

BANK OF NOVA SCOTIA /

Form F-3/A

August 29, 2013

As filed with the Securities and Exchange Commission on August 29, 2013

Registration No. 333-188984

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT No. 4

to

FORM F-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

The Bank of Nova Scotia

Scotiabank Covered Bond Guarantor Limited Partnership

(Exact name of Registrant as specified in its charter)

CANADA

(State or other jurisdiction of incorporation or organization)

Not Applicable

(I.R.S. Employer Identification No.)

44 King St. West

Scotia Plaza, 8th Floor

Toronto, Ontario

Canada M5H 1H1

(416) 866-3672

(Address and telephone number of Registrant's principal executive offices)

The Bank of Nova Scotia

One Liberty Plaza, 25th Floor

New York, New York 10006

Attention: William R. Ebbels

(212) 225-5000

(Name, address and telephone number of agent for service)

Please send copies to:

Lawton M. Camp

Allen & Overy LLP

1221 Avenue of the Americas

New York, New York 10020

(212) 610-6300

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1290 Avenue of the Americas

New York, New York 10104

(212) 468-8000

Approximate date of commencement of proposed sale to the public: At such time or times on or after the effective date of this registration statement as the Registrants shall determine.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

CALCULATION OF REGISTRATION FEE

| Title of each class of securities to be registered | Amount to be registered (1) | Proposed maximum aggregate price per security | Proposed maximum aggregate offering price (2) (3) | Amount of registration fee (1) (4) |
|--|-----------------------------|---|---|------------------------------------|
| Covered Bonds | U.S. \$15,000,000,000 | 100% | U.S. \$15,000,000,000 | U.S. \$2,046,000 |

(1) This Registration Statement also includes an indeterminate amount of securities of the classes specified above that may be reoffered and resold on an ongoing basis after their initial sale in market-making transactions by affiliates of the Registrant. These securities consist of an indeterminate amount of such securities that are initially being registered, and will initially be offered and sold, under this Registration Statement. All such market-making reoffers and resales of these securities that are made pursuant to a registration statement after the effectiveness of this registration statement are being made solely pursuant to this Registration Statement.

(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act.

(3) Separate consideration may not be received for registered securities that are issuable on exercise, conversion or exchange of other securities.

(4) Pursuant to Rule 457 under the Securities Act, the Registrant is applying previously paid filing fees totaling U.S. \$1,262,165.21 from the Registrant’s U.S. \$16,000,000,000 Senior and Subordinated Debt Securities that were previously registered on Form F-9 (File No. 333-179383) under the Securities Act of 1933, as amended, of which U.S. \$11,680,000,000 aggregate principal amount or offering price of such securities were unsold. Filing fees totaling U.S. \$1,332,048 associated with the securities described above were previously paid with such registration statement. On July 19, 2013, the Registrant paid the remaining U.S. \$783,834.79 of filing fees in connection with the filing of this Registration Statement.

The Registrants hereby amend this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a) of the Act, may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, Dated August 29, 2013

The Bank of Nova Scotia

unconditionally and irrevocably guaranteed by

Scotiabank Covered Bond Guarantor Limited Partnership

Covered Bonds

up to an aggregate initial offering price of U.S.\$15,000,000,000

or the equivalent thereof in other currencies under the global registered covered bond program

This prospectus describes some of the general terms that may apply to these covered bonds and the related guarantee and the general manner in which they may be offered. We will give you the specific prices and other terms of the covered bonds we are offering in supplements to this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you invest. We may sell the covered bonds to or through one or more dealers or agents. The names of the dealers or agents will be set forth in supplements to this prospectus.

Prospective investors should be aware that the acquisition of the covered bonds described herein may have tax consequences both in the United States and in Canada. Such consequences may not be described fully herein or in any applicable prospectus supplement.

Investing in the covered bonds involves risks. See “Risk Factors” beginning on page 24 of this prospectus.

The enforcement by investors of civil liabilities under United States federal securities laws may be affected adversely by the fact that The Bank of Nova Scotia is a Canadian bank, that many of its officers and directors are residents of Canada, that Scotiabank Covered Bond Guarantor Limited Partnership is a limited partnership existing under the laws of the Province of Ontario, that some or all of the dealers or experts named in the registration statement may be residents outside of the United States, and that all or a substantial portion of the assets of The Bank of Nova Scotia, Scotiabank Covered Bond Guarantor Limited Partnership and such persons may be located outside the United States.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The covered bonds described herein will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* (Canada) or by the United States Federal Deposit Insurance Corporation.

The covered bonds have not been approved or disapproved by the Canada Mortgage and Housing Corporation (the “CMHC”) nor has CMHC passed upon the accuracy or adequacy of this prospectus. The covered bonds are neither insured nor guaranteed by CMHC or the government of Canada or any other agency thereof.

Arrangers for the Program

Barclays ScotiaBank

The date of this prospectus is , 2013

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In this prospectus, unless the context otherwise indicates, the “**Issuer**” or the “**Bank**” means The Bank of Nova Scotia, and “**Guarantor**” means Scotiabank Covered Bond Guarantor Limited Partnership, and “**we**,” “**us**” or “**our**” means the Bank and Guarantor collectively. In this prospectus and any prospectus supplement, currency amounts are stated in Canadian Dollars (\$), unless specified otherwise.

ABOUT THIS PROSPECTUS

This document is called a prospectus and is part of a registration statement that we filed with the Securities and Exchange Commission (the “**SEC**”) using a “shelf” registration or continuous offering process. The registration statement containing this prospectus, including exhibits to the registration statement, provides additional information about us and the covered bonds and related guarantee offered under this prospectus. The registration statement can be accessed at the SEC’s website at www.sec.gov or inspected at the offices of the SEC.

This prospectus provides you with a general description of the covered bonds the Bank may offer and the Guarantor may guarantee. Each time the Bank offers covered bonds pursuant to this prospectus, it will provide a prospectus supplement containing specific information about the terms of the covered bonds being offered. A prospectus supplement may include a discussion of any risk factors or other special considerations applicable to those covered bonds or to us. A prospectus supplement may also add, update or change information in this prospectus. If there is any inconsistency between the information in this prospectus and the applicable prospectus supplement, you should rely on the information in the prospectus supplement. You should read both this prospectus and any applicable prospectus supplement together with additional information described under the heading “*Where You Can Find More Information*” on page 7 of this prospectus.

The Bank may sell covered bonds to dealers who will sell the covered bonds to the public on terms fixed at the time of sale. In addition, the covered bonds may be sold by the Bank directly or through agents designated from time to time. If the Bank, directly or through agents, solicits offers to purchase the covered bonds, it reserves the sole right to accept and, together with any agents, to reject, in whole or in part, any of those offers.

Any prospectus supplement will contain the names of the dealers or agents, if any, together with the terms of offering, the compensation of those dealers and the net proceeds to us. Any dealers or agents participating in the offering may be deemed “underwriters” within the meaning of the Securities Act.

