

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States or to a U.S. Person. 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 Québec). Copies of the documents incorporated by reference may be obtained on request without charge from the Secretary's Department, The Bank of Nova Scotia, Scotia Plaza, 44 King Street West, Toronto, Canada M5H 1H1, (416) 866-3672.

Initial Public Offering

April 23, 2002

SCOTIABANK CAPITAL TRUST™
(a trust established under the laws of Ontario)

\$750,000,000

750,000 Scotiabank Trust Securities — Series 2002-1 (Scotia BaTS II™)

Scotiabank Capital Trust (the “Trust”) is an open-end trust established under the laws of Ontario by Computershare Trust Company of Canada (the “Trustee”) pursuant to a declaration of trust dated as of March 28, 2002, as amended and restated from time to time (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 2002-1, or “Scotia BaTS II”, each of which represents an undivided beneficial ownership interest in the Trust Assets, principally comprised of one senior deposit note (the “Bank Deposit Note”) issued by The Bank of Nova Scotia (the “Bank”). The Scotia BaTS II will constitute the first series of the class of Scotiabank Trust Securities (all Scotiabank Trust Securities, including the Scotia BaTS II, the “Scotiabank Trust Securities”) issued by the Trust. The Trust will also issue securities called Special Trust Securities (the “Special Trust Securities” and, collectively with the Scotiabank Trust Securities, the “Trust Securities”) to the Bank. See “Description of the Trust Securities”. 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 on the last day of June and December of each year (each, a “Distribution Date”) commencing June 30, 2002. On each Distribution Date that is a Regular Distribution Date, a holder of Scotiabank Trust Securities will be entitled to receive a non-cumulative fixed cash distribution (an “Indicated Yield”). The Indicated Yield per Scotia BaTS II will be \$33.13, representing an annual yield of 6.626% of the \$1,000 initial issue price. The initial Indicated Yield payable on June 30, 2002 in respect of the period from and including April 30, 2002 to but excluding June 30, 2002 will be approximately \$11.07 per Scotia BaTS II, based on an anticipated closing date of April 30, 2002 (the “Closing Date”). The Bank Deposit Note will bear interest at a fixed annual rate of 6.626%, payable in equal semi-annual instalments in arrears of \$33.13 for each \$1,000 principal amount of the Bank Deposit Note, on the last day of June and December of each year (each, a “Bank Deposit Note Interest Payment Date”) commencing June 30, 2002. Each Distribution Date will be either a Regular Distribution Date or a Distribution Diversion Date. A Distribution Date will be a Regular Distribution Date if the Bank has declared Dividends as described under “Description of the Trust Securities — Scotiabank Trust Securities — Indicated Yield”. On a Regular Distribution Date, the Trust will pay the Indicated Yield on the Scotia BaTS II and the holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust remaining after payment of the Indicated Yield. A Distribution Date will be a Distribution Diversion Date if the Bank has not declared Dividends on the basis described in this prospectus. In that case, although the Bank Deposit Note will pay interest to the Trust on the Bank Deposit Note Interest Payment Date, the Trust will not pay the Indicated Yield on the Scotia BaTS II; instead, it will pay the Net Distributable Funds, if any, as at such Distribution Diversion Date to the holder of the Special Trust Securities.

Price: \$1,000 per Scotia BaTS II

	<u>Price to the Public</u>	<u>Underwriters' Fee</u>	<u>Net Proceeds to the Trust⁽¹⁾</u>
Per Scotia BaTS II	\$1,000	\$10	\$990
Total	\$750,000,000	\$7,500,000	\$742,500,000

Note:

(1) The Offering expenses of the Trust, estimated at \$2,000,000, will be paid by the Trust from funds borrowed under the Credit Facility. See “The Trust — Liquidity”.

™ Trade marks of the Bank used under license by the Trust.

On June 30, 2007 and on any Distribution Date thereafter, the Trust, at its option, and with the prior approval (“Superintendent Approval”) of the Superintendent of Financial Institutions (Canada) (the “Superintendent”), may redeem any outstanding Scotia BaTS II, in whole or in part, without the consent of the holders, for an amount in cash per Scotia BaTS II equal to the Early Redemption Price, if the Scotia BaTS II are redeemed prior to June 30, 2012 and the Redemption Price, if the Scotia BaTS II are redeemed on or after June 30, 2012. See “Description of the Trust Securities — Scotiabank Trust Securities — Trust Redemption Right”.

Upon the occurrence of a Regulatory Event or a Tax Event (each, a “Special Event”), the Trust, at its option, and with Superintendent Approval, may redeem all but not less than all of the Scotia BaTS II, without the consent of the holders, for an amount in cash per Scotia BaTS II equal to the Early Redemption Price, if the Scotia BaTS II are redeemed prior to June 30, 2012, and the Redemption Price, if the Scotia BaTS II are redeemed on or after June 30, 2012. See “Description of the Trust Securities — Scotiabank Trust Securities — Trust Special Event Redemption Right”.

Holders of Scotia BaTS II will have the right at any time to exchange all or part of their Scotia BaTS II for newly issued non-cumulative Preferred Shares Series W of the Bank (“Bank Preferred Shares Series W”). See “Description of the Trust Securities — Scotiabank Trust Securities — Holder Exchange Right”. On and after December 31, 2012, so long as any Loss Absorption Event that has occurred is not then continuing, the Bank Preferred Shares Series W will be exchangeable, at the option of a holder, into common shares of the Bank (“Bank Common Shares”). See “Description of Share Capital of the Bank — Certain Provisions of the Bank Preferred Shares Series W and X”.

If a Loss Absorption Event were to occur, all of the then outstanding Scotia BaTS II will be automatically exchanged, without the consent of the holders, for newly issued non-cumulative Preferred Shares Series X of the Bank (“Bank Preferred Shares Series X”). See “Description of the Trust Securities — Scotiabank Trust Securities — Automatic Exchange”. On and after December 31, 2012, so long as any Loss Absorption Event that has occurred is not then continuing, the Bank Preferred Shares Series X will be exchangeable, at the option of a holder, into Bank Common Shares. See “Description of Share Capital of the Bank — Certain Provisions of the Bank Preferred Shares Series W and X”.

On and after June 30, 2007, the Scotia BaTS II may be purchased at any time, in whole or in part, by the Trust, at the direction of the holder of the Special Trust Securities. The purchases may be made in the open market or by tender or private contract at any price. Any such purchases will require Superintendent Approval. Scotia BaTS II purchased by the Trust will be cancelled and will not be reissued.

An investment in Scotia BaTS II could be replaced in certain circumstances, without the consent of the holder, by an investment in the Bank Preferred Shares Series X. 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 II is subject to certain risks. See “Risk Factors”. The Trust is a newly-formed entity and, accordingly, it is not possible to determine earnings coverages with respect to the Scotia BaTS II.

There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus.

The Trust is expected to be a registered investment for purposes of the *Income Tax Act* (Canada) (the “Tax Act”). So long as the Trust is a registered investment under the Tax Act, Scotia BaTS II will be qualified investments, and will not be foreign property, for Deferred Income Plans. See “Eligibility for Investment”.

The Underwriters, as principals, conditionally offer the Scotia BaTS II as described under “Plan of Distribution” and 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” and subject to the approval of certain legal matters on behalf of the Trust and the Bank by McCarthy Tétrault LLP and on behalf of the Underwriters by Torys 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, the Subscription Right, the Bank Common Share Exchange Right, the Bank Preferred Share Redemption Right and the Conversion Right.

Subscriptions for the Scotia BaTS II 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 April 30, 2002 or such later date as the Trust and the Underwriters may agree, but in any event not later than May 31, 2002. The Scotia BaTS II will be issued in “book-entry only” form and, accordingly, physical certificates representing Scotia BaTS II will not be available except in limited circumstances. See “Description of the Trust Securities — Scotiabank Trust Securities — Book-Entry Only Form”. Persons participating in this Offering may engage in transactions that stabilize, maintain or otherwise affect the price of the Scotia BaTS II. For a description of those activities, see “Plan of Distribution”.

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ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, counsel to the Trust, and Torys 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 investment or lending policies or goals and, in certain cases, the filing of such policies or goals, the Scotia BaTS II to be issued by the Trust, if issued on the date hereof, would not be precluded as investments under or by the following statutes:

Insurance Companies Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
Trust and Loan Companies Act (Canada)
Financial Institutions Act (British Columbia)
Insurance Act (Alberta)
Loan and Trust Corporations Act (Alberta)
Pension Benefits Act (Ontario)

Supplemental Pension Plans Act (Québec)
an Act respecting insurance (Québec) (other than
by a guarantee fund corporation)
*an Act respecting trust companies and savings
companies* (Québec) (for a trust company
investing its own funds and funds received as
deposits and for a savings company)

Based on certain factual information provided by the Trust and the Underwriters to counsel, at the time of closing, the Trust will qualify as a registered investment for purposes of the Tax Act effective from such time. In the opinion of such counsel, so long as the Trust is a registered investment under the Tax Act, the Scotia BaTS II will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans (each, a “Deferred Income Plan”). In addition, so long as the Trust is a registered investment under the Tax Act, the Scotia BaTS II will not be foreign property for purposes of Part XI of the Tax Act.

THE SCOTIA BaTS II, WHILE EXCHANGEABLE FOR THE BANK PREFERRED SHARES SERIES W AND THE BANK PREFERRED SHARES SERIES X, AS THE CASE MAY BE, WHICH, IN TURN, ARE EXCHANGEABLE UNDER CERTAIN CIRCUMSTANCES FOR BANK COMMON SHARES, DO NOT REPRESENT OBLIGATIONS OF OR INTERESTS IN, AND ARE NOT GUARANTEED OR INSURED BY, THE BANK OR COMPUTERSHARE TRUST COMPANY OF CANADA OR ANY OF THEIR RESPECTIVE AGENTS OR AFFILIATES. THE SCOTIA BaTS II ARE NOT INSURED OR GUARANTEED BY THE CANADA DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY OR INSTRUMENTALITY.

FORWARD-LOOKING STATEMENTS

This prospectus, including those documents incorporated by reference, includes forward-looking statements with respect to the Bank, including its business operations and strategy and financial performance and condition. These statements generally can be identified by the use of forward-looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “believe”, or “continue” or the negative thereof or similar variations. Although management believes that the expectations reflected in such forward-looking statements are reasonable and represent the Bank’s internal projections, expectations and belief at this time, such statements involve known and unknown risks and uncertainties which may cause the Bank’s actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from the Bank’s expectations include, among other things, general economic and market factors, including interest rates, business competition, changes in government regulations or in tax laws, difficulties in developing or enhancing new or existing distribution channels or products, and other factors discussed or referenced in the “Risk Factors” section. See “Risk Factors”.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents with respect to the Bank, filed with the various securities commissions or similar authorities in each of the provinces and territories of Canada, are specifically incorporated by reference in and form an integral part of this prospectus:

- (a) the Bank’s Annual Information Form dated December 5, 2001 which incorporates by reference management’s discussion and analysis of financial condition and results of operations for the year ended October 31, 2001 as contained in pages 5 to 42 inclusive of the Bank’s Annual Report for the year ended October 31, 2001;
- (b) the Bank’s consolidated financial statements as at and for the years ended October 31, 2001 and 2000 and the auditors’ report thereon;
- (c) the Bank’s Management Proxy Circular attached to the Notice of Meeting dated January 15, 2002, excluding the sections entitled “Statement of Corporate Governance Practices”, “Human Resources Committee Report on Executive Compensation” and “Share Performance Graph”; and
- (d) the Bank’s First Quarter 2002 Report to Shareholders which includes comparative consolidated interim financial statements for the period ended January 31, 2002 (unaudited) and the interim management’s discussion and analysis of financial condition and results of operations as at and for the three months ended January 31, 2002 contained in the sections entitled “Review of Operating Performance” and “Business Line Highlights”.

Any statement contained in this prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the 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 is not to 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 shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus. Copies of the documents incorporated by reference herein may be obtained on request without charge from the Secretary's Department of the Bank, Scotia Plaza, 44 King Street West, Toronto, Ontario M5H 1H1, (416) 866-3672. For the purpose of the Province of Québec, this prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may also be obtained from the Secretary's Department of the Bank.

SUMMARY

The following summary information should be read in conjunction with the full text of this prospectus and is qualified in its entirety by the more detailed information appearing elsewhere or incorporated by reference in this prospectus.

THE OFFERING

Issuer:	Scotiabank Capital Trust, an open-end trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust.
Offering	750,000 Scotiabank Trust Securities — Series 2002-1, being a series of a class of units of the Trust (each unit, a “Scotia BaTS II”).
Amount of Offering:	\$750,000,000
Price:	\$1,000 per Scotia BaTS II.
Ratings:	The Scotia BaTS II are rated “A” yn by Dominion Bond Rating Service Limited (“DBRS”) and A– by Standard & Poor’s Corporation (“S&P”). 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 net proceeds from the Offering of approximately \$740,500,000 will be used by the Trust to acquire the Bank Deposit Note from the Bank. The Bank, in turn, intends to use the proceeds from the issue of the Bank Deposit Note for general corporate purposes. The Bank expects that the proceeds from the sale of the Scotia BaTS II will be included in the Tier 1 capital of the Bank (assuming the Superintendent approves the inclusion of Scotia BaTS II as Tier 1 capital of the Bank). See “The Bank of Nova Scotia — Capital Adequacy Requirements” and “Use of Proceeds”.
Bank Deposit Note:	The Bank Deposit Note will bear interest at a fixed annual rate of 6.626%, payable in equal semi-annual instalments in arrears of \$33.13 per \$1,000 principal amount of the Bank Deposit Note on each Bank Deposit Note Interest Payment Date commencing June 30, 2002. The initial interest payment due on June 30, 2002 will be approximately \$11.07 per \$1,000 principal amount of the Bank Deposit Note, assuming a Closing Date of April 30, 2002. The Bank Deposit Note will have a maturity date of June 30, 2052. In addition to the Bank Deposit Note, the Trust may acquire other Eligible Investments. See “Description of the Bank Deposit Note”. The proceeds from the subscription by the Bank for Special Trust Securities of \$2,000,000, pursuant to an agreement between the Bank and the Trust (the “Subscription Agreement”), together with the \$37,500,000 to be borrowed by the Trust under the Credit Facility, will be used by the Trust to pay its expenses of the Offering and to acquire the Funding Note from the Bank. See “The Trust — Liquidity”.
Indicated Yield:	Each Scotia BaTS II entitles the holder to receive the Indicated Yield of \$33.13 on each Regular Distribution Date commencing June 30, 2002, representing an annual yield of 6.626%. The initial Indicated Yield payable on June 30, 2002 will be approximately \$11.07 per Scotia BaTS II, assuming a Closing Date of April 30, 2002. A Distribution Date will be a “Regular Distribution Date” unless the Bank fails to declare regular dividends on (i) the Bank Non-Cumulative Preferred Shares of any series or the Bank Parity Preferred Shares (if any), or (ii) if no Bank Non-Cumulative Preferred Shares or Bank Parity Preferred Shares are then outstanding, the Bank Junior Preferred Shares (if any), or (iii) if no Bank Junior Preferred Shares are then outstanding, on Bank Common Shares (in any case, “Dividends”) in the “Dividend Reference Period” (each such failure being a

“Distribution Diversion Event”). The Dividend Reference Period in respect of any Distribution Date is the 90 day period preceding the Distribution Period ending on the day immediately preceding such Distribution Date. The periods commencing on and including the Closing Date to but excluding June 30, 2002 and thereafter from and including each Distribution Date to but excluding the next Distribution Date are referred to as “Distribution Periods”.

