

A copy of this document which comprises the listing particulars required by The Stock Exchange (Listing) Regulations 1984 has been delivered to the Registrar of Companies in England and Wales in accordance with such Regulations.

THIS CARD IS CIRCULATED TO GIVE DETAILS OF AN ISSUE BY THE BANK  
AND SHOULD BE RETAINED FOR REFERENCE PURPOSES

BAA-Q 4

**THE BANK OF NOVA SCOTIA****BANK***(A Canadian Chartered Bank)***U.S. \$300,000,000****Floating Rate Subordinated Capital Debentures Due 2085****Issue Price: 100%**

These particulars are given in compliance with the Regulations of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland ("The Stock Exchange") for the purpose of giving information with regard to the above-mentioned Debentures (the "Debentures"). The Bank of Nova Scotia (the "Bank") is responsible for the information contained in this document. To the best of the knowledge and belief of the Bank (which has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Bank accepts responsibility accordingly.

Particulars of the Bank are available through Exiel Statistical Services Limited, as supplemented by additional particulars contained in this card.

Application has been made to the Council of The Stock Exchange for the Debentures to be admitted to the Official List.

References herein to "U.S. \$" and to "U.S. dollars" are to United States dollars and references to "Cdn. \$", "dollars" or "\$" are to Canadian dollars.

### DESCRIPTION OF THE DEBENTURES

The Debentures will be constituted by a Trust Indenture (the "Trust Indenture") to be entered into by the Bank and Montreal Trust Company of Canada (the "Trustee") and to be dated as of August 21, 1986 and will be issued with the benefit of a paying agency agreement to be entered into among the Bank, the Trustee and the paying agents named below and to be dated as of August 21, 1986. Holders of the Debentures (the "Debentureholders") and of the interest coupons and talons for further interest coupons appertaining thereto (together, where the context so permits the "Coupons") are entitled to the benefit of, are bound by and are deemed to have notice of, all of the provisions of the Trust Indenture. The following is a summary of, and is subject to, the detailed provisions of the Debentures and the Trust Indenture, copies of which will be available for inspection at the offices of the Trustee and the paying agents for the time being for the Debentures.

#### Form, Denominations and Title

The Debentures will be represented initially by a temporary global Debenture without interest coupons which is expected to be deposited with a Common Depositary in London on behalf of Morgan Guaranty Trust Company of New York (Brussels office), as operator of the Euro-clear System, ("Euro-clear") and CEDEL S.A. ("CEDEL") on or about August 21, 1986. Subscribers will be credited either by Euro-clear or by CEDEL with the principal amount of Debentures subscribed by them. Definitive Debentures will be available in exchange for the temporary global Debenture and for delivery through Euro-clear or CEDEL not earlier than the date (the "Exchange Date") which is 90 days after the completion of the distribution of the Debentures as determined by Credit Suisse First Boston Limited, which will notify the Bank and the Common Depositary. The Bank will undertake to exchange the temporary global Debenture, in whole or in part, for definitive Debentures in respect of which Euro-clear or CEDEL has received certificates to the effect that the beneficial owner of any such Debentures is not a resident of Canada or a U.S. person (as described under "Subscription and Sale"), or any other person who has purchased such Debentures for resale to such a resident of Canada or a U.S. person.

When issued in definitive form, the Debentures will be in bearer form, serially numbered, in the denominations of U.S.\$10,000 and U.S.\$100,000 with Coupons attached. Title to the Debentures and Coupons will pass by delivery. The Bank, the Trustee and any paying agent may treat the bearer of any Debenture or Coupon as the absolute owner thereof (notwithstanding any writing thereon or that it is overdue) for all purposes.

#### Status and Subordination

The Debentures will be direct, unsecured obligations of the Bank. In compliance with certain mandatory requirements of the current Bank Act (Canada) relating to the subordination of bank debentures, the Trust Indenture will provide that in the event of insolvency or winding-up of the Bank, the indebtedness evidenced by the Debentures will be subordinate in right of payment to the prior payment in full of the deposit liabilities of the Bank and all other liabilities of the Bank except liabilities which by their terms rank in right of payment equally with or subordinate to all such Debentures. The Bank has not created and the Trust Indenture will provide in effect that the Bank will not create, any indebtedness subordinate in right of payment to the deposit liabilities of the Bank which, on the insolvency or winding-up of the Bank, would rank for payment prior to the Debentures, other than liabilities having priority to the Debentures by virtue of any statute or law now or hereafter in force.

Under the Bank Act (Canada), all debentures issued by the Bank from time to time rank equally on the insolvency or winding-up of the Bank. Prior to such insolvency or winding-up, individual issues of debentures may be accelerated and paid by the Bank in accordance with their respective terms.

## Interest

In this section the expression "business day" means a day upon which banks and foreign exchange markets are open for business both in London and New York City.

### (a) Interest Payment Dates

The Debentures will bear interest from the "Closing Date" (which shall be August 21, 1986 or, as permitted by the Subscription Agreement described in "Subscription and Sale" below, such other date as shall be the date of closing) and interest will be payable on each date ("Interest Payment Date") which (save as mentioned below) falls six months after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Closing Date. If any Interest Payment Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event (i) the Interest Payment Date shall be brought forward to the immediately preceding business day and (ii), after the foregoing (i) shall have been applied, each subsequent Interest Payment Date shall be the last business day of the sixth month following the month in which the preceding Interest Payment Date shall have fallen.

The period beginning on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is herein called an "Interest Period".

### (b) Interest Payments

Save as mentioned in "Form, Denominations and Title" above, interest due on or before maturity of the Debentures will be paid against surrender of the Coupons as they severally mature. Interest shall cease to accrue on the Debentures as from the date for payment thereof unless payment of principal is improperly withheld or refused.