DOCUMENTS INCORPORATED BY REFERENCE

The SEC allows us to “incorporate by reference” into this prospectus the information in documents we file with it. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus and should be read with the same care. When we update the information contained in documents that have been incorporated by reference by making future filings with the SEC the information incorporated by reference in this prospectus is considered to be automatically updated and superseded. 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. In other words, in the case of a conflict or

inconsistency between information contained in this prospectus and information incorporated by reference into this prospectus, you should rely on the information contained in the document that was filed later. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

The Bank incorporates by reference into this prospectus its annual report on Form 40-F for the fiscal year ended October 31, 2012 (the “**2012 Annual Report**”), the Bank’s reports filed on Form 6-K filed on December 7, 2012 (Film No. 121249630), March 5, 2013 (Film No. 13664626), March 5, 2013 (Film Number: 13664552), March 15, 2013, April 23, 2013, May 28, 2013 (Film No. 13874074), May 28, 2013 (Film Number: 13874041), May 31, 2013, August 27, 2013 (Film No. 131062290), August 27, 2013 (Film No. 131062144) and August 27, 2013 (Film No. 131062126), and each of the Bank’s reports on Form 6-K after that date in which the Bank states that such report is also incorporated by reference into one or more of the Bank’s registration statements filed under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”). In addition, the Bank will incorporate by reference into this prospectus all documents that it has filed under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act and, to the extent, if any, the Bank designates therein, reports on Form 6-K it furnishes to the SEC after the date of this prospectus and prior to the termination of any offering contemplated in this prospectus.

The Guarantor will file ongoing disclosure regarding the Covered Bond Guarantee and the Portfolio in reports on Form 10-K, Form 8-K and Form 10-D. The Guarantor incorporates by reference its annual report on Form 10-K filed after the date of this prospectus and each Form 8-K and Form 10-D filed with the SEC. In addition, the Guarantor will incorporate by reference into this prospectus all documents that it has filed under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and prior to the termination of every offering contemplated in this prospectus.

Upon a new annual report and the related annual financial statements being filed by the Bank with, and, where required, accepted by, the SEC, the previous annual report will be deemed no longer incorporated by reference into this prospectus for purposes of future offers and sales of covered bonds under this prospectus.

Upon a new annual report being filed by the Guarantor with, and, where required, accepted by, the SEC, the previous annual report will be deemed no longer incorporated by reference into this prospectus for the purposes of further offers and sales of covered bonds under this prospectus.

All documents incorporated by reference, or to be incorporated by reference, have been filed with or furnished to, or will be filed with or furnished to, the SEC.

You may request a copy of these filings, other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing, at no cost, by writing to or telephoning us at the following address:

The Bank of Nova Scotia

Scotia Plaza, 44 King Street West

Toronto, Ontario

Canada M5H 1H1

Attention: Secretary

Telephone: (416) 866-3672

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WHERE YOU CAN FIND MORE INFORMATION

In addition to the continuous disclosure obligations under the securities laws of the provinces and territories of Canada, the Bank and the Guarantor are subject to the informational reporting requirements of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and in accordance therewith files reports and other information with the SEC. Under a multijurisdictional disclosure system adopted by the United States and Canada, such reports and other information may be prepared in accordance with the disclosure requirements of the provincial and territorial securities regulatory authorities of Canada, which requirements are different from those of the United States. These reports and other information, when filed or furnished by us in accordance with such requirements, can be inspected and copied by you at the SEC’s Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. You can get further information about the SEC’s Public Reference Room by calling 1-800-SEC-0330. The Bank’s and the Guarantor’s filings with the SEC are also available to the public through the SEC’s website at www.sec.gov. The Bank’s common shares are listed on the New York Stock Exchange, and reports and other information concerning the Bank can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The Bank and the Guarantor have filed with the SEC a registration statement on Form F-3 with respect to the covered bonds and related guarantee covered by this prospectus. This prospectus does not contain all of the information that is set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. Statements made in this prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete, and in each instance, you should refer to the exhibits that are a part of the registration statement for a copy of the contract, agreement or other document for a more complete description of the matter. For further information with respect to the Bank, the Guarantor, the covered bonds and the related guarantee, reference is made to the registration statement and the exhibits thereto, which are publicly available as described in the preceding paragraph.

Additional information with respect to the Bank, the Guarantor, the Portfolio and certain other matters, together with copies of each of the Transaction Documents and the Investor Reports filed by the Bank from time to time, is also available on the Bank’s website specified in the applicable prospectus supplement and through the CMHC’s covered bond registry at <http://www.cmhc-schl.gc.ca/coveredbonds>. Information on or accessible through the Bank’s website does not form part of this prospectus and should not be relied upon.

FORWARD-LOOKING STATEMENTS

Our public communications often include oral or written forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the SEC, or in other communications. All such statements by the Bank (but not the Guarantor) are made pursuant to the “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may include comments with respect to our objectives, strategies to achieve those objectives, expected financial results (including those in the area of risk management), and the outlook for the Bank’s businesses and for the Canadian, United States and global economies. Such statements are typically identified by words or phrases such as

“believe,” “expect,” “anticipate,” “intent,” “estimate,” “plan,” “may increase,” “may fluctuate,” and similar expressions of future conditional verbs, such as “will,” “should,” “would” and “could.”

By their very nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements, as a number of important factors, many of which are beyond our control, could cause actual results to differ materially from the estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: the economic and financial conditions in Canada and globally; fluctuations in interest rates and currency values; liquidity; significant market volatility and interruptions; the failure of third parties to comply with their obligations to the Bank and its affiliates; the effect of changes in monetary policy; legislative and regulatory developments in Canada and elsewhere, including changes in tax laws; the effect of changes to the Bank’s credit ratings; amendments to, and interpretations of, risk based capital guidelines and reporting instructions and liquidity regulatory guidance; operational and reputational risks; the risk that the Bank’s risk management models may not take into account all relevant factors; the accuracy and completeness of information the Bank receives on customers and counterparties; the timely development and introduction of new products and services in receptive markets; the Bank’s ability to expand existing distribution channels and to develop and realize revenues from new distribution channels; the Bank’s ability to complete and integrate acquisitions and its other growth strategies; changes in accounting policies and methods the Bank uses to report its financial condition and financial performance, including uncertainties associated with critical accounting assumptions and estimates; the effect of applying future accounting changes; global capital markets activity; the Bank’s ability to attract and retain key executives; reliance on third parties to provide components of the Bank’s business infrastructure; unexpected changes in consumer spending and saving habits; technological developments; fraud by internal or external parties, including the use of new technologies in unprecedented ways to defraud the Bank or its customers; consolidation in the Canadian financial services sector; competition, both from new entrants and established competitors; judicial and regulatory proceedings; acts of God, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments, including terrorist acts and war on terrorism; the effects of disease or illness on local, national or international economies; disruptions to public infrastructure, including transportation, communication, power and water; and the Bank’s anticipation of and success in managing the risks implied by the foregoing. A substantial amount of the Bank’s business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on our financial results, businesses, financial condition or liquidity. These and other factors may cause actual performance to differ materially from that contemplated by forward-looking statements. For more information, see the discussion in the “*Risk management*” section of the Bank’s Annual Report on Form 40-F for the fiscal year ended October 31, 2012 which is incorporated by reference herein.