Whether or not the Indicated Yield on the Scotia BaTS II will be payable by the Trust on any Distribution Date will be determined prior to the commencement of the Distribution Period ending on the day immediately preceding that Distribution Date. On each Regular Distribution Date, the Trust will pay the Indicated Yield to the holders of Scotia BaTS II and the holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust remaining after payment of the Indicated Yield.

If a Distribution Diversion Event occurs, the Distribution Date occurring on the day immediately following the end of the first Distribution Period following the Distribution Diversion Event will be a Distribution Diversion Date. In that case, although the Bank Deposit Note will pay interest on the Bank Deposit Note Interest Payment Date, the Trust will not pay the Indicated Yield on the Scotia BaTS II on the Distribution Diversion Date; instead, it will distribute the Net Distributable Funds of the Trust, if any, as at such Distribution Diversion Date to the holder of the Special Trust Securities. See “Description of the Trust Securities — Scotiabank Trust Securities — Indicated Yield”.

“Bank Non-Cumulative Preferred Shares” means the non-cumulative Preferred Shares of the Bank (including the Bank Preferred Shares Series W and the Bank Preferred Shares Series X).

“Bank Parity Preferred Shares” means preferred or preference shares issued by the Bank ranking *pari passu* with the Bank Non-Cumulative Preferred Shares.

“Bank Junior Preferred Shares” means preferred or preference shares issued by the Bank ranking junior to the Bank Non-Cumulative Preferred Shares.

“Net Distributable Funds” means, at any time, the amount by which the sum of (i) income and gains derived by the Trust from the 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 Scotiabank Trust Securities or the holder of the Special Trust Securities, exceeds expenses of the Trust and any required liability for expenses established by the Trust.

A holder of Scotia BaTS II will only be entitled to receive the Indicated Yield for a Distribution Period if the Bank has declared Dividends on certain classes of shares in the corresponding Dividend Reference Period. The Bank has paid a dividend on Bank Common Shares in each year since 1833.

Voting Rights:

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

Trust Redemption Right:

On June 30, 2007 and on any Distribution Date thereafter, the Trust, at its option, and with Superintendent Approval, and on not less than 30 nor more than 60 days’ prior written notice, may redeem any outstanding Scotia BaTS II in whole or in part, without the consent of the holders, for an amount in cash per Scotia BaTS II equal to (i) the greater of (A) \$1,000 per Scotia BaTS II, together with any Unpaid Indicated Yield to the date of redemption (the “Redemption Date”) stated in the notice (the “Redemption Price”), and (B) the Scotia BaTS II

Canada Yield Price (the greater of (A) and (B) being the “Early Redemption Price”), if the Scotia BaTS II are redeemed prior to June 30, 2012, and (ii) the Redemption Price, if the Scotia BaTS II are redeemed on or after June 30, 2012 (the “Trust Redemption Right”). See “Description of the Trust Securities — Scotiabank Trust Securities — Trust Redemption Right”.

“Scotia BaTS II Canada Yield Price” means a price per Scotia BaTS II calculated to provide an annual yield thereon to June 30, 2012 equal to the Government of Canada Yield plus 0.22%, determined on the Business Day immediately preceding the date on which the Trust has given notice of the redemption of the Scotia BaTS II (whether pursuant to the Trust Redemption Right or the Trust Special Event 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 this purpose, it is assumed that the Indicated Yield will be paid on each Distribution Date to and including June 30, 2012.

“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 June 30, 2012.

“Business Day” means a day on which the Trustee is open for business in Toronto, Ontario other than a Saturday, Sunday or statutory or civic holiday in Toronto, Ontario.

“Unpaid Indicated Yield” means in respect of each outstanding series of Scotiabank Trust Securities, at any time, an amount per Scotiabank Trust Securities of that series equal to the sum of the Accumulated Unpaid Indicated Yield and the Current Indicated Yield.

“Accumulated Unpaid Indicated Yield” means in respect of each outstanding series of Scotiabank Trust Securities, at any time, an amount, if any, per Scotiabank Trust Securities equal to the Indicated Yield payable by the Trust thereon in respect of all previous Regular Distribution Dates remaining unpaid by the Trust.

“Current Indicated Yield” means in respect of each outstanding series of Scotiabank Trust Securities, at any time, in respect of the current Distribution Period, an amount per Scotiabank Trust Securities of that series equal to the Indicated Yield pro-rated for the number of days elapsed from and including the first day of the Distribution Period to but excluding the Redemption Date, provided that there has not been a Distribution Diversion Event with respect to such Distribution Period.

**Trust Special Event
Redemption Right:**

Upon the occurrence of a Special Event, the Trust, at its option, and with Superintendent Approval, and on not less than 30 nor more than 90 days’ prior written notice, may redeem at any time all but not less than all of the Scotia BaTS II, without the consent of the holders, for an amount in cash per Scotia BaTS II equal to (i) the Early Redemption Price, if the Scotia BaTS II are redeemed prior to June 30, 2012, and (ii) the Redemption Price, if the Scotia BaTS II are redeemed on or after June 30, 2012 (the “Trust Special Event Redemption Right”). See “Description of the Trust Securities — Scotiabank Trust Securities — Trust Special Event Redemption Right”.

Holder Exchange Right:

Holders of Scotia BaTS II will have the right, at any time, on not less than three and not more than 90 days' prior written notice to the Trust and the Bank, to surrender all or part of their Scotia BaTS II to the Trust at a price (the "Surrender Price"), for each Scotia BaTS II, equal to 40 newly issued Bank Preferred Shares Series W (the "Holder Exchange Right"). The Bank will have the right, at any time before the exchange is completed, to arrange for a substituted purchaser to purchase Scotia BaTS II tendered for exchange so long as the holder of the Scotia BaTS II so tendered has not withheld consent to the purchase of its Scotia BaTS II. If a substituted purchaser is found, the price to be paid to the holders of the Scotia BaTS II so tendered will be not less than 91% of the closing price of such Scotia BaTS II on the last trading day immediately before the date fixed for purchase and such purchase price is intended to represent a fair equivalent in cash of the Surrender Price. Since the Scotia BaTS II will not be listed on any public securities exchange, the "closing price" of any Scotia BaTS II for that trading day will be the average of the last institutional bid price of such Scotia BaTS II as quoted by two major Canadian investment dealers selected by the Bank for this purpose.

The Bank Preferred Shares Series W will pay semi-annual non-cumulative cash dividends, as and when declared by the board of directors of the Bank (the "Board of Directors"), equal to \$0.53125 per share, representing an annual yield of 4.25%.

The Holder Exchange Right will be effected through the conversion by the Trust of the corresponding principal amount of the Bank Deposit Note. The Trust, as holder of the Bank Deposit Note, will have the right, at any time, to convert all or part of the Bank Deposit Note into corresponding Bank Preferred Shares Series W. Immediately following that conversion, the Trust will arrange through The Canadian Depository for Securities Limited or its nominee ("CDS") to credit the accounts of the holders of Scotia BaTS II exercising the Holder Exchange Right with the requisite number of Bank Preferred Shares Series W, and the Scotia BaTS II surrendered for exchange will be cancelled. See "Description of the Trust Securities — Scotiabank Trust Securities — Holder Exchange Right", "Description of the Trust Securities — Scotiabank Trust Securities — Capital Reorganizations and Amalgamations", "Description of Share Capital of the Bank — Certain Provisions of the Bank Preferred Shares Series W and X" and "Description of the Bank Deposit Note".

Automatic Exchange:

Each Scotia BaTS II will be exchanged automatically (the "Automatic Exchange"), without the consent of the holders, for 40 Bank Preferred Shares Series X, upon the occurrence of any one of the following events: (i) an application for a winding-up order in respect of the Bank pursuant to the *Winding-up and Restructuring Act* (Canada) (the "Winding-Up Act") is filed by the Attorney General of Canada or a winding-up order in respect of the Bank pursuant to the Winding-Up 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 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%; (iv) the Board of Directors advises the Superintendent in writing 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 (v) 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 (each, a “Loss Absorption Event”). Following the Automatic Exchange, holders of Scotia BaTS II will cease to have any claim or entitlement in relation to the Trust Assets.

The Bank Preferred Shares Series X will pay semi-annual non-cumulative cash dividends, as and when declared by the Board of Directors, equal to \$0.70 per share, representing an annual yield of 5.60%.

The Automatic Exchange will be effected through the automatic conversion of each \$1,000 principal amount of the Bank Deposit Note then held by the Trust into 40 Bank Preferred Shares Series X. Immediately following that conversion, each holder of Scotia BaTS II will be deemed to have surrendered its Scotia BaTS II to the Trust for a price, for each Scotia BaTS II, equal to 40 Bank Preferred Shares Series X. The Trust will arrange through CDS to credit the accounts of the holders of Scotia BaTS II with the requisite number of Bank Preferred Shares Series X in accordance with their respective entitlements and the Scotia BaTS II will be cancelled. **If the Automatic Exchange were to occur and Bank Preferred Shares Series X were ultimately issued in exchange for the Scotia BaTS II, the cost-effective nature of the consolidated capital raised by the Bank through the issuance of the Scotia BaTS II (assuming the Superintendent approves the inclusion of the Scotia BaTS II as Tier 1 capital of the Bank) 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 its control.** See “Description of the Trust Securities — Scotiabank Trust Securities — Automatic Exchange” and “Description of Share Capital of the Bank — Certain Provisions of the Bank Preferred Shares Series W and X”.

Exchange Rights of the Bank Preferred Shares Series W and the Bank Preferred Shares Series X:

On the last day of June and December of each year, commencing on December 31, 2012 (an “Exchange Date”), and provided that a Loss Absorption Event has not occurred and is not then continuing, each Bank Preferred Share Series W and each Bank Preferred Share Series X will be exchangeable, at the option of the holder, on not more than 90 and not less than 60 days’ prior written notice before the date fixed for exchange, for that number of fully-paid and freely tradeable Bank Common Shares determined by dividing \$25, together with any declared and unpaid dividends on the Bank Preferred Shares Series W or the Bank Preferred Shares Series X, as applicable, to the date of exchange (the “Cash Exchange Price”), by the greater of \$1.00 and 95% of the weighted average trading price of the Bank Common Shares on The Toronto Stock Exchange (the “TSE”) or, if not then listed on that exchange, on another exchange or market chosen by the Board of Directors on which the Bank Common Shares are then traded, during the 20 consecutive trading-day period ending on the fourth trading day immediately prior to the date of exchange (the “Common Share Exchange Rate”). See “Description of Share Capital of the Bank — Certain Provisions of the Bank Preferred Shares Series W and X”.

Purchase for Cancellation:

On and after June 30, 2007, any outstanding Scotia BaTS II may be purchased at any time, in whole or in part, by the Trust, at the direction of the holder of the Special Trust Securities. The purchases may be made in the open market or by tender or private contract at any price. Any such purchases will require Superintendent Approval. Scotia BaTS II purchased by the Trust will be cancelled and will not be reissued.

Rights on Termination of the Trust:

As long as any Scotia BaTS II are outstanding, the Trust may only be terminated with the approval of the holder of the Special Trust Securities and with Superintendent Approval (i) upon the occurrence of a Special Event prior to

June 30, 2007 or (ii) for any reason on June 30, 2007 or on December 31, 2007 or on the last day of June and December of each year thereafter. The Declaration of Trust will provide that holders of Scotiabank Trust Securities are not entitled to initiate proceedings for the termination of the Trust.

Pursuant to the Share Exchange Agreement, the Bank will agree for the benefit of holders of Scotia BaTS II that, as long as any Scotia BaTS II 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 II and the holder 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 — Scotiabank Trust Securities — Rights on Termination of the Trust”.

Dividend Stopper Undertaking:

Pursuant to the Share Exchange Agreement, the Bank will agree for the benefit of holders of Scotia BaTS II that, if the Trust fails on any Regular Distribution Date to pay the Indicated Yield on the Scotia BaTS II in full, the Bank will not pay dividends on the “Bank Dividend Restricted Shares”, being the Bank Non-Cumulative Preferred Shares, the Bank Common Shares, the Bank Parity Preferred Shares and the Bank Junior Preferred Shares, until the 12th month following the Trust’s failure to pay the Indicated Yield in full on the Scotia BaTS II (the “Dividend Payment Resumption Month”), unless the Trust first pays such Indicated Yield (or the unpaid portion thereof) to the holders of the Scotia BaTS II (the “Dividend Stopper Undertaking”). Any Indicated Yield (or portion thereof) that the Trust fails to pay to the holders of Scotia BaTS II on a Regular Distribution Date will form part of the Accumulated Unpaid Indicated Yield of that series. It is in the interest of the Bank to ensure, to the extent within its control, that the Trust pays the Indicated Yield on the Scotia BaTS II on each Regular Distribution Date so as to avoid triggering the Dividend Stopper Undertaking. See “Description of the Trust Securities — Scotiabank Trust Securities — Dividend Stopper Undertaking” and “Risk Factors”.

Additional Bank Covenants:

In addition to the Dividend Stopper Undertaking, the Bank will agree for the benefit of the holders of Scotia BaTS II, pursuant to the Share Exchange Agreement, that:

- (i) all the outstanding Special Trust Securities will be owned at all times by the Bank;
- (ii) as long as any Scotia BaTS II 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 — Scotiabank Trust Securities — Rights on Termination of the Trust” and only with Superintendent Approval;
- (iii) the Bank will not assign or otherwise transfer any of its obligations under the Share Exchange Agreement, except in the case of a merger, amalgamation, reorganization or a sale of substantially all of the assets of the Bank, as the case may be. See “Description of the Trust Securities — Scotiabank Trust Securities — Share Exchange Agreement”.

Book-Entry Only Form:

The Scotia BaTS II will be issued under the book-entry only system operated by CDS and must be purchased or transferred through participants (“Participants”) in the depository service of CDS. Participants include securities brokers and dealers, banks and trust companies. Accordingly, physical certificates representing the Scotia BaTS II will not be available except in the limited

circumstances described under “Description of the Trust Securities — Scotiabank Trust Securities — Book-Entry Only Form”.