### (c) Rate of Interest

For the purpose of calculating the rate of interest payable on the Debentures, the Bank will enter into an agreement to be dated as of August 19, 1986 (the "Agent Bank Agreement") with Credit Suisse First Boston Limited, as agent bank (the "Agent Bank"). The rate of interest payable from time to time in respect of the Debentures (the "Rate of Interest") will be determined on the basis of the following provisions (unless adjusted as provided in "Adjustment of Rate of Interest" below):

- (i) On each "Interest Determination Date", namely the second business day prior to the commencement of the Interest Period for which such rate will apply, the Agent Bank (as described in paragraph (d) below) will request the principal London offices of the Reference Banks (as described in paragraph (g) below) to provide the Agent Bank with their offered quotations to leading banks for six month deposits of U.S. dollars in the London Interbank Market for the Interest Period concerned as at 11:00 a.m. (London time) on the Interest Determination Date in question (the "quoted rate"). The Rate of Interest for that Interest Period shall be  $\frac{1}{8}$  per cent. per annum above the arithmetic mean (rounded upwards if necessary to the nearest whole multiple of  $\frac{1}{16}$  per cent.) of the quoted rates of three out of the five quoting Reference Banks (excluding, if all such quoted rates are not the same, the highest and lowest quoted rates and, if more than one Reference Bank provides the highest such quoted rate, the quoted rate of one such Reference Bank shall be excluded and similarly if more than one Reference Bank provides the lowest such quoted rate), as determined by the Agent Bank.
- (ii) If on any Interest Determination Date only four of the Reference Banks provide the Agent Bank with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (i) above on the basis of the quotations of those Reference Banks providing such quotations (excluding two such quoted rates on the basis set out in (i) above).
- (iii) If on any Interest Determination Date only three of the Reference Banks provide the Agent Bank with such quotations, the Rate of Interest shall be determined in accordance with (i) above on the basis of the quotations of all the quoting Reference Banks (without any exclusion as aforesaid).
- (iv) If on any Interest Determination Date less than three of the Reference Banks communicate such rates to the Agent Bank, the Rate of Interest for such succeeding Interest Period shall be:
  - (a) the rate per annum which the Agent Bank certifies to be  $\frac{1}{8}$  per cent. per annum above the average (rounded upwards if necessary to the nearest whole multiple of  $\frac{1}{16}$  per cent.) of the rates offered by the principal office in New York City of each of Bankers Trust Company and Chemical Bank at 11:00 a.m. (New York City time) on any Interest Determination Date to leading banks for U.S. dollar deposits for the next Interest Period as communicated to the Agent Bank; or
  - (b) the Rate of Interest in effect for the last preceding Interest Period if on the Interest Determination Date the Agent Bank is unable to determine a rate in the manner provided in (a) above.

### (d) Determination of Rate of Interest and Calculation of Coupon Amounts

The Agent Bank will, as soon as practicable after 11:00 a.m. (London time) on each Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable in respect of each U.S.\$10,000 principal amount of Debentures (the "Interest Amount") for the relevant Interest Period. The amount of interest shall be calculated by applying the Rate of Interest to the principal amount of U.S.\$10,000, multiplying such sum by the actual number of days in the Interest Period concerned divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable on the presentation and surrender of each Coupon (the "Coupon Amount") for the relevant Interest Period shall be the Interest Amount in respect of each Debenture of U.S.\$10,000 and ten times the Interest Amount in respect of each Debenture of U.S.\$100,000. In the absence of manifest error, the determination by the Agent Bank of the Rate of Interest and its calculation of the Coupon Amounts shall be final and binding on all parties.

### (e) Publication of Rate of Interest and Coupon Amounts

The Agent Bank shall cause the Rate of Interest and the Coupon Amounts for each Interest Period together with the relative Interest Payment Date, to be published in accordance with "Notices" below as soon as possible after their determination but in no event later than the fourth business day thereafter. The Coupon Amounts and Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or a shortening of the Interest Period or of manifest error.

### (f) Determination of Rate of Interest and Coupon Amounts by the Trustee

The Trustee shall, if the Agent Bank does not at any material time for any reason determine the Rate of Interest and the Coupon Amounts in accordance with sub-paragraphs (c) and (d) above, determine the Rate of Interest and the Coupon Amounts, the former at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in sub-paragraph (c) above), it shall deem fair and reasonable in all the circumstances, and such determination shall be deemed to be a determination thereof by the Agent Bank. For the purpose of the Interest Act (Canada), the yearly rate of interest for any period of less than one year is the Rate of Interest applicable to the relevant period as set forth above multiplied by the number of days in the calendar year in which interest is paid divided by 360.

### (g) Reference Banks and Agent Bank

The Bank will procure that so long as any of the Debentures remains outstanding there shall at all times be five Reference Banks and an Agent Bank for the purposes of the Debentures. The initial Reference Banks will be Banque Bruxelles Lambert S.A., Deutsche Bank AG, Lloyds Bank plc, Morgan Guaranty Trust Company of New York and Union Bank of Switzerland. The Bank may, with the prior written approval of the Trustee, from time to time replace any Reference Bank or the Agent Bank by another leading bank engaged in the London Interbank Market. In the event of the appointed office of any such bank being unable or unwilling to continue to act as a Reference Bank or the Agent Bank (as the case may be) or in the case of the Agent Bank failing duly to establish the Rate of Interest for any Interest Period, the Bank shall appoint the London office of some other leading bank engaged in the London Interbank Market as may be approved by the Trustee to act as such in its place. The Agent Bank may not resign its duties without a successor having been appointed as aforesaid.