Readers are cautioned that the foregoing list of risk factors is not exhaustive and other factors could also adversely affect the Bank’s and the Guarantor’s results. When relying on forward-looking statements to make decisions with respect to the Bank and the Guarantor, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, none of the Bank, the Guarantor, the Dealers, the

Bond Trustee, or any other person undertakes to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Bank or the Guarantor.

Information contained in or otherwise accessible through the websites mentioned does not form part of this document. All references in this document to websites are inactive textual references and are for your information only.

PRESENTATION OF FINANCIAL INFORMATION

The Bank prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“**IFRS**”), which replaced Canadian generally accepted accounting principles (“**GAAP**”) for publicly accountable enterprises beginning in 2011. IFRS became effective for the Bank for its interim and annual periods commencing November 1, 2011 (adoption date), and includes the preparation and reporting of one year of comparative figures, including an opening balance sheet as of November 1, 2010 (transition date). For additional information regarding the Bank’s adoption of IFRS, see the sections entitled “*First-time adoption of IFRS*” and “*Explanation of significant adjustments from Canadian GAAP to IFRS*” in the Bank’s Annual Report on Form 40-F for the fiscal year ended October 31, 2012.

Additionally, we publish our consolidated financial statements in Canadian Dollars. In this prospectus and any applicable supplement, currency amounts are stated in Canadian Dollars (\$), unless specified otherwise. As indicated in the table below, the Canadian Dollar has fluctuated in value compared to the U.S. Dollar over time.

The tables below set forth the high and low daily noon exchange rates, the average yearly rate and the rate at period end between Canadian Dollars and U.S. Dollars (in U.S. Dollars per Canadian Dollar) for the five-year period ended October 31, 2012 and the high and low daily noon exchange rates for the three months ended January 31, 2013, the three months ended April 30, 2013, the three months ended July 31, 2013 and for the period August 1 through August 27, 2013. On August 27, 2013, the daily noon exchange rate was U.S.\$1.0503 = \$1.00. Our reference to the “**daily noon exchange rate**” is the daily noon exchange rate as reported by the Bank of Canada.

Year Ended October 31, **High Low Average Rate**⁽¹⁾ **At Period End**

| | | |
|------|--------------------|--------|
| 2008 | 1.09080.77270.9720 | 0.8225 |
| 2009 | 0.97190.76950.8605 | 0.9288 |
| 2010 | 1.00400.92800.9604 | 0.9816 |
| 2011 | 1.05840.94301.0159 | 1.0068 |
| 2012 | 1.02990.95360.9969 | 1.0006 |

| | |
|---------------------|-----------------|
| Three months ending | High Low |
| January 31, 2013 | 1.00780.9839 |
| April 30, 2013 | 1.03140.9960 |
| July 31, 2013 | 1.05761.0023 |

| | |
|--|-----------------|
| Period of | High Low |
| August 1, 2013 through August 27, 2013 | 1.05151.0297 |

- (1) The average of the daily noon exchange rates on the last business day of each full month during the relevant period.

**LIMITATIONS ON THE ENFORCEMENT OF U.S. LAWS
AGAINST THE BANK, OUR MANAGEMENT AND OTHERS**

The Bank is incorporated under the federal laws of Canada under the *Bank Act* (Canada) (the “**Bank Act**”). The Guarantor is an Ontario limited partnership. Substantially all of the Bank’s directors and executive officers, including many of the persons who signed the Registration Statement on Form F-3, of which this prospectus forms a part, and some or all of the experts named in this document, reside outside the United States, and all or a substantial portion of the Bank and the Guarantor’s assets and the assets of such persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon such persons, or to realize upon judgments rendered against the Bank or such persons by the courts of the United States predicated upon, among other things, the civil liability provisions of the federal securities laws of the United States. In addition, it may be difficult for you to enforce, in original actions brought in courts in jurisdictions located outside the United States, among other things, civil liabilities predicated upon such securities laws.

The Bank has been advised by its Canadian counsel, Osler, Hoskin & Harcourt LLP, that a judgment of a United States court predicated solely upon civil liability under such laws and that would not be contrary to public policy would probably be enforceable in Canada if the United States court in which the judgment was obtained has a basis for jurisdiction in the matter that was recognized by a Canadian court for such purposes. The Bank has also been advised by such counsel, however, that there is substantial doubt whether an original action could be brought successfully in Canada predicated solely upon such civil liabilities.

SUMMARY

This summary highlights key information described in greater detail elsewhere, or incorporated by reference, in this prospectus. You should read carefully the entire prospectus and the documents incorporated by reference and any applicable prospectus supplement before making an investment decision.

The Bank of Nova Scotia

The Bank is a leading multinational financial services provider and Canada's most international bank. With more than 83,000 employees, the Bank and its affiliates serve some 19 million customers in more than 55 countries around the world. The Bank offers a broad range of products and services including personal, commercial, corporate and investment banking.

Scotiabank Covered Bond Guarantor Limited Partnership

The Guarantor is a limited partnership established under the laws of the Province of Ontario whose principal business is to provide a guarantee of the obligations of the Bank pursuant to covered bonds issued by it, from time to time, pursuant to the Bank's Global Registered Covered Bond Program (the "**Program**") and certain ancillary activities with respect thereto.

The Global Registered Covered Bond Program

The Bank intends to issue, offer and sell covered bonds under the Program in the United States pursuant to this prospectus. These covered bonds will be issued under a trust deed governed by Ontario law (the "**Trust Deed**"). The Bond Trustee acts as the trustee under the Trust Deed. All Series of the covered bonds under the Program will have the benefit of the covered bond guarantee (the "**Covered Bond Guarantee**") issued by the Guarantor and be secured by a pledge of the Portfolio to the Bond Trustee. The Bank anticipates that it will continue to issue covered bonds by means other than this prospectus under the Trust Deed from time to time.

On March 25, 2013, the Bank was accepted as a registered issuer under Part I.1 of the *National Housing Act* (Canada) (the "**NHA**") and the CMHC Guide in accordance with their terms and on July 22, 2013, the Program was registered as a registered program under Part I.1 of the NHA and the CMHC Guide. All future covered bonds issued by the Bank under the Program will be covered bonds issued under its registered covered bond program pursuant to Part I.1 of the NHA and the CMHC Guide.

The Legislative Framework sets out certain statutory protections for holders of covered bonds under Canadian federal and provincial bankruptcy and insolvency laws. The CMHC Guide elaborates on the role and powers of CMHC as administrator of the Legislative Framework and sets out the conditions and restrictions applicable to registered covered bond issuers and registered covered bond programs.