Special Trust Securities: On the Closing Date, the Bank will subscribe for 2,000 Special Trust Securities for an issue price of \$1,000 per unit.

THE TRUST

The Trust is an open-end trust established under the laws of Ontario by the Trustee pursuant to the Declaration of Trust. The Trust’s business objective is to acquire and hold Trust Assets that will generate income for distribution to holders of Trust Securities. Immediately after the issuance by the Trust of the Scotia BaTS II pursuant to the Offering, the subscription by the Bank for the Special Trust Securities, the acquisition by the Trust of the Bank Deposit Note and the acquisition by the Trust of the Funding Note financed by funds borrowed by the Trust from the Bank under the Credit Facility, the Trust will have approximately \$780,000,000 in Trust Assets, \$750,000,000 of capital attributable to the Scotia BaTS II, \$2,000,000 of capital attributable to the Special Trust Securities and \$37,500,000 of funds borrowed under the Credit Facility, less \$9,500,000 of the Offering expenses of the Trust.

RISK FACTORS

The purchase of Scotia BaTS II and the holding of Bank Preferred Shares Series W, Bank Preferred Shares Series X and Bank Common Shares are subject to certain risks and prospective investors should carefully consider the risk factors and other information in this prospectus before purchasing Scotia BaTS II. See “Risk Factors”.

THE TRUST

General

The Trust is an open-end trust established under the laws of Ontario by the Trustee pursuant to the Declaration of Trust. The Trust has been formed for the purpose of issuing the Trust Securities and acquiring the Trust Assets in order to generate income for distribution to holders of Trust Securities.

The principal office of the Trust is located at Scotia Plaza, 44 King Street West, Toronto, Ontario, M5H 1H1.

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 *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation.

Business of the Trust

The Trust’s only business is to invest its assets. The Trust’s investment objective is to acquire and hold Trust Assets in order to generate income for distribution to holders of Trust Securities. The initial assets of the Trust will consist primarily of the Bank Deposit Note, which is to be purchased pursuant to an agreement between the Trust and the Bank (the “Deposit Note Purchase Agreement”). The Trust assets may also include any securities into which the Bank Deposit Note is converted, cash, amounts receivable from third parties and other Eligible Investments (together with the Bank Deposit Note, the “Trust Assets”). The Bank Deposit Note is a senior unsecured obligation of the Bank that ranks on a parity with all other deposit and unsubordinated liabilities of the Bank. The Bank Deposit Note contains provisions that will permit the conversion of the Bank Deposit Note, in whole or in part, to reflect the operation of the Holder Exchange Right and the Automatic Exchange (the “EXCHANGE PROVISIONS”) from time to time.

“Eligible Investments” means the Funding Note or any property, including money, securities, amounts receivable from third parties, mortgages, an interest in an Eligible Investment, and any debt obligation that is a qualified investment under the Tax Act for Deferred Income 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, except that, following the maturity of the Bank Deposit Note, Eligible Investments will not include debt of the Bank or of any person related to the Bank within the meaning of the Tax Act.

Capitalization

As a newly-formed entity, the Trust has no prior operating history. Immediately after the issuance by the Trust of the Scotia BaTS II pursuant to the Offering, the subscription by the Bank for the Special Trust Securities, the acquisition by the Trust of the Bank Deposit Note and the acquisition by the Trust of the Funding Note financed by funds borrowed by the Trust from the Bank under the Credit Facility, the Trust will have approximately \$780,000,000 in Trust Assets, \$750,000,000 of capital attributable to the Scotia BaTS II, \$2,000,000 of capital attributable to the Special Trust Securities and \$37,500,000 of funds borrowed under the Credit Facility, less \$9,500,000 of the Offering expenses of the Trust.

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 will arise with respect to certain transactions, including the subscription by the Trust for the Bank Deposit Note and the Funding Note and the Trust’s potential acquisition of other Trust Assets from 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 and its affiliates may also arise in connection with actions taken by the Bank, as holder of the Special Trust Securities. It is intended that any agreements and

transactions between the Trust, on the one hand, and the Bank and its affiliates, on the other hand, including the Administration Agreement, will be fair to the parties.

Liquidity

The Trust will only borrow funds from the Bank or its affiliates pursuant to an unsecured credit facility extended by such entity to the Trust (the “Credit Facility”). The Trust will use the Credit Facility only for the purposes of ensuring liquidity in the normal course of the Trust’s activities, to facilitate the payment by the Trust of the expenses of the Offering and to finance the purchase of a deposit note from the Bank (the “Funding Note”).

Administrative Agent

The Trustee will enter into an agreement (the “Administration 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, including the day-to-day operations of the Trust and such other matters as may be requested from time to time by the Trustee. The Administrative Agent will be entitled to receive a reasonable administration fee consistent with market terms and conditions.

The Administration Agreement will continue for an initial term of 10 years and after that will be renewed automatically on an annual basis. The Trustee will have the right to terminate the Administration Agreement at any time on 90 days’ prior written notice on the occurrence of one or more events generally related to the failure of the Administrative Agent to perform its obligations under the Administration Agreement in a proper and timely manner.

Exemptions from Certain Continuous Disclosure Requirements

As a result of the Offering, the Trust will become a reporting issuer in each of the provinces and territories of Canada where such concept exists; however, the Trust has applied to the securities regulatory authorities in those provinces and territories (the “Commissions”), as appropriate, for exemptions from certain continuous disclosure requirements prescribed by applicable securities legislation for reporting issuers.

If granted, the exemptions will likely be conditional on holders of Scotia BaTS II receiving the interim unaudited and annual audited financial statements and annual report of the Bank, and the Bank continuing to file with the Commissions its interim unaudited and annual audited financial statements, annual filing or management information circular and, where applicable, its annual report. If these exemptions are granted, the Trust will not be required to file with the Commissions interim unaudited and annual audited financial statements, including management’s discussion and analysis of the financial condition and results of operation of the Trust, an information circular or an annual filing in lieu thereof (collectively, an “annual filing”), an annual information form of the Trust, and, where applicable, an annual report, and holders of Scotia BaTS II will not receive such financial statements and annual reports of the Trust. It is expected, however, that the Trust will remain subject to the requirement to file material change reports in the event of any material change in the affairs of the Trust.

Exemptive relief is being sought by the Trust based on the following terms and conditions of the Scotia BaTS II and for the following reasons. The operating activity of the Trust will consist of acquiring and holding Trust Assets for the purpose of generating income for distribution to holders of Scotia BaTS II and Special Trust Securities. Accordingly, the information relating to the financial condition and operations of a reporting issuer that is contained in an annual information form and an annual filing will not, in respect of the Trust, be meaningful to holders of Scotia BaTS II. The payment of the Indicated Yield on Scotia BaTS II is dependent on the payment of Dividends by the Bank because the Indicated Yield will not be payable if the Bank fails to declare Dividends (see “Description of the Trust Securities — Scotiabank Trust Securities — Indicated Yield”). Furthermore, in certain 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 (see “Description of the Trust Securities — Scotiabank Trust Securities — Automatic Exchange”), the Scotia BaTS II will be automatically exchanged for Bank Preferred Shares Series X. As a result of the foregoing and because Scotia BaTS II are also

exchangeable for Bank Preferred Shares Series W under other circumstances, details of the Bank's financial condition (as opposed to that of the Trust) will be of interest to holders of Scotia BaTS II.

CAPITALIZATION OF THE TRUST

The following table sets out the capitalization of the Trust as at March 28, 2002 and at that date adjusted to reflect the closing of the Offering and the issuance of Special Trust Securities.

	<u>Outstanding as at March 28, 2002</u>	<u>Outstanding as at March 28, 2002 after giving effect to the Offering</u>
	(in thousands of Canadian dollars)	
Scotia BaTS II	—	\$750,000
Special Trust Securities	—	2,000
Original Settlement Amount ⁽¹⁾	\$1	—
Net Offering Expenses ⁽²⁾	—	\$ (9,500)
Total Capitalization	<u>\$1</u>	<u>\$742,500</u>

Notes:

(1) Amount settled on the Trust's formation.

(2) The Offering expenses of the Trust are estimated to be \$2,000 and will be paid by the Trust with funds borrowed under the Credit Facility.

This table should be read in conjunction with the financial statements of the Trust appearing elsewhere in this prospectus.

THE BANK OF NOVA SCOTIA

The Bank was granted a charter under the laws of the Province of Nova Scotia in 1832 and commenced operations in Halifax, Nova Scotia, in that year. Since 1871, the Bank has been a chartered bank under the Bank Act. The Bank is a Schedule I bank under the Bank Act and the Bank Act is its charter. The head office is located at 1709 Hollis Street, Halifax, Nova Scotia, and the executive offices are at Scotia Plaza, 44 King Street West, Toronto, Ontario, M5H 1H1. A list of the principal subsidiaries directly or indirectly owned or controlled by the Bank as at October 31, 2001 is included in the Bank's Annual Report for the year ended October 31, 2001 and incorporated by reference in the Bank's Annual Information Form dated December 5, 2001.

In terms of total assets, the Bank was the fourth largest Canadian chartered bank as at its October 31, 2001 year end and as at December 31, 2001 was among the 100 largest banks in the world. The Bank is a full service banking institution, active in both domestic and international markets offering retail, commercial, investment and corporate financial services directly, and indirectly, through a number of subsidiaries. In Canada, the Bank provides a full range of retail, commercial, investment and corporate banking services through its network of branches and offices in all ten provinces and three territories. In Canada, the Bank carries on a substantial mortgage business; a full service securities brokerage and underwriting business; a mutual funds distribution and discount securities brokerage business; trust and other financial services; global investment advisory and portfolio management services; a life insurance business; and a property and casualty insurance business all through various wholly-owned subsidiaries. Outside Canada, the Bank has branches and offices in over 50 countries, which provide a wide range of banking and related financial services, either directly or through subsidiary banks, trust companies and other financial institutions. The Bank is organized around the following business lines: Canadian Domestic Banking (including Wealth Management), International Banking, and Scotia Capital (Corporate & Investment Banking).

Certain information regarding the Bank is incorporated by reference into this Prospectus. See "Documents Incorporated by Reference".

Recent Developments

Argentina has been in a recession for several years — and, since late 2001, the country has suffered a severe economic and political crisis, and is struggling to put a comprehensive recovery plan in place. These events have had a significant negative impact on the entire economy of Argentina, including the financial sector, which has suffered from a severe shortage of liquidity.

On April 18, 2002, Argentina's Central Bank suspended the operations of the Bank's Argentine subsidiary, Scotiabank Quilmes, S.A., for a period of 30 days, following the Central Bank's decision not to provide additional liquidity to Scotiabank Quilmes, S.A. As at the close of business on April 19, 2002, the Central Bank has also declared an indefinite general bank holiday, closing all banking and foreign exchange operations pending the passing of new economic and banking legislation by the Argentine Congress. As indicated in the Bank's First Quarter 2002 Report to Shareholders incorporated by reference in this prospectus, the Bank is adequately provisioned in terms of exposure to Scotiabank Quilmes, S.A. and, accordingly, does not anticipate that these events will have a material financial impact on the Bank.

Consolidated Capitalization of the Bank

The following table sets forth the consolidated capitalization of the Bank at January 31, 2002 and the adjusted consolidated capitalization of the Bank at January 31, 2002 after giving effect to the Offering. This table should be read in conjunction with the Bank's consolidated financial statements and the Bank's management's discussion and analysis of financial condition and results of operations incorporated by reference in this prospectus.

	As at January 31, 2002	
	Actual	Adjusted
	(in millions of Canadian dollars)	
Subordinated Debt	\$ 4,992	\$ 4,992
Non-Controlling Interest in Subsidiaries		
Scotiabank Trust Securities		
Scotiabank Trust Securities — Series 2000-1	500	500
Scotiabank Trust Securities — Series 2002-1 (the Offering)	—	750
Non-Controlling Interest in Common Equity of Subsidiaries	601	601
Total Non-Controlling Interest in Subsidiaries	<u>\$ 1,101</u>	<u>\$ 1,851</u>
Shareholder's Equity		
Preferred Shares	\$ 1,775	\$ 1,775
Common Shares	\$ 2,943	\$ 2,943
Retained earnings ⁽¹⁾	\$ 9,650	\$ 9,650
Total Shareholder's Equity	<u>\$14,368</u>	<u>\$14,368</u>
Total Capitalization	<u>\$20,461</u>	<u>\$21,211</u>

Note:

(1) The adjusted column does not reflect costs of \$9,500,000 in connection with the Offering.

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:

	<u>Risk-Based Tier 1 Capital Ratio</u>	<u>Risk-Based Total Capital Ratio</u>
January 31, 2002	9.2%	12.7%
October 31, 2001	9.3%	13.0%
October 31, 2000	8.6%	12.2%
October 31, 1999	8.1%	11.9%
October 31, 1998	7.2%	10.6%
October 31, 1997	6.9%	10.4%

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 risk-based Tier 1 Capital ratio and risk-based Total Capital ratio levels of the Bank as at January 31, 2002, adjusted for such event, would have been 9.7% and 13.1%, respectively.

DESCRIPTION OF THE TRUST SECURITIES

Scotiabank Trust Securities

The following is a summary of the rights, privileges, restrictions and conditions attaching to the Scotia BaTS II. This summary is qualified in its entirety by the provisions of the Declaration of Trust. For information concerning Bank Preferred Shares Series W and Bank Preferred Shares Series X into which, in certain circumstances, the Scotia BaTS II are exchangeable, see “Description of Share Capital of the Bank — Certain Provisions of the Bank Preferred Shares Series W and X” and for information with respect to the Bank Deposit Note, see “Description of the Bank Deposit Note”.

Indicated Yield

Holders of Scotia BaTS II will be entitled to receive the Indicated Yield, being a cash amount of \$33.13 per Scotia BaTS II, in respect of each Distribution Period on the Distribution Date immediately following that Distribution Period unless a Distribution Diversion Event has occurred. The initial Indicated Yield, payable on June 30, 2002, will be approximately \$11.07 per Scotia BaTS II, assuming a Closing Date of April 30, 2002.

A Distribution Date will be a Regular Distribution Date unless the Bank fails to declare Dividends in the Dividend Reference Period. Accordingly, whether or not the Indicated Yield on the Scotia BaTS II will be payable by the Trust on any Distribution Date will be determined prior to the commencement of the Distribution Period ending on the day preceding that Distribution Date. On each Regular Distribution Date, the Trust will pay the Indicated Yield to the holders of Scotia BaTS II and the holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust remaining after payment of the Indicated Yield. If the Bank does not declare a Dividend during the relevant Dividend Reference Period, a Distribution Diversion Event will occur.

