indirectly, hold 10% or less of the total number of outstanding Bank Preferred Shares and Bank Common Shares respectively.

Special Event means a Tax Event or a Capital Disqualification Event, as the case may be.

Special Trust Securities mean the Special Trust Securities to be issued by the Trust to the Bank.

Subscription Agreement means an agreement between the Bank and the Trust pursuant to which the Bank subscribes for Special Trust Securities.

Subscription Right means the right of the Trust to require the Bank to issue to it, upon receipt of appropriate consideration therefor, sufficient number of Bank Preferred Shares Series Y to enable the Trust to allow it to redeem the Scotia BaTS, if any, remaining outstanding following the Automatic Exchange.

Superintendent means the Superintendent of Financial Institutions (Canada).

Superintendent Approval means the prior approval of the Superintendent in respect of an act or event which shall not, for greater certainty, be required in the case of an act or event constituting or arising as a consequence of a Total Capital Disqualification Event.

Tax Act means the *Income Tax Act* (Canada), as amended from time to time.

Tax Event means the receipt by the Bank of an opinion of a nationally recognized law firm in Canada experienced in such matters (who may be counsel to the Bank or the Trust) to the effect that, as a result of: (i) any amendment to, clarification of, or change (including any pronounced prospective change) in, the laws, or any regulations thereunder, of Canada or any political subdivision or taxing authority thereof or therein, affecting taxation; (ii) any Administrative Action; or (iii) any amendment to, clarification of, or change in, the official position or the interpretation of any Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective or such pronouncement or decision is announced on or after the date of issue of the Scotia BaTS, there is more than an insubstantial risk that: (x) the treatment of any of the Bank's or the Trust's items of income or expense (including the treatment by the Bank or the Trust of distributions made on the Trust Securities) as reflected in the tax returns filed (or to be filed) will not be respected by a taxing authority, which subjects the Bank or the Trust to more than a de minimis amount of additional taxes, duties or other governmental charges or civil liabilities; or (y) the Bank or the Trust is, or will be, subject to more than a de minimis amount of taxes, duties or other governmental charges or civil liabilities.

Termination Distribution Ratio means a fraction, the numerator of which is the value of the Trust Assets to be distributed to holders of Trust Securities in connection with a termination of the Trust and the denominator of which is an amount equal to the sum of: (i) the aggregate of the Early Redemption Price of all Scotia BaTS then outstanding (if the termination is as a result of action taken by the Bank and occurs prior to December 31, 2010) or the aggregate of the Redemption Price of all Scotia BaTS then outstanding (in all other cases); and (ii) the total invested amount of the Bank in respect of the Special Trust Securities then outstanding.

Tier 1 Capital Disqualification Event means the determination by the Bank, after consultation with the Superintendent, that the Scotia BaTS cannot be included in calculating the risk-based Tier 1 Capital of the Bank on a consolidated basis under the Capital Guidelines but that they can be included in calculating the risk-based Total Capital of the Bank on a consolidated basis under the Capital Guidelines.

Total Capital Disqualification Event means the determination by the Bank, after consultation with the Superintendent, that the Scotia BaTS cannot be included in calculating the risk-based Total Capital of the Bank on a consolidated basis under the Capital Guidelines.

Trust means BNS Capital Trust, the issuer of the Trust Securities.

Trust Assets means the Eligible Trust Assets held by the Trust from time to time.

Trust Redemption Right means the right of the Trust, at its option, to redeem all, but not less than all, of the Scotia BaTS at a price per Scotia BaTS equal to: (i) the Early Redemption Price, if the redemption occurs on June 30, 2005 or on any Distribution Date thereafter and prior to December 31, 2010; or (ii) the Redemption Price, if the redemption occurs on December 31, 2010 or on any Distribution Date thereafter, subject in each case to Superintendent Approval.

Trust Securities means, collectively, the Scotia BaTS and the Special Trust Securities.

Trust Special Event Redemption Right means the right of the Trust, at its option, to redeem all, but not less than all, of the Scotia BaTS at a price per Scotia BaTS equal to the Early Redemption Price upon the occurrence of a Special Event prior to June 30, 2005, subject to Superintendent Approval.

Trustee means Montreal Trust Company of Canada, trustee of the Trust.

TSE means The Toronto Stock Exchange.

Underwriters means, collectively, Scotia Capital Inc., TD Securities Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., Merrill Lynch Canada Inc., Goldman Sachs Canada Inc., HSBC Securities (Canada) Inc., and Trilon Securities Corporation.

Underwriting Agreement means the agreement dated March 22, 2000 between the Trust, the Bank and the Underwriters.

Unpaid Indicated Yield means, at any time, an amount per Scotia BaTS equal to the sum of the Accumulated Unpaid Indicated Yield and the Current Unpaid Indicated Yield.

U.S. Securities Act means the United States Securities Act of 1933, as amended.

Unless otherwise indicated, all dollar amounts in this prospectus are expressed in Canadian dollars.

THE TRUST

The Trust is a closed-end trust formed by the Trustee under the laws of Ontario pursuant to the Declaration of Trust. The Trust has been formed for the purposes of creating and selling the Trust Securities and acquiring the Trust Assets, which will generate income for distribution to holders of Trust Securities, and providing the Bank with a cost-effective means of raising capital for Canadian bank regulatory purposes.

It is expected that the Trust will acquire the Trust Assets from the Bank and/or its affiliates. However, the Trust may also from time to time acquire Trust Assets from unrelated third parties. Pursuant to the Administration and Advisory Agreement, the Trustee will delegate certain of its duties with respect to the Trust to the Bank as Administrative Agent. As Administrative Agent, the Bank will provide advice and counsel to the Trust and will administer the day-to-day operations of the Trust as set forth under “Business of the Trust — The Administrative Agent”. The Bank and/or its affiliates will service the Trust Assets in their collective role as Servicer under the Mortgage Sales, Pooling and Servicing Agreements. Immediately following the Offering, the Trust will have outstanding 500,000 Scotia BaTS and the Special Trust Securities. Pursuant to the Bank Share Exchange Agreement, the Bank has covenanted for the benefit of holders of Scotia BaTS that, for so long as any Scotia BaTS are outstanding, the Bank will maintain ownership, directly or indirectly, of 100% of the Special Trust Securities. For a further description of the operations of the Trust, see “Business of the Trust”.

As a result of the Offering, the Trust will become a reporting issuer for the purposes of applicable securities laws in Canada and will be required, among other things, to make continuous disclosure filings with applicable securities regulatory authorities.

The principal office of the Trust is located at 151 Front Street West, Suite 605, Toronto, Ontario M5J 2N1. The Trustee is an indirect wholly-owned subsidiary of the Bank.

The Trust is not a trust company and does not carry on business as a trust company and, accordingly, the Trust is not registered under the trust company legislation of any jurisdiction. Trust Securities are not “deposits” within the meaning of the *Canadian Deposit Insurance Corporation Act (Canada)* and are not insured under the provisions of that Act or any other legislation.

THE BANK

General

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 head office of the Bank is located at 1709 Hollis Street, Halifax, Nova Scotia and its executive offices are located at Scotia Plaza, 44 King Street West, Toronto, Ontario M5H 1H1.

In terms of total assets, the Bank was the fourth largest Canadian chartered bank as at its October 31, 1999 year end. The Bank is a full-service banking institution, active in both domestic and international markets. In Canada, the Bank provides a full range of retail, corporate, investment and wholesale banking services through its extensive network of branches and offices in all ten provinces and two of its territories. Outside Canada, the Bank has branches and offices in over 50 countries, which provide a wide range of banking and financial services, either directly or through subsidiary and associated banks, trust companies and other financial institutions.

Certain information regarding the Bank is incorporated by reference into this prospectus. See “Documents Incorporated by Reference”.

Limitations Affecting Holders of Bank Shares

The Bank Act contains restrictions on the allotment, transfer, acquisition, beneficial ownership, holding and voting of all shares of a chartered bank. By way of summary, no person, or persons acting jointly or in concert, shall have a significant interest in any class of shares of any “Schedule 1” bank, a category which includes the Bank. For the purposes of the Bank Act, currently, a person has a significant interest in a class of shares of a bank if the total number of shares of that class beneficially owned by that person and entities controlled by that person and by any person associated or acting jointly or in concert with that person exceeds or would thereby exceed 10% of the outstanding shares of that class. For greater certainty, a person who, as a result of the exercise of the Holder Exchange Right would become a Significant Shareholder by virtue of the acquisition of Bank

Preferred Shares Series Y shall not be deemed to be a Significant Shareholder if such person has elected to concurrently convert all or any of such Bank Preferred Shares Series Y into Bank Common Shares with the result that such person, immediately following the effective date of the exercise of the Holder Exchange Right, would, directly or indirectly, hold 10% or less of the total number of outstanding Bank Preferred Shares and Bank Common Shares, respectively. Purchasers of Scotia BaTS (and Participants) may be required to furnish declarations relating to ownership (and ownership by clients of such Participants) in a form prescribed by the Bank.

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

Capital Adequacy Requirements

The Bank Act requires the Bank to maintain adequate capital in relation to its operations. The Superintendent has established risk-based capital targets for Canadian chartered banks of 7% (Tier 1 Capital) and 10% (Total Capital). The Superintendent has issued guidelines concerning the maintenance of adequate capital (the “Capital Guidelines”) and has statutory authority pursuant to subsection 485(3) of the Bank Act to direct the Bank to increase its capital even if the Bank is in compliance with the Capital Guidelines. The Bank has no reason to believe that the Superintendent intends to direct the Bank to increase its capital. Pursuant to the Capital Guidelines, requirements are applied to the Bank on a consolidated basis including all subsidiaries except insurance subsidiaries or other regulated financial institutions whose leverage is inappropriate for a deposit-taking institution and which, because of their size, would have a material impact on the leverage of the consolidated entity.

The following table sets forth the risk-based Tier 1 Capital ratios and risk-based Total Capital ratios of the Bank as at the dates indicated:

	Risk-Based Tier 1 Capital ratio	Risk-Based Total Capital ratio
January 31, 2000	8.0%	11.7%
October 31, 1999	8.1%	11.9%
October 31, 1998	7.2%	10.6%
October 31, 1997	6.9%	10.4%
October 31, 1996	6.7%	8.9%
October 31, 1995	6.7%	9.6%

The Offering will provide the Bank with a cost-effective means of raising Tier 1 Capital for Canadian bank regulatory purposes. After giving effect to the proceeds of this Offering, the Tier 1 risk-based capital ratio and Total risk-based capital ratio levels of the Bank as at January 31, 2000, adjusted for such event, would have been 8.3% and 12.0% respectively.

The Bank has received approval from the Superintendent to include the Scotia BaTS as risk-based Tier 1 Capital of the Bank under the Capital Guidelines, subject to the Superintendent’s review of the documentation relating to the Offering.

BUSINESS OF THE TRUST

General and Capitalization

The Trust’s business objective is to acquire and hold Trust Assets that will generate income for distribution to holders of Trust Securities. As a newly-formed entity, the Trust has no prior operating history. Immediately after the issuance by the Trust of the Scotia BaTS pursuant to the Offering, the subscription by the Bank for the Special Trust Securities and the purchase by the Trust of the Initial Trust Assets, the Trust will have approximately \$613,000,000 in Trust Assets, \$500,000,000 of capital attributable to the Scotia BaTS and

\$120,000,000 of capital attributable to the Special Trust Securities less \$7,000,000 of estimated issue-related costs. See “Capitalization of the Trust”.

Certain Transactions Incidental to the Offering

Prior to or concurrently with the Closing Date, the Trust, the Bank, the relevant Mortgage Subsidiaries and the Trustee will engage in the transactions described below which are designed to facilitate the Offering and transfer to the Trust the Initial Trust Assets:

- (i) Prior to the Closing Date, the Trust will create the Scotia BaTS.
- (ii) Prior to the closing of the Offering, the Bank and the Trust will enter into the Subscription Agreement, pursuant to which the Trust will issue Special Trust Securities to the Bank and the Bank will pay \$120,000,000 on closing on account of the subscription price for the Special Trust Securities. See “Description of the Trust Securities — The Special Trust Securities”.
- (iii) Concurrently with the closing of the Offering, the Trustee will enter into the Administration and Advisory Agreement with the Bank, as Administrative Agent, pursuant to which the Bank will provide certain advice to the Trust and administer the day-to-day operations of the Trust. See “Business of the Trust — The Administrative Agent”.
- (iv) Concurrently with the closing of the Offering, the Initial Sellers will enter into one or more Mortgage Sales, Pooling and Servicing Agreements with the Custodian as agent, nominee and bare trustee and the Initial Sellers, the Trust and the Custodian will enter into the Series 2000-1 Purchase Agreements which, together, provide for the transfer and servicing of the Mortgage Co-ownership Interests.
- (v) Concurrently with the closing of the Offering, the Bank, the Trust and the Exchange Trustee, as trustee for the holders of the Scotia BaTS, will enter into the Bank Share Exchange Agreement providing for, among other things, the Dividend Stopper Undertakings, the Subscription Right and the respective rights and obligations of the Bank, the Trust and such holders with respect to the Subscription Right and with respect to the exchange of Scotia BaTS for Bank Preferred Shares Series Y in connection with the Exchange Provisions. See “Description of the Trust Securities — The Scotiabank Trust Securities — Bank Share Exchange Agreement”.
- (vi) Concurrently with the closing of the Offering, the Bank and the Trust will enter into the Credit Facility. See “Business of the Trust — Liquidity.”
- (vii) Immediately following the closing of the Offering on the Closing Date, the Trust will acquire the Initial Trust Assets from the Initial Sellers on a fully-serviced basis, for an aggregate purchase price equal to approximately \$613,000,000, pursuant to the terms of the Series 2000-1 Purchase Agreements.