### Adjustment of Rate of Interest

#### (a) *Adjusted Interest Rate*

If the last regular dividend declared by the Bank on each of its common shares (including any dividend declared to be paid in cash or in specie or in shares of the Bank in the ordinary course) prior to any Interest Period is less than the Reference Dividend (as defined below), then the Rate of Interest for such Interest Period will be adjusted in accordance with the following formula:

$$\text{Adjusted Interest Rate} = \frac{\text{Dividend declared}}{\text{Reference Dividend}} \times \text{Rate of Interest}$$

The Rate of Interest shall continue to be adjusted according to this formula until the Interest Period next following that in which the last dividend declared by the Bank on its common shares is equal to or greater than the Reference Dividend. If the Bank fails to declare a dividend on its common shares within 30 days following the date upon which a dividend on common shares would normally have been declared the Adjusted Interest Rate shall be nil for each Interest Period commencing after such 30 day period until the Interest Period next following that in which the Bank declares a dividend on its common shares.

The Trust Indenture will provide for the adjustment of the Reference Dividend upon the happening of certain events including the following: (a) the subdivision, consolidation or reclassification of the outstanding common shares of the Bank or the amalgamation or merger of the Bank with another entity; (b) the issue of common shares to all or substantially all of the holders of common shares by way of a stock dividend or similar distribution to shareholders, other than a stock dividend paid to shareholders of the Bank in the ordinary course; and (c) the frequency of payment of the regular dividend on the Bank's common shares being increased or decreased. Any adjustment of the Reference Dividend in these events will not cause an adjustment in the Rate of Interest.

For the purposes of this paragraph, "Reference Dividend" means the greater of Cdn. \$0.17 per common share (the current quarterly dividend) and the highest regular quarterly dividend paid by the Bank on each of its common shares after the issuance of the Debentures, provided that no such dividend shall be the Reference Dividend unless and until each of the regular dividends paid by the Bank during the nine month period following the payment of such dividend has been equal to or in excess of such dividend.

#### (b) *Notification of Adjusted Interest Rate*

If the Rate of Interest is to be adjusted as described above, the Bank will promptly notify all Debentureholders of such adjustment in accordance with "Notices" below.

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## Payments

Payment of principal of and interest on the Debentures will be made against surrender of such Debentures or the applicable Coupon, as the case may be, at any of the paying agencies outside the United States by U.S. dollar cheque drawn on a bank or trust company in New York City or, at the option of the holder, by transfer to a U.S. dollar account maintained by the holder with a bank outside the United States, subject in each case to applicable laws and regulations.

Notwithstanding the foregoing, payments of interest in respect of the Debentures will be made at the office of a paying agent in New York City if (i) the Bank shall have appointed paying agents outside the United States with the reasonable expectation that such paying agents would be able to make payment of the full amount of the interest on the Debentures in U.S. dollars when due, (ii) payment of the full amount of such interest at the offices of all such paying agents is illegal or effectively precluded by exchange controls or similar restrictions, and (iii) payment is permitted by applicable United States law.

Debentures must be surrendered for payment together with all Coupons appertaining thereto which, as at the specified date for the payment of such Debentures, remain unmaturred. Upon the date on which any Debenture becomes due and payable, the unmaturred Coupons appertaining thereto shall become void and no payment shall be made in respect thereof.

If the day on which the principal of or any interest on the Debentures falls due is not a day on which banks are open for business and on which dealings in foreign currency and exchange may be carried on at the place at which the Debentures or Coupons, as the case may be, are presented for payment or, if payment is requested by transfer to a bank account maintained by the holder, is not such a day at the place at which such bank account is maintained, then the holder of such Debentures or Coupons, as the case may be, shall not be entitled to payment until the next such day in such place or to any interest or other sums in respect of such delayed payment.

All payments in respect of the Debentures will be subject to applicable laws and regulations of the country of the paying agency concerned, but without prejudice to the provisions under "Taxation" below.

The initial paying agents and their respective specified offices are set out below. The Bank reserves the right at any time to vary or terminate the appointment of any paying agent and to appoint additional or other paying agents provided that it will at all times maintain a paying agent with a specified office in a European city which, so long as the Debentures are listed on The Stock Exchange, will be London. Notice of any such termination or appointment and of any changes in the specified offices of the paying agents will be given to the Debentureholders in accordance with "Notices" below.

## Redemption and Purchase

### (1) *Maturity*

Unless previously repaid and cancelled, the Bank will redeem the Debentures at par on the Interest Payment Date falling in August, 2085.

### (2) *Redemption by the Bank*

(i) The Bank, with the prior written approval of the Inspector General of Banks of Canada (the "Inspector General") and not otherwise, may at its option upon not less than 30 nor more than 60 days notice (which notice shall be irrevocable) on or after the Interest Payment Date falling in August, 1991, redeem all or some of the outstanding Debentures on any Interest Payment Date at a redemption price equal to 100 per cent. of their principal amount.

(ii) Notice of redemption will be published once not less than 30 days prior to the date fixed for redemption in the manner described in "Notices" below. Notices of redemption will specify the date fixed for redemption, the redemption price and the place of payment and, in the case of partial redemption, the aggregate principal amount of Debentures to be redeemed and the aggregate principal amount of the Debentures which will be outstanding after such partial redemption. In the event that some only of the outstanding Debentures are at any time to be redeemed, the Debentures so to be redeemed shall be selected by the Trustee by lot or in such other manner as the Trustee may deem equitable. The Debentures will cease to bear interest from and after the date fixed for redemption unless payment of principal or interest is improperly withheld.