If a Distribution Diversion Event occurs, the Distribution Date occurring on the day immediately following the end of the first Distribution Period following the Distribution Diversion Event will be a Distribution Diversion Date. In that case, although the Bank Deposit Note will pay interest to the Trust on the Bank Deposit Note Interest Payment Date, the Trust will not pay the Indicated Yield on the Scotia BaTS II on the Distribution Diversion Date; instead, it will pay the Net Distributable Funds, if any, as at such Distribution Diversion Date to the holder of the Special Trust Securities.

If the Net Distributable Funds of the Trust are insufficient to enable the Trust to pay the full amount of the Indicated Yield on the Scotia BaTS II and outstanding Scotiabank Trust Securities on a Regular Distribution Date (the amount of such insufficiency being the “Indicated Yield Deficit”), there will be added to the Accumulated Unpaid Indicated Yield in respect of each series of the Scotiabank Trust Securities an amount determined by multiplying the Indicated Yield Deficit by the percentage that the Indicated Yield on the particular series of Scotiabank Trust Securities represents of the aggregate Indicated Yield on all series of Scotiabank Trust Securities in respect of such Regular Distribution Date (the “Indicated Yield Ratio”) and the Trust will pay to holders of each series of Scotiabank Trust Securities the amount of the Net Distributable Funds determined by multiplying the Net Distributable Funds by the Indicated Yield Ratio in respect of the particular series of Scotiabank Trust Securities. The Trust may pay the Accumulated Unpaid Indicated Yield to the holders of the Scotiabank Trust Securities at any time; however, the Trust will not be obligated, and holders of Scotiabank Trust Securities will not have any right to cause the Trust, to pay such amount until the occurrence of an event giving rise to the obligation of the Trust to pay the Early Redemption Price or the Redemption Price, as the case may be. See “Description of the Trust Securities — Scotiabank Trust Securities — Rights on Termination of the Trust.”

Voting Rights

The Scotiabank Trust Securities are non-voting except in the limited circumstances set out in the Declaration of Trust involving changes to the terms and conditions of the Scotiabank Trust Securities. The Declaration of Trust provides that those terms and conditions may be changed if authorized by holders of the Special Trust Securities. If the amendment would (i) give rise to a Regulatory Event without Superintendent Approval, or (ii) in the opinion of the Trustee, relying on a certificate of the Administrative Agent, be materially prejudicial to the rights of holders of the Scotia BaTS II, such amendment must also be approved by the holders of Scotia BaTS II especially affected by that amendment, given by way of an Extraordinary Resolution. The holder of the Special Trust Securities must approve any such change and, in addition, any such change that would affect the status of the Scotia BaTS II as capital of the Bank is subject to Superintendent Approval. The terms “Extraordinary Resolution” and “Series Extraordinary Resolution” mean, in effect, a resolution passed by the holders of Scotiabank Trust Securities or a particular series of Scotiabank Trust Securities (including the Scotia BaTS II), respectively, representing not less than 66⅔% of the Scotiabank Trust Securities or series of Scotiabank Trust Securities, respectively, represented and voted at a meeting of holders of Scotiabank Trust Securities or series of Scotiabank Trust Securities, respectively, or a resolution in writing signed by the holders of Scotiabank Trust Securities or series of Scotiabank Trust Securities, respectively, representing not less than 66⅔% of the outstanding Scotiabank Trust Securities or series of Scotiabank Trust Securities, respectively. The quorum at any such meeting will be two or more holders of Scotiabank Trust Securities or series of Scotiabank Trust Securities, respectively, present in person or represented by proxy and owning or representing not less than 25% of the aggregate number of Scotiabank Trust Securities or series of Scotiabank Trust Securities, respectively, 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 will constitute a quorum even though they may represent less than 25% of the aggregate number of Scotiabank Trust Securities or series of Scotiabank Trust Securities, respectively, then outstanding. The Declaration of Trust provides that where changes affect the terms and conditions of the Scotia BaTS II differently than any other series of Scotiabank Trust Securities then outstanding, the terms and conditions may be changed only if authorized by the holders of the Scotia BaTS II by way of a Series Extraordinary Resolution. Notwithstanding the foregoing, the Trustee may, without the consent of holders of Scotia BaTS II, 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 II and making such changes as may be required to conform with applicable regulatory requirements from time to time.

Trust Redemption Right

On June 30, 2007 and on any Distribution Date thereafter, the Trust, at its option, and with Superintendent Approval, and on not less than 30 nor more than 60 days’ prior written notice, may redeem any outstanding Scotia BaTS II in whole or in part, without the consent of the holders, for an amount in cash per Scotia BaTS II

equal to (i) the Early Redemption Price, if the Scotia BaTS II are redeemed prior to June 30, 2012, and (ii) the Redemption Price, if the Scotia BaTS II are redeemed on or after June 30, 2012.

Any partial redemption will be carried out by lot or in some other equitable manner.

Trust Special Event Redemption Right

Upon the occurrence of a Regulatory Event or a Tax Event, the Trust, at its option, and with Superintendent Approval, and on not less than 30 nor more than 90 days' prior written notice, may redeem at any time, all but not less than all of the Scotia BaTS II, without the consent of the holders, for an amount in cash per Scotia BaTS II, equal to (i) the Early Redemption Price, if the Scotia BaTS II are redeemed prior to June 30, 2012, and (ii) the Redemption Price, if the Scotia BaTS II are redeemed on or after June 30, 2012.

“Regulatory Event” means (assuming the Superintendent approves the inclusion of the Scotia BaTS II as Tier 1 capital of the Bank) the receipt by the Trust or the Bank of a notice or advice from the Superintendent that the Scotia BaTS II no longer qualify as eligible Tier 1 capital under the Superintendent's interpretation of the Capital Guidelines.

“Tax Event” means the receipt by the Bank or the Trust of an opinion of independent counsel of recognized standing 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 announced 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 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 agency or regulatory body having appropriate jurisdiction (collectively, “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 previously generally accepted position, in each case, by any legislative body, court, governmental authority or agency 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 April 23, 2002, there is more than an insubstantial risk that (A) 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 interest on the Bank Deposit Note or of distributions made on the Scotia BaTS II or the Special Trust Securities) or treatment of the Bank Deposit Note or other property of the Trust, in each case as reflected in tax returns filed (or to be filed), will be challenged by a taxing authority, and that such challenge could subject the Bank or the Trust to more than a *de minimis* amount of additional taxes, duties or other governmental charges or civil liabilities or (B) the Trust is, or will be, subject to more than a *de minimis* amount of taxes, duties or other governmental charges or civil liabilities.

Holder Exchange Right

Holders of Scotia BaTS II will have the right, at any time, on not less than three and not more than 90 days' prior written notice to the Trust and the Bank, to surrender all or part of their Scotia BaTS II to the Trust at a price, for each Scotia BaTS II, equal to 40 newly issued Bank Preferred Shares Series W. The Trust will have the right, at any time before the exchange is completed, to arrange for a substituted purchaser to purchase Scotia BaTS II tendered for surrender to the Trust so long as the holder of the Scotia BaTS II so tendered has not withheld consent to the purchase of its Scotia BaTS II. If a substituted purchaser is found, the price to be paid to a holder of Scotia BaTS II so tendered will be not less than 91% of the closing price of such Scotia BaTS II on the last trading day immediately before the date fixed for purchase and such purchase price is intended to represent a fair equivalent in cash of the Surrender Price. Since the Scotia BaTS II will not be listed on any public securities exchange, the “closing price” of any Scotia BaTS II for that trading day will be the average of the last institutional bid price of such Scotia BaTS II as quoted by two major Canadian investment dealers selected by the Bank for this purpose.

The Bank Preferred Shares Series W will pay semi-annual non-cumulative cash dividends, as and when declared by the Board of Directors, equal to \$0.53125 per share, representing an annual yield of 4.25%. The

Holder Exchange Right will be effected through the conversion by the Trust of the corresponding principal amount of the Bank Deposit Note. The Trust, as holder of the Bank Deposit Note, will have the right at any time to convert all or part of a Bank Deposit Note into the corresponding number of Bank Preferred Shares Series W. Immediately following that conversion, the Trust will arrange through CDS to credit the accounts of the holders of Scotia BaTS II exercising the Holder Exchange Right with the requisite number of Bank Preferred Shares Series W and the Scotia BaTS II surrendered for exchange will be cancelled.

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

“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.

Upon the exercise of the Holder Exchange Right, the Trust reserves the right not to deliver Bank Preferred Shares Series W to any person whose address is in, or whom the Trust or the Bank has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such delivery would require the Trust or the Bank to take any action to comply with securities, banking or analogous laws of such jurisdiction (an “Ineligible Person”) or to any person who would as a result of such delivery become a Significant Shareholder. In such circumstances, the Trustee will hold all Bank Preferred Shares Series W that would otherwise be delivered to Ineligible Persons or any Significant Shareholder, as agent for Ineligible Persons and Significant Shareholders, and the Trustee will attempt to sell such Bank Preferred Shares Series W (to parties other than the Bank and its affiliates) on behalf of such Ineligible Persons and Significant Shareholders. Such sales, if any, will be made at any time and any price. Neither the Bank nor the Trustee will be subject to any liability for failing to sell Bank Preferred Shares Series W on behalf of any such Ineligible Persons or Significant Shareholders at any particular price on any particular day. The net proceeds received by the Trustee from the sale of any Bank Preferred Shares Series W will be divided among the Ineligible Persons and Significant Shareholders in proportion to the number of Bank Preferred Shares Series W that would otherwise have been deliverable to them, after deducting the costs of sale and any applicable withholding taxes. The Trustee will make payment of the aggregate net proceeds to CDS (if the Scotia BaTS II are then held in the book-entry only system) or to the registrar and transfer agent (in all other cases) for distribution to such Ineligible Persons and Significant Shareholders in accordance with the customary practice and procedures of CDS (“CDS Procedures”) or otherwise.

Automatic Exchange

Each Scotia BaTS II will be exchanged automatically, without the consent of the holders, for 40 Bank Preferred Shares Series X, upon the occurrence of a Loss Absorption Event. The Bank Preferred Shares Series X will pay semi-annual non-cumulative cash dividends, as and when declared by the Board of Directors, equal to \$0.70 per share, representing an annual yield of 5.60%. The Automatic Exchange will be deemed to occur as of 8:00 a.m. (Eastern time) on the date that a Loss Absorption Event occurs. The Automatic Exchange will be effected through the automatic conversion of each \$1,000 principal amount of the Bank Deposit Note then held by the Trust into 40 Bank Preferred Shares Series X. Upon an Automatic Exchange and the deemed surrender of the Scotia BaTS II by their holders, the Exchange Trustee will arrange through CDS to credit the accounts of the holders of Scotia BaTS II with the requisite number of Bank Preferred Shares Series X in accordance with their respective entitlements and the Scotia BaTS II will be cancelled. The Bank will mail notice of the occurrence of the Loss Absorption Event to the Trust within 10 days of such event. If for any reason the Automatic Exchange does not result in the exchange of all Scotia BaTS II then outstanding for Bank Preferred Shares Series X, the Trust will redeem each Scotia BaTS II not so surrendered for 40 Bank Preferred Shares

Series X. The Trust will have the right, pursuant to the Subscription Right, to have the Bank issue to the Trust a sufficient number of Bank Preferred Shares Series X for that purpose.

Upon an Automatic Exchange, the Trust reserves the right not to deliver Bank Preferred Shares Series X to any Ineligible Person or to any person who would as a result of such delivery become a Significant Shareholder. In such circumstances, the Trust will hold all Bank Preferred Shares Series X that would otherwise be issued to Ineligible Persons or Significant Shareholders, as their agent, and the Trustee will attempt to sell such Bank Preferred Shares Series X (to parties other than the Bank and its affiliates) on their behalfs. Such sales, if any, will be made at any time and any price. Neither of the Bank or the Trustee will be subject to any liability for failing to sell Bank Preferred Shares Series X on behalf of any such Ineligible Persons or Significant Shareholders or at any particular price on any particular day. The net proceeds received by the Trust from the sale of any Bank Preferred Shares Series X will be divided among Ineligible Persons and the Significant Shareholders in proportion to the number of Bank Preferred Shares Series X that would otherwise have been deliverable to them, after deducting the costs of sale and any applicable withholding taxes. The Trustee will make payment of the aggregate net proceeds to CDS (if the Scotia BaTS II are then held in the book-entry only system) or to the registrar and transfer agent (in all other cases) for distribution to such Ineligible Persons and Significant Shareholders in accordance with CDS Procedures or otherwise.

If an Automatic Exchange were to occur and Bank Preferred Shares Series X are issued in exchange for Scotia BaTS II, the cost-effective nature of the consolidated capital raised by the Bank through the issuance of the Scotia BaTS II (assuming the Superintendent approves the inclusion of the Scotia BaTS II as Tier 1 capital of the Bank) 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 their control.

Non-Resident Ownership Restrictions

Non-residents of Canada within the meaning of the Tax Act may not own in the aggregate more than 50% of the Scotiabank Trust Securities outstanding at any time. The Trust will not accept any subscription for Scotiabank Trust Securities from any person, issue any Scotiabank Trust Securities to any person or register or otherwise recognize a transfer of any Scotiabank Trust Securities to any person if, after giving effect thereto, more than 50% of the outstanding Scotiabank Trust Securities would be held or beneficially owned, directly or indirectly, by non-residents of Canada. The Declaration of Trust includes a mechanism to permit the Trust to sell Scotiabank Trust Securities held by such persons, upon notice, including Scotia BaTS II, in order to remedy any contravention of this restriction.

Extinguishment of Rights of Holders

As of the time of exchange, each holder of Scotia BaTS II surrendered for exchange will cease to be a holder thereof and all rights of such holder as a security holder of the Trust will cease. Such holder after that time will be deemed to be for all purposes and will be for all purposes a holder of Bank Preferred Shares Series W or Bank Preferred Shares Series X, as the case may be (unless payment in the form of Bank Preferred Shares Series W or Bank Preferred Shares Series X is not made). The Scotia BaTS II surrendered for exchange will be cancelled and will not be reissued.

Purchase for Cancellation

On and after June 30, 2007, the Scotia BaTS II may be purchased at any time, in whole or in part, by the Trust, at the direction of the holder of the Special Trust Securities. The purchases may be made in the open market or by tender or private contract at any price. Any such purchases will require Superintendent Approval. Scotia BaTS II purchased by the Trust will be cancelled and will not be reissued.

Rights on Termination of the Trust

As long as any Scotia BaTS II are outstanding, the Trust may only be terminated with the approval of the holder of the Special Trust Securities and with Superintendent Approval (i) upon the occurrence of a Special Event prior to June 30, 2007, or (ii) for any reason on June 30, 2007 or on December 31, 2007, or on the last day

of June and December of each year thereafter. The Declaration of Trust provides that holders of Scotia BaTS II are not entitled to initiate proceedings for the termination of the Trust.