Liquidity

The Trust will only borrow funds from the Bank pursuant to the Credit Facility extended by the Bank to the Trust and will use borrowed funds only for the purposes of ensuring liquidity in the normal course of the Trust’s business. The Bank will charge interest rates on any borrowings by the Trust that are not higher than prevailing market rates.

Description of the Initial Trust Assets

The Initial Trust Assets will consist primarily of Mortgage Co-Ownership Interests acquired by the Trust under the Mortgage Sales, Pooling and Servicing Agreements and the Series 2000-1 Purchase Agreements.

On the Closing Date, one or more Mortgage Sales, Pooling and Servicing Agreements will be entered into by the Initial Sellers, and the Custodian, as agent, nominee and bare trustee for the Initial Sellers and each person who acquires a co-ownership interest in the assets held by the Custodian (each, a “Co-Owner”), which will provide: (i) for the sale and conveyance by the Initial Sellers to the Custodian, as agent, nominee and bare trustee for the Initial Sellers and the Co-Owners from time to time under separate series purchase agreements (the first of which in respect of the Initial Trust Assets are the Series 2000-1 Purchase Agreements) of all of the Initial Sellers’ right, title and interest in pools of Residential Mortgages designated by the Initial Sellers; (ii) that the Custodian will hold such Residential Mortgages, the proceeds thereof and any additional assets acquired with such proceeds (collectively, the “Co-Ownership Assets”) as agent, nominee and bare trustee for the Initial

Sellers and each Co-Owner as undivided co-owners thereof; (iii) that the Initial Sellers as initial servicer will service the Co-Ownership Assets and remit collections thereof to the Custodian, or directly to an account for the applicable Co-Owner and, if replaced, shall pay the reasonable fees and expenses of any successor servicer; and (iv) the Custodian, or the servicer on its behalf, will perform certain other duties, including providing monthly reports to the Co-Owners on the performance of the Co-Ownership Assets and investing the proceeds of the Co-Ownership Assets in other Eligible Trust Assets on behalf of the Initial Sellers and the Co-Owners, as undivided co-owners. Pursuant to the Mortgage Sales, Pooling and Servicing Agreement, the Custodian will delegate to the Initial Sellers as initial Servicer substantially all of its duties in connection with the Co-Ownership Assets.

The Trust, the Initial Sellers and the Custodian will, on the Closing Date, enter into the Series 2000-1 Purchase Agreements in respect of the Initial Trust Assets which will provide, among other things, for: (i) the sale and conveyance to the Trust of a Mortgage Co-ownership Interest to be held by the Custodian on behalf of the Initial Sellers and the Co-Owners, as undivided co-owners; and (ii) the principal terms and attributes of such Mortgage Co-ownership Interest, including the right of the Trust to participate as an undivided co-owner in the income and gains derived therefrom and to receive its proportionate share of collections therefrom. The Residential Mortgages forming part of the Co-Ownership Assets will remain registered in the name of the Initial Sellers unless the Initial Sellers are replaced as servicer. It is expected that substantially all of the collections of principal from the Co-Ownership Assets held by the Custodian on behalf of the Initial Sellers and the Co-Owners, as undivided co-owners, will be invested by the Custodian on behalf of the Initial Sellers and the Co-Owners, as undivided co-owners, in additional Residential Mortgages acquired from the Bank and/or its affiliates.

Description of Eligible Trust Assets

General

The Trust Assets will consist of Residential Mortgages, Mortgage Co-Ownership Interests, Mortgage-Backed Securities and Eligible Investments and contractual rights in respect of the business and operations of the Trust (the “Eligible Trust Assets”). On the Closing Date, the Trust Assets will consist only of the Initial Trust Assets. Collections received in respect of Trust Assets will be reinvested in additional Eligible Trust Assets. The Trust Assets will consist primarily of Mortgage Co-Ownership Interests. The Trust intends to acquire the Trust Assets primarily from the Bank and/or its affiliates. The Trust Assets will be serviced directly or indirectly by the Bank and/or its affiliates. The price of any Trust Asset purchased by the Trust is intended to be equal to the fair market value thereof. The net income and gains received by the Trust from the Trust Assets will be distributed by way of payment of the aggregate Indicated Yield on the Scotia BaTS on Regular Distribution Dates. Any balance will be distributed to the Bank as holder of the Special Trust Securities. There can be no assurance that the net income and gains derived from the Trust Assets by the Trust, from time to time, will be sufficient to satisfy the Indicated Yield in full on the Scotia BaTS on any Regular Distribution Date. However, it is in the interest of the Bank to ensure, to the extent within its control, that the Trust complies with its obligation to pay the Indicated Yield on the Scotia BaTS on each Regular Distribution Date so as to avoid triggering the Dividend Stopper Undertakings. See “Description of the Trust Securities — The Scotiabank Trust Securities — Bank Dividend Stopper Undertakings” and “Risk Factors.”

Residential Mortgages

“Residential Mortgages” mean CMHC-insured first mortgages on residential property situated in Canada such as single family dwellings, duplexes, townhouses, condominium units or multiple-unit family dwellings. CMHC-insured mortgages are mortgages securing loans made by an approved lender in respect of which the principal amount is insured by CMHC as agent of the Government of Canada. The insurable amount of these mortgages is determined by CMHC and, under current regulations, the loans may be up to 95% of the lesser of the purchase price and the appraised value. These loans are generally drawn for a term of one to five years and have an amortization period which is generally between 25 and 30 years.

Mortgage Co-Ownership Interests

Mortgage Co-Ownership Interests are undivided co-ownership interests in one or more pools of Residential Mortgages.

Mortgage-Backed Securities

While no Mortgage-Backed Securities (as defined herein) will be included in the Initial Trust Assets, the Trust may from time to time acquire fixed-rate or variable-rate Mortgage-Backed Securities. “Mortgage-Backed Securities” mean securities representing undivided interests in a pool of Residential Mortgages. The Trust Assets underlying such Mortgage-Backed Securities will be secured by single-family residential properties located throughout Canada. The Trust intends to acquire only investment-grade Mortgage-Backed Securities. The Trust does not intend to acquire any interest-only, principal-only or high-risk Mortgage-Backed Securities.

Eligible Investments

To the extent that the proceeds of the Trust Assets are not invested in Residential Mortgages, Mortgage Co-Ownership Interests or Mortgage-Backed Securities, the Trust will invest any remaining proceeds in “Eligible Investments”, i.e. money and certain debt obligations that are qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans.

Conflict of Interest Policies

Due to the nature of the Trust’s relationship with the Bank and its affiliates, it is likely that conflicts of interest will arise with respect to certain transactions including, without limitation, the Trust’s acquisition of Trust Assets from, or disposition of Trust Assets to, the Bank and/or its affiliates. In addition, the entity acting as the Trustee, the Exchange Trustee and the Custodian is an indirect wholly-owned subsidiary of the Bank. It will be the Trust’s policy that the terms of any financial dealings with the Bank or any of its affiliates will be consistent with those available from third parties.

Conflicts of interest between the Trust and the Bank or its affiliates may also arise in connection with making decisions that bear upon the credit arrangements that the Bank or one of its affiliates may have with a borrower or in connection with actions taken by the Bank as the holder of the Special Trust Securities. It is intended that any agreements and transactions between the Trust, on the one hand, and the Bank or its affiliates, on the other hand, including, without limitation, the Mortgage Sales, Pooling and Servicing Agreements and the Administration and Advisory Agreement, will be fair to all parties and consistent with market terms and conditions for such types of transactions. The Mortgage Sales, Pooling and Servicing Agreements provide that dispositions of the Trust Assets are to be made with a view toward maximizing the recovery by the Trust as owner of the Trust Assets, and the Servicer shall service the Trust Assets solely with a view toward the interests of the Trust, and without regard to the interests of the Bank or any of its affiliates. However, there can be no assurance that any such agreement or transaction will be on terms as favourable to the Trust as would have been obtained from unaffiliated third parties.

The Administrative Agent

The Trustee will enter into the Administration and Advisory Agreement with the Bank, as Administrative Agent, pursuant to which the Trustee will delegate to the Bank certain of its obligations in relation to the administration of the Trust. The Bank and its affiliates and their respective personnel have substantial experience in mortgage finance and in the administration of assets such as the Trust Assets.

The Administrative Agent will, at the request of the Trustee, provide advice and counsel with respect to the acquisition, disposition and origination of Trust Assets, will administer the day-to-day operations of the Trust and such other matters as may be requested by the Trustee from time to time. The Administrative Agent may, from time to time, delegate or sub-contract all or a portion of its obligations under the Administration and Advisory Agreement to one or more of its qualified affiliates. The Administrative Agent will not, in connection with the delegation or sub-contracting of any of such obligations, be discharged or relieved in any respect from its obligations under the Administration and Advisory Agreement. The Administrative Agent will be entitled to receive a reasonable annual administration fee consistent with market terms and conditions.

The Administration and Advisory Agreement has an initial 10-year term and will be automatically renewed each year thereafter, subject to the right of the Trustee to terminate the Administration and Advisory Agreement at any time upon 90 days’ prior written notice upon the occurrence of one or more events generally

related to the failure of the Administrative Agent to perform its obligations under the Administrative and Advisory Agreement in a proper and timely manner.

As a result of the relationship between the Bank and the Trust, certain conflicts of interest may arise. See “Risk Factors — Dependence Upon the Bank as Administrative Agent”.

CAPITALIZATION OF THE TRUST

The following table sets forth the capitalization of the Trust as of the date of this prospectus and as adjusted to reflect the closing of the Offering, the issuance of the Special Trust Securities and the payment of the estimated issue-related costs.

	<u>Outstanding as at February 28, 2000</u>	<u>Outstanding as at February 28, 2000 after giving effect to the Offering</u>
Scotia BaTS	—	\$500,000,000
Special Trust Securities	—	120,000,000
Original Settlement Amount ⁽¹⁾	\$1,000	—
Estimated underwriting fee and expenses applicable to the Offering		<u>\$ (7,000,000)</u>
Trust Capital	<u>\$1,000</u>	<u>\$613,000,000</u>

(1) Amounts settled on the Trust’s formation.

The Superintendent has, to date, approved the contribution of up to \$125,000,000 by the Bank to the Trust.

DESCRIPTION OF THE TRUST SECURITIES

The Scotiabank Trust Securities

The following is a summary of the rights, privileges, restrictions and conditions attaching to the Scotia BaTS. This summary is qualified in its entirety by the provisions of the Declaration of Trust. For information concerning the Bank Preferred Shares Series Y into which the Scotia BaTS are, in certain circumstances, exchangeable as described below, see “Description of Bank Preferred Shares Series Y”. Holders of Scotia BaTS shall have no recourse to the assets of the Trustee in connection with any payments in respect of the Scotia BaTS.

Indicated Yield

Holders of Scotia BaTS will be entitled to receive the Indicated Yield, being a cash amount of \$36.55 per Scotia BaTS, on each Distribution Date unless the Bank fails to declare Dividends in the Reference Dividend Declaration Month. Each period from and including the Closing Date to but excluding December 31, 2000 and, thereafter from and including each Distribution Date to but excluding the next following Distribution Date will be a Distribution Period. **The initial Indicated Yield, payable on December 31, 2000, shall be \$54.27 per Scotia BaTS based on an anticipated Closing Date of April 4, 2000.**

The Indicated Yield is payable by the Trust on the Scotia BaTS on each Distribution Date that is a Regular Distribution Date. The determination of whether any Distribution Date is a Regular Distribution Date or a Distribution Diversion Date will depend on whether the Bank has declared Dividends in the Reference Dividend Declaration Month. The Reference Dividend Declaration Month in respect of any Distribution Date will be that Dividend Declaration Month closest to but preceding the commencement of the Distribution Period terminating on the day preceding such Distribution Date. If the Bank declares Dividends in the Reference Dividend Declaration Month, the Distribution Date in question will be a Regular Distribution Date, with the result that the Trust will be obligated to pay the Indicated Yield on the Scotia BaTS to the holders thereof and the Net Distributable Funds, if any, of the Trust following payment of the Indicated Yield, will be payable to the Bank as the sole holder of the Special Trust Securities. If the Bank fails to declare Dividends in such Reference Dividend Declaration Month, the Distribution Date in question will be a Distribution Diversion Date, with the result that the Trust will not be obligated to and will not pay the Indicated Yield on the Scotia BaTS and, instead, the Net Distributable Funds of the Trust will be payable to the Bank as holder of the Special Trust

Securities. On any Regular Distribution Date, in circumstances where the Net Distributable Funds of the Trust are insufficient to meet the obligation of the Trust to pay the Indicated Yield on all Scotia BaTS then outstanding, the Trust will, nevertheless, pay such portion of the Indicated Yield as may then be paid with such Net Distributable Funds and the amount of the Indicated Yield payable on such Regular Distribution Date and remaining unpaid shall form part of the Accumulated Unpaid Indicated Yield until such time as it is paid. Holders of Scotia BaTS shall have no right to sue the Trust to accelerate payment of that portion of the Indicated Yield payable on the Trust on a Regular Distribution Date, but not so paid, in excess of the Net Distributable Funds of the Trust on such Regular Distribution Date. Such amounts, which will form part of the Accumulated Unpaid Indicated Yield, will be paid by the Trust to the holders of Scotia BaTS at the time and in the manner provided herein.