The Portfolio

The assets in the "**Portfolio**" consist primarily of first lien Canadian residential mortgage loans and their related security interest in residential property, cash and in some cases certain Substitute Assets up to a certain threshold amount. As required by the CMHC Guide, the Portfolio does not include any residential mortgages that are insured by a Prohibited Insurer such as the CMHC.

Global Public Sector Covered Bond Programme

The Bank has previously issued the equivalent of approximately \$15.79 billion of covered bonds in multiple currencies both outside and in the United States utilizing Regulation S and Rule 144A under the Bank's Global Public Sector Covered Bond Programme backed by mortgage loans insured by CMHC. \$13.19 billion of these covered bonds remain outstanding as of the date of this prospectus, and such covered bonds are guaranteed by a different guarantor entity and are secured by a different cover pool.

The Covered Bond Guarantee

Pursuant to the Covered Bond Guarantee, the Guarantor has irrevocably and unconditionally guaranteed the due and punctual payment of the Guaranteed Amounts on the covered bonds of each Series issued by the Bank in accordance with the Trust Deed.

Program Structure Overview

The Covered Bond Guarantee is secured by a pledge of certain assets of the Guarantor, which includes the Portfolio, to the Bond Trustee pursuant to the terms of the Security Agreement. The Guarantor purchased the initial Loans and their Related Security included in the Portfolio from the Bank using amounts borrowed from the Bank under the Intercompany Loan. Proceeds from the Intercompany Loan may also be used to purchase Loans and their Related Security for the Portfolio and for other purposes as described in "*Summary of the Principal Documents—Mortgage Sale Agreement.*" The Guarantor and the Bank will enter a Covered Bond Swap Agreement in respect of which the Guarantor and the Bank will enter into a new confirmation for each Series of covered bonds that are issued by the Bank, and an Interest Rate Swap Agreement. Following the Interest Rate Swap Effective Date, the Interest Rate Swap Agreement converts interest received on the Portfolio to an amount in excess of the interest rate payable on the Intercompany Loan and, for each Series, the Covered Bond Swap Agreement converts a certain portion of the Canadian Dollar payments from the Interest Rate Swap Agreement (or if not then in place for any reason, the Portfolio) to the currency and interest amounts payable on the related covered bonds. No cash flows will be exchanged under either of the Swap Agreements until after the occurrence of certain specified events.

Risk Factors

An investment in the covered bonds involves risks. You should carefully consider all of the information set forth in this prospectus and any applicable prospectus supplement and, in particular, should evaluate the specific factors set forth below under "*Risk Factors*" in deciding whether to invest in the covered bonds. For a discussion of important business and financial risks relating to the Bank, please see the Bank's 2012 Annual Report, which is incorporated in this prospectus by reference (and in any of our annual or quarterly reports for a subsequent financial period that are so incorporated).

Corporate Offices

The Bank's executive offices are located at Scotia Plaza, 44 King Street West, Toronto, Ontario, Canada M5H 1H1 and the head office is located at 1709 Hollis Street, Halifax, Nova Scotia, Canada B3J 3B7. The telephone number is (416) 866-3672.

The Guarantor's address is 100 King Street West, Suite 6600, 1 First Canadian Place, Toronto, Ontario, M5X 1B8. The telephone number is (416) 866-3672.

PROGRAM STRUCTURE DIAGRAM

The following structure diagram provides an indicative summary of the principal features of the Program. The diagram must be read in conjunction with and is qualified in its entirety by the detailed information presented elsewhere in this prospectus and any applicable prospectus supplement.

**Cashflows under the Interest Rate Swap Agreement and the Covered Bond Swap Agreement will be exchanged only after the Interest Rate Swap Effective Date or the Covered Bond Swap Effective Date, respectively.*

SUMMARY OF THE COVERED BOND PROGRAM

This section is a summary and does not describe every aspect of the covered bonds. This section summarizes the material terms of the covered bonds that are common to all Series of covered bonds and which are more fully described elsewhere in this prospectus. References to “Conditions” in this summary refer to the Terms and Conditions described elsewhere in this prospectus. This summary is subject to and qualified in its entirety by reference to all the provisions of the Trust Deed and other Transaction Documents, including definitions of certain terms used in the Trust Deed and other Transaction Documents. In this summary, we describe the meaning of only some of the more important terms. This summary is also subject to and qualified by reference to the description of the particular terms of your Series or Tranche described in the applicable prospectus supplement. Those terms may vary from the terms described in this prospectus. The applicable prospectus supplement relating to each Series or Tranche of covered bonds will be attached to the front of this prospectus.

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| Bank: | The Bank of Nova Scotia. For a more detailed description of the Bank, see “ <i>The Bank of Nova Scotia.</i> ” |
| Branch of Account: | The main branch of the Bank in Toronto (located at its executive offices) will take the deposits evidenced by the covered bonds but without prejudice to the provisions of Condition 9 (<i>Events of Default, Acceleration and Enforcement</i>). The Bank may also specify any other branch in the prospectus supplement. |
| Guarantor: | Scotiabank Covered Bond Guarantor Limited Partnership |
| Dealers: | Barclays Capital Inc., Scotia Capital Inc. (for distributions in Canada), and Scotia Capital (USA) Inc. (for distributions in the U.S.) and any other dealer appointed from time to time by the Bank generally in respect of the Program or in relation to a particular Series or Tranche of covered bonds. |
| Seller: | The Bank, any New Seller, or other Limited Partner, who may from time to time accede to, and sell Loans and their Related Security or Loans and their Related Security to the Guarantor. |
| Servicer: | The Bank, subject to replacement in accordance with the terms of the Servicing Agreement. |
| Cash Manager: | The Bank, subject to replacement in accordance with the terms of the Cash Management Agreement. |
| Calculation Agent: | The Bank, acting through its office located at 201 Bishopsgate, London EC2M 3NS. |
| Custodian: | Computershare Trust Company of Canada, acting through its office located at 100 University Avenue, 11 th Floor, Toronto, Ontario Canada M5J 2Y1. |