Holders of each series of outstanding Scotiabank Trust Securities 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 the Scotia BaTS II 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 June 30, 2012), 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 Prices of all Scotia BaTS II then outstanding if the termination is as a result of action taken by the Bank and occurs prior to June 30, 2012, (ii) the aggregate Redemption Prices of all Scotia BaTS II then outstanding and not provided for under (i) above, and (iii) an amount equal to the aggregate subscription price for all Special Trust Securities then outstanding (such fraction being the “Termination Distribution Ratio”). Should additional series of Scotiabank Trust Securities be issued, then the Termination Distribution Ratio will be adjusted to reflect the issuance of such additional Scotiabank Trust Securities and to recognize that all outstanding series of Scotiabank Trust Securities will rank *pari passu*. The entitlement of the Bank, as the holder of the Special Trust Securities, will be determined by multiplying the Bank’s subscription price for all Special Trust Securities then outstanding by the Termination Distribution Ratio.

So long as any Scotia BaTS II 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. See “Description of the Trust Securities — Scotiabank Trust Securities — Share Exchange Agreement.”

Dividend Stopper Undertaking

If the Trust fails on any Regular Distribution Date to pay the Indicated Yield on the Scotia BaTS II in full, the Bank has agreed for the benefit of holders of Scotia BaTS II that (i) the Bank will not pay dividends on the Bank Dividend Restricted Shares until the Dividend Payment Resumption Month, unless the Trust first pays such Indicated Yield (or the unpaid portion thereof) to the holders of all outstanding Scotia BaTS II. Any Indicated Yield (or portion thereof) that the Trust fails to pay to the holders of any outstanding Scotia BaTS II on a Regular Distribution Date will form part of the Accumulated Unpaid Indicated Yield. It is in the interest of the Bank to ensure, to the extent within their control, that the Trust pays the Indicated Yield on all outstanding Scotia BaTS II on each Regular Distribution Date so as to avoid triggering the Dividend Stopper Undertaking.

The following table indicates the relationship among the Dividend Reference Period, the Distribution Period, the Distribution Date and the Dividend Payment Resumption Month.

<u>Dividend Reference Period</u>	<u>Commencement of the Current Distribution Period⁽¹⁾</u>	<u>Distribution Date</u>	<u>Dividend Payment Resumption Month⁽²⁾</u>
April 30, 2002 to Closing Date	Closing Date	June 30, 2002	June 2003
April 1, 2002 to June 29, 2002	June 30, 2002	December 31, 2002	December 2003
October 2, 2002 to December 30, 2002	December 31, 2002	June 30, 2003	June 2004

Note:

- (1) 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 II, will have been determined.
- (2) The Dividend Payment Resumption Month is only relevant if the Trust fails to pay the Indicated Yield in full on the Scotia BaTS II on any Regular Distribution Date.

Share Exchange Agreement

On closing of the Offering, the Trust, the Bank and the Exchange Trustee, as trustee for the holders of the Scotia BaTS II, the Bank Preferred Shares Series W and the Bank Preferred Shares Series X, will enter into a share exchange agreement (the “Share Exchange Agreement”) providing for, among other things:

- (a) the Dividend Stopper Undertaking;
- (b) the grant by the Bank to the Trust of the Exchange Provisions; and
- (c) the grant by the Bank to the Trust of the right to subscribe for Bank Preferred Shares Series W or Bank Preferred Shares Series X, as the case may be, in order to enable the Trust to exchange the Scotia BaTS II pursuant to the Exchange Provisions (the “Subscription Right”).

In addition, pursuant to the provisions of the Bank Preferred Shares Series W and Bank Preferred Shares Series X, holders of such shares will have the right to exchange their shares for Bank Common Shares (the “Bank Common Share Exchange Right”) subject to certain restrictions. See “Description of Share Capital of the Bank — Certain Provisions of the Bank Preferred Shares Series W and X — Exchange of Bank Preferred Shares W and X at the Option of the Holder”.

The issuance of Bank Preferred Shares Series W, Bank Preferred Shares Series X and Bank Common Shares pursuant to these rights is subject to Superintendent Approval and the obtaining of an exemption under applicable securities legislation in certain of the provinces and territories of Canada. Applications for Superintendent Approval and these exemptions have been made by the Bank. In addition, the Bank will take all necessary corporate action before the Closing Date to enable them to comply with their obligations in respect of these rights.

The Bank will also agree in the Share Exchange Agreement to take or refrain from taking certain actions so as to ensure that holders of Scotia BaTS II will receive the benefit of the Exchange Provisions, including obtaining the requisite approval of holders of the Scotia BaTS II to any amendment to the provisions of the Bank Preferred Shares Series W and the Bank Preferred Shares Series X (other than any amendments relating to the non-cumulative Preferred Shares of the Bank as a class).

The Share Exchange Agreement will also provide that:

- (a) all the outstanding Special Trust Securities will be owned at all times by the Bank;
- (b) as long as any Scotia BaTS II are outstanding, the Bank will not take any action to cause the termination of the Trust unless the Trust has sufficient funds to pay the Early Redemption Price or the Redemption Price, as applicable, and only with Superintendent Approval; and
- (c) the Bank will not assign or otherwise transfer any of its obligations under the Share Exchange Agreement, except in the case of a merger, amalgamation, reorganization or a sale of substantially all of the assets of the Bank, as the case may be.

Capital Reorganizations and Amalgamations

If there is a capital reorganization, merger or amalgamation of the Bank, the Share Exchange Agreement will provide that holders of Scotia BaTS II will be entitled to receive, pursuant to the Exchange Provisions, after the capital reorganization, merger or amalgamation, the number of Bank Preferred Shares Series W and Bank Preferred Shares Series X 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 its Scotia BaTS II been exchanged, pursuant to the Exchange Provisions, for Bank Preferred Shares Series W and Bank Preferred Shares Series X, as applicable, immediately prior to the record date of the capital reorganization, merger or amalgamation. Similarly, the terms and conditions of the Bank Deposit Note will provide that the holder of the Bank Deposit Note will be entitled to receive, after the capital reorganization, merger or amalgamation, the number of Bank Preferred Shares Series W and Bank Preferred Shares Series X 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 the Bank Deposit Note been converted into Bank Preferred Shares Series W and Bank Preferred Shares Series X, as applicable,

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.

Additional Securities of the Trust

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

Trust Assets

Initially, the principal asset of the Trust will be the Bank Deposit Note, which will mature on June 30, 2052. If any Scotia BaTS II remain outstanding as of the date of maturity of the Bank Deposit Note, the Trust will invest the proceeds received on repayment of the Bank Deposit Note in Eligible Investments acquired from the Bank. Each of the Trust and the Bank have agreed, subject to Superintendent Approval, to enter into agreements by which the assets in which the Trust may invest such proceeds after June 30, 2052 will be held by the Trust for the purpose of meeting its obligations to the holders of any Scotiabank Trust Securities outstanding at that time.

Book-Entry Only Form

Except as otherwise provided below, the Scotia BaTS II 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 arrange for a global certificate representing the Scotia BaTS II to be delivered to, and registered in the name of, CDS. Except as described below, no holder of Scotia BaTS II 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 II will receive a customer confirmation of purchase from the registered dealer from which the Scotia BaTS II 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 II. If (i) the book-entry only system ceases to exist, (ii) the Trust determines that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the Scotia BaTS II and the Trust is unable to locate a qualified successor, or (iii) the Trust at its option elects, or is required by applicable law or the rules of any securities exchange, to withdraw the Scotia BaTS II from the book-entry only system, then physical certificates representing the Scotia BaTS II will be issued to holders thereof or their nominees.

None of the Bank, the Trustee, the Exchange Trustee or the Underwriters will assume any liability for (i) any aspect of the records relating to the beneficial ownership of the Scotia BaTS II held by CDS or the payments or deliveries relating thereto, (ii) maintaining, supervising or reviewing any records relating to the Scotia BaTS II, 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 II, 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 II.

Transfers

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

Payments and Deliveries

The Trust will make, or cause to be made, payments of the Indicated Yield in respect of Scotia BaTS II to CDS as the registered holder of the Scotia BaTS II and the Trust understands that the payments will be forwarded by CDS to Participants in accordance with CDS Procedures. Deliveries of Bank Preferred Shares Series W in respect of the exercise of the Holder Exchange Right or deliveries of Bank Preferred Shares Series X upon an Automatic Exchange will be made by or on behalf of the Trust to CDS as the registered holder of the Scotia BaTS II and the Trust understands 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 II, CDS will be considered the sole owner of the Scotia BaTS II for the purposes of receiving payments on the Scotia BaTS II, including payment of the Indicated Yield and the Early Redemption Price or Redemption Price on a redemption of the Scotia BaTS II by the Trust, or the delivery of the Bank Preferred Shares Series W and the Bank Preferred Shares Series X upon the exercise or operation of the Exchange Provisions. As long as the Scotia BaTS II 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 II is limited to making payment of any amount due on the Scotia BaTS II and/or making delivery of the Bank Preferred Shares Series W and the Bank Preferred Shares Series X in respect thereof to CDS or its nominee, as registered holder of Scotia BaTS II.

Special Trust Securities

Voting Rights

The Declaration of Trust will provide that the Special Trust Securities are voting. The holder of Special Trust Securities will be entitled to vote in respect of, among other things (i) the termination of the Trust, as set forth under "Description of the Trust Securities — 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 holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust remaining after payment of the Indicated Yield on the Scotia BaTS II. On a Distribution Date that is a Distribution Diversion Date, the holder of the Special Trust Securities will be entitled to receive the Net Distributable Funds, if any, of the Trust and payment of the Indicated Yield will not be made on the Scotia BaTS II. On a Bank Deposit Note Interest Payment Date that is also a Distribution Diversion Date, the interest then due and payable on the Bank Deposit Note will be paid to the Trust which will then distribute such amount to the holder of the Special Trust Securities as the Net Distributable Funds.

Redemption

The Trust, with the consent of the holder of the Special Trust Securities, may redeem all or part of the Special Trust Securities at any time but will not redeem all unless there are no Scotiabank Trust Securities outstanding. Any such redemption will require Superintendent Approval.

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 holder of the Special Trust Securities will be entitled to participate, *pari passu* with the holders of the Scotia BaTS II, in the distribution of the remaining property of the Trust. On a termination of the Trust, the holder of the Special Trust Securities will be entitled to receive an amount equal to the subscription price of the Special Trust Securities then outstanding multiplied by the Termination Distribution Ratio.

DESCRIPTION OF SHARE CAPITAL OF THE BANK

The Bank has authorized share capital consisting of an unlimited number of Bank Common Shares and an unlimited number of preferred shares (the “Bank Preferred Shares”).

Bank Common Shares

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 the Bank Preferred Shares 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 following table sets forth the market price range and trading volume of Bank Common Shares on the TSE for the periods indicated.

	The Toronto Stock Exchange Bank Common Shares (\$ Price Range)		
	High	Low	Volume (000s)
Fiscal 2000			
1 st Quarter	33.75	27.50	68,459
2 nd Quarter	33.90	26.15	91,383
3 rd Quarter	38.40	33.40	77,668
4 th Quarter	45.20	36.60	75,861
Fiscal 2001			
1 st Quarter	45.85	38.25	87,783
2 nd Quarter	47.21	38.05	98,260
3 rd Quarter	47.35	38.00	88,823
4 th Quarter	49.90	43.60	80,983
Fiscal 2002			
1 st Quarter	50.54	45.15	78,445
February	49.53	45.47	25,834
March	52.61	50.07	27,593
April (1-19)	55.75	52.27	18,038

On April 19, 2002, the closing price was \$55.75 per Bank Common Share on the TSE.

Dividend Policy

The Bank has paid a dividend on the Bank Common Shares in each year since 1833. The following table sets forth the dividends paid or payable on the Bank Common Shares for the financial periods of the Bank indicated. As of January 31, 2002, the Bank had approximately 503,701,000 Bank Common Shares outstanding.

	Bank Common Shares Dividends Paid⁽¹⁾
Fiscal 1997	\$0.74
Fiscal 1998	\$0.80
Fiscal 1999	\$0.87
Fiscal 2000	\$1.00
Fiscal 2001	\$1.24
Fiscal 2002 — 1 st Quarter	\$0.34

Note:

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

The declaration and payment of future dividends and the amount thereof will be subject to the discretion of the Board of Directors, and will be dependent upon the results of operations, financial condition, cash requirements and future prospects of, and regulatory restrictions on the payment of dividends by, the Bank and other factors deemed relevant by the Board of Directors. In certain circumstances, the Bank may not declare dividends on the Bank Common Shares and the Bank Preferred Shares. See “Description of the Trust Securities — Scotiabank Trust Securities — Dividend Stopper Undertaking”.

Certain Provisions of the Bank Preferred Shares Series W and X

The following is a summary of the rights, privileges, restrictions and conditions attaching to the Bank Preferred Shares Series W and the Bank Preferred Shares Series X (for the purposes of this section, the Bank Preferred Shares Series W and the Bank Preferred Shares Series X are collectively referred to as the “Bank Exchange Preferred Shares”). This summary is qualified in its entirety by the by-laws of the Bank and the actual terms and conditions of the Bank Exchange Preferred Shares. For information concerning Bank Common Shares into which Bank Exchange Preferred Shares are exchangeable, see “Description of Share Capital of the Bank — Bank Common Shares”.

Dividends

Holders of Bank Preferred Shares Series W will be entitled to receive semi-annual non-cumulative preferential cash dividends, as and when declared by the Board of Directors and subject to the provisions of the Bank Act, equal to \$0.53125 per share (representing an annual yield of 4.25%), payable on the last day of June and December in each year (each, a “Dividend Payment Date” for the purposes of this paragraph). Holders of Bank Preferred Shares Series X will be entitled to receive semi-annual non-cumulative preferential cash dividends, as and when declared by the Board of Directors and subject to the provisions of the Bank Act, equal to \$0.70 per share (representing an annual yield of 5.60%), payable on each Dividend Payment Date. If the Board of Directors does not declare the dividends, or any part thereof, on the Bank Exchange Preferred Shares on or before the Dividend Payment Date for a particular semi-annual period, the rights of the holders of the Bank Exchange Preferred Shares to receive such dividends, or any part thereof, for such semi-annual period will be extinguished.