Bank Dividend Stopper Undertakings

In the event that the Trust fails, on any Regular Distribution Date, to pay the Indicated Yield on the Scotia BaTS in full, the Bank has, pursuant to the Bank Share Exchange Agreement, covenanted for the benefit of holders of Scotia BaTS that it will not declare dividends of any kind on the Dividend Restricted Shares until the Dividend Declaration Resumption Month, being the month commencing immediately after the third Dividend Declaration Month following the Trust's failure to pay the Indicated Yield in full on the Scotia BaTS following the Regular Distribution Date in question, unless the Trust first pays such Indicated Yield (or the unpaid portion thereof) to holders of Scotia BaTS. Any Indicated Yield (or portion thereof) that the Trust fails to pay to the holders of Scotia BaTS on a Regular Distribution Date will form part of the Accumulated Unpaid Indicated Yield and is payable on the occurrence of any event giving rise to the obligation of the Trust or the Bank, as the case may be, to pay or cause the payment of the Early Redemption Price or the Redemption Price, as the case may be, as part of such price and not prior thereto. The first dividend in respect of the Dividend Restricted Shares declared by the Bank in or following the Dividend Declaration Resumption Month shall be paid by the Bank no earlier than would ordinarily be the case. **It is in the interest of the Bank to ensure, to the extent within its control, that the Trust pay the Indicated Yield on the Scotia BaTS on each Regular Distribution Date so as to avoid triggering the Dividend Stopper Undertakings.**

Set forth below is a table indicating the relationship among the Reference Dividend Declaration Month, the Distribution Period, the Distribution Date and the Dividend Declaration Resumption Month:

<u>Reference Dividend Declaration Month⁽¹⁾⁽⁴⁾</u>	<u>Commencement of Current Distribution Period⁽²⁾</u>	<u>Distribution Date</u>	<u>Dividend Declaration Resumption Month⁽³⁾</u>
February, 2000	April 4, 2000	December 31, 2000	November, 2001
December, 2000	December 31, 2000	June 30, 2001	May, 2002
May, 2001	June 30, 2001	December 31, 2001	November, 2002

- (1) The Reference Dividend Declaration Months are based on the Bank's current practice with respect to declaring Dividends. If such practice were to change in the future in terms of the timing or frequency of the declaration of Dividends, the Reference Dividend Declaration Months referred to above may change. However, the Reference Dividend Declaration Month in respect of any Distribution Date would, in all events, continue to be the Dividend Declaration Month closest to but preceding the commencement of the Distribution Period ended on the day preceding such Distribution Date.
- (2) Each Distribution Date is the last day of the Distribution Period which commences following the Reference Dividend Declaration Month with the result that, prior to the commencement of any Distribution Period, the question of whether the Distribution Date falling on the day immediately following such Distribution Period will be a Regular Distribution Date or a Distribution Diversion Date, and the entitlement of holders of Scotia BaTS, will have been determined.
- (3) The Dividend Declaration Resumption Month is only relevant if the Trust fails to pay the Indicated Yield in full on the Scotia BaTS on any Regular Distribution Date.
- (4) These months are based on the current anticipated dates on which the Bank will declare dividends in 2000. In previous years, the Bank has declared dividends in November. While there can be no certainty as to the actual date, it is currently anticipated that for 2001 and future years the Bank may revert to a November dividend declaration.

Holder Exchange Right

On June 30, 2011 and on any Distribution Date thereafter, each Scotia BaTS will be exchangeable, at the option of the holder upon not less than 60 nor more than 90 days' prior written notice by the holder to the Trust

and the Bank, for one Bank Preferred Share Series Y. The right of a holder to exchange each Scotia BaTS for one Bank Preferred Share Series Y, such shares to have an issue price of \$1,000 per share, pursuant to the exercise of the Holder Exchange Right is subject to the prior right of the Bank upon not less than two Business Days' written notice prior to the date fixed for exchange to arrange substituted purchasers therefor or, with Superintendent Approval, to purchase, in each case, for a purchase price in cash of an amount per Scotia BaTS equal to the Redemption Price, and is subject to the prior right of the Trust, with Superintendent Approval, to redeem the Scotia BaTS upon payment in cash of an amount per Scotia BaTS equal to the Redemption Price. The Bank Preferred Shares Series Y pay semi-annual non-cumulative cash dividends as and when declared by the Board of Directors equal to \$36.55 per share and are convertible at the option of the holder into Bank Common Shares, provided that a Loss Absorption Event has not occurred and is then continuing, on the last day of June and December in each year commencing June 30, 2011 on not more than 90 and not less than 60 days' prior written notice to the Trust and the Bank before the date fixed for conversion into that number of fully-paid and freely tradeable Bank Common Shares determined by dividing \$1,000, together with declared and unpaid dividends, if any, on the Bank Preferred Shares Series Y to the date of conversion by the greater of \$1.00 and 95% of the weighted average trading price of a Bank Common Share on the TSE during the 20 consecutive trading day period ending on the fourth trading day immediately prior to the date of conversion. Fractional Bank Common Shares will not be issued on the exchange but, in lieu thereof, the Bank will make cash payments. See "Description of Bank Preferred Shares Series Y".

As long as the Scotia BaTS are held in the CDS book-entry only system, beneficial owners of Scotia BaTS may exercise the Holder Exchange Right by providing instructions to the Participants through whom they hold Scotia BaTS, and such Participants will, through CDS, communicate such exchange instructions to the Exchange Trustee and may be required to include a declaration on behalf of any beneficial holder of Scotia BaTS purporting to exercise such Holder Exchange Right for the purpose of establishing whether any such beneficial holder would as a result of the exercise of the Holder Exchange Right be a Significant Shareholder or an Ineligible Person (as defined herein). Where a Scotia BaTS is not held in the CDS book-entry only system, the Holder Exchange Right may be effected by the registered holder of a Scotia BaTS depositing with the Trustee, within the time periods referred to above, a certificate representing the Scotia BaTS with a duly completed exchange panel in the form contemplated by the Declaration of Trust.

Concurrently with the exercise of the Holder Exchange Right, the holder of Scotia BaTS may elect to convert the Bank Preferred Shares Series Y to be received by it in connection with the exercise of the Holder Exchange Right into Bank Common Shares in accordance with the terms of the Bank Preferred Shares Series Y. Such election will, pursuant to the terms of the Bank Preferred Shares Series Y, constitute a valid conversion notice with the result that such holder will receive Bank Common Shares on the date that the Holder Exchange Right is effected provided that a Loss Absorption Event has not occurred and is then continuing. See "Description of Bank Preferred Shares Series Y — Conversion at the Option of the Holder".

Upon the exchange for Bank Preferred Shares Series Y pursuant to the Holder Exchange Right, the Bank reserves the right not to issue Bank Preferred Shares Series Y to any person whose address is in, or whom the Bank or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada (an "Ineligible Person"), to the extent that such issue would require the Bank to take any action to comply with securities, banking or analogous laws of such jurisdiction. In such circumstances, all Bank Preferred Shares Series Y that would otherwise be issued to Ineligible Persons will be delivered to the Exchange Trustee, as agent for Ineligible Persons, and the Exchange Trustee will attempt to sell such Bank Preferred Shares Series Y (to parties other than the Bank and its affiliates) on behalf of such Ineligible Persons. Such sales, if any, will be made at such times and at such prices as the Exchange Trustee may, in its sole discretion, determine. Neither the Bank, the Trustee or the Exchange Trustee will be subject to any liability for failure to sell such Bank Preferred Shares Series Y on behalf of any such Ineligible Persons or at any particular price on any particular day. The net proceeds received by the Exchange Trustee from the sale of any such Bank Preferred Shares Series Y will be divided among the Ineligible Persons in proportion to the number of Bank Preferred Shares Series Y that would otherwise have been issuable to them, after deducting the costs of sale, net of any applicable withholding taxes. The Exchange Trustee will provide a cheque representing the aggregate net proceeds to CDS (if the Scotia BaTS are then held in the book-entry only system) or to the Trustee (in all other cases) for distribution to such Ineligible Persons in accordance with CDS Procedures or otherwise. A similar procedure will be followed with respect to each person who by virtue of the exercise of the Holder Exchange Right (and the failure to concurrently convert a sufficient number of the Bank Preferred Shares Series Y into Bank Common Shares) would become a Significant Shareholder, but only to the extent of that number of Bank Preferred Shares Series Y in excess of the maximum number of Bank Preferred Shares Series Y that would be issued to such person pursuant to the Holder Exchange Right without such person becoming a Significant Shareholder.

Automatic Exchange

Each Scotia BaTS will be exchanged automatically (the “Automatic Exchange”), without the consent of the holder thereof, for one Bank Preferred Share Series Y upon the occurrence of a Loss Absorption Event, being any one of the following: (i) an application for a winding-up order in respect of the Bank pursuant to the *Winding-up and Restructuring Act* (Canada) is filed by the Attorney General of Canada or a winding-up order in respect of the Bank pursuant to that Act is granted by a court; (ii) the Superintendent advises the Bank in writing that the Superintendent has taken control of the Bank or its assets pursuant to the *Bank Act*; (iii) the Superintendent advises the Bank in writing that the Superintendent is of the opinion that the Bank has a risk-based Tier 1 Capital ratio of less than 5.0% or a risk-based Total Capital ratio of less than 8.0%; or (iv) the Superintendent directs the Bank pursuant to the Bank Act to increase its capital or to provide additional liquidity and the Bank elects to cause the exchange as a consequence of the issuance of such direction or the Bank does not comply with such direction to the satisfaction of the Superintendent within the time specified therein.

The Automatic Exchange shall occur as of 8:00 a.m. (Eastern time) on the date that a Loss Absorption Event occurs. As of the time of exchange, each holder of Scotia BaTS shall be deemed to have exchanged and transferred to the Bank all of such holder’s right, title and interest in and to its Scotia BaTS and shall cease to be a holder thereof and all rights of such holder as a securityholder of the Trust will cease and such person shall therefrom be deemed to be and shall be for all purposes a holder of Bank Preferred Shares Series Y. If, for any reason, the Automatic Exchange does not result in the exchange of all Scotia BaTS then outstanding for Bank Preferred Shares Series Y, the Trust will redeem each Scotia BaTS not so exchanged for consideration consisting of one Bank Preferred Share Series Y. The Trust will pursuant to the Subscription Right have the right to require the Bank to issue to it, upon receipt of appropriate consideration therefor, a sufficient number of Bank Preferred Shares Series Y to enable the Trust to allow it to redeem the Scotia BaTS, if any, remaining outstanding following the Automatic Exchange. As of the time of redemption, each holder of Scotia BaTS so redeemed shall cease to be a holder thereof and all rights of such holder as a securityholder of the Trust will cease and such person shall therefrom be deemed to be and shall be for all purposes a holder of Bank Preferred Shares Series Y unless payment in the form of Bank Preferred Shares Series Y is not made. It shall not be necessary for the Trust, in such circumstances, to provide any prior written notice of redemption to holders of Scotia BaTS. The Trust will acquire the Bank Preferred Shares Series Y required by it for purposes of such redemption, if any, from the Bank pursuant to the Subscription Right. The Bank will mail notice of the occurrence of the Loss Absorption Event to the Trustee within 10 days of such event.

Upon an Automatic Exchange or a redemption of the Scotia BaTS for Bank Preferred Shares Series Y, the Bank reserves the right not to issue Bank Preferred Shares Series Y to Ineligible Persons or to persons who would as a result of the Automatic Exchange become Significant Shareholders. The procedures to be followed in respect of the disposition of Bank Preferred Shares Series Y on behalf of such Ineligible Persons and on behalf of any person who would as a result of the Automatic Exchange become a Significant Shareholder will be as set forth under “Description of the Trust Securities — The Scotiabank Trust Securities — Holder Exchange Right”. For greater certainty, in the event of an Automatic Exchange, a holder of Scotia BaTS will not be entitled to concurrently convert all or any of the resulting Bank Preferred Shares Series Y into Bank Common Shares.