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| Registrar, Principal Paying Agent, and Transfer Agent: | The Bank of Nova Scotia, London Branch acting through its office located at 201 Bishopsgate, London EC2M 3NS. |
| U.S. Registrar, Paying Agent, Transfer Agent and Exchange Agent: | The Bank of Nova Scotia Trust Company of New York, acting through its office located at One Liberty Plaza, 23rd Floor, New York, New York, 10006. |
| Bond Trustee: | Computershare Trust Company of Canada, acting through its office located at 100 University Avenue, 11 th Floor, Toronto, Ontario Canada M5J 2Y1. KPMG LLP, acting through its office at Bay Adelaide Centre, 333 Bay Street, Suite 4600, Toronto, Ontario, Canada M5H 2S5. |
| Cover Pool Monitor: | |
| Interest Rate Swap Provider: | The Bank, subject to replacement in accordance with the terms of the Interest Rate Swap Agreement. |
| Covered Bond Swap Provider: | The Bank, subject to replacement in accordance with the terms of the Covered Bond Swap Agreement. |
| GDA Provider: | The Bank, acting through its main branch in Toronto. |
| Account Bank: | The Bank, acting through its main branch in Toronto. |
| Standby Account Bank: | Canadian Imperial Bank of Commerce, acting through its office at 161 Bay Street, 11 th Floor, Toronto, Ontario, M5J 2S8. |
| Standby GDA Provider: | Canadian Imperial Bank of Commerce, acting through its office at 161 Bay Street, 11 th Floor, Toronto, Ontario, M5J 2S8. |
| Intercompany Loan Provider: | The Bank, acting through its main branch in Toronto. |
| Legislative Framework: | The legislative framework established by Part I.1 of the NHA, including the CMHC Guide. Covered bonds will be issued in series (each, a “ Series ”). Each Series may comprise one or more tranches (“ Tranches ” and each, a “ Tranche ”) issued on different issue dates. The covered bonds of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. |
| Issuance of Series: | The covered bonds will be issued by the Bank, as a CMHC registered issuer, under its CMHC registered covered bond program, which is registered pursuant to Part I.1 of the NHA. Unless otherwise specified in the applicable prospectus supplement, covered bonds will be issued in U.S.\$ and in such denominations as may be agreed to between the Dealers and the Bank and as set forth in the applicable prospectus supplement. |
| Currency and Denomination: | |

Maturities: Such maturities as may be agreed between the Bank and the Dealers or covered bondholders, as the case may be, and as indicated in the prospectus supplement, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant regulator (or equivalent body) or any laws or regulations applicable to the Bank or the relevant specified currency.

Form of the Covered Bonds: The covered bonds will be issued in registered form as a global covered bond held through The Depository Trust Company, or its successors (“DTC”).

Interest: Covered bonds may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed or floating rate (detailed in a formula or otherwise) and may vary during the lifetime of the relevant Series.

Types of covered bonds: Unless otherwise specified in the prospectus supplement, the types of covered bonds that may be issued pursuant to this prospectus are (i) fixed rate covered bonds and (ii) floating rate covered bonds.

Fixed Rate Covered Bonds: Fixed rate covered bonds will bear interest at a fixed rate which will be payable on such date or dates as may be agreed between the Bank and the Dealers and on redemption and will be calculated on the basis of such day count basis as may be agreed between the Bank and the Dealers (as set out in the applicable prospectus supplement), provided that if an Extended Due for Payment Date is specified in the prospectus supplement, interest following the Original Due for Payment Date will continue to accrue and be payable on the unpaid amount in accordance with Condition 4 (*Interest*), at a rate of interest determined in accordance with Condition 4.1 (*Interest on Fixed Rate Covered Bonds*) (in the same manner as the rate of interest for floating rate covered bonds) even where the relevant covered bonds are fixed rate covered bonds.

Floating Rate Covered Bonds: Floating rate covered bonds will bear interest at a rate determined on such basis as may be agreed between the Bank and the Dealers, as set out in the applicable prospectus supplement.

Other provisions in relation to Floating Rate Covered Bonds: Floating Rate Covered Bonds may also have a Maximum Rate of Interest, a Minimum Rate of Interest or both (as indicated in the applicable prospectus supplement). Interest on Floating Rate Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Bank and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on a day count basis, in each case as may be agreed between the Bank and the relevant Dealer(s).

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| Hard Bullet Covered Bonds: | Hard Bullet Covered Bonds may be offered and will be subject to a Pre-Maturity Test. The intention of the Pre-Maturity Test is to test the liquidity of the Guarantor's assets in respect of Hard Bullet Covered Bonds maturing within 12 months from the relevant Pre-Maturity Test Date when the Bank's credit ratings have fallen below the Pre-Maturity Required Ratings. |
| Rating Agency Condition: | Any issuance of covered bonds will be conditional upon satisfaction of the Rating Agency Condition. |
| Listing: | Covered bonds will not be listed on any stock exchange unless otherwise specified in the applicable prospectus supplement. |
| Redemption: | <p>The applicable prospectus supplement relating to each Tranche of covered bonds will indicate either that the relevant covered bonds of such Tranche cannot be redeemed prior to their stated maturity (other than following an Issuer Event of Default or a Guarantor Event of Default or as indicated below) or that such covered bonds will be redeemable at the option of the Bank upon giving notice to the holders of the covered bonds, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Bank and the Dealers (as set out in the applicable prospectus supplement).</p> <p>Early redemption will be permitted for taxation reasons and illegality as described in Conditions 6.2 (<i>Redemption for taxation reasons</i>) and 6.5 (<i>Redemption due to illegality or invalidity</i>), but will otherwise be permitted only to the extent specified in the applicable prospectus supplement.</p> |
| Extendable obligations under the Covered Bond Guarantee: | <p>The applicable prospectus supplement may also provide that (if a Notice to Pay has been served to the Guarantor) the Guarantor's obligations under the Covered Bond Guarantee to pay the Guaranteed Amounts corresponding to the Final Redemption Amount of the applicable Series of covered bonds on their Final Maturity Date (subject to applicable grace periods) may be deferred until the Extended Due for Payment Date.</p> <p>In such case, such deferral will occur automatically (i) if the Bank fails to pay the Final Redemption Amount of the relevant Series of covered bonds on their Final Maturity Date (subject to applicable grace periods) and (ii) if the Guaranteed Amounts equal to the Final Redemption Amount in respect of such Series of covered bonds are not paid in full by the Guarantor by the Extension Determination Date (for example, because the Guarantor has insufficient funds in accordance with the Priorities of Payments to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount of the relevant Series of covered bonds after payment of higher ranking amounts</p> |

and taking into account amounts ranking *pari passu* in the Priorities of Payments). To the extent a Notice to Pay has been served to the Guarantor and the Guarantor has sufficient time and sufficient funds to pay in part the Final Redemption Amount, such partial payment will be made by the Guarantor on any Interest Payment Date up to and including the relevant Extended Due for Payment Date as described in Condition 6.1 (*Final redemption*). Interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 4 (*Interest*) at a rate of interest determined in accordance with Condition 4 (*Interest*) (in the same manner as the rate of interest for floating rate covered bonds). The Guarantor will pay Guaranteed Amounts constituting Scheduled Interest on each Original Due for Payment Date and the Extended Due for Payment Date and any unpaid amounts in respect thereof will be due and payable on the Extended Due for Payment Date.

Taxation: Payments made by the Bank in respect of covered bonds will be made without withholding 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 Canada or any province or territory thereof, or, in the case of covered bonds issued by a branch of the Bank located outside Canada, the country in which such branch is located, 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. In that event, the Bank will (subject to customary exceptions) pay such additional amounts as will result in the holders of covered bonds receiving such amounts as they would have received in respect of such covered bonds had no such withholding or deduction been required. Under the Covered Bond Guarantee, the Guarantor will not be liable to pay any such additional amounts as a consequence of any applicable tax withholding or deduction, including such additional amounts which may become payable by the Bank under Condition 7 (*Taxation*).