Redemption

The Bank Exchange Preferred Shares will not be redeemable prior to June 30, 2007. On and after that date, but subject to the provisions of the Bank Act and Superintendent Approval and the provisions described below under “Restrictions on Dividends and Retirement of Shares”, the Bank may redeem at any time all, or from

time to time any part, of the outstanding Bank Exchange Preferred Shares, without the consent of the holders, by either:

- (a) the payment of \$25 together with any declared and unpaid dividends on Bank Exchange Preferred Shares, as applicable, to the date of the redemption (the “Cash Redemption Price”); or
 - (b) subject to the approval of any applicable regulatory authority, including any applicable stock exchange, the delivery of that number of fully-paid and freely tradeable Bank Common Shares listed on a recognized stock exchange in Canada for each such Bank Exchange Preferred Share so redeemed determined by dividing the Cash Redemption Price by the Common Share Exchange Rate,
- (the “Bank Preferred Share Redemption Right”).

Fractional Bank Common Shares will not be issued on any redemption of the Bank Exchange Preferred Shares, but instead, the Bank will make cash payments equal to the balance of the Cash Redemption Price not otherwise satisfied by the delivery of Bank Common Shares.

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 Exchange Preferred Shares are at any time to be redeemed, the shares to be redeemed will be selected by lot (in single shares or in units of 10 shares or less) or in such other manner as the Board of Directors may determine. See also “Exchange of Bank Preferred Shares Series W and X at the Option of the Holder”.

On a redemption of Bank Exchange Preferred Shares payable in Bank Common Shares, the Bank reserves the right not to deliver Bank Common Shares to any Ineligible Person or a person who, as a result, would become a Significant Shareholder.

Exchange of Bank Preferred Shares Series W and X at the Option of the Holder

Holders of the Bank Exchange Preferred Shares will be entitled to exchange their Bank Exchange Preferred Shares with the Bank for Bank Common Shares in the following manner.

On any applicable Exchange Date, and provided that any Loss Absorption Event that has occurred is not then continuing, each Bank Preferred Share will be exchangeable, at the option of the holder on not more than 90 and not less than 60 days’ prior written notice before the date fixed for exchange (which notice will be irrevocable), for that number of fully-paid and freely tradeable Bank Common Shares determined by dividing the Cash Exchange Price by the Common Share Exchange Rate. Fractional Bank Common Shares will not be issued on any exchange of the Bank Exchange Preferred Shares but, instead, the Bank or an affiliate will make cash payments equal to the balance of the Cash Exchange Price not otherwise satisfied by the delivery of Bank Common Shares.

If a Loss Absorption Event has occurred and is continuing, on and after December 31, 2012, the right of holders of the Bank Exchange Preferred Shares to submit notice to the Bank of their intention to exchange such shares into Bank Common Shares will be suspended until the Loss Absorption Event is no longer continuing and exchange notices may thereafter only be submitted in respect of Exchange Dates occurring after the cessation of the Loss Absorption Event, in accordance with the timing provisions referred to above. All notices of exchange delivered prior to the occurrence of the Loss Absorption Event in respect of any Exchange Date falling after such occurrence will be null and void. The Bank will issue press releases notifying holders of the Bank Exchange Preferred Shares as to the occurrence and cessation of any event giving rise to a suspension of the exchange right attached to the Bank Preferred Shares. Any holder of the Bank Exchange Preferred Shares that has submitted an exchange notice rendered null and void by the foregoing events will be required to submit a further exchange notice in order to subsequently exchange its shares.

The terms of the Bank Preferred Shares Series W provide that a holder of Scotia BaTS II exercising the Holder Exchange Right with an effective Exchange Date on or after December 31, 2012, who wishes to immediately exchange the Bank Preferred Shares Series W to be so received into Bank Common Shares may do so, provided that any Loss Absorption Event that has occurred is not then continuing, by completing the exchange instructions contained in the exchange panel of the Scotia BaTS II. In such circumstances, the exchange instructions so completed will be deemed to constitute a valid exchange notice pursuant to the terms of

Bank Preferred Shares Series W with the result that, upon the first Exchange Date on or after issuance and delivery of the Bank Preferred Shares Series W pursuant to the Holder Exchange Right, such shares will be immediately exchanged into Bank Common Shares provided that any Loss Absorption Event that has occurred is not then continuing. Accordingly, in that case, on the first Exchange Date on or after the effective date of exercise of the Holder Exchange Right, the holder will receive Bank Common Shares if so elected. Fractional Bank Common Shares will not be issued on any exchange of Bank Preferred Shares Series W, but instead, the Bank or an affiliate will make cash payments equal to the balance of the Cash Exchange Price not otherwise satisfied by the delivery of Bank Common Shares.

The Bank, subject to the provisions of the Bank Act, Superintendent Approval and the provisions described below under “Restrictions on Dividends and Retirement of Shares”, as applicable, by prior written notice given not later than 40 days before the date fixed for exchange to all holders who have given an exchange notice may either (i) redeem for cash on the Business Day after the date fixed for exchange all but not less than all of the Bank Exchange Preferred Shares forming the subject matter of the applicable exchange notice, or (ii) cause the holder of such Bank Exchange Preferred Shares to sell on the Business Day after the date fixed for exchange such Bank Exchange Preferred Shares to another purchaser or purchasers, if a purchaser or purchasers willing to purchase all but not less than all of such Bank Exchange Preferred Shares is or are found. Any such redemption or purchase will be made by the payment of an amount in cash equal to the Cash Redemption Price. In such event, the Bank Exchange Preferred Shares to be so redeemed or purchased will not be exchanged on the date set forth in the exchange notice.

Upon exercise by a holder of its right to exchange the Bank Exchange Preferred Shares for Bank Common Shares, the Bank reserves the right not to issue Bank Common Shares to any Ineligible Person or a person who, as a result, would become a Significant Shareholder.

Presentation for Exchange, Redemption or Sale

An exchange, redemption or sale by a holder of the Bank Exchange Preferred Shares will be effected by the holder transferring its Bank Exchange Preferred Shares to be exchanged, redeemed or sold, as the case may be, to the account of the Bank or other designated affiliate of the Bank in CDS (or, if the Bank Exchange Preferred Shares are not then issued in book-entry only form, by depositing with the transfer agent for the Bank Exchange Preferred Shares, at one of its principal offices, certificates representing such Bank Exchange Preferred Shares).

Purchase for Cancellation

On and after June 30, 2007, but subject to the provisions of the Bank Act, Superintendent Approval and the provisions described below under “Restrictions on Dividends and Retirement of Shares”, the Bank may at any time purchase for cancellation any Bank Exchange Preferred Shares in the open market or by tender or private contract at any price.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Bank, the holders of the Bank Exchange Preferred Shares will be entitled to receive \$25 per share, together with any declared and unpaid dividends to the date of payment, before any amount will be paid or any assets of the Bank distributed to the holders of the Bank Common Shares or any shares ranking junior to the Bank Exchange Preferred Shares. The holders of the Bank Exchange Preferred Shares will 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 series of the Bank Exchange Preferred Shares are outstanding, the Bank will not at any time, without the approval of the holders of such series of the Bank Exchange Preferred Shares given as specified below:

- (a) declare any dividend on the Bank Common Shares or any other shares ranking junior to the series of the Bank Exchange Preferred Shares (other than share dividends payable in the form of shares ranking junior to the series of the Bank Exchange Preferred Shares);
- (b) redeem, purchase or otherwise retire any Bank Common Shares or any other shares ranking junior to the series of the Bank Exchange Preferred Shares (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the series of the Bank Exchange Preferred Shares);
- (c) redeem, purchase or otherwise retire less than all the series of the Bank Exchange Preferred Shares; 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 series of the Bank Exchange Preferred Shares;

unless, in each case, all dividends on the series of the Bank Exchange Preferred Shares up to and including those payable on the Dividend Payment Date for the last completed period for which dividends are payable and in respect of which the rights of holders have not been extinguished, and all dividends then accrued on all other shares ranking senior to or on a parity with the series of the Bank Exchange Preferred Shares up to the immediately preceding respective date or dates for payment and in respect of which the right of the holders thereof have not been extinguished, have been declared and paid or set aside 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 Exchange Preferred Shares.

Amendments to Bank Preferred Shares Series W and X

The Bank will not, without the approval of the holders of the Bank Exchange Preferred Shares and any holders of Scotia BaTS II then outstanding given as described below, delete or vary any rights, privileges, restrictions and conditions attaching to the Bank Exchange Preferred Shares. In addition to this approval, the Bank will not without, but may from time to time with, Superintendent Approval, make any such deletion or variation which might affect the classification afforded the Bank Exchange Preferred Shares from time to time for capital adequacy requirements pursuant to the Bank Act or the Capital Guidelines.

Bank Preferred Shares Series W and X Shareholder Approvals

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to a series of the Bank Exchange Preferred Shares or all series of the Bank Exchange Preferred Shares, respectively, 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 such series of the Bank Exchange Preferred Shares or all series of the Bank Exchange Preferred Shares, respectively, at which at least a majority of the outstanding shares of the series or all series, respectively, is represented or, if no quorum is present at that meeting, at a meeting following such adjourned meeting at which no quorum requirement would apply. Pursuant to the Share Exchange Agreement, the Bank will agree that, for as long as the Scotia BaTS II remain outstanding, no amendment will be made to the rights, privileges, restrictions and conditions of the Bank Exchange Preferred Shares (other than any amendments relating to the Bank Exchange Preferred Shares as a class) without the prior approval of 66 $\frac{2}{3}$ % of the holders of the Scotia BaTS II.

Voting Rights

Subject to applicable law, the holders of the Bank Exchange Preferred Shares 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 has not declared the whole dividend on any of the Bank Exchange Preferred Shares in any semi-annual period. In that event, the holders will be entitled to receive notice of and to attend only meetings of shareholders at which directors are to be elected and will be entitled to elect one director at such meeting and, for that purpose, will have one vote for each Bank Exchange Preferred Share held. The voting rights of the holders of the Bank Exchange Preferred Shares will cease upon payment by the Bank of the first dividend on the Bank Exchange Preferred Shares to which the holders are entitled after the time such voting rights first arose. The voting rights shall become effective from time to time in accordance with these rules.

Capital Reorganizations and Amalgamations

If there is a capital reorganization, merger or amalgamation of the Bank, the Share Exchange Agreement and the provisions of the Bank Exchange Preferred Shares will provide that holders of the Bank Exchange Preferred Shares will be entitled to receive, pursuant to the Bank Common Share Exchange Right, after the capital reorganization, merger or amalgamation, the number of Bank Common Shares 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 its Bank Exchange Preferred Shares been exchanged, pursuant to the Bank Common Share Exchange Right, for Bank Common Shares immediately prior to the record date of the capital reorganization, merger or amalgamation.

Book-Entry Only Form

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

Listing of Bank Preferred Shares Series W and X

Pursuant to the Share Exchange Agreement, the Bank will undertake to list on the TSE any Bank Preferred Shares Series W and X issued upon the exercise of the Holder Exchange Right or the occurrence of an Automatic Exchange.

BANK ACT RESTRICTIONS

The Bank Act contains restrictions on the issue, transfer, acquisition, beneficial ownership and voting of all shares of a chartered bank. The following is a summary of such restrictions. No person shall be a major shareholder of a bank if the bank has equity of \$5 billion or more (which would include the Bank). A person is a major shareholder of a bank where (i) the aggregate of shares of any class of voting shares owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 20% of that class of voting shares; or (ii) the aggregate of shares of any class of non-voting shares beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 30% of that class of non-voting shares. No person shall have a significant interest in any class of shares of a bank, including the Bank, unless the person first receives the approval of the Minister of Finance (Canada). For purposes of the Bank Act, a person has a significant interest in a class of shares of a bank where the aggregate of any shares of the class beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person exceeds 10% of all of the outstanding shares of that class of shares of such bank. 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 the Bank Preferred Shares Series W 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 W 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 II (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 W or the Bank Preferred Shares Series X 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.

DESCRIPTION OF THE BANK DEPOSIT NOTE

The following is a summary of the terms and conditions attaching to the Bank Deposit Note. This summary is qualified in its entirety by the terms of the Bank Deposit Note.

Interest

Interest on the Bank Deposit Note will be payable at a fixed annual rate of 6.626%, payable in equal semi-annual instalments in arrears of \$33.13 per \$1,000 principal amount of the Bank Deposit Note on each Bank Deposit Note Interest Payment Date, commencing June 30, 2002. The initial interest payment due on June 30, 2002 will be approximately \$11.07 per \$1,000 principal amount of the Bank Deposit Note, assuming a Closing Date of April 30, 2002. Interest on the Bank Deposit Note will be payable to the Trust on every Bank Deposit Note Interest Payment Date regardless of whether that date is a Regular Distribution Date or a Distribution Diversion Date.

Redemption at the Option of the Bank

On and after June 30, 2007 and on any Bank Deposit Note Interest Payment Date thereafter, the Bank Deposit Note will be redeemable at the option of the Bank in whole or in part without the consent of the holder, subject to Superintendent Approval and upon not less than 30 nor more than 60 days' prior written notice by the Bank for an amount in cash equal to (i) a cash amount per \$1,000 principal amount of the Bank Deposit Note to be redeemed equal to the greater of (A) an amount equal to \$1,000 plus any accrued and unpaid interest thereon to the date of redemption per \$1,000 principal amount of the Bank Deposit Note to be redeemed (the "Deposit Note Redemption Price") and (B) the Deposit Note Canada Yield Price, if the Bank Deposit Note is redeemed prior to June 30, 2012 (the greater of (A) and (B) being the "Deposit Note Early Redemption Price"), and (ii) the Deposit Note Redemption Price, if the Bank Deposit Note is redeemed on or after June 30, 2012. If the Bank has redeemed the Bank Deposit Note, in whole or in part, the Trust will be required to redeem a corresponding amount of Scotia BaTS II. It is the intention of the Trust to use the proceeds of redemption received in respect of the Bank Deposit Note to make payment to the holders of the Scotia BaTS II to be redeemed, as required.

"Deposit Note Canada Yield Price" means a price per \$1,000 principal amount of the Bank Deposit Note to be redeemed calculated to provide an annual yield thereon to June 30, 2012 equal to the Government of Canada Yield plus 0.22%, determined on the Business Day immediately preceding the date on which the Bank has given notice of the redemption of the Bank Deposit Note (including as a result of the occurrence of a Special Event) plus accrued and unpaid interest thereon.

Conversion at Option of the Holder

Each \$1,000 principal amount of the Bank Deposit Note will be convertible at any time at the option of the holder into 40 Bank Preferred Shares Series W. The Trust will exercise its right to convert the Bank Deposit Note in circumstances in which holders of Scotia BaTS II exercise the Holder Exchange Right to acquire Bank Preferred Shares Series W, so as to enable the Trust to fulfil its obligations under the Holder Exchange Right. Upon any such conversion of the Bank Deposit Note, the Bank Preferred Shares Series W so acquired by the Trust will be delivered to the holders of Scotia BaTS II who have exercised the Holder Exchange Right in accordance with their respective entitlements.