If the Automatic Exchange were to occur and Bank Preferred Shares Series Y were issued in exchange for Scotia BaTS as a result thereof, the cost-effective nature of the consolidated capital raised by the Bank through the issuance of the Scotia BaTS would be lost. Accordingly, it is in the interests of the Bank to ensure that a Loss Absorption Event does not occur, although the events that could give rise to a Loss Absorption Event may be beyond the Bank’s control.

Redemption at the Option of the Holder

The Scotia BaTS are not redeemable at the option of the holder.

Trust Special Event Redemption Right

Upon the occurrence of a Tax Event or a Capital Disqualification Event, in each case prior to June 30, 2005, the Scotia BaTS will, upon not less than 30 nor more than 90 days’ prior written notice by the Trustee, with

Superintendent Approval, be redeemable by the Trust at its option in whole (but not in part) and without the consent of the holders thereof, for a cash price per Scotia BaTS equal to the Early Redemption Price, being the greater of: (i) the Redemption Price; and (ii) the Scotia BaTS Canada Yield Price, being a price per Scotia BaTS calculated to provide an annual yield thereon to December 31, 2010 equal to the Government of Canada Yield plus 0.35% determined on the Business Day immediately preceding the date on which the Trust has given notice of the Redemption of the Scotia BaTS as a consequence of the exercise of the Trust Special Event Redemption Right plus the Unpaid Indicated Yield. The Government of Canada Yield means, on any date, the average of the yields determined by any two registered Canadian investment dealers selected by the Bank as being the annual yield to maturity on such date, compounded semi-annually, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on the date of redemption or termination, as the case may be, with a maturity date of December 31, 2010.

Trust Redemption Right

On June 30, 2005 and on any Distribution Date thereafter, the Trust may, with Superintendent Approval, at its option, upon not less than 30 nor more than 60 days' prior written notice, redeem the Scotia BaTS in whole (but not in part) and without the consent of the holders thereof, for a cash amount per Scotia BaTS equal to: (i) the Early Redemption Price if the redemption occurs prior to December 31, 2010; or (ii) the Redemption Price if the redemption occurs on or after December 31, 2010.

Purchase for Cancellation

On or after the date that is five years after the Closing Date, the Scotia BaTS may be purchased, in whole or in part, by the Trust, with Superintendent Approval, in the open market or by tender or private contract at any price. Scotia BaTS purchased by the Trust shall be cancelled and shall not be reissued.

Rights on Termination of the Trust

As long as any Scotia BaTS are outstanding, the Trust may only be terminated with the approval of the Bank and/or its affiliates, as the holders of the Special Trust Securities, and with Superintendent Approval: (i) upon the occurrence of a Special Event prior to June 30, 2005; or (ii) for any reason on June 30, 2005 or any Distribution Date thereafter. The Declaration of Trust provides that holders of Scotia BaTS are not entitled to initiate proceedings for the termination of the Trust.

Pursuant to the Bank Share Exchange Agreement, the Bank has covenanted for the benefit of holders of Scotia BaTS that, as long as any Scotia BaTS are outstanding, the Bank will not approve the termination of the Trust unless the Trust has sufficient funds to pay the Early Redemption Price or the Redemption Price, as applicable.

Holders of Scotia BaTS and holders of Special Trust Securities will rank *pari passu* in the distribution of the property of the Trust in the event of a termination of the Trust, after the discharge of claims of creditors, if any. The entitlement of the holder of each Scotia BaTS on a termination of the Trust will be determined by multiplying the Early Redemption Price (if the termination is as a result of action taken by the Bank and occurs prior to December 31, 2010) or the Redemption Price (in all other cases), in either case, by a fraction, the numerator of which is the value of the Trust Assets to be distributed to holders of Trust Securities and the denominator of which is an amount equal to the sum of: (i) the aggregate Early Redemption Price of all Scotia BaTS then outstanding (if the termination is as a result of action taken by the Bank and occurs prior to December 31, 2010) or the aggregate Redemption Price of all Scotia BaTS then outstanding (in all other cases); and (ii) an amount equal to the invested amount of the Bank and its affiliates in respect of all Special Trust Securities then outstanding (such fraction being the "Termination Distribution Ratio"). The entitlement of the Bank and/or its affiliates, as the holders of the Special Trust Securities, shall be determined by multiplying the invested amount of the Bank in respect of all Special Trust Securities then outstanding by the Termination Distribution Ratio.

Additional Bank Covenants

In addition to the Dividend Stopper Undertakings, the Bank has covenanted, for the benefit of holders of Scotia BaTS pursuant to the Bank Share Exchange Agreement, that:

- (i) all of the outstanding Special Trust Securities will be held at all times, directly or indirectly, by the Bank;
- (ii) as long as any Scotia BaTS are outstanding, the Bank will not take any action to cause the termination of the Trust except as set forth under “Description of the Trust Securities — The Scotiabank Trust Securities — Rights on Termination of the Trust” and only with Superintendent Approval; and
- (iii) the Bank will not assign or otherwise transfer its obligations under the Bank Share Exchange Agreement, except in the case of a merger, consolidation, amalgamation or reorganization or a sale of substantially all of the assets of the Bank.

Issue of Bank Preferred Shares Series Y in Connection with Exchange Provisions

All corporate action necessary for the Bank to issue Bank Preferred Shares Series Y pursuant to the Exchange Provisions will be completed prior to the closing of the Offering. The issuance of Bank Preferred Shares Series Y pursuant to certain of the Exchange Provisions is subject to approval, or the obtaining of an exemption, under applicable securities legislation in certain of the provinces and territories of Canada and Superintendent Approval. Applications for the foregoing approvals and exemptions have been or will be filed by the Bank.

Bank Share Exchange Agreement

Contemporaneously with the completion of the Offering, the Trust, the Bank and the Exchange Trustee, as trustee for the holders of the Scotia BaTS, will enter into the Bank Share Exchange Agreement providing for the Dividend Stopper Undertakings as well as the grant of certain rights and obligations relating to the Exchange Provisions and the Subscription Right. Pursuant to that agreement, the Bank will grant to the Exchange Trustee for the benefit of the holders of Scotia BaTS the Holder Exchange Right and the right to exchange Scotia BaTS for Bank Preferred Shares Series Y upon an Automatic Exchange and the Exchange Trustee on behalf of the holders of Scotia BaTS will grant to the Bank the right to exchange Scotia BaTS for Bank Preferred Shares Series Y upon an Automatic Exchange. Pursuant to the Bank Share Exchange Agreement, the Bank will covenant to take or refrain from taking certain actions so as to ensure that holders of Scotia BaTS will receive the benefit of the Exchange Provisions, including obtaining the requisite approval of holders of the Scotia BaTS to any amendment to the provisions of the Bank Preferred Shares Series Y (other than any amendments relating to the Bank Preferred Shares as a class).

Voting Rights

The Scotia BaTS are non-voting, except in the limited circumstances set forth in the Declaration of Trust involving changes to the terms and conditions of the Scotia BaTS. The Declaration of Trust provides that such terms and conditions may be changed if authorized by the holders of Scotia BaTS by way of Extraordinary Resolution. Any such change must be approved by the Bank and, in addition, any such change that would affect the status of the Scotia BaTS as capital of the Bank is subject to the Superintendent Approval. The term “Extraordinary Resolution” is defined in the Declaration of Trust to mean, in effect, a resolution passed by the holders of Scotia BaTS representing not less than 66 $\frac{2}{3}$ % of the total number of outstanding Scotia BaTS represented and voted at a meeting of holders of Scotia BaTS, or a resolution in writing signed by the holders of Scotia BaTS representing not less than 66 $\frac{2}{3}$ % of the outstanding Scotia BaTS. The quorum at any such meeting shall be one or more holders of Scotia BaTS present in person or represented by proxy and owning or representing not less than 25% of the aggregate number of Scotia BaTS then outstanding, provided that if a quorum is not present and the meeting is adjourned, at the meeting following such adjournment those holders present in person or represented by proxy shall constitute a quorum notwithstanding that they may represent less than 25% of the aggregate number of Scotia BaTS then outstanding. Notwithstanding the foregoing, the Trustee may, without the consent of holders of Scotia BaTS, execute instruments supplemental to the

Declaration of Trust and any other relevant instruments for certain limited purposes, including curing ambiguities or defects and making any modification that, in the opinion of the Trustee, would not be prejudicial to the interest of holders of Scotia BaTS and making such changes as may be required to conform with applicable regulatory requirements from time to time.

Capital Reorganizations and Amalgamations

In the event of a capital reorganization, merger or amalgamation of the Bank, the terms and conditions of the Scotia BaTS provide that holders of Scotia BaTS shall be entitled to receive pursuant to the Exchange Provisions, after such capital reorganization, merger or amalgamation, the number of Bank Shares or other securities or consideration of the Bank or of a corporation resulting, surviving or continuing from the capital reorganization, merger or amalgamation that such holder would have received had his or her Scotia BaTS been exchanged, pursuant to the Exchange Provisions, for Bank Preferred Shares Series Y immediately prior to the record date of the capital reorganization, merger or amalgamation. The entitlement of the Trust under the Subscription Right will be similarly adjusted.

Issue of Additional Trust Securities

The Trust may, at any time and from time to time, issue additional Special Trust Securities or Scotiabank Trust Securities of any series without the authorization of holders of Scotia BaTS. In the event that the Trust issues additional series of Scotiabank Trust Securities, the rights, privileges, restrictions and conditions attached to such additional series may vary materially from those of the Scotia BaTS. In such event, the rights of the holders of Scotia BaTS to receive the Indicated Yield from the Net Distributable Funds of the Trust on any Regular Distribution Date and the right of the holder of Scotia BaTS to receive property of the Trust on termination of the Trust may rank *pari passu* with the rights of the holders of Scotiabank Trust Securities of such other series.

Book-Entry Only Form

Except as otherwise provided below, the Scotia BaTS will be issued in “book entry only” form and must be purchased or transferred through Participants in the depository service of CDS. Participants include securities brokers and dealers, banks and trust companies. On the Closing Date, the Trust will cause a global certificate representing the Scotia BaTS to be delivered to, and registered in the name of, CDS. Except as described below, no holder of Scotia BaTS will be entitled to a certificate or other instrument from the Trust or CDS evidencing that holder’s ownership thereof, and no holder will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such holder. Each holder of Scotia BaTS will receive a customer confirmation of purchase from the registered dealer from which the Scotia BaTS 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 Scotia BaTS. If: (i) required to do so by applicable law or the rules of any securities exchange; (ii) the book-entry only system ceases to exist; (iii) the Trust determines that CDS is no longer willing or able to discharge properly the responsibilities as depository with respect to the Scotia BaTS and the Trust is unable to locate a qualified successor; or (iv) the Trust at its option elects, or is required by law, to withdraw the Scotia BaTS from the book-entry only system, then physical certificates representing the Scotia BaTS will be issued to holders thereof or their nominees.

None of the Bank, the Trustee or the Underwriters will assume any liability for: (i) any aspect of the records relating to the beneficial ownership of the Scotia BaTS held by CDS or the payments or deliveries relating thereto; (ii) maintaining, supervising or reviewing any records relating to the Scotia BaTS; or (iii) any advice or representation made by or with respect to CDS relating to the rules governing CDS or any action to be taken by CDS or at the direction of 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 Scotia BaTS must look solely to Participants, for payments or deliveries made by or on behalf of the Trust or the Bank to CDS in respect of the Scotia BaTS.

Transfers

Transfers of ownership of the Scotia BaTS will be effected only through records maintained by CDS for such Scotia BaTS with respect to interests of Participants and on the records of Participants with respect to interests of persons other than Participants. Holders of Scotia BaTS who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interests in the Scotia BaTS, may do so only through Participants. The ability of a holder to pledge Scotia BaTS or otherwise take action with respect to such holder's interest in Scotia BaTS (other than through a Participant) may be limited due to the lack of a physical certificate. See "Risk Factors — Liquidity of and Dealings in Scotia BaTS".

Payments and Deliveries

The Trust will make or cause to be made payments of the Indicated Yield in respect of Scotia BaTS to CDS as the registered holder of the Scotia BaTS and the Trust understands that such payments will be forwarded by CDS to Participants in accordance with the customary practices and procedures of CDS ("CDS Procedures"). Deliveries of Bank Preferred Shares Series Y in respect of the exercise or operation of the Exchange Provisions or upon a redemption of the Scotia BaTS by the Trust in the limited circumstances described under "Description of the Trust Securities — The Scotiabank Trust Securities — The Automatic Exchange" will be made by the Bank or the Trust, as the case may be, to CDS as the registered holder of the Scotia BaTS and the Bank and the Trust understand that such shares will be forwarded by CDS to Participants in accordance with CDS Procedures. As long as CDS is the registered owner of the Scotia BaTS, CDS will be considered the sole owner of the Scotia BaTS for the purposes of receiving payments on the Scotia BaTS or the delivery of Bank Preferred Shares Series Y upon the exercise or operation of the Exchange Provisions or upon a redemption of the Scotia BaTS by the Trust. As long as the Scotia BaTS are held in the CDS book-entry only system, the responsibility and liability of the Trustee and/or the Bank in respect of the Scotia BaTS is limited to making payment of any amount due on the Scotia BaTS and/or making delivery of Bank Preferred Shares Series Y in respect thereof to CDS or its nominee, as registered holder of Scotia BaTS.