If (i) any portion of interest payable on a covered bond is contingent or dependent on the use of, or production from, property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any other similar criteria or by reference to dividends paid or payable to shareholders of a corporation; (ii) the recipient of interest payable on a covered bond does not deal at arm's length with the Bank or the Guarantor for purposes of the *Income Tax Act* (Canada) (the "ITA"); (iii) interest is payable in respect of a covered bond owned by a person with whom the Bank or the Guarantor does not deal at arm's length for purposes of the ITA; or (iv) the recipient of interest payable on a covered bond is a "specified

shareholder” of the Bank or a non-resident person that does not deal at arm’s length with a specified shareholder of the Bank (in each case within the meaning of the ITA for purposes of the thin capitalization rules contained in subsection 18(4) of the ITA), such interest may be subject to Canadian nonresident withholding tax. A “**specified shareholder**” of the Bank is a person who owns, or is deemed to own, alone or together with persons with whom that person does not deal at arm’s length, shares entitled to 25% or more of the votes that could be cast at an annual shareholders’ meeting or shares having a fair market value of 25% or more of the fair market value of all the issued and outstanding shares of the Bank. Special rules, which are not discussed in this summary, may apply to a non-Canadian Holder that is an insurer that carries on an insurance business in Canada and elsewhere. Additional opinions from Canadian tax counsel may be required. See the discussion under the caption “*Taxation—Canadian Taxation.*”

ERISA: In general, a covered bond may be purchased by U.S. benefit plan investors as defined in Section 3(42) of the U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), subject to certain conditions. See “*Benefit Plan Investor Considerations.*”

Cross Default: If a Guarantor Acceleration Notice is served in respect of the covered bonds, then the obligation of the Guarantor to pay Guaranteed Amounts in respect of all covered bonds outstanding will be accelerated. The covered bonds will constitute deposit liabilities of the Bank for purposes of the Bank Act, however the covered bonds will not be insured under the *Canada Deposit Insurance Corporation Act* (Canada), and will constitute legal, valid and binding direct, unconditional, unsubordinated and unsecured obligations of the Bank and rank *pari passu* with all deposit liabilities of the Bank without any preference among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Bank, present and future, except as prescribed by law and in certain limited circumstances described in Conditions 9.1 (*Issuer Events of Default*) and 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*).

Status of the Covered Bonds:

Governing Law and Jurisdiction:

The covered bonds and the Transaction Documents (other than the Underwriting Agreement) will be governed by, and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. The Underwriting Agreement will be governed by the laws of the State of New York.

Ontario courts have non-exclusive jurisdiction in the event of litigation in respect of the contractual documentation and the covered bonds governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

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| Terms and Conditions: | <p>A prospectus supplement will be prepared in respect of each Tranche of covered bonds. The terms and conditions applicable to each Tranche will be those described under “<i>Terms and Conditions of the Covered Bonds</i>” as supplemented, modified or replaced by the applicable prospectus supplement.</p> |
| Clearing System: | <p>DTC and/or, in relation to any covered bonds, any other clearing system as may be specified in the applicable prospectus supplement.</p> |
| Non-U.S. Selling Restrictions: | <p>There will be specific restrictions on offers, sales and deliveries of covered bonds and on the distribution of offering material in Canada, Japan, the EEA, the United Kingdom, France, Australia and Italy, as well as such other restrictions as may be required in connection with a particular issue of covered bonds as set out in the applicable prospectus supplement.</p> |
| Covered Bond Guarantee: | <p>Payment of interest and principal in respect of the covered bonds when Due for Payment will be irrevocably guaranteed by the Guarantor. The obligations of the Guarantor to make payment in respect of the Guaranteed Amounts when Due for Payment are subject to the condition that a Covered Bond Guarantee Activation Event has occurred. The obligations of the Guarantor under the Covered Bond Guarantee will accelerate against the Guarantor upon the service of a Guarantor Acceleration Notice. The obligations of the Guarantor under the Covered Bond Guarantee constitute direct obligations of the Guarantor secured against the assets of the Guarantor, including the Portfolio.</p> <p>Payments made by the Guarantor under the Covered Bond Guarantee will be made subject to, and in accordance with, the applicable Priorities of Payments.</p> |
| Security for Covered Bond Guarantee: | <p>To secure its obligations under the Covered Bond Guarantee and the Transaction Documents to which it is a party, the Guarantor has granted a first ranking security interest over all of its present and future acquired assets, including the Portfolio, in favor of the Bond Trustee (for itself and on behalf of the other Secured Creditors) pursuant to the terms of the Security Agreement.</p> |
| Intercompany Loan: | <p>Under the terms of the Intercompany Loan Agreement, the Bank will make available to the Guarantor an interest-bearing Intercompany Loan, comprised of a Guarantee Loan and a revolving Demand Loan, in a combined aggregate amount equal to the Total Credit Commitment, subject to increases and decreases as described below. The Intercompany Loan will be denominated in Canadian Dollars. The interest rate on the Intercompany Loan will be a Canadian Dollar floating rate determined by the Bank from time to time, subject to a maximum</p> |

of (i) prior to the Interest Rate Swap Effective Date, the yield on the Portfolio, and (ii) following the Interest Rate Swap Effective Date, the amount received by the Guarantor pursuant to the Interest Rate Swap Agreement, and, in each case, less a minimum spread and an amount for certain expenses of the Guarantor.

The balance of the Guarantee Loan and Demand Loan will fluctuate with the issuances and redemptions of covered bonds and the requirements of the Asset Coverage Test.

To the extent the Portfolio increases or is required to be increased to meet the Asset Coverage Test, the Bank may increase the Total Credit Commitment to enable the Guarantor to acquire Loans and their Related Security from the Seller.

The balance of the Guarantee Loan and the Demand Loan will be disclosed in each Investor Report.

Guarantee Loan: The Guarantee Loan is in an amount equal to the balance of outstanding covered bonds at any relevant time plus that portion of the Portfolio required in accordance with the Asset Coverage Test as over-collateralization for the covered bonds in excess of the amount of then outstanding covered bonds (see “*Summary of the Principal Documents—Guarantor Agreement—Asset Coverage Test*”).

Demand Loan: The Demand Loan is a revolving credit facility, the outstanding balance of which is equal to the difference between the balance of the Intercompany Loan and the balance of the Guarantee Loan at any relevant time. At any time prior to a Demand Loan Repayment Event, the Guarantor may borrow any withdrawn or committed amount or re-borrow any amount repaid by the Guarantor under the Intercompany Loan for a permitted purpose provided, among other things, (i) such drawing does not result in the Intercompany Loan exceeding the Total Credit Commitment; and (ii) no Issuer Event of Default or Guarantor Event of Default has occurred and is continuing.