### (3) *Purchase by the Bank*

The Bank, with the prior written approval of the Inspector General and not otherwise, may at any time after the Interest Payment Date falling in August, 1991 purchase Debentures in the open market or by tender (available to all Debentureholders alike) or by private contract at any price, provided that, so long as the Debentures are listed on The Stock Exchange, the Bank may purchase Debentures only:

(i) by tender, available to all Debentureholders alike, at a price (exclusive of expenses and accrued interest) not exceeding the average of the middle market quotations taken from The Stock Exchange Daily Official List for the 10 dealing days preceding the date of purchase; or

(ii) by private treaty at a price (exclusive of expenses and accrued interest) not exceeding 130 per cent. of the average of such middle market quotations on the last dealing day preceding the date of purchase; or

(iii) otherwise, at the market price, provided that that price is not more than 5 per cent. above the average of such middle market quotations for the 10 dealing days preceding the date of purchase.

### (4) *Cancellation*

All Debentures which are redeemed or purchased by the Bank will forthwith be cancelled (together with all unmaturred Coupons appertaining thereto) and accordingly may not be reissued or resold.

Notwithstanding the foregoing, any subsidiary of the Bank may, with the prior written consent of the Inspector General and not otherwise, purchase the Debentures in the ordinary course of its business of banking or dealing in securities. Debentures so purchased shall be cancelled as provided above unless the Bank has obtained the prior written consent of the Inspector General to such subsidiary holding or reselling such Debentures.

## Taxation

All payments of principal of and interest on the Debentures will be made without withholding of or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Government of Canada, any province or territory of Canada or any political subdivision thereof, or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law or by reason of the administration thereof. In that event, the Bank will pay (subject to the Bank's right of redemption under "Redemption and Purchase - Redemption by the Bank" above) such additional amounts as may be necessary in order that the net amounts received by the holders of the Debentures and Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Debentures or Coupons, as the case may be, in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Debenture or Coupon presented for payment:

- (i) by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Debenture or Coupon by reason of his being a person with whom the Bank is not dealing at arm's length within the meaning of the Income Tax Act (Canada) or for reasons other than the mere holding, use or ownership or deemed holding, use or ownership outside Canada, as a non-resident of Canada, of such Debenture or Coupon; or
- (ii) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days.

As used herein the "Relevant Date" in respect of any Debenture or Coupon means whichever is the later of (a) the date on which payment of such Debenture or Coupon first becomes due and (b) if the full amount of the moneys payable on such date has not been received by the Trustee or the principal paying agent on or prior to such due date, the date on which, the full amount of such moneys having been so received, notice to that effect shall have been duly published in accordance with "Notices" below.

Any reference herein to principal or interest shall be deemed also to refer to any additional amounts which may be payable under this provision.

## Acceleration

Payment of the principal of the Debentures may be accelerated only in the case of the insolvency or winding-up of the Bank. There is no right of acceleration in the case of a default in the performance of any covenant of the Bank contained in the Trust Indenture, including the payment of interest.

## Enforcement of Rights; Prescription

No holder of a Debenture or of a Coupon shall be entitled to proceed directly against the Bank unless the Trustee, having become bound under the Trust Indenture so to proceed, fails to do so. If the Bank shall not have paid any interest payable on the Debentures when due, the Trustee may and shall upon the request in writing of the holders of 25 per cent. in principal amount of the Debentures then outstanding or pursuant to an extraordinary resolution (as defined below) institute judicial proceedings for the collection of the full amount of such interest.

Under existing Ontario law the Debentures will become unenforceable unless presented for payment within a period of 20 years and the Coupons may become unenforceable unless presented for payment within a period of six years, in each case from the respective due date for payment.

## Additional Debentures

The Bank may, from time to time without the consent of the Debentureholders, create and issue further debentures ranking equally and rateably with the Debentures. The Trust Indenture, however, will prohibit the Bank from creating or issuing further debentures thereunder. The Bank Act (Canada) also contains a restriction, the effect of which at the present time is that the Bank may not issue any bank debentures as described in the Bank Act if, as a result of such issue, the aggregate principal amount of all bank debentures outstanding that have a stated maturity after the end of the financial year of the Bank in which the issue is made would exceed one-half of the total of the paid-in capital, contributed surplus, retained earnings and general reserves of the Bank at the time of the issue.

## Modification

The Trust Indenture will provide that modifications and alterations of the Trust Indenture and the Debentures may be made if authorized by extraordinary resolution. The term "extraordinary resolution" will be defined in the Trust Indenture to mean, in effect, a resolution passed by the affirmative vote of the holders of not less than two-thirds of the Debentures represented and voted at the meeting of Debentureholders or an instrument or instruments in writing signed by the holders of not less than two-thirds of the Debentures then outstanding. The Trustee may agree, without any authorization from Debentureholders, to modifications and alterations of the Trust Indenture and the Debentures if, in the opinion of the Trustee, such modifications and alterations do not adversely affect the interests of the Debentureholders in any material respect. Certain modifications and alterations of the Trust Indenture and the Debentures are subject to the approval of the Inspector General.

## Indemnification of the Trustee

The Trust Indenture will contain provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment, unless indemnified to its satisfaction.

## Replacement of Debentures and Coupons

If any Debenture or Coupon is mutilated, lost, destroyed or stolen, it may be replaced at the specified office of the paying agent in London for the time being without charge (other than exceptional out-of-pocket expenses) and on such terms as to evidence, indemnity and otherwise as the Bank may require. A mutilated Debenture or Coupon must be surrendered before a new Debenture or Coupon will be issued.

## Notices

All notices to the Debentureholders will be published in London, England in the *Financial Times*. If at any time publication in such newspaper is not practicable, notices will be valid if published in such other English language newspaper with general circulation in Europe as the Bank and the Trustee shall approve.

## Legends on Debentures and Coupons

All Debentures and Coupons will carry the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287 (a) of the Internal Revenue Code".

All Debentures will also carry the following legend: "This is not an insured deposit as defined by the Canada Deposit Insurance Corporation Act".

## Governing Law

The Debentures shall be governed by and construed in accordance with the laws of the Province of Ontario, Canada and the laws of Canada applicable therein.