The Special Trust Securities

Voting Rights

The Declaration of Trust provides that the Special Trust Securities are voting. Pursuant to the Declaration of Trust, holders of Special Trust Securities are entitled to vote in respect of, among other things: (i) the termination of the Trust as set forth under "Description of the Trust Securities — The Scotiabank Trust Securities — Rights on Termination of the Trust"; (ii) the removal and replacement of the Trustee; and (iii) the removal and replacement of the Administrative Agent.

Distributions

On any Regular Distribution Date, the Bank and/or its affiliates, as holders of the Special Trust Securities, shall be entitled to receive the Net Distributable Funds, if any, of the Trust remaining after payment of the Indicated Yield on the Scotia BaTS. On a Distribution Date that is a Distribution Diversion Date, the Bank, as sole holder of the Special Trust Securities, shall be entitled to receive the Net Distributable Funds of the Trust and no payment of the Indicated Yield shall be made on the Scotia BaTS.

Redemption

The Special Trust Securities are not redeemable at the option of the Trust or at the option of the holder.

Rights on Termination of the Trust

In the event of a termination of the Trust, after the discharge of the obligations of the Trust to creditors, the Bank and/or its affiliates, as holders of the Special Trust Securities, will be entitled to participate, *pari passu* with the holders of the Scotia BaTS, in the distribution of the remaining property of the Trust. On a termination of the Trust, the Bank, as holder of the Special Trust Securities, will be entitled to receive an amount equal to the

invested amount of the Bank in respect of all Special Trust Securities then outstanding multiplied by the Termination Distribution Ratio.

DESCRIPTION OF BANK PREFERRED SHARES SERIES Y

Certain Provisions of the Bank Preferred Shares as a Class

The authorized capital of the Bank includes non-cumulative preferred share capital (“Bank Preferred Shares”) consisting of an unlimited number of shares without nominal or par value issuable in series, the aggregate consideration for which shall not exceed \$4,000,000,000. The directors of the Bank may divide any unissued Bank Preferred Shares into series and fix the number of shares in each series and the rights, privileges, restrictions and conditions thereof.

Priority

The Bank Preferred Shares of each series will rank on a parity with Bank Preferred Shares of every other series and are entitled to preference over the Bank Common Shares and over any other shares of the Bank ranking junior to the Bank 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 the Bank Preferred Shares, any other class of shares ranking prior to or on a parity with the Bank Preferred Shares, increase the authorized number of Bank Preferred Shares or amend the provisions attaching to the Bank Preferred Shares.

Shareholder Approval

Any approval to be given by the holders of the Bank Preferred Shares 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 the outstanding Bank Preferred Shares at which a majority of the outstanding Bank Preferred Shares is represented or, if no quorum is present at such meeting, at any adjourned meeting at which quorum requirements would apply.

Description of Bank Preferred Shares Series Y

Issue Price

The Bank Preferred Shares Series Y will have an issue price of \$1,000 per share.

Dividends

The holders of the Bank Preferred Shares Series Y will be entitled to receive semi-annual non-cumulative preferential cash dividends, as and when declared by the Board of Directors of the Bank, equal to \$36.55 per share, payable on the last day of June and December in each year. If the Board of Directors does not declare the dividends, or any part thereof, on the Bank Preferred Shares Series Y on or before the dividend payment date for a particular semi-annual period, then the rights of the holders of Bank Preferred Shares Series Y to receive such dividends, or to any part thereof, for such semi-annual period shall be forever extinguished.

Redemption

The Bank Preferred Shares Series Y will not be redeemable prior to December 31, 2010. On and after December 31, 2010, but subject to the provisions of the Bank Act and the prior approval of the Superintendent and the provisions described below under “Description of the Bank Preferred Shares Series Y — Restrictions on Dividends and Retirement of Shares”, the Bank may redeem at any time all, or from time to time any part, of the outstanding Bank Preferred Shares Series Y, at the Bank’s option without the consent of the holder, by either:

- (a) the payment of an amount in cash for each such share so redeemed equal to \$1,000 together with the amount of declared and unpaid dividends to the date fixed for redemption; or

- (b) subject to the approval of any applicable stock exchange, the issuance and delivery of that number of fully-paid Bank Common Shares determined by dividing \$1,000, together with declared and unpaid dividends to the date fixed for redemption, if any, by the Bank Exchange Rate, being the greater of \$1.00 and 95% of the weighted average trading price of a Bank Common Share on the TSE during the 20 consecutive trading day period ending on the fourth day prior to the date specified for redemption. Fractional Bank Common Shares will not be issued on any redemption of Bank Preferred Shares Series Y but, in lieu thereof, the Bank will make cash payments.

Written 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 Bank Preferred Shares Series Y are at any time to be redeemed, the shares to be redeemed will be selected by lot or in such other manner as the Bank may determine. Reference is also made to “Description of the Bank Preferred Shares Series Y — Conversion of Bank Preferred Shares Series Y” and to “The Bank — Limitations Affecting Holders of Bank Shares”.

Upon exercise by the Bank of its right to redeem Bank Preferred Shares Series Y for Bank Common Shares, the Bank reserves the right not to issue Bank Common Shares to any person whose address is in, or whom the Bank or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Bank to take any action to comply with the securities, banking or analogous laws of such jurisdiction. See “The Bank — Limitations Affecting Holdings of Bank Shares”.

Conversion of Bank Preferred Shares Series Y at the Option of the Holder

Subject as set forth below, on the last day of June and December in each year (each, a “Conversion Date”), commencing June 30, 2011, each Bank Preferred Share Series Y will be convertible, at the option of the holder on not more than 90 and not less than 60 days’ prior written notice (which notice shall be irrevocable), into that number of whole fully-paid and freely tradeable Bank Common Shares determined by dividing \$1,000, together with the amount of declared and unpaid dividends to the date fixed for conversion, by the Bank Exchange Rate. In the event of the occurrence of a Loss Absorption Event or the issuance by the Superintendent of a direction pursuant to the Bank Act requiring the Bank to increase its capital or liquidity, in either case at any time or from time to time on or after March 31, 2011, the right of holders of Bank Preferred Shares Series Y to submit notice to the Bank of their intention to convert such shares into Bank Common Shares as aforesaid will be suspended until the Loss Absorption Event is no longer continuing or the Bank has complied, in full, with the terms and conditions of any such direction, as the case may be and conversion notices may thereafter only be submitted in respect of the second and subsequent Conversion Dates occurring after the cessation of such Loss Absorption Event or compliance with such direction, as the case may be, in accordance with the timing provisions referred to above. All notices of conversion delivered prior to the occurrence of the Loss Absorption Event or the issuance of such direction in respect of any Conversion Date falling after such occurrence or issuance shall be null and void. Rights of conversion under the terms of the Bank Preferred Shares Series Y shall be revived only in respect of the second Conversion Date next following the cessation of the Loss Absorption Event or Bank’s compliance, in full, with the terms and conditions of any such direction, as the case may be. The Bank will issue press releases notifying holders of Bank Preferred Shares Series Y as to the occurrence and cessation of any event giving rise to a suspension of the conversion privilege attached to the Bank Preferred Share Series Y. Any holder of Bank Preferred Shares Series Y that has submitted a conversion notice rendered null and void by the foregoing events will be required to submit a further conversion notice in order to subsequently convert such shares. The terms of the Bank Preferred Shares Series Y provide that a holder of Scotia BaTS exercising the Holder Exchange Right who wishes to immediately convert the Bank Preferred Shares Series Y to be so received into Bank Common Shares may do so provided that a Loss Absorption Event has not occurred and is then continuing by completing the conversion instructions contained in the exchange panel of such Scotia BaTS. In such circumstances, the conversion instructions so completed shall be deemed to constitute a valid conversion notice pursuant to the terms of the Bank Preferred Shares Series Y with the result that, upon issuance of the Bank Preferred Shares Series Y pursuant to the Holder Exchange Right, such shares shall be immediately converted into Bank Common Shares as aforesaid provided that a Loss Absorption Event has not occurred and is then continuing. Accordingly, the aforesaid holder of Scotia BaTS will, on the effective date of exercise of the Holder Exchange Right, receive Bank Common Shares if so elected. Fractional shares will not be issued on any conversion of the Bank Preferred Shares Series Y, but in lieu thereof the Bank will make cash payments.

The Bank, subject to the provisions of the Bank Act, including the requirement for Superintendent Approval, and to the provisions described below under “Description of the Bank Preferred Shares Series Y — Restrictions on Dividends and Retirement of Bank Preferred Shares Series Y”, as applicable, may by prior written notice given not later than 40 days before the date fixed for conversion to all holders who have given a conversion notice either: (i) redeem for cash on the Business Day after the date fixed for conversion all but not less than all of the Bank Preferred Shares Series Y forming the subject matter of the applicable conversion notice; or (ii) cause the holder of such Bank Preferred Shares Series Y to sell on the Business Day after the date fixed for conversion such Bank Preferred Shares Series Y to another purchaser or purchasers in the event that a purchaser or purchasers willing to purchase all but not less than all of such Bank Preferred Shares Series Y is or are found. Any such redemption or purchase shall be made by the payment of an amount in cash of \$1,000 per share, together with the amount of declared and unpaid dividends to the date fixed for redemption or purchase. In such event, the Bank Preferred Shares Series Y to be so redeemed or purchased shall not be converted on the date set forth in the conversion notice.

Upon exercise by the holder of its right to convert Bank Preferred Shares Series Y, the Bank reserves the right not to issue Bank Common Shares to any person whose address is in, or whom the Bank or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Bank to take any action to comply with the securities, banking or analogous laws of such jurisdictions. See also “The Bank — Limitations Affecting Holders of Bank Shares”.

Conversion into Another Series of Bank Preferred Shares at Option of the Holder

The Bank may, by resolution of its Board of Directors, constitute a further series of non-cumulative preferred shares of the Bank (the “New Bank Preferred Shares”) having rights, privileges, restrictions and conditions attaching thereto which would qualify such New Bank Preferred Shares as risk-based Tier 1 Capital or equivalent of the Bank under the then current Capital Guidelines if applicable, and if not applicable having such rights, privileges, restrictions and conditions as the Board of Directors may determine, provided that, in each case, such New Bank Preferred Shares do not constitute “short term preferred shares” under the Tax Act. In such event, the Bank may, with Superintendent Approval, give holders of the Bank Preferred Shares Series Y written notice that they have the right, pursuant to the terms of the Bank Preferred Shares Series Y, at their option, to convert their Bank Preferred Shares Series Y on the date specified in the notice into fully-paid New Bank Preferred Shares on a share for share basis. Notice shall be given by the Bank in writing not more than 60 days and not less than 30 days prior to such Conversion Date.

Upon exercise by the holder of this right to convert Bank Preferred Shares Series Y into New Bank Preferred Shares, the Bank reserves the right not to issue New Bank Preferred Shares to any person whose address is in, or whom the Bank or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Bank to take any action to comply with the securities, banking or analogous laws of such jurisdiction. See “The Bank — Limitations Affecting Holders of Bank Shares”.

Presentation for Conversion, Redemption or Sale

A conversion, redemption or sale to the Bank of Bank Preferred Shares Series Y will be effected by the holder transferring such holder’s Bank Preferred Shares Series Y to be converted, redeemed or sold, as the case may be, to the account of the Bank in CDS (or, in the event that the Bank Preferred Shares Series Y are not then issued in book-entry only form, by depositing with the transfer agent for the Bank Preferred Shares Series Y, at one of its principal offices, certificates representing such Bank Preferred Shares Series Y).

Purchase for Cancellation

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

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Bank, the holders of the Bank Preferred Shares Series Y shall be entitled to receive \$1,000 per share, together with the amount of declared and unpaid dividends to the date of payment before any amount shall be paid or any assets of the Bank distributed to the holders of Bank Common Shares or any shares ranking junior to the Bank Preferred Shares Series Y. The holders of the Bank Preferred Shares Series Y shall not be entitled to share in any further distribution of the property or assets of the Bank.