The Proceeds of the Intercompany Loan: The Guarantor will use the initial advance under the Intercompany Loan to purchase Loans and their Related Security for inclusion in the Portfolio from the Seller in accordance with the terms of the Mortgage Sale Agreement and may use additional advances (i) to purchase Loans and their Related Security pursuant to the terms of the Mortgage Sale Agreement; and/or (ii) to invest in Substitute Assets in an amount not exceeding the prescribed limit under the CMHC Guide; and/or (iii) subject to complying with the Asset Coverage Test and the CMHC Guide to make Capital Distributions to the Limited Partner; and/or (iv) to make deposits of the proceeds in the Guarantor Accounts (including, without limitation, to fund the

Reserve Fund and the Pre-Maturity Liquidity Required Amount, in each case to an amount not exceeding the Prescribed Cash Limitation).

Capital Contribution:

The Limited Partner may from time to time make Capital Contributions to the Guarantor including Capital Contributions of Loans and their Related Security. The Managing GP and the Liquidation GP respectively hold 99 percent and 1 percent of the 0.05 percent general partner interest in the Guarantor. The Limited Partner holds the substantial economic interest in the Guarantor (99.95 percent).

Consideration:

Under the terms of the Mortgage Sale Agreement, the Seller will sell Loans and their Related Security to the Guarantor for the Portfolio on a fully-serviced basis for consideration equal to the fair market value of such Loans on their Transfer Date, or if so determined by the Limited Partner, the Limited Partner may make Capital Contributions of Loans and their Related Security on a fully-serviced basis to the Guarantor in exchange for additional interests in the capital of the Guarantor.

Interest Rate

Swap Agreement:

The Guarantor will enter into the Interest Rate Swap Agreement with the Interest Rate Swap Provider to provide a hedge, following the Interest Rate Swap Effective Date, against possible variances in the rates of interest payable on the Loans in the Portfolio (which may, for instance, include variable rates of interest or fixed rates of interest), the amounts payable on the Intercompany Loan and (following the Covered Bond Swap Effective Date) the Covered Bond Swap Agreement.

Covered Bond

Swap Agreement:

To provide a hedge against currency risks arising, following the Covered Bond Swap Effective Date, in respect of amounts received by the Guarantor under the Interest Rate Swap Agreement and amounts payable in respect of its obligations under the Covered Bond Guarantee, the Guarantor will enter into the Covered Bond Swap Agreement (which may include a new ISDA Master Agreement schedule and confirmation(s) and credit support annex, if applicable, for each Tranche and/or Series of covered bonds) with the Covered Bond Swap Provider.

RISK FACTORS

Investment in the covered bonds is subject to various risks including those risks inherent in conducting the business of a diversified financial institution. Before deciding whether to invest in the covered bonds, you should consider carefully the risks described in the documents incorporated by reference in this prospectus (including subsequently filed documents incorporated by reference) and, if applicable, those described in a prospectus supplement, as the case may be, relating to a specific offering of covered bonds.

Risks relating to the covered bonds generally

The covered bonds may not be a suitable investment for all investors

The purchase of covered bonds involve substantial risks and are suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the covered bonds. Covered bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in covered bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the covered bonds will perform under changing conditions, the resulting effect on the value of the covered bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Prior to making an investment decision, prospective investors should consider carefully, in light of their own financial circumstances and investment objectives, (i) all the information set forth in this prospectus and, in particular, the considerations set forth below and (ii) all the information set forth in the applicable prospectus supplement. Prospective investors should make such inquiries as they deem necessary without relying on us or any arranger or dealer.

Each potential investor in the covered bonds must determine the suitability of its investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the covered bonds, the merits and risks of investing in the covered bonds and the information contained in this prospectus or incorporated herein by reference or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the covered bonds and the impact the covered bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the covered bonds, including covered bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which the potential investor's financial activities are principally denominated;

understand thoroughly the terms of the covered bonds and be familiar with the behavior of any relevant indices and financial markets; and
be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.
Covered bonds involve a high degree of risk and potential investors should be prepared to sustain a loss of all or part of their investment.

The covered bonds will constitute unsecured and uninsured deposit obligations of the Bank

The covered bonds will constitute deposit liabilities of the Bank for purposes of the Bank Act, however the covered bonds will not be insured under the *Canada Deposit Insurance Corporation Act* (Canada), and will constitute legal, valid and binding direct, unconditional, unsubordinated and unsecured obligations of the Bank and rank *pari passu* with all deposit liabilities of the Bank without any preference among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Bank, present and future, except as prescribed by law and in certain limited circumstances described in Conditions 9.1 (*Issuer Events of Default*) and 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*). If the Bank enters into any bankruptcy, liquidation, rehabilitation or other winding-up proceedings and there is a default in payment under any of the Bank's secured or unsecured indebtedness or if there is an acceleration of any of the Bank's indebtedness, the value of the covered bonds may decline. Further, the occurrence of an Issuer Event of Default alone does not constitute a Guarantor Event of Default and does not entitle the Bond Trustee to accelerate payment of the Guaranteed Amounts. The Guarantor has no obligation to pay the Guaranteed Amounts payable under the Covered Bond Guarantee until service on the Guarantor of (i) a Notice to Pay following service of an Issuer Acceleration Notice on the Bank following the occurrence of an Issuer Event of Default, or (ii) a Guarantor Acceleration Notice following the occurrence of a Guarantor Event of Default. However, failure by the Guarantor to pay amounts when Due for Payment under the Covered Bond Guarantee constitutes a Guarantor Event of Default (subject to any applicable grace periods) and following service of a Guarantor Acceleration Notice, the covered bonds will become immediately due and payable against the Bank and the obligations of the Guarantor under the Covered Bond Guarantee will be accelerated.

The covered bonds are obligations of the Bank and the Guarantor only and do not extend to any of their affiliates or the parties to the Program, including the Bond Trustee

The payment obligations in relation to the covered bonds will be solely obligations of the Bank and, subject to the terms of the Covered Bond Guarantee, obligations of the Guarantor. Accordingly, the payment obligations under the covered bonds will not be obligations of, or guaranteed by, any other affiliate of the Bank. In particular, the covered bonds will not be obligations of, and will not be guaranteed by, any of the Arrangers, the Dealers, the Bond Trustee, the Cash Manager, the Custodian, any Swap Provider, any of their agents, any company in the same group of companies as such entities or any other party to the Transaction Documents relating to the Program. Any failure by the Bank or the Guarantor to pay any amount due under the covered bonds will not result in any liability whatsoever in respect of such failure being accepted by any of the Arrangers, any of the Dealers, the Bond Trustee, the Custodian, any Swap Provider, any of their agents, the Partners, any company in the same group of companies as such entities or any other party to the Transaction Documents relating to the Program.