## CANADIAN TAXATION AFFECTING THE DEBENTURES

At the date hereof no tax is payable under the laws of Canada or any province, territory or other political subdivision thereof in respect of the Debentures or interest thereon by holders who deal at arm's length with the Bank and who are neither residents nor deemed residents of Canada under such laws and who do not use or hold and are not deemed by such laws to use or hold the Debentures in carrying on business in Canada.

A letter received July 22, 1986 from the Department of Finance, Canada, advises that a debenture issue such as the Debentures will be included in the definition of a prescribed obligation in a regulation to the Income Tax Act (Canada) for purposes of a proposed amendment to paragraph 212(1) (b) of the withholding tax provisions contained in a Notice of Ways and Means Motion tabled in the House of Commons on June 11, 1986. Under the proposed amendment, interest on a prescribed obligation will not be denied the withholding tax exemption which is now allowed for interest paid or credited to arm's length parties on certain long-term debt issued before 1989 by corporations resident in Canada.

The letter from the Department of Finance is not legally binding. Absolute assurance cannot be given that the proposed amendment will be enacted in its present form or that a regulation referred to in the letter will be promulgated.

## USE OF PROCEEDS

The net proceeds to be received by the Bank from the sale of the Debentures are estimated to amount to approximately U.S. \$299,325,000 and will be added to the general funds of the Bank.

## CAPITAL CHARACTERIZATION OF PROCEEDS OF ISSUE

The Bank is required under the Bank Act (Canada) to maintain an adequate capital base. Under definitions established by the Inspector General, the total capital of a bank is segregated into two categories - base capital and supplementary capital. Base capital includes those elements of capital which are generally permanent in nature, subordinate to other creditors and free of mandatory fixed charges against earnings. Base capital is therefore comprised of retained earnings, common shares and certain types of preferred shares and debentures, with the latter two components not to exceed in the aggregate, 20 per cent. of total base capital. Supplementary capital includes all other preferred shares and debentures which do not have all the required properties of base capital. These characterizations of capital are used by the Inspector General to assess the adequacy of a bank's capital base in relation to its total assets.

Under the definitions established by the Inspector General, the Debentures meet the definition of base capital but, after taking into account outstanding issues of preferred shares, the 20 per cent. restriction limits to approximately Cdn. \$270,000,000 the net proceeds from this issue which will initially qualify as base capital. The balance of Cdn. \$147,000,000 currently qualifies as supplementary capital. Whether this balance will in the future qualify as base capital depends upon the Capital Adequacy Guidelines of the Inspector General which are subject to periodic review and revision.

CONTINUED ON CARD 2

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AND SHOULD BE RETAINED FOR REFERENCE PURPOSES**

**BAA-Q 4**

**THE BANK OF NOVA SCOTIA**

**BANK**

*(A Canadian Chartered Bank)*

**U.S. \$300,000,000**

**Floating Rate Subordinated Capital Debentures Due 2085**

**Issue Price: 100%**

### **SUBSCRIPTION AND SALE**

Credit Suisse First Boston Limited; Bank of America International Limited; The Bank of Nova Scotia Channel Islands Limited; Bank of Tokyo International Limited; Banque Bruxelles Lambert S.A.; Banque Nationale de Paris; Banque Paribas Capital Markets Limited; Commerzbank Aktiengesellschaft; Deutsche Bank Capital Markets Limited; Generale Bank; Goldman Sachs International Corp.; E F Hutton & Company (London) Ltd; IBJ International Limited; Kidder, Peabody International Limited; Lloyds Merchant Bank Limited; Merrill Lynch International & Co.; Mitsubishi Trust International Limited; Mitsui Trust International Ltd.; Samuel Montagu & Co. Limited; Morgan Guaranty Ltd; Morgan Stanley International; Natwest Investment Bank Limited; Salomon Brothers International Limited; Sanwa International Limited; J. Henry Schroder Wagg & Co. Limited; Sumitomo Finance International; Taiyo Kobe International Limited; Union Bank of Switzerland (Securities) Limited; S. G. Warburg, Akroyd, Rowe & Pitman, Mullens Securities Ltd.; Westdeutsche Landesbank Girozentrale and Wood Gundy Inc. ("the Managers") have, in a Subscription Agreement dated July 31, 1986, jointly and severally agreed with the Bank, subject to the satisfaction of certain conditions, to procure subscribers (and in default thereof to subscribe) for the Debentures at 100 per cent. of their principal amount less a selling group concession of 0.10 per cent. of the principal amount of the Debentures. The Bank has agreed to pay to the Managers a combined management and underwriting commission of 0.10 per cent. of the principal amount of the Debentures. In addition, the Bank has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Debentures up to a maximum of U.S. \$75,000. The Managers are entitled to terminate the Subscription Agreement in certain circumstances prior to payment to the Bank. The Bank has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Debentures.

The Managers, on behalf of the Bank, have invited certain banks, brokers and dealers (the "Selling Group") to subscribe the Debentures at 100 per cent. of their principal amount less the selling group concession of 0.10 per cent.

The Debentures have not been and will not be registered under the United States Securities Act of 1933 and may not be offered, sold or delivered, directly or indirectly, in the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (the "United States") or to any person ("U.S. person") who is a citizen or resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States and an estate or trust, the income of which is subject to United States income taxation regardless of its source as part of the distribution of the Debentures.

Each Manager and each Selling Group member has agreed not to offer or sell any Debentures directly or indirectly in the United States or to U.S. persons (except, in certain circumstances, for sales to Managers or Selling Group members who are U.S. persons or, with the prior written approval of Credit Suisse First Boston Limited, to a branch of a United States bank located outside the United States) and that each Manager and each Selling Group member will represent that it has not, as principal or agent, offered or sold and will agree that it will not, as principal or agent, offer, sell or deliver Debentures otherwise acquired, directly or indirectly, in the United States or to U.S. persons prior to the date 90 days after completion of the distribution of the Debentures, as determined by Credit Suisse First Boston Limited.