Restrictions on Dividends and Retirement of Shares

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

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

unless, in each case, all dividends on the Bank Preferred Shares Series Y, up to and including those payable on the dividend payment date for the last completed period for which dividends shall be payable shall have been declared and paid or set apart for payment in respect of each series of cumulative preferred shares of the Bank then issued and outstanding and on all other cumulative shares ranking on a parity with the Bank Preferred Shares and there shall have been paid or set apart for payment all declared dividends in respect of each series of non-cumulative preferred shares of the Bank (including the Bank Preferred Shares Series Y) then issued and outstanding and on all other non-cumulative shares ranking on a parity with the Bank Preferred Shares and in respect of which the rights of holders thereof have not been extinguished, and all dividends then accrued on all other shares ranking prior to or on a parity with the Bank Preferred Shares Series Y, have been declared and paid or set apart for payment.

Issue of Additional Series of Bank Preferred Shares

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

Amendments to Bank Preferred Shares Series Y

The Bank will not, without the approval of the holders of the Bank Preferred Shares Series Y and any holders of Scotia BaTS then outstanding given as described herein, delete or vary any rights, privileges, restrictions and conditions attaching to the Bank Preferred Shares Series Y. 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 Bank Preferred Shares Series Y from time to time for capital adequacy requirements pursuant to the Bank Act or the Capital Guidelines.

Shareholder Approvals

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to the Bank Preferred Shares Series Y 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 Bank Preferred Shares Series Y at which a majority of the outstanding

Bank Preferred Shares Series Y is represented or, if no quorum is present at meeting, at a meeting following such adjourned meeting at which no quorum would apply. Pursuant to the Bank Share Exchange Agreement, the Bank will covenant that for so long as the Scotia BaTS remain outstanding no amendment will be made to the rights, privileges, restrictions and conditions of the Bank Preferred Shares Series Y (other than any amendments relating to the Bank Preferred Shares as a class) without the prior approval of 66⅔% of the holders of the Scotia BaTS.

Voting Rights

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

Book-Entry Only Form

Unless the Bank elects otherwise, the Bank Preferred Shares Series Y will be issued in “book-entry only” form, and may be purchased, held and transferred in substantially the same manner as the Scotia BaTS. See “Description of the Trust Securities — The Scotiabank Trust Securities — Book-Entry Only Form”.

DESCRIPTION OF BANK COMMON SHARES

General

The authorized common share capital of the Bank includes an unlimited number of Bank Common Shares without nominal or par value the aggregate consideration for which shall not exceed \$5,000,000,000, of which 494,251,965 were outstanding as at October 31, 1999.

The holders of Bank Common Shares are entitled to vote at all meetings of the shareholders of the Bank except meetings at which only holders of a specified class or series of shares are entitled to vote. After payment to the holders of preferred shares of the Bank of the amount or amounts to which they may be entitled, and after payment of all outstanding debts, the holders of Bank Common Shares shall be entitled to receive the remaining property of the Bank upon the liquidation, dissolution or winding-up thereof. See also “The Bank — Limitations Affecting Holders of Bank Shares”.

Price Range and Trading Volume of Bank Common Shares

The Bank Common Shares are listed on the Toronto and Winnipeg stock exchanges as well as on the London stock exchange. The following table sets forth the market price range and trading volume of the Bank Common Shares on the TSE for the periods indicated.

		The Toronto Stock Exchange		
		Price Range ⁽¹⁾		Volume
		High	Low	
Fiscal 1997	1st Quarter	\$23.800	\$20.900	98,981,298
	2nd Quarter	28.550	24.200	119,566,718
	3rd Quarter	33.000	27.100	96,860,256
	4th Quarter	33.975	29.300	112,128,974
Fiscal 1998	1st Quarter	34.800	28.000	115,531,272
	2nd Quarter	43.050	32.375	95,925,308
	3rd Quarter	39.800	33.950	78,163,259
	4th Quarter	33.000	23.100	110,655,857
Fiscal 1999	1st Quarter	36.300	29.850	73,076,914
	2nd Quarter	36.600	30.350	77,523,753
	3rd Quarter	34.900	30.200	46,843,421
	4th Quarter	33.950	28.700	55,110,129
Fiscal 2000	1st Quarter	33.750	27.500	64,304,014
	February	30.400	27.550	24,324,718
	March 1 to 27 ⁽²⁾	31.150	26.150	28,386,043

(1) Prices and volume have been retroactively adjusted to reflect the two for one stock split on February 12, 1998.

(2) On March 27, 2000, the closing price of a Bank Common Share on the TSE was \$29.70.

Dividends Paid on Bank Common Shares

The Bank has paid a dividend on the Common Shares in each year since 1833. The following table sets forth the dividends paid or payable on the Common Shares for the financial periods of the Bank indicated.

	Dividends Paid ⁽¹⁾
1989	\$0.44
1990	0.50
1991	0.50
1992	0.52
1993	0.56
1994	0.58
1995	0.62
1996	0.65
1997	0.74
1998	0.80
1999	0.87
2000 First Quarter	0.24

(1) Dividends per Common Share have been restated to reflect the two for one stock split on February 12, 1998.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault, counsel to the Trust, and Fasken Martineau DuMoulin LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to the Trust and a holder of Scotia BaTS who acquires Scotia BaTS under the Offering and who, for purposes of the Tax Act at all relevant times, is resident or deemed to be resident in Canada, deals at arm's length and is not affiliated with the Bank and the Trust, holds the Scotia BaTS as capital property and is not exempt from tax under Part I of the Tax Act and does not hold the Scotia BaTS, any Bank Preferred Shares Series Y acquired on an exchange or redemption of Scotia BaTS or any Bank Common Shares in a Deferred Income Plan. This summary does not take into account (other than in respect of the Trust) the "mark-to-market" rules contained in the Tax Act which apply to certain financial institutions. Furthermore, the part of this summary dealing with the Bank Preferred Shares Series Y does not apply to 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 Bank Preferred Shares Series Y outstanding at the time a dividend is received.

The 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 investor. Consequently, investors are urged to consult their own tax advisers with respect to their particular circumstances.

This summary is based upon the current provisions of the Tax Act and the regulations issued thereunder, all specific proposals to amend the Tax Act and the regulations publicly announced by the Minister of Finance prior to the date hereof and counsel's understanding of the current administrative and assessing policies of the Canada Customs and Revenue Agency. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account any changes in law or administrative and assessing policies, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any other federal tax considerations or provincial, territorial or foreign tax considerations. With respect to the proposed amendments to the Tax Act and the regulations, no assurance can be given that the proposed amendments will become law as proposed or at all.

Scotia BaTS

Taxation of the Trust

In each taxation year of the Trust, the net income and net realized capital gains, if any, of the Trust as would otherwise be taxable in the Trust will be payable to holders of Scotia BaTS or the Bank as holder of the Special Trust Securities. Consequently, the Trust will not be liable for income tax under Part I of the Tax Act. Capital or income losses incurred by the Trust cannot be allocated to holders of the Scotia BaTS or the Bank as holder of the Special Trust Securities but may, subject to certain limitations, be deducted by the Trust from taxable capital gains or net income realized in other years.

As a registered investment, the Trust is potentially subject to special taxes under the Tax Act. The Trust intends to restrict its investments in a manner that it will not be subject to any of these special taxes.

The Tax Act provides for a special tax on the designated income of certain trusts which have designated beneficiaries. This special tax will not apply to the Trust.

Taxation of Holders of Scotia BaTS

Distributions

A holder of Scotia BaTS will be required to include in computing the holder's income for a taxation year all net income and net realized capital gains, if any, payable to the holder in such taxation year. Substantially all of the amounts payable to holders of Scotia BaTS are expected to be treated as income from a trust, rather than capital gains, for income tax purposes.

Disposition

A holder of Scotia BaTS who disposes of or is deemed to dispose of the Scotia BaTS 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 the Scotia BaTS to the holder thereof. A disposition or deemed disposition of a holder's Scotia BaTS will be considered to occur on, amongst other events: (a) an exchange of the Scotia BaTS for Bank Preferred Shares Series Y pursuant to the Exchange Provisions (on which event a holder's proceeds of disposition will be equal to the fair market value of the Bank Preferred Shares Series Y received on the exchange); (b) a redemption of the Scotia BaTS on the Trust Special Event Redemption Right or the Trust Redemption Right (on which event a holder's proceeds of disposition will be equal to the Early Redemption Price or the Redemption Price, as the case may be); and (c) a termination of the Trust.

Generally, two-thirds of any such capital gain will be included in computing the holder's income as a taxable capital gain and two-thirds of any such loss may be deducted from the holder's taxable capital gains in accordance with the rules contained in the Tax Act. Taxable capital gains of a Canadian-controlled private corporation may be subject to an additional refundable tax of 6 $\frac{2}{3}$ % of such taxable gains. Capital gains realized by an individual may give rise to alternative minimum tax under the Tax Act.

Exchange Provisions

The Bank and the Exchange Trustee have been advised by Scotia Capital Inc. and TD Securities Inc. that the value to holders of the Scotia BaTS of the Exchange Provisions is nominal. Accordingly, no gain will be realized by holders of Scotia BaTS upon the granting of such rights.

Bank Common Shares and Bank Preferred Shares Series Y

Dividends

Dividends (including deemed dividends) received on the Bank Common Shares or the Bank Preferred Shares Series Y by an individual will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. Dividends (including deemed dividends) on the Bank Common Shares or the Bank Preferred Shares Series Y received by a corporation will be included in computing its income and will generally be deductible in computing its taxable income.

The Bank Preferred Shares Series Y will be taxable preferred shares as defined in the Tax Act. The terms of the Bank Preferred Shares Series Y 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 received (or deemed to be received) on the Bank Preferred Shares Series Y.

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 or a related group of individuals, 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 Bank Common Shares or the Bank Preferred Shares Series Y to the extent such dividends are deductible in computing its taxable income.

Disposition

A holder of Bank Common Shares or Bank Preferred Shares Series Y who disposes of or is deemed to dispose of the Bank Common Shares or the Bank Preferred Shares Series Y (either on purchase for cancellation or redemption of the shares for cash or otherwise but not on a conversion of the Bank Preferred Shares Series Y) 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, acquisition or cancellation by the Bank of the Bank Common Shares or the Bank Preferred Shares Series Y will generally not be included in computing a holder's proceeds of disposition for purposes of computing the capital gain or loss arising on the disposition of such shares. 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. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. See “Scotia BaTS — Taxation of Holders of Scotia BaTS — Disposition” for a discussion of the tax treatment of capital gains or losses.

Redemption and Conversion

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

The conversion of the Bank Preferred Shares Series Y for Common Shares by either the Bank or the holder will be deemed not to be a disposition of property and accordingly will not give rise to any deemed dividend or capital gain or capital loss. The cost to a holder of Common Shares received on the conversion will, subject to the averaging rules, be deemed to be equal to the holder’s adjusted cost base of the Bank Preferred Shares Series Y so converted immediately before the conversion. A holder of Bank Preferred Shares Series Y who receives cash not exceeding \$200 in lieu of a fractional share will have the option of recognizing the capital gain or capital loss arising on the disposition of the fractional share in computing the holder’s income for the taxation year in which the conversion occurs, or alternatively, of reducing the adjusted cost base of the Common Shares received on the conversion by the amount of cash received by the holder.

The value of any Common Shares received on a conversion of Bank Preferred Shares Series Y in respect of declared and unpaid dividends will be included in a holder’s income as a dividend and will be the cost to the holder of such Common Shares. See “Dividends” above.

PLAN OF DISTRIBUTION

Pursuant to an agreement (the “Underwriting Agreement”) dated March 22, 2000 between the Trust, the Bank and the Underwriters, the Trust has agreed to sell, and the Underwriters have agreed to purchase, on April 4, 2000, or on such other date not later than May 4, 2000 as may be agreed upon all but not less than all of the 500,000 Scotia BaTS at a price of \$1,000 per Scotia BaTS, subject to the terms and conditions set forth therein. The Trust has agreed to pay to the Underwriters a fee per Scotia BaTS equal to \$10 with respect to Scotia BaTS sold to certain institutions and \$30 with respect to all other Scotia BaTS. Assuming that no Scotia BaTS are sold to such institutions, the aggregate Underwriters’ fee will be \$15,000,000.

The Underwriting Agreement also provides that the Underwriters may, at their discretion, terminate their obligations thereunder upon the occurrence of certain stated events.

The Offering is being made concurrently in all provinces and territories of Canada. The Scotia BaTS have not been and will not be registered under the *United States Securities Act of 1933*, as amended, (the “U.S. Securities Act”) and, subject to certain exceptions, may not be offered or sold within the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of Scotia BaTS within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption under the U.S. Securities Act.

Scotia Capital Inc., one of the Underwriters, is an indirect wholly-owned subsidiary of the Bank. As a result, each of the Bank and the Trust is a related issuer of Scotia Capital Inc. The terms of the Offering were negotiated at arm’s length between the Bank, the Trust and the Underwriters. Scotia Capital Inc. will not receive any benefit in connection with the Offering other than as described herein. TD Securities Inc., an underwriter in

respect of which the Trust and the Bank are not a related or connected issuer, participated in the due diligence, pricing and structuring of the Offering as well as in the preparation of this prospectus.