Automatic Conversion

If a Loss Absorption Event occurs giving rise to an Automatic Exchange, each \$1,000 principal amount of the Bank Deposit Note then outstanding will be automatically converted into 40 Bank Preferred Shares Series X. Upon any such conversion of the Bank Deposit Note, the Bank Preferred Shares Series X so acquired will be transferred to the holders of Scotia BaTS II in accordance with their respective entitlements.

The right to convert and the automatic conversion of the Bank Deposit Note into Bank Preferred Shares Series W and Bank Preferred Shares Series X, respectively, are called the “Conversion Right”.

Redemption Upon Special Event

Upon the occurrence of a Special Event, the Bank, at its option, and with Superintendent Approval, and on not less than 30 nor more than 90 days prior written notice, may redeem at any time the Bank Deposit Note in whole (but not in part), without the consent of the holder, for an amount in cash for each \$1,000 principal amount of each Bank Deposit Note being redeemed equal to (i) the Deposit Note Early Redemption Price, if the Bank Deposit Note is redeemed prior to June 30, 2012, and (ii) the Deposit Note Redemption Price, if the Bank Deposit Note is redeemed on or after June 30, 2012. If the Bank has redeemed a Bank Deposit Note, the Trust will be required to redeem all of the corresponding series of Scotia BaTS II.

Purchase for Cancellation

On and after June 30, 2007, the Bank Deposit Note may be purchased, in whole or in part, subject to the provisions of the Bank Act and Superintendent Approval, in the open market or by tender or by private contract at any price. Any part of the Bank Deposit Note purchased by the Bank will be cancelled and will not be reissued.

Events of Default

Failure by the Bank to make payments or to satisfy its other obligations under the Bank Deposit Note will not entitle the Trust to accelerate the Bank Deposit Note.

Priority of the Bank Deposit Note

The Bank Deposit Note will rank on a parity with all other deposit and unsubordinated liabilities of the Bank. Upon any distribution of assets of the Bank to creditors upon any dissolution, winding-up, liquidation, reorganization, bankruptcy or insolvency, all principal and accrued interest due on the Bank Deposit Note must be paid in full before holders of junior or subordinated debentures are entitled to receive any payment. If a liquidation, dissolution or winding-up of the Bank occurs, the Bank Deposit Note will rank in priority to any shares of the Bank with respect to payments and the distribution of assets.

Maturity Date

The Bank Deposit Note will mature on June 30, 2052. On maturity of the Bank Deposit Note, the Bank will be required to pay the principal amount of the Bank Deposit Note and any accrued and unpaid interest thereon to the Trust in cash. If any Scotia BaTS II remain outstanding as of that date, the Trust will invest the proceeds received on repayment of the Bank Deposit Note in Eligible Investments, for a price equal to the fair market value thereof. If following maturity of the Bank Deposit Note there is an Automatic Exchange or a holder of

Scotia BaTS II exercises the Holder Exchange Right, the Trust will subscribe for, and the Bank has agreed to issue, pursuant to the Subscription Right, Bank Preferred Shares Series X or Bank Preferred Shares Series W, as applicable, to satisfy the Trust's obligation to deliver 40 Bank Preferred Shares Series X for each Scotia BaTS II outstanding upon an Automatic Exchange or 40 Bank Preferred Shares Series W for each Scotia BaTS II tendered for exchange pursuant to the exercise of the Holder Exchange Right. The Bank Preferred Shares Series X or the Bank Preferred Shares Series W tendered, as applicable, will then be delivered to the relevant holders of Scotia BaTS II and the Scotia BaTS II will be cancelled.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Trust, and Torys 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 II who acquires Scotia BaTS II under the Offering and who, for purposes of the Tax Act at all relevant times, (i) is resident or deemed to be resident in Canada, (ii) deals at arm's length and is not affiliated with the Bank or the Trust, (iii) holds Scotia BaTS II, any Bank Preferred Shares Series W, any Bank Preferred Shares Series X and any Bank Common Shares as capital property and is not exempt from tax under Part I of the Tax Act and (iv) does not hold Scotia BaTS II, any Bank Preferred Shares Series W, any Bank Preferred Shares Series X or any Bank Common Shares in a Deferred Income Plan or other tax-exempt plan. This summary does not take into account 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 W and the Bank Preferred Shares Series X 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 W or the Bank Preferred Shares Series X outstanding at the time a dividend is received. This summary also assumes that all issued and outstanding Bank Preferred Shares Series W and Bank Preferred Shares Series X are listed on a prescribed stock exchange in Canada (as defined in the Tax Act) at such times as dividends (including deemed dividends) are paid or received on such shares.

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 advisors 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 (Canada) prior to the date hereof, and counsel's understanding of the current administrative and assessing policies of the Canada Customs and Revenue Agency (the "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 II

Taxation of the Trust

The Declaration of Trust requires that, 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 II or the 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 II or 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 Declaration of Trust requires the Trust to restrict its investments to the effect that it will not be subject to any of these special taxes.

Taxation of Holders of Scotia BaTS II

Distributions

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

Disposition

A holder of Scotia BaTS II who disposes of or is deemed to dispose of Scotia BaTS II 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 II to the holder. A disposition or deemed disposition of a holder's Scotia BaTS II will be considered to occur on, among other events: (i) an exchange of the Scotia BaTS II for Bank Preferred Shares Series W pursuant to the exercise by a holder of the Holder Exchange Right (in which event a holder's proceeds of disposition will be equal to the fair market value of the Bank Preferred Shares Series W received on the exchange), (ii) an exchange of the Scotia BaTS II for Bank Preferred Shares Series X pursuant to the operation of the Automatic Exchange (in which event a holder's proceeds of disposition will be equal to the fair market value of the Bank Preferred Shares Series X received on the exchange), (iii) a redemption of the Scotia BaTS II on the Trust Special Event Redemption Right or the Trust Redemption Right (in which event a holder's proceeds of disposition will be equal to the Redemption Price; in cases where the Early Redemption Price is payable, the excess of the Early Redemption Price over the Redemption Price will be allocated to the holder as income) and (iv) a termination of the Trust.

Share Exchange Agreement

The Bank and the Trust have been advised by Scotia Capital Inc. that the value to holders of the rights under the Share Exchange Agreement is nominal and, therefore, the Bank is of the view that no amount should be allocated to such rights. However, this determination is not binding on the Agency.

Bank Common Shares and Bank Preferred Shares Series W and X

Dividends

Dividends (including deemed dividends) received on the Bank Common Shares, the Bank Preferred Shares Series W or the Bank Preferred Shares Series X 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, the Bank Preferred Shares Series W or the Bank Preferred Shares Series X received by a corporation to which this part of the summary applies will be included in computing its income and will generally be deductible in computing its taxable income.

The Bank Preferred Shares Series W and the Bank Preferred Shares Series X will be taxable preferred shares as defined in the Tax Act. The terms of the Bank Preferred Shares Series W and the Bank Preferred Shares Series X require the Bank to make an 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 W and the Bank Preferred Shares Series X.

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

Redemption and Exchange

If the Bank redeems for cash or otherwise acquires the Bank Common Shares, the Bank Preferred Shares Series W and the Bank Preferred Shares Series X, respectively, other than by a purchase in the manner in which these shares are normally purchased by a member of the public in the open market or by reason of an exchange of the Bank Preferred Shares Series W and the Bank Preferred Shares Series X, the holder will be deemed to have received a dividend equal to the amount, if any, paid by the Bank, as applicable, 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 exchange of the Bank Preferred Shares Series W and the Bank Preferred Shares Series X for Bank Common Shares by the holder with the Bank will not give rise to a capital gain or a capital loss. A holder who receives cash of \$200 or less in lieu of a fraction of a Bank Common Share may either include the capital gain or capital loss on the partial disposition in computing income, or reduce the adjusted cost base of the Bank Common Shares received by the amount of the cash.

Other Dispositions

A holder of Bank Common Shares, Bank Preferred Shares Series W or Bank Preferred Shares Series X who disposes of or is deemed to dispose of the Bank Common Shares, the Bank Preferred Shares Series W or the Bank Preferred Shares Series X 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 Preferred Shares Series W or the Bank Preferred Shares Series X 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.

Tax Treatment of Capital Gains and Losses

Generally, one-half of a capital gain will be included in computing the holder's income as a taxable capital gain and one-half of a capital 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.

PLAN OF DISTRIBUTION

Pursuant to an agreement (the "Underwriting Agreement") dated April 22, 2002 between the Trust, the Bank, Scotia Capital Inc., RBC Dominion Securities Inc., TD Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., Merrill Lynch Canada Inc., HSBC Securities (Canada) Inc., Laurentian Bank Securities Inc. and Trilon Securities Corporation (the "Underwriters"), the Trust has agreed to sell, and the Underwriters have agreed to purchase, on April 30, 2002, or on such other date not later than May 31, 2002 as may be agreed upon, all but not less than all of the 750,000 Scotia BaTS II at a price of \$1,000 per Scotia BaTS II, subject to the terms and conditions set forth in the Underwriting Agreement. The Trust has agreed to pay to the Underwriters a fee of \$10 for each Scotia BaTS II sold. Based on the expected sales of the Scotia BaTS II, the aggregate Underwriters' fee will be \$7,500,000.

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 II have not been and will not be registered under the *United States Securities Act of 1933*, as amended. The Underwriters have agreed not to offer for sale or sell the Scotia BaTS II in the United States or to any U.S. Person within the meaning of applicable U.S. securities laws.

Scotia Capital Inc., one of the Underwriters, 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. 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. RBC Dominion Securities Inc. and TD Securities Inc., the underwriters in respect of which neither the Trust nor the Bank is a related or connected issuer, have participated in the structuring and pricing of the Offering and in the due diligence activities performed by the Underwriters for the Offering.

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 II. 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 II are rated as follows:

<u>Rating Agency</u>	<u>Rating</u>
DBRS	"A" yn
S&P	A-

Neither of these ratings should be construed as a recommendation to buy, sell or hold the Scotia BaTS II and either rating may be revised or withdrawn at any time by the respective rating organization.

USE OF PROCEEDS

The net proceeds to the Trust from the sale of the Scotia BaTS II will be \$740,500,000. The Trust will use the net proceeds to be received on closing of the Offering to purchase the Bank Deposit Note.

The Bank intends to use the proceeds from the sale of the Bank Deposit Note for general corporate purposes. The Bank expects that the proceeds from the sale of the Scotia BaTS II will be included in the Tier 1 capital of the Bank (assuming the Superintendent approves the inclusion of Scotia BaTS II as Tier 1 capital of the Bank). See "The Bank of Nova Scotia — Capital Adequacy Requirements".

LEGAL PROCEEDINGS

The Bank and its subsidiaries are engaged in litigation arising in the ordinary course of business. None of this litigation, however, is expected to have a material adverse effect on the consolidated financial position or results of operations of the Bank. The Trust is not engaged in any litigation.

RISK FACTORS

Investors should carefully consider the risks described below before deciding whether to invest in any Scotia BaTS II. Investors should also carefully consider any risks that may be described in other filings the Bank makes with securities or banking regulators including, without limitation, the Bank's management's discussion and analysis of financial condition and results of operations incorporated by reference in this prospectus. Additional risks and uncertainties not presently known to the Bank may also impair its business operations. If it does not successfully address any of the risks described below or in other filings incorporated by reference, there could be a material adverse effect on its business, financial condition or results of operations. As a result, the Bank cannot assure an investor that it will successfully address these risks.

Risk Factors Specifically Associated with the Scotia BaTS II

Automatic Exchange of Scotia BaTS II for Bank Preferred Shares Series X

The purchase of Scotia BaTS II involves risk with respect to the performance and capital levels of the Bank. If a Loss Absorption Event occurs, the Scotia BaTS II will be automatically exchanged for Bank Preferred Shares Series X, without the consent of the holders. These shares would then be an investment in the Bank and not in the Trust. As a result, holders of Scotia BaTS II could become shareholders of the Bank at a time when the Bank's financial condition is deteriorating or when the Bank had become insolvent or bankrupt or resolved to wind-up or had been ordered wound-up or liquidated. 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 Bank Preferred Shares Series W or Bank Preferred Shares Series X. 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 Bank Preferred Shares Series X may receive, if anything, substantially less than the holders of the Scotia BaTS II would have received had the Scotia BaTS II not been exchanged for Bank Preferred Shares Series X. Potential investors in the Scotia BaTS II should carefully consider the description of the Bank set forth under "The Bank of Nova Scotia". See also "Description of the Trust Securities — Scotiabank Trust Securities — Automatic Exchange".

Restrictions on Ownership of Bank Shares

Under the Bank Act, no person shall have a significant interest in any class of shares of the Bank, unless the person first receives the approval of the Minister of Finance (Canada). See "Bank Act Restrictions". Accordingly, the right of a holder to exchange all or some of the Scotia BaTS II held by it may be restricted. In addition, certain holders of Scotia BaTS II who are to acquire Bank Preferred Shares Series W and Bank Preferred Shares Series X upon the exercise or operation of the Exchange Provisions or Bank Common Shares upon the conversion of Bank Preferred Shares Series W and Bank Preferred Shares Series X 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 — Automatic Exchange". Furthermore, holders of Bank Preferred Shares Series W and Bank Preferred Shares Series X who acquire Bank Common Shares upon conversion of such Bank Preferred Shares Series W and Bank Preferred Shares Series X may be required to dispose of some or all of such Bank Common Shares.

Liquidity of and Dealings in Scotia BaTS II

While the Scotia BaTS II will be eligible for resale in the public market, it is not expected that the Scotia BaTS II will be listed on any stock exchange. There can be no assurance that an active trading market will develop or be sustained or that the Scotia BaTS II may be resold at or above the initial public offering price. The ability of a holder to pledge Scotia BaTS II or otherwise take action with respect to its interest in Scotia BaTS II (other than through a Participant) may be limited due to the lack of a physical certificate.

No prediction can be made as to the effect, if any, that future issues of Scotiabank Trust Securities, or the availability of such Scotiabank Trust Securities for future issue, will have on the market price of issued Scotia

BaTS II prevailing from time to time. Issues from treasury or sales in the public market by holders of Scotia BaTS II involving substantial numbers or principal amounts of Scotia BaTS II in the public market, or the perception that such issues or sales could occur, could adversely affect prevailing market prices for such Scotia BaTS II and the issuer's ability to raise additional capital in the equity and debt markets.

Indicated Yield is Non-Cumulative

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

MATERIAL CONTRACTS

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

1. the Declaration of Trust described under "The Trust";
2. the Administration Agreement described under "The Trust — Administrative Agent";
3. the Share Exchange Agreement described under "Description of the Trust Securities — Scotiabank Trust Securities — Share Exchange Agreement";
4. the Subscription Agreement described under "Summary — Use of Proceeds";
5. the Deposit Note Purchase Agreement described under "The Trust — Business of the Trust";
6. the Credit Facility described under "The Trust — Liquidity"; and
7. the Underwriting Agreement described under "Plan of Distribution".