Each Manager and each Selling Group member has further agreed that it will not, directly or indirectly, offer or sell Debentures in Canada or to a resident of Canada.

Each Manager and each Selling Group member has also represented and agreed that it will not offer or sell any Debentures in Great Britain by means of any document other than this document or a document which indicates from where copies thereof may be obtained or where such copies may be inspected, other than to persons whose ordinary business it is to buy or sell shares or debentures whether as principal or agent (except in circumstances which do not constitute an offer to the public within the meaning of the Companies Act 1985) and that it will not distribute any copies of any offering material other than this document relating to the Debentures in or from Great Britain otherwise than to persons whose business involves the acquisition and disposal, or the holding, of securities (whether as principal or as agent).

## DIRECTORS

The Directors of the Bank as of the date hereof are as follows:

<u>Name</u>	<u>Office</u>	<u>Name</u>	<u>Office</u>
Cedric E. Ritchie, O.C.	Chairman of the Board and Chief Executive Officer	The Honourable Donald S. Macdonald, P.C.	Director
J. A. Gordon Bell	Deputy Chairman of the Board and President	Gordon F. MacFarlane	Director
Peter C. Godsoe	Vice-Chairman	W. Andrew MacKay, Q.C., LL.M., LL.D.	Director
W. Scott McDonald	Vice-Chairman	Donald MacLaren	Director
E. Jacques Courtois, Q.C.	Vice-President	Gerald J. Maier	Director
Donald G. Willmot	Vice-President	Rafael J. Martinez	Director
The Honourable John B. Aird, O.C., Q.C., LL.D., D.Litt.S.	Director	Malcolm H. D. McAlpine	Director
Lloyd I. Barber, O.C., LL.D., Ph.D.	Director	H. Harrison McCain, O.C., LL.D.	Director
James T. Black	Director	Ian McDougall	Director
E. Kendall Cork	Director	William S. McGregor	Director
Kenneth V. Cox, D.Sc., LL.D.	Director	David E. Mitchell, O.C.	Director
Mary-Jean Mitchell Green, M.Litt. (Oxon)	Director	Sir Denis Mountain, Bt.	Director
Gerald H. D. Hobbs	Director	Helen A. Parker	Director
The Right Honourable Earl of Iveagh	Director	Paul J. Phoenix	Director
F. Ross Johnson, LL.D.	Director	Robert L. Pierce, Q.C.	Director
The Right Honourable Lord Keith of Castleacre	Director	Thomas G. Rust	Director
		Frank H. Sherman, B.Sc., LL.D.	Director
		Judson W. Sinclair	Director
		Lynton R. Wilson	Director
		Ray D. Wolfe, C.M.	Director

All as of The Bank of Nova Scotia, 44 King Street West, Toronto, Ontario M5H 1H1

## CAPITALISATION

The following table sets forth, in Canadian dollars, the unaudited consolidated capitalisation of the Bank as at October 31, 1985 and as at April 30, 1986:

	<u>As at</u> <u>October 31, 1985</u>	<u>As at</u> <u>April 30, 1986</u>
	(in \$ thousands)	
Bank Debentures:—		
10% Convertible April 1, 2001 (i)	\$ 149,945	\$ 149,923
9½% September 15, 1997	44,433	44,363
Floating Rate, July 1994 (U.S.\$200,000,000) (ii)	273,500	275,340
Floating Rate, October 1993 (U.S.\$100,000,000) (iii)	136,750	137,670
7% January 1, 1992	2,079	2,079
7% April 15, 1991	1,269	1,269
8½% March 1, 1990	1,783	1,758
Floating Rate May 15, 1989 (iv)	75,000	75,000
7½% January 1, 1988	596	596
7% October 15, 1987	5,834	5,734
Floating Rate, October 2000 (£100,000,000) (v)	197,400	211,600
<b>Total</b>	<b>888,589</b>	<b>905,332</b>
Appropriations for contingencies (vi)	210,000	270,001
Shareholders' Equity:—		
Preferred shares:— 50,000,000 shares authorised without nominal or par value, issuable in series: the aggregate consideration for which all authorised preferred shares may be issued shall not exceed \$1,000 million. Floating Rate Preferred Shares Series I issued and outstanding (October 31, 1985 — 14,000,000, April 30, 1986 — 14,000,000) (vii)	350,400	350,400
Common shares:— 225,000,000 shares authorised without nominal or par value, provided that the aggregate consideration for which all authorised common shares may be issued shall not exceed \$1,500 million. Common shares issued and outstanding (October 31, 1985 — 147,642,979, April 30, 1986 — 149,095,544)	489,178	508,165
Retained earnings	1,548,803	1,617,481
<b>Total Capital Funds</b>	<b>\$3,486,970</b>	<b>\$3,651,379</b>

**Notes:—**

- (i) Convertible into common shares on or before April 1, 1991, at the rate of approximately 85.11 common shares for each \$1,000 principal amount of debentures. On May 6, 1986 the Bank called for redemption on June 6, 1986 all outstanding 10% Convertible Debentures due April 1, 2001. As a result of such redemption, holders of such Convertible Debentures received 12,735,764 common shares valued under the terms of the Convertible Debentures at \$149,649,000. The remaining \$274,000 of the outstanding Convertible Debentures were redeemed.
- (ii) Bearing interest at a floating rate equal to ¼ of 1% per annum above the mean of the bid and offered rates for 6-month Eurodollar deposits.
- (iii) Bearing interest at a floating rate equal to ¼ of 1% per annum over the offered rate for 6-month Eurodollar deposits, and redeemable at the option of the holder in October 1988.
- (iv) Bearing interest at a floating rate equal to the Bank's Prime Rate from time to time minus ¼ of 1%.
- (v) Bearing interest at a floating rate of ¼ of 1% over the offered rate for 3-month sterling deposits.
- (vi) Appropriations for contingencies is an amount set aside by the Bank to provide for unanticipated future losses in addition to the amount which it determines should be deducted from its loan portfolio in respect of doubtful accounts and includes the difference between loan loss experience for the year and the provision for loan losses reflected in the Bank's consolidated statement of income.
- (vii) The preferred shares pay a quarterly cumulative dividend on their stated value of \$25 per share equal to one quarter of 70% of the daily average Prime Rate of the Bank during the preceding calendar quarter.