Pursuant to policy statements of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase Scotia BaTS. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSE 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 provided that the bid or purchase was not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, such securities. Pursuant to the first mentioned exception, in connection with this Offering and subject to applicable law, the Underwriters may effect the transactions which stabilize or maintain the market price of such securities at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

RATINGS

The Scotia BaTS are rated ‘A’ by DBRS, the third highest of five rating categories granted by DBRS for debt generally. The Scotia BaTS are rated A – by S&P, the third highest of ten rating categories granted by S&P for debt generally. The Scotia BaTS are rated P-2 by CBRS, the second highest of five rating categories granted by CBRS for preferred shares generally.

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

USE OF PROCEEDS

The gross proceeds to the Trust from the sale of the Scotia BaTS offered hereby will be \$500,000,000. The Trust will use the aggregate net proceeds received on closing of approximately \$613,000,000 in connection with both the Offering and the subscription by the Bank for the Special Trust Securities to purchase the Initial Trust Assets on a fully serviced basis from the Initial Sellers upon the closing of the Offering. See “Business of the Trust.”

The following table illustrates the use of the net proceeds received by the Trust on the Closing Date from the sale of the Scotia BaTS offered hereby and the subscription by the Bank for the Special Trust Securities described above.

Gross proceeds from the sale of Special Trust Securities to the Bank	\$120,000,000
Gross proceeds from the Offering	\$500,000,000
Estimated underwriting fee and expenses applicable to the Offering	(7,000,000)
Net proceeds to be applied to the purchase of the Trust Assets	<u>\$613,000,000</u>

MATERIAL CONTRACTS

The material contracts to be entered into by the Trust in connection with the Offering are as follows:

1. the Administration and Advisory Agreement described under “Business of the Trust — The Administrative Agent”;
2. the Mortgage Sales, Pooling and Servicing Agreements described under “Business of the Trust — Description of Initial Trust Assets”;
3. the Series 2000-1 Purchase Agreements described under “Business of the Trust — Description of Initial Trust Assets”;

4. the Bank Share Exchange Agreement described under “Description of the Trust Securities — The Scotiabank Trust Securities — Bank Share Exchange Agreement”;
5. the Credit Facility described under “Business of the Trust — Liquidity”;
6. the Underwriting Agreement described under “Plan of Distribution”;
7. the Declaration of Trust described under “The Trust”; and
8. the Subscription Agreement described under “Business of the Trust — Certain Transactions Incidental to the Offering”.

RISK FACTORS

Prospective investors should carefully consider the following information in conjunction with the other information contained in this prospectus before purchasing Scotia BaTS.

Automatic Exchange of Scotia BaTS for Bank Preferred Shares Series Y

The purchase of Scotia BaTS involves risk with respect to the performance and capital levels of the Bank. In the event of decline in the performance and capital levels of the Bank or the Bank becoming insolvent or bankrupt or resolving to wind-up or liquidate or being ordered wound-up or liquidated or the occurrence of any other event constituting a Loss Absorption Event, the Scotia BaTS will be automatically exchanged for Bank Preferred Shares Series Y, without the consent of the holders thereof, which shares would be an investment in the Bank and not in the Trust. As a result, holders of Scotia BaTS could become shareholders of the Bank at a time when the Bank’s financial condition was deteriorating or when the Bank had become insolvent or bankrupt or resolved to wind-up or had been ordered wound-up or liquidated or upon the occurrence of any other event constituting a Loss Absorption Event. An investment in the Bank is also subject to certain risks that are distinct from the risks associated with an investment in the Trust including the general risks inherent in equity investments in depository institutions. In the event of a liquidation of the Bank, the claims of depositors and creditors of the Bank would be entitled to a priority of payment over the claims of holders of equity interests such as the Bank Preferred Shares Series Y. As a result, if the Bank were to become insolvent or bankrupt or resolved to wind-up or was ordered wound-up or liquidated after the Automatic Exchange or if the Automatic Exchange were to occur after the insolvency of the Bank, the holders of the Bank Preferred Shares Series Y may receive, if anything, substantially less than the holders of the Scotia BaTS would have received had the Scotia BaTS not been exchanged for Bank Preferred Shares Series Y. In the event of the occurrence of the Automatic Exchange, with the result that the holder of a Scotia BaTS receives Bank Preferred Shares Series Y in exchange for such Scotia BaTS, such holder shall thereupon cease to have any direct claim or entitlement with respect to the assets of the Trust and the only claim or entitlement of such holder will be in its capacity as a shareholder of the Bank. Potential investors in the Scotia BaTS should carefully consider the description of the Bank set forth under “The Bank”. See also “Description of the Trust Securities — The Scotiabank Trust Securities — Automatic Exchange”.

Interest Rate Risk

The Trust’s income will consist primarily of interest payments on the Trust Assets held by it. Because the Indicated Yield in respect of the Scotia BaTS is fixed, there can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Trust’s ability to pay the Indicated Yield on the Scotia BaTS in full on each Regular Distribution Date. It is, however, in the Bank’s interest to ensure, to the extent within its control, that the Trust complies with its obligation to pay the Indicated Yield on the Scotia BaTS on each Regular Distribution Date to avoid triggering the Dividend Stopper Undertakings.

Restrictions on Ownership of Bank Shares

Under the Bank Act, no person, or persons acting jointly or in concert, is permitted to have a significant interest in the Bank. See “The Bank — Limitations Affecting Holders of Bank Shares”. Accordingly, the right of a holder to exchange all or some of the Scotia BaTS held by it may be restricted. In addition, certain holders of

Scotia BaTS who are to acquire Bank Preferred Shares Series Y upon the exercise or operation of the Exchange Provisions or Bank Common Shares upon the conversion of Bank Preferred Shares Series Y may have some or all of such shares disposed of on their behalf pursuant to the procedures referred to under “Description of the Trust Securities — the Scotiabank Trust Securities — Holder Exchange Right” and “Description of the Trust Securities — the Scotiabank Trust Securities — Automatic Exchange”. Furthermore, holders of Bank Preferred Shares Series Y who acquire Bank Common Shares upon conversion of such Bank Preferred Shares Series Y may be required to dispose of some or all of such Bank Common Shares.

Dependence Upon the Bank and its Affiliates

The Trust will be dependent for the selection, structuring and monitoring of the Trust Assets on the diligence and skill of the employees of the Bank as Administrative Agent. In addition, potential conflicts of interest may arise between the Trust and the Bank and its affiliates. See “Business of the Trust”. The Administrative Agent may also delegate or subcontract all or a portion of its obligations under the Administration and Advisory Agreement to one or more affiliates, and under certain conditions to non-affiliates, involved in the business of managing assets such as the Trust Assets. In the event that the Administrative Agent delegates or subcontracts its obligations in such a manner, the Administrative Agent will remain liable for its obligations under the Administration and Advisory Agreement. See “Business of the Trust — The Administrative Agent”.

The Trust will be dependent upon the expertise of the Servicer for the servicing of the Trust Assets. In addition, potential conflicts of interest may arise between the Trust and the Bank and its affiliates. The Servicer of the Trust Assets may also subcontract all or a portion of its obligations under the Mortgage Sales, Pooling and Servicing Agreements to one or more affiliates, and under certain conditions to non-affiliates, involved in the business of managing assets such as the Trust Assets. In the event that the Servicer subcontracts its obligations in such a manner, the Servicer will remain liable for its obligations under the Mortgage Sales, Pooling and Servicing Agreements.

The Trustee is a wholly-owned subsidiary of the Bank. See “The Trust”.

Liquidity of and Dealings in Scotia BaTS

There can be no assurance that an active trading market will develop or be sustained or that the Scotia BaTS may be resold at or above the initial public offering price. The ability of a holder to pledge Scotia BaTS or otherwise take action with respect to such holder’s interest in Scotia BaTS (other than through a Participant) may be limited due to the lack of a physical certificate.

Indicated Yield is Non-Cumulative

The Indicated Yield on the Scotia BaTS is non-cumulative. The Indicated Yield on the Scotia BaTS is payable by the Trust on each Regular Distribution Date out of Net Distributable Funds of the Trust. If the Indicated Yield on the Scotia BaTS for any Distribution Date is not paid by reason of the occurrence of a Distribution Diversion Event, holders of Scotia BaTS will not be entitled to receive such Indicated Yield. See “Description of the Trust Securities — The Scotiabank Trust Securities — Indicated Yield”.

Perpetual Nature of Scotia BaTS

The Scotia BaTS have no fixed final maturity date and holders of Scotia BaTS have no rights to call for the redemption of the Scotia BaTS.

PRINCIPAL HOLDERS OF SECURITIES

It is intended that, at all times following the Closing Date, the Bank and/or its affiliates will own all of the Special Trust Securities. See “Capitalization of the Trust” and “Use of Proceeds”.

INTERESTS OF THE BANK AND ITS AFFILIATES IN MATERIAL TRANSACTIONS

Pursuant to the Administration and Advisory Agreement, the Bank will provide certain advice to the Trust and will administer the day-to-day operations of the Trust. In addition, the Bank and its Mortgage Subsidiaries will service the Trust Assets pursuant to the Mortgage Sales, Pooling and Servicing Agreements. In addition, Scotia Capital Inc. is an affiliate of the Bank and will receive a portion of the underwriting fee payable by the Trust on account of services rendered in connection with the Offering. See “Plan of Distribution”.

The Bank and its affiliates may have interests which are not identical to those of the Trust. Consequently, conflicts of interest may arise with respect to transactions, including, without limitation, the sale of the Initial Trust Assets, future acquisitions and dispositions of the Trust Assets from or to the Bank and/or its affiliates, and the renewal, termination or modification of the Administration and Advisory Agreement or the Mortgage Sales, Pooling and Servicing Agreements. It is the intention of the Trust and the Bank that any agreements and transactions between the Trust, on the one hand, and the Bank and/or its affiliates, on the other hand, are fair to all parties and consistent with market terms and conditions, including the prices paid and received for Trust Assets or in connection with the servicing of Trust Assets.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon by McCarthy Tétrault, on behalf of the Trust and the Bank, and by Fasken Martineau DuMoulin LLP, on behalf of the Underwriters. The partners, counsel and associates of McCarthy Tétrault and Fasken Martineau DuMoulin LLP, respectively as a group, beneficially own, directly or indirectly, less than one per cent of any class of security issued by the Trust or the Bank. Arthur R.A. Scace, a partner of McCarthy Tétrault, is a director of the Bank.

TRANSFER AGENT AND REGISTRAR AND EXCHANGE TRUSTEE

Montreal Trust Company of Canada will be appointed as transfer agent, registrar and Exchange Trustee in respect of the Scotia BaTS. The Scotia BaTS will be issued in book-entry only form through CDS. See “Description of the Trust Securities — The Scotiabank Trust Securities — Book-Entry Only Form”. Subject to the CDS Procedures, registration and transfer of the Scotia BaTS may be effected at the principal office of Montreal Trust Company of Canada in Toronto.

AUDITORS

KPMG LLP, Chartered Accountants, Toronto, Ontario have been appointed as auditors of the Trust.

LEGAL PROCEEDINGS

Neither the Trust nor the Bank is involved in any litigation or arbitration proceedings which may have or have had during the twelve months prior to the date hereof a significant effect on the financial position of the Trust or the Bank and its subsidiaries, taken as a whole, nor is the Trust or the Bank aware that any such proceedings are pending or threatened.

PROMOTER

The Bank is the promoter of the Trust by reason of its taking the initiative in creating, structuring and promoting the Trust. The Bank will not receive any benefits, directly or indirectly, from the issuance of the Scotia BaTS other than as described in this prospectus. The Initial Sellers will sell the Initial Trust Assets to the Trust. See “Business of the Trust — Acquisition of the Initial Trust Assets”. The Bank will receive an administrative fee pursuant to the Administration and Advisory Agreement. The Servicer may receive a servicing fee.

Under the Administration and Advisory Agreement, the Bank will provide services required in connection with the offering of the Scotia BaTS and the ongoing operations, maintenance and regulatory compliance of the Trust.

The following are the names, municipality of residence, and offices of the officers of the Bank directly involved in its capacity as administrative agent of the Trust:

<u>Name and Municipality of Residence</u>	<u>Office</u>
Robert L. Brooks Oakville	Executive Vice-President and Group Treasurer
Lawrence R. Masterman Dundas	Vice-President, Financial Review
Marc C. Durocher Toronto	Vice-President, Capital and Mid-Term Funding
Michael J. Lomas Toronto	Assistant General Manager, Capital and Mid-Term Funding

Each of the officers of the Bank listed above has been engaged for more than five years in his present office or in other capacities within the Bank.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

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

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**UNAUDITED PRO FORMA
BALANCE SHEET
OF BNS CAPITAL TRUST**

(Prepared in Accordance with Accounting Principles
Generally Accepted in Canada)

See the Compilation Report and the notes accompanying
the unaudited pro forma balance sheet
for the basis of presentation.