PRINCIPAL HOLDERS OF SECURITIES

It is intended that, at all times following the Closing Date, the Bank 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 Agreement, the Bank will administer the day-to-day operations of the Trust.

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 the renewal, termination or modification of the Administration Agreement. 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 its affiliates, on the other hand, are fair to all parties and consistent with market terms and conditions.

EXPERTS

Certain legal matters in connection with the Offering will be passed upon by McCarthy Tétrault LLP, on behalf of the Trust and the Bank, and by Torys LLP, on behalf of the Underwriters. The partners, counsel and associates of McCarthy Tétrault LLP and Torys LLP, as a group, beneficially own, directly or indirectly, less than 1% of any class of security issued by the Trust and the Bank. Arthur R.A. Scace, a partner of McCarthy Tétrault LLP, is a director of the Bank.

TRANSFER AGENT AND REGISTRAR AND EXCHANGE TRUSTEE

Computershare Trust Company of Canada will act as transfer agent, registrar and exchange trustee for the Scotia BaTS II (the "Exchange Trustee"). The Scotia BaTS II will be issued in book-entry only form through CDS. See "Description of the Trust Securities — Scotiabank Trust Securities — Book-Entry Only Form".

Subject to the CDS Procedures, registration and transfer of the Scotia BaTS II may be effected at its principal office in Toronto, Ontario.

AUDITORS

KPMG LLP, Chartered Accountants, Toronto, Ontario are the auditors of the Trust.

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 II other than as described in this prospectus. See “The Trust — Business of the Trust”.

Under the Administration Agreement, the Bank, as Administrative Agent, will provide various services in connection with the Offering and the ongoing operations, maintenance and regulatory compliance of the Trust. The Bank will receive an administration fee under the Administration Agreement.

The following are the names, municipalities 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	Senior Executive Vice-President, Treasury and Operations
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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COMPILATION REPORT

To the Trustee of Scotiabank Capital Trust

We have reviewed, as to compilation only, the accompanying pro forma balance sheet of **Scotiabank Capital Trust** as at March 28, 2002 which has been prepared solely for inclusion in this prospectus relating to the sale and issue of Scotiabank Trust Securities — Series 2002-1 of Scotiabank 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 notes thereto.

Toronto, Canada
April 23, 2002

(Signed) KPMG LLP
Chartered Accountants

**SCOTIABANK CAPITAL TRUST
PRO FORMA BALANCE SHEET**

As at March 28, 2002
(Unaudited)
(in thousands of Canadian dollars)

	<u>As at March 28, 2002</u>	<u>Pro Forma Adjustments</u>	<u>Notes</u>	<u>Pro Forma as at March 28, 2002</u>
Assets				
Cash	\$ 1	\$750,000	2(a)	\$ —
		1,999	2(b)	
		37,500	2(c)	
		(9,500)	2(d)	
		(750,000)	2(e)	
		(30,000)	2(c)	
Funding Note		30,000	2(c)	30,000
Bank Deposit Note		750,000	2(e)	750,000
	<u>\$ 1</u>	<u>\$779,999</u>		<u>\$780,000</u>
Liabilities and Trust Capital				
Loans Payable	\$—	\$ 37,500	2(c)	\$ 37,500
Scotiabank Trust Securities — Series 2002-1	—	750,000	2(a)	750,000
Special Trust Securities	—	1,999	2(b)	2,000
		1	2(b)	
Original Settlement Amount	1	(1)	2(b)	—
Issue Costs	—	(9,500)	2(d)	(9,500)
	<u>\$ 1</u>	<u>\$779,999</u>		<u>\$780,000</u>

See accompanying notes

SCOTIABANK CAPITAL TRUST
NOTES TO PRO FORMA BALANCE SHEET
March 28, 2002
(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 **Scotiabank Capital Trust** (the “Trust”) as at March 28, 2002 adjusted to reflect the issue of Scotiabank Trust Securities — Series 2002-1, the issue of Special Trust Securities to The Bank of Nova Scotia (the “Bank”), the payment of estimated issue-related costs of \$9,500 and the purchase of the Trust Assets comprised principally of the Bank Deposit Note (each as defined in the accompanying prospectus) from the Bank.

Capitalized terms not defined in these notes have the meanings ascribed to them in the prospectus.

The pro forma balance sheet has been prepared by the Bank, as administrative agent of the Trust, in accordance with Canadian generally accepted accounting principles.

The pro forma balance sheet should be read in conjunction with the audited balance sheet of the Trust as at March 28, 2002.

2. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The pro forma balance sheet gives effect to the following transactions as if they had occurred on March 28, 2002:

- (a) the issue of 750,000 Scotiabank Trust Securities — Series 2002-1 for \$1,000 each for total gross proceeds of \$750,000;
- (b) the issue of Special Trust Securities to the Bank for total gross proceeds of \$1,999, plus the original settlement amount of \$1;
- (c) the loan to the Trust from the Bank to fund the fees and expenses related to the Offering and to fund the purchase of the Funding Note;
- (d) the estimated issue costs of \$9,500 including underwriters’ fees and expenses relating to the issuance of the Scotiabank Trust Securities — Series 2002-1;
- (e) the purchase of the Bank Deposit Note from the Bank for a purchase price of \$750,000.

AUDITORS' REPORT

To the Trustee of Scotiabank Capital Trust

We have audited the balance sheet of **Scotiabank Capital Trust** (the "Trust") as at March 28, 2002. This financial statement is the responsibility of The Bank of Nova Scotia, as 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 the 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 March 28, 2002 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
April 23, 2002

(Signed) KPMG LLP
Chartered Accountants

SCOTIABANK CAPITAL TRUST

BALANCE SHEET

As at March 28, 2002

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

On behalf of the Administrative Agent of the Trustee:

(Signed) MICHAEL J. LOMAS

(Signed) MARC C. DUROCHER

See accompanying notes

SCOTIABANK CAPITAL TRUST
NOTES TO BALANCE SHEET
March 28, 2002

1. ESTABLISHMENT AND ORGANIZATION

Scotiabank Capital Trust (the “Trust”) is an open-end trust formed on March 28, 2002 by Computershare Trust Company of Canada (the “Trustee”) 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 conduct its activities at all times in such a manner as to qualify as a registered investment under the *Income Tax Act* (Canada).

Unless separately defined in these notes, capitalized terms have the same meaning as given to them in the accompanying prospectus dated April 23, 2002 offering Scotiabank Trust Securities to the public (the “Prospectus”).

2. TRUST CAPITAL

(a) Authorized Trust Capital

The Trust’s authorized capital consists of an unlimited number of Scotiabank Trust Securities issuable in series and an unlimited number of Special Trust Securities.

(b) Scotia BaTS II

A series of Scotiabank Trust Securities has been designated as Scotiabank Trust Securities — 2002-1 (“Scotia BaTS II”).

The Scotia BaTS II are non-voting except in limited circumstances.

The holders of Scotia BaTS II will be entitled to non-cumulative fixed cash distributions of the Trust’s income (“Indicated Yield”) in the amount of \$33.13 per Scotia BaTS II, payable semi-annually on the last day of June and December of each year commencing June 30, 2002 (each, a “Distribution Date”) provided that each Distribution Date is a Regular Distribution Date. A Distribution Date will be a Regular Distribution Date unless The Bank of Nova Scotia (the “Bank”) fails to declare dividends as described in the Prospectus.

On and after June 30, 2007, but subject to the prior approval of the Superintendent of Financial Institutions (the “Superintendent”), the Scotia BaTS II will be redeemable at the option of the Trust in whole or in part and without the consent of the holders thereof, as specified in the Prospectus.

Subject to the approval of the Superintendent, upon the occurrence of a Regulatory Event or Tax Event, the Scotia BaTS II 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 Prospectus.

Each Scotia BaTS II can be surrendered to the Trust at any time for a price equal to 40 Preferred Shares Series W of the Bank (“Bank Preferred Shares Series W”) at the option of the holder. In certain circumstances, the Trust may arrange for substitute purchasers to purchase such Scotia BaTS II for a purchase price as specified in the Prospectus.

Upon the occurrence of a Loss Absorption Event, each Scotia BaTS II will be exchanged automatically, without the consent of the holders, for a price equal to 40 Preferred Shares Series X of the Bank (“Bank Preferred Shares Series X”).

(c) Special Trust Securities

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 II are outstanding, the Bank agrees to maintain direct ownership of 100% of the outstanding Special Trust Securities.

Holders of Special Trust Securities will be entitled, after the payment of the Indicated Yield to holders of Scotia BaTS II, to the balance of the Net Distributable Funds. In the event of a Distribution Diversion Event, the Trust will not pay the Indicated Yield on the Scotia BaTS II but will instead pay the Net Distributable Funds, if any, to the holder of the Special Trust Securities.

On and after June 30, 2007, but subject to prior approval of the Superintendent, the Scotia BaTS II may be purchased at any time, in whole or in part, by the Trust, at the direction of the holder of the Special Trust Securities, as specified in the Prospectus.

3. RELATED PARTY TRANSACTIONS

The proceeds of \$750,000,000 received from the offering of the Scotia BaTS II will be used to purchase a senior deposit note of the Bank (the “Bank Deposit Note”). The Bank’s subscription for Special Trust Securities, together with amounts borrowed by the Trust under the Credit Facility, will be used to purchase the Funding Note and to pay the Underwriters’ fee and offering expenses.

SCOTIABANK CAPITAL TRUST
NOTES TO BALANCE SHEET (Continued)
March 28, 2002

3. RELATED PARTY TRANSACTIONS (Continued)

The Bank Deposit Note will bear interest at a fixed annual rate of 6.626%, payable in equal semi-annual instalments in arrears of \$33.13 for each \$1,000 principal amount of the Bank Deposit Note, on the last day of June and December of each year (each, a "Bank Deposit Note Interest Payment Date") commencing June 30, 2002.

On and after June 30, 2007 and on any Bank Deposit Note Interest Payment Date thereafter, the Bank Deposit Note will be redeemable at the option of the Bank in whole or in part without the consent of the holder, subject to Superintendent Approval.

Each \$1,000 principal amount of the Bank Deposit Note will be convertible at any time at the option of the holder into 40 Bank Preferred Shares Series W.

If a Loss Absorption Event occurs giving rise to an Automatic Exchange, each \$1,000 principal amount of the Bank Deposit Note then outstanding will be automatically converted into 40 Bank Preferred Shares Series X.

Upon the occurrence of a Special Event, the Bank, at its option, and with Superintendent Approval, and on not less than 30 nor more than 90 days prior written notice, may redeem at any time the Bank Deposit Note in whole (but not in part), without the consent of the holder.

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 750,000 Scotia BaTS II pursuant to the Prospectus. Scotia Capital Inc. will receive a fee upon the issue of the Scotia BaTS II.

Further, the Trustee will enter into an Administration Agreement with the Bank pursuant to which the Bank will serve as administrative agent of the Trust. Accordingly, the Bank will receive an administration fee in acting in that capacity.

The Bank will provide a loan to the Trust at the closing of the Offering.

4. PROPOSED ISSUE

Pursuant to an underwriting agreement dated April 22, 2002, the Trust has agreed to issue 750,000 Scotia BaTS II for gross proceeds of \$750,000,000. The Underwriters' fee and offering expenses payable by the Trust are estimated at \$9,500,000.

Pursuant to the provisions of the Bank Preferred Shares Series X and the Bank Preferred Shares Series W (collectively, the "Bank Exchange Preferred Shares") the holders of the Bank Exchange Preferred Shares will have the right to exchange their Bank Exchange Preferred Shares for Bank Common Shares. Immediately following the closing of the Offering, and after the subscription by the Bank for Special Trust Securities, the Trust will acquire from the Bank the Bank Deposit Note for a purchase price equal to \$750,000,000, and the Funding Note for a purchase price equal to \$30,000,000.

CERTIFICATE OF THE TRUST

Dated: April 23, 2002

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. For the purpose of the Province of Québec, this prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

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

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

By: (Signed) MARC C. DUROCHER
Vice-President
Capital and Mid-Term Funding

CERTIFICATE OF THE BANK OF NOVA SCOTIA

Dated: April 23, 2002

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. For the purpose of the Province of Québec, this prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

(Signed) PETER C. GODSOE
Chairman and
Chief Executive Officer

(Signed) SARABJIT S. MARWAH
Senior Executive Vice-President and
Chief Financial Officer
Finance and Administration

On behalf of the Board of Directors

(Signed) ARTHUR R.A. SCACE
Director

(Signed) E. KENDALL CORK
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: April 23, 2002

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. For the purpose of the Province of Québec, to our knowledge, this prospectus, as supplemented by the permanent information record, contains no 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* (Québec) and the regulations thereunder.

SCOTIA CAPITAL INC.

By: (Signed) MARY ROBERTSON

RBC DOMINION SECURITIES INC.

TD SECURITIES INC.

By: (Signed) BARRY NOWOSELSKI

By: (Signed) J. DAVID BEATTIE

BMO NESBITT BURNS INC.

CIBC WORLD MARKETS INC.

By: (Signed) PETER MARCHANT

By: (Signed) DONALD A. FOX

NATIONAL BANK FINANCIAL INC.

By: (Signed) IAN MCPHERSON

MERRILL LYNCH CANADA INC.

HSBC SECURITIES (CANADA) INC. LAURENTIAN BANK SECURITIES INC.

By: (Signed) J. ERIC MICHAUD

By: (Signed) PATRICK M. NOLAN

By: (Signed) MICHEL RICHARD

TRILON SECURITIES CORPORATION

By: (Signed) TREVOR KERR

SCOTIA CAPITAL INC. is an indirect wholly-owned subsidiary of a Canadian chartered bank;
RBC DOMINION SECURITIES INC. is a wholly-owned subsidiary of a Canadian chartered bank;
TD SECURITIES INC. is a wholly-owned subsidiary of a Canadian chartered bank;
BMO NESBITT BURNS INC. is a wholly-owned subsidiary of BMO Nesbitt Burns Corporation Limited, an indirect majority-owned subsidiary of a Canadian chartered bank;
CIBC WORLD MARKETS INC. is a wholly-owned subsidiary of a Canadian chartered bank;
NATIONAL BANK FINANCIAL INC. is an indirect wholly-owned subsidiary of a Canadian chartered bank;
MERRILL LYNCH CANADA INC. is an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc.;
HSBC SECURITIES (CANADA) INC. is a wholly-owned subsidiary of a Canadian chartered bank;
LAURENTIAN BANK SECURITIES INC. is a wholly-owned subsidiary of a Canadian chartered bank;
TRILON SECURITIES CORPORATION is a wholly-owned subsidiary of Trilon Financial Corporation.