Since October 31, 1985, there has been no material change in the authorised or issued share capital of the Bank nor has there been any material change in the debentures of the Bank, except as specified in Note (i) to the Capitalisation Table above.



## CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The following tables set forth certain unaudited financial information with respect to the Bank and its subsidiaries for the period ending and as at April 30, 1986:

### Consolidated Interim Statement Of Income

(Unaudited) (in \$ thousands)	For the three months ended			For the six months ended	
	April 30, 1986	January 31, 1986	April 30, 1985	April 30, 1986	April 30, 1985
<b>Interest income</b>					
Income from loans, excluding leases .....	\$ 1,140,756	\$ 1,113,589	\$ 1,077,713	\$ 2,254,345	\$ 2,204,625
Income from lease financing .....	4,974	4,674	4,168	9,648	8,545
Income from securities .....	128,535	108,655	100,566	237,190	213,122
Income from deposits with banks .....	192,176	192,382	265,756	384,558	553,810
<b>Total interest income, including dividends .....</b>	<b>1,466,441</b>	<b>1,419,300</b>	<b>1,448,203</b>	<b>2,885,741</b>	<b>2,980,102</b>
<b>Interest expense</b>					
Interest on deposits .....	1,048,315	1,004,836	1,083,664	2,053,151	2,235,881
Interest on bank debentures .....	22,311	21,747	16,877	44,058	35,886
Interest on liabilities other than deposits .....	2,338	2,027	1,498	4,365	2,258
<b>Total interest expense .....</b>	<b>1,072,964</b>	<b>1,028,610</b>	<b>1,102,039</b>	<b>2,101,574</b>	<b>2,274,025</b>
<b>Net interest income .....</b>	<b>393,477</b>	<b>390,690</b>	<b>346,164</b>	<b>784,167</b>	<b>706,077</b>
Provision for loan losses .....	101,400	100,900	74,288	202,300	145,000
<b>Net interest income after loan loss provision .....</b>	<b>292,077</b>	<b>289,790</b>	<b>271,876</b>	<b>581,867</b>	<b>561,077</b>
Other income .....	105,099	99,118	82,196	204,217	168,438
<b>Net interest and other income .....</b>	<b>397,176</b>	<b>388,908</b>	<b>354,072</b>	<b>786,084</b>	<b>729,515</b>

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Consolidated Interim Statement Of Income—continued

(Unaudited) (in \$ thousands)	For the three months ended			For the six months ended	
	April 30, 1986	January 31, 1986	April 30, 1985	April 30, 1986	April 30, 1985
<b>Non-interest expenses</b>					
Salaries .....	154,218	158,997	141,687	313,215	288,200
Pension contributions and other staff benefits .....	13,055	14,832	12,136	27,887	26,113
Premises and equipment expenses, including depreciation .....	55,146	54,728	51,452	109,874	100,627
Other expenses .....	59,800	52,251	52,420	112,051	104,230
<b>Total non-interest expenses .....</b>	<b>282,219</b>	<b>280,808</b>	<b>257,695</b>	<b>563,027</b>	<b>519,170</b>
Net income before provision for income taxes .....	114,957	108,100	96,377	223,057	210,345
Provision for income taxes .....	34,100	33,800	29,200	67,900	67,500
Net income before minority interests in subsidiaries ..	80,857	74,300	67,177	155,157	142,845
Minority interests in subsidiaries .....	892	469	541	1,361	1,209
<b>Net income for the period .....</b>	<b>\$ 79,965</b>	<b>\$ 73,831</b>	<b>\$ 66,636</b>	<b>\$ 153,796</b>	<b>\$ 141,636</b>
Preferred dividends paid .....	\$ 7,284	\$ 6,135	\$ 4,939	\$ 13,419	\$ 10,311
Net income available to common shareholders .....	\$ 72,681	\$ 67,696	\$ 61,697	\$ 140,377	\$ 131,325
Average number of common shares outstanding .....	148,459,986	147,703,849	145,663,139	148,075,651	145,277,840
<b>Net income per common share:</b>					
Basic .....	\$ 0.49	\$ 0.46	\$ 0.43	\$ 0.95	\$ 0.91
Fully diluted .....	\$ 0.47	\$ 0.43	\$ 0.41	\$ 0.90	\$ 0.86
Common dividends paid .....	\$ 25,231	\$ 25,102	\$ 24,727	\$ 50,333	\$ 49,343
Dividends per common share .....	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.34	\$ 0.34