COMPILATION REPORT

To The Trustee of BNS CAPITAL TRUST

We have reviewed, as to compilation only, the accompanying pro forma balance sheet of BNS Capital Trust as at February 28, 2000 which has been prepared for inclusion in the prospectus relating to the sale and issue of Scotiabank Trust Securities — Series 2000-1 of BNS Capital Trust. In our opinion, the pro forma balance sheet has been properly compiled to give effect to the proposed transactions and assumptions described in the accompanying notes thereto.

(Signed) KPMG LLP
Chartered Accountants

Toronto, Canada
March 28, 2000

BNS CAPITAL TRUST
PRO FORMA BALANCE SHEET
As at February 28, 2000
(unaudited)
(in thousands)

	<u>As at February 28, 2000</u>	<u>Pro Forma Adjustments</u>	<u>Notes</u>	<u>Pro Forma As at February 28, 2000</u>
Assets				
Cash	\$ 1	\$500,000	2(a)	\$
	-	(7,000)	2(b)	
	-	119,999	2(c)	
		(613,000)	2(d)	
Mortgage Co-Ownership Interests	-	613,000	2(d)	613,000
	<u>\$ 1</u>	<u>\$612,999</u>		<u>\$613,000</u>
Trust Capital				
Scotiabank Trust Securities —				
Series 2000-1	\$-	\$500,000	2(a)	\$500,000
Special Trust Securities	-	119,999	2(c)	120,000
		1	2(c)	
Original Settlement Amount	\$ 1	(1)	2(c)	-
Issue costs	-	(7,000)	2(b)	(7,000)
	<u>\$ 1</u>	<u>\$612,999</u>		<u>\$613,000</u>

See accompanying notes.

BNS CAPITAL TRUST
NOTES TO PRO FORMA BALANCE SHEET
February 28, 2000
(unaudited)
(in thousands of dollars except unit amounts)

1. Basis of Presentation

The pro forma balance sheet is based upon the audited balance sheet of BNS Capital Trust (the "Trust") as at February 28, 2000, adjusted to reflect the issue of Scotiabank Trust Securities-Series 2000-1, the issue of Special Trust Securities to The Bank of Nova Scotia (the "Bank"), the payment of estimated issue-related costs of \$7,000 and the purchase of the Initial Trust Assets, as defined in the accompanying prospectus, from the Bank and/or the Bank's affiliates.

The pro forma balance sheet has been prepared by management in accordance with accounting principles generally accepted in Canada.

The pro forma balance sheet should be read in conjunction with the audited balance sheet of the Trust as at February 28, 2000.

2. Pro Forma Assumptions and Adjustments

The pro forma balance sheet gives effect to the following transactions as if they had occurred on February 28, 2000:

- (a) the issue of 500,000 Scotiabank Trust Securities — Series 2000-1 for \$1,000 each, for total gross proceeds of \$500,000;
- (b) the payment of estimated costs, including underwriters' commission and expenses of the offering, relating to the issuance of the Scotiabank Trust Securities — Series 2000-1 of \$7,000;
- (c) the issue of Special Trust Securities to the Bank for total proceeds received on closing of \$119,999, plus the original settlement amount of \$1; and
- (d) the purchase of the Initial Trust Assets from the Bank and/or its affiliates totalling \$613,000.

**AUDITED BALANCE SHEET
OF BNS CAPITAL TRUST**

As at February 28, 2000

(Prepared in Accordance with Accounting Principles
Generally Accepted in Canada)

AUDITORS' REPORT

To The Trustee of BNS CAPITAL TRUST

We have audited the balance sheet of BNS Capital Trust (the "Trust") as at February 28, 2000. This financial statement is the responsibility of the administrative agent of the Trust. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the balance sheet is free of material misstatement. An audit of a balance sheet includes examining, on a test basis, evidence supporting the amounts and disclosures in that balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by the administrative agent, as well as evaluating the overall balance sheet presentation.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of the Trust as at February 28, 2000 in accordance with Canadian generally accepted accounting principles.

(Signed) KPMG LLP
Chartered Accountants

Toronto, Canada
March 28, 2000

BNS CAPITAL TRUST
BALANCE SHEET
As at February 28, 2000

Cash	<u>\$1,000</u>
Trust Capital	<u>\$1,000</u>

On behalf of the Administrative Agent of the Trustee:

LAWRENCE R. MASTERMAN

MICHAEL J. LOMAS

See accompanying notes

BNS CAPITAL TRUST
NOTES TO BALANCE SHEET
February 28, 2000

1. Establishment and Organization

BNS Capital Trust (the "Trust") is a closed-end trust formed on February 25, 2000 by Montreal Trust Company of Canada, an indirect wholly-owned subsidiary of The Bank of Nova Scotia (the "Bank"), pursuant to the Declaration of Trust. An amount of \$1,000 was settled on the Trust's formation and that amount will be held for the benefit of the beneficiaries. The Trust intends to make investments and to operate its business at all times in such a manner as to qualify as a registered investment under the provisions of the *Income Tax Act* (Canada). Unless otherwise noted, defined terms within this financial statement are consistent with those in the accompanying prospectus.

2. Trust Capital

(a) Authorized Trust Capital

The Trust's authorized capital consists of Special Trust Securities and an unlimited number of Scotiabank Trust Securities-Series 2000-1 ("Scotia BaTS"), of which 500,000 Scotia BaTS will be offered to the public pursuant to a prospectus dated March 28, 2000.

(b) Scotia BaTS

The Scotia BaTS are non-voting except in certain limited circumstances, and are not redeemable at the option of the holder.

The holders of Scotia BaTS will be entitled to non-cumulative fixed cash distributions of the Trust's income in the amount of \$36.55 ("Indicated Yield"), payable semi-annually on the last day of June and December of each year commencing December 31, 2000 provided that the Bank is paying dividends on its preferred shares of any series or, if no shares are then outstanding, on its common shares in accordance with ordinary Bank dividend practice.

On and after June 30, 2005 but subject to the prior approval of the Superintendent of Financial Institutions Canada (the "Superintendent"), the Scotia BaTS will be redeemable at the option of the Trust in whole (but not in part) and without the consent of the holders thereof, payable as specified in the accompanying prospectus.

Subject to the approval of the Superintendent, upon the occurrence of a Tax Event or a Capital Disqualification Event, as defined, prior to June 30, 2005, the Scotia BaTS will be redeemable at the option of the Trust in whole (but not in part) and without the consent of the holders thereof for a redemption amount as specified in the accompanying prospectus.

On and after June 30, 2011, each Scotia BaTS can be exchanged into one Bank Preferred Share Series Y ("Bank Preferred Share") at the option of the holder. The right of the holder to exchange Scotia BaTS for Bank Preferred Shares is subject to the prior rights of the Bank and the Trust, with the prior approval of the Superintendent, to arrange substitute purchasers therefor or to purchase such Scotia BaTS and the rights of the Trust to redeem the Scotia BaTS for a purchase price as specified in the accompanying prospectus.

Each Scotia BaTS will be automatically exchanged for one Bank Preferred Share without the consent of the holder thereof in certain defined circumstances.

(c) Special Trust Securities

The holders of the Special Trust Securities are entitled to vote at all meetings of the holders of Special Trust Securities.

For as long as any Scotia BaTS are outstanding, the Bank intends to maintain direct or indirect ownership of 100% of the outstanding Special Trust Securities.

Holders of Special Trust Securities will be entitled, after the payment of the Indicated Yield if due to holders of Scotia BaTS, to the Net Distributable Funds, as defined.

3. Related Party Transactions

The Trust has engaged Scotia Capital Inc., an indirect wholly-owned subsidiary of the Bank, and other underwriters to offer for sale to the public on a firm underwritten basis 500,000 Scotia BaTS pursuant to a prospectus dated March 28, 2000. Scotia Capital Inc. will receive a fee upon the issue of the Scotia BaTS.

The aggregate net proceeds of approximately \$613,000,000 received in connection with both the aforementioned offering of the Scotia BaTS and the Bank's subscription for Special Trust Securities will be used predominantly to purchase a co-ownership interest in a pool of residential mortgage assets (the "Trust Assets") from the Bank and/or its affiliates.

The Trust Assets will be serviced by the Bank and/or its affiliates collectively. Accordingly, the Bank and its affiliates will receive compensation in connection with the servicing of such Trust Assets. Further, the Trustee will enter into an Administration and Advisory

BNS CAPITAL TRUST
NOTES TO BALANCE SHEET
February 28, 2000 (Continued)

3. Related Party Transactions (Continued)

Agreement with the Bank pursuant to which the Bank will serve as administrative agent to the Trust. Accordingly, the Bank will receive an administration fee pursuant to such Administration and Advisory Agreement.

Montreal Trust Company of Canada is the Trustee and Custodian for the Trust and the Exchange Trustee for the holders of the Scotia BaTS.

4. Proposed Issue

Pursuant to an underwriting agreement dated March 22, 2000, the Trust proposes to issue 500,000 Scotia BaTS for gross proceeds of \$500,000,000. The underwriting commission and other expenses payable by the Trust are estimated at \$7,000,000.

Concurrently with the closing of such offering, the Bank, the Trust and Montreal Trust Company of Canada, as Exchange Trustee for the holders of the Scotia BaTS, will enter into the Bank Share Exchange Agreement providing for, among other things, the respective rights and obligations of the Bank, the Trust and the holders of the Scotia BaTS with respect to the exchange of Scotia BaTS for Bank Preferred Shares in connection with certain exchange provisions. Immediately following the closing of such offering, the Trust will acquire the Initial Trust Assets from the Bank and/or its affiliates on a fully-serviced basis for an aggregate purchase price equal to approximately \$613,000,000 pursuant to the terms of one or more Mortgage Sales, Pooling and Servicing Agreements and Series 2000-1 Purchase Agreements.

CERTIFICATE OF THE TRUST

Dated: March 28, 2000

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act, 1990* (Newfoundland), by the *Securities Act* (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus, as supplemented by the documents incorporated herein by reference, does not contain any misrepresentation that is likely to affect the value of the market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

BNS CAPITAL TRUST
by its Administrative Agent
THE BANK OF NOVA SCOTIA

By: (Signed) LAWRENCE R. MASTERMAN
Vice-President
Financial Review

By: (Signed) MICHAEL J. LOMAS
Assistant General Manager
Capital and Mid-Term Funding

CERTIFICATE OF THE BANK OF NOVA SCOTIA

Dated: March 28, 2000

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the Securities Act (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act, 1990* (Newfoundland), by the Securities Act (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus, as supplemented by the documents incorporated herein by reference, does not contain any misrepresentation that is likely to affect the value of the market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

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

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

On behalf of the Board of Directors:

(Signed) SIR GRAHAM DAY
Director

(Signed) E. KENDALL CORK
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: March 28, 2000

To the best of our knowledge, information and belief, the foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by the *Securities Act* (Nova Scotia), by Section 13 of the *Security Frauds Prevention Act* (New Brunswick), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of *The Securities Act, 1990* (Newfoundland), by the *Securities Act* (Northwest Territories), by the *Securities Act* (Yukon) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. To the best of our knowledge, information and belief, this prospectus, as supplemented by the documents incorporated herein by reference, does not contain any misrepresentation that is likely to affect the value of the market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

SCOTIA CAPITAL INC.

TD SECURITIES INC.

By: (Signed) MATTHEW FRANK

By: (Signed) J. DAVID BEATTIE

RBC DOMINION SECURITIES INC.

By: (Signed) MARIANNE HARRIS

BMO NESBITT BURNS INC.

CIBC WORLD MARKETS INC.

By: (Signed) THOMAS E. FLYNN

By: (Signed) PETER IRWIN

NATIONAL BANK FINANCIAL INC.

MERRILL LYNCH CANADA INC.

By: (Signed) IAN MCPHERSON

By: (Signed) PATRICK LEUNG

GOLDMAN SACHS CANADA INC.

By: (Signed) JAMES KIERNAN

HSBC SECURITIES (CANADA) INC.

TRILON SECURITIES CORPORATION

By: (Signed) JOHN PHILP

By: (Signed) TREVOR D. KERR

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

SCOTIA CAPITAL INC.: an indirect wholly-owned subsidiary of a Canadian chartered bank.

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

RBC DOMINION SECURITIES INC.: a direct wholly-owned subsidiary of a Canadian chartered bank;

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

CIBC WORLD MARKETS INC.: a wholly-owned subsidiary of a Canadian chartered bank;

NATIONAL BANK FINANCIAL INC.: an indirect wholly-owned subsidiary of a Canadian chartered bank;

MERRILL LYNCH CANADA INC.: a wholly-owned indirect subsidiary of Merrill Lynch & Co., Inc.;

GOLDMAN SACHS CANADA INC.: a wholly-owned subsidiary of The Goldman Sachs Group, L.P.;

HSBC SECURITIES (CANADA) INC.: a wholly-owned subsidiary of a Canadian chartered bank;

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