Consolidated Balance Sheet Highlights

(Unaudited) (in \$ millions)	As at			Percent Change April 1986 to April 1985
	April 30, 1986	January 31, 1986	April 30, 1985	
Cash resources .....	\$ 10,825	\$ 10,639	\$ 13,029	(16.9)%
Securities .....	5,259	4,391	4,156	26.5
Loans .....	42,535	42,035	39,290	8.3
Other assets .....	4,371	4,265	3,570	22.4
<b>Total .....</b>	<b>\$ 62,990</b>	<b>\$ 61,330</b>	<b>\$ 60,045</b>	<b>4.9%</b>
Demand deposits .....	\$ 3,441	\$ 3,257	\$ 3,265	5.4%
Notice deposits .....	13,112	11,420	10,675	22.8
Fixed-term deposits .....	38,220	38,650	39,593	(3.5)
<b>Total deposits .....</b>	<b>54,773</b>	<b>53,327</b>	<b>53,533</b>	<b>2.3</b>
Other liabilities .....	4,566	4,402	3,407	34.0
Subordinated debentures .....	905	909	692	30.8
Capital and reserves				
- preferred .....	350	350	250	40.0
- common .....	2,396	2,342	2,163	10.8
<b>Total .....</b>	<b>\$ 62,990</b>	<b>\$ 61,330</b>	<b>\$ 60,045</b>	<b>4.9%</b>

## Notes to the Consolidated Interim Financial Statements

- (1) The Consolidated Financial Statements have been prepared in accordance with the Bank Act. These statements include the assets and liabilities and results of operations of the Bank and its subsidiaries. Investments in affiliated companies are accounted for on the equity basis.
- (2) Certain comparative data have been restated to conform with the current presentation.
- (3) As at April 30, 1986, 149,095,544 common shares had been issued (April 30, 1985: 146,152,272). The per-share statistics have been based on the daily average of equivalent fully paid common shares. Fully diluted net income per common share has been calculated on the assumption that all convertible securities outstanding during the year were converted into common shares from the beginning of the year.

## GENERAL INFORMATION

### Listing

The listing of the Debentures on The Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Transactions will normally be effected for settlement in U.S. dollars and for delivery on the fifth working day after the date of the transaction. It is anticipated that listing of the Debentures on The Stock Exchange will be granted on or before August 21, 1986, subject only to the issue of the temporary global Debenture. Prior to official listing, however, dealings will be permitted by the Council of The Stock Exchange in accordance with its rules.

The issue of the Debentures was authorized by the Board of Directors of the Bank by resolution adopted on July 29, 1986.

The Debentures have been accepted for clearance through Euro-clear and CEDEL under the following reference numbers:

<u>Euro-clear</u>	<u>CEDEL</u>
17780	136471

### Litigation

The Bank is one of 23 lending institutions named as defendants in a suit filed on June 24, 1986 in the United States District Court in Dallas, Texas by several plaintiffs, including Placid Oil Company, Penrod Drilling Company, William Herbert Hunt, Nelson Bunker Hunt and Lamar Hunt. The suit alleges various violations of state and federal laws growing out of a number of lending transactions. The plaintiffs seek to recover damages in excess of U.S.\$3.6 billion and declaratory relief as well as interest, attorney fees and costs. The Bank has retained counsel to defend it in relation to this matter and has filed an answer denying the allegations made against it. Except as disclosed herein, neither the Bank nor any of its subsidiaries is involved in any litigation or arbitration proceedings which, either individually or collectively, may have or have had during the past 12 months a significant effect on the Bank's financial position, nor, so far as the Bank is aware, are any such litigation or arbitration proceedings pending or threatened.

### Auditors

The Bank Act (Canada) requires the appointment, at each annual meeting of shareholders, of two firms of accountants to be the auditors of a bank until the next annual meeting. If the same two firms of accountants have been appointed for two consecutive years as auditors of a bank, one such firm shall not be appointed as auditor of the bank for the period of two years next following the expiration of the term for which that firm was last appointed. The auditors of the Bank for the years shown were as follows:

Clarkson Gordon P.O. Box 251, Royal Trust Tower, Toronto-Dominion Centre Toronto, Ontario M5K 1J7	For the years ended October 31, 1983, 1984 and 1985
Price Waterhouse P.O. Box 51, Toronto Dominion Bank Tower, Toronto-Dominion Centre Toronto, Ontario M5K 1G1	For the years ended October 31, 1984 and 1985
Peat, Marwick, Mitchell & Co. P.O. Box 31, Commerce Court West Postal Station Toronto, Ontario M5L 1B2	For the year ended October 31, 1983

Clarkson Gordon and Peat, Marwick, Mitchell & Co., Chartered Accountants, have been appointed auditors of the Bank for the financial year ending October 31, 1986.

## Recent Developments

Except as disclosed in this Extel Card, since October 31, 1985, there has been no material adverse change in the consolidated financial position of the Bank and its subsidiaries.

## Documents

Copies of the following documents will be available at the main branch of the Bank in London at Scotia House, 33 Finsbury Square, London EC2A 1BB, for inspection during usual business hours on any weekday (Saturdays and public holidays excepted), until 14 days from the date hereof:

- (i) the charter and by-laws of the Bank;
- (ii) the Annual Reports, which include the audited financial statements of the Bank, for the two financial years ended October 31, 1985;
- (iii) the Subscription Agreement referred to under "Subscription and Sale";
- (iv) a proof, subject to modification, of the agent bank agreement and the paying agency agreement relating to the Debentures; and
- (v) a proof, subject to modification, of the Trust Indenture which includes the forms of temporary global Debenture, definitive Debentures and Coupons.

### HEAD OFFICE OF THE BANK

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Halifax, Nova Scotia  
B3J 1M1

### EXECUTIVE OFFICES OF THE BANK

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Toronto, Ontario  
M5H 1H1

### MAIN BRANCH OF THE BANK IN LONDON

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London EC2A 1BB

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To the Bank

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M5K 1E6

To the Managers

*As to English Law*

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59-67 Gresham Street,  
London EC2V 7JA

*As to Canadian Law*

Stikeman, Elliott,  
Leith House,  
47-57 Gresham Street,  
London EC2V 7EH

### BROKERS

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London E2CM 2PA

### TRUSTEE

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Toronto, Ontario  
M5H 1B4

### PRINCIPAL PAYING AGENT

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