The obligations under the Covered Bond Guarantee may be subject to an Extended Due for Payment Date and payment on the Final Redemption Amount may be deferred beyond the Final Maturity Date

The prospectus supplement for a Series of covered bonds may specify that they are subject to an Extended Due for Payment Date. If specified in the applicable prospectus supplement, in circumstances where neither the Bank nor the Guarantor has sufficient funds available to pay in full the Final Redemption Amount due on a Series of covered bonds on the relevant Final Maturity Date or within the relevant grace period, then the Final Maturity Date of the relevant Series of covered bonds may be deferred to an Extended Due for Payment Date. If payment has been deferred as discussed below, failure by the Guarantor to make payment in respect of all or any portion of the Final Redemption Amount on the Final Maturity Date (or such later date within any applicable grace period) will not constitute a Guarantor Event of Default.

If and to the extent that the Guarantor has sufficient funds available to partially redeem the relevant Series of covered bonds, either on the Final Maturity Date or on the applicable Original Due for Payment Dates for that Series of covered bonds up to and including the Extended Due for Payment Date, then (assuming that the Guarantor Acceleration Notice and Notice to Pay for the relevant amount have been served to the Guarantor within the relevant timeframes) the Guarantor will make such partial redemption in accordance with the Guarantee Priority of Payments and as described in Condition 6.1 (*Final redemption*).

Interest will continue to accrue and be payable on the unpaid amount of the relevant Series of covered bonds in accordance with Condition 4 (*Interest*) and at the rate of interest specified in the applicable prospectus supplement and the Guarantor will pay Guaranteed Amounts constituting Scheduled Interest on each Original Due for Payment Date and the Extended Due for Payment Date.

Failure by the Guarantor to pay Guaranteed Amounts corresponding to the unpaid portion of the Final Redemption Amount or the balance thereof, as the case may be, on the Extended Due for Payment Date and/or pay Guaranteed Amounts constituting Scheduled Interest on any Original Due for Payment Date or the Extended Due for Payment Date will in each case (subject to any applicable grace period) constitute a Guarantor Event of Default.

Covered bonds issued under the Program will rank *pari passu* with each other and will accelerate at the same time

Covered bonds issued under the Program (except for the first issue of the covered bonds) will either be fungible with an existing Series of covered bonds or have different terms from an existing Series of covered bonds (in which case they will constitute a new Series). All covered bonds issued under the Program from time to time will rank *pari passu* with each other in all respects and, as obligations of the Bank, *pari passu* with covered bonds issued previously under the Bank's Global Public Sector Covered Bond Programme. Following the occurrence of an Issuer Event of Default and service by the Bond Trustee of an Issuer Acceleration Notice, all outstanding covered bonds issued under the Program will accelerate against the Bank but will be subject to, and have the benefit of, the Guaranteed Amounts under the Covered Bond Guarantee (following a Notice to Pay having been served by the Bond Trustee on the Guarantor).

Following the occurrence of a Guarantor Event of Default and service by the Bond Trustee of a Guarantor Acceleration Notice, all outstanding covered bonds will accelerate against

the Bank (if not already accelerated following service of an Issuer Acceleration Notice) and the obligations of the Guarantor under the Covered Bond Guarantee will accelerate.

All covered bonds issued under the Program will share *pari passu* in the Security granted by the Guarantor under the Security Agreement on a *pro rata* basis. Accordingly, the holders of each Series of covered bonds issued under the Program will be required to share recovery proceeds from the Security with all other holders of each other Series of the covered bonds issued under the Program on a *pro rata* and *pari passu* basis. However, holders of covered bonds issued under the Program will not share in the security granted under the Bank's Global Public Sector Covered Bond Programme, which is guaranteed by a different guarantor entity and secured by a different pool.

Credit ratings assigned to the covered bonds may not reflect all risks

The credit ratings assigned to the covered bonds may not reflect the potential impact of all risks related to structure, market, and other factors that may affect the value of the covered bonds. The ratings assigned to the covered bonds with respect to Fitch address the following: the likelihood of full and timely payment to covered bondholders of all payments of interest on each Interest Payment Date; and the likelihood of ultimate payment of principal in relation to covered bonds on (a) their applicable Final Maturity Date, or (b) if the covered bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee in accordance with the applicable prospectus supplement, the applicable Extended Due for Payment Date. With respect to DBRS Limited and its successors ("DBRS"), the ratings assigned to the covered bonds address the risk that the issuer will fail to satisfy its financial obligations in accordance with the terms under which the covered bonds have been issued and are based on quantitative and qualitative considerations relating to the issuer and the relevant ranking of claims. With respect to Moody's, the ratings assigned to the covered bonds address the expected loss posed to investors.

Any Rating Agency may lower or withdraw its credit rating if, in the sole judgment of the Rating Agency, the credit quality of the covered bonds has declined or is in question. If any rating assigned to the covered bonds is lowered or withdrawn, the market value of the covered bonds may be reduced. A downgrade or potential downgrade of these ratings, the assignment of new ratings that are lower than existing ratings, or a downgrade or potential downgrade of the ratings assigned to the Bank or any other securities of the Bank could reduce the number of potential investors in the covered bonds and adversely affect the price and liquidity of the covered bonds. A rating is based upon information furnished by the Bank or obtained by the rating agency from its own sources and is subject to revision, suspension or withdrawal by the rating agency at any time. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.

Modifications, waivers and substitution under the covered bonds may, in certain circumstances, be made without consent of the covered bondholders

The Terms and Conditions contain provisions for calling meetings of covered bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all covered bondholders including covered bondholders who did not attend and vote at the relevant meeting and covered bondholders who voted in a manner contrary to the majority. Except to the extent the Trust Indenture Act applies, an individual covered

bondholder may not be in a position to affect the outcome of the resolutions adopted by the meetings of covered bondholders.

The Terms and Conditions of the covered bonds also provide that the Bond Trustee may, without the consent of covered bondholders, (a) agree to any modification, waiver or authorization, of any breach, or proposed breach, of any of the provisions of the covered bonds, (b) determine that any Issuer Event of Default or Guarantor Event of Default will not be treated as such, (c) agree to the substitution of another company as principal debtor under any covered bonds in place of the Bank or the Guarantor or (d) agree to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Bond Trustee, is proven, in the circumstances described in Condition 14 (*Meetings of Covered Bondholders, Modification, Waiver and Substitution*). The covered bondholders will not be in a position to give instructions to the Bond Trustee in relation to the matters set out above.

The Guarantor's ability to make payments under the Covered Bond Guarantee will depend primarily on the Portfolio

The Guarantor's ability to meet its obligations under the Covered Bond Guarantee will depend primarily on the realizable value of Loans and Substitute Assets in the Portfolio, the amount of Revenue Receipts and Principal Receipts generated by the Portfolio and the timing thereof, amounts received from, and payable to, the Swap Providers and the receipt by it of credit balances and interest on credit balances in the GDA Account and the other Guarantor Accounts. The Guarantor will not have any other sources of funds available to meet its obligations under the Covered Bond Guarantee. In addition, the Security granted pursuant to the Security Agreement may not be sufficient to meet the claims of all the Secured Creditors, including the covered bondholders. Following enforcement of the Security, Secured Creditors may still have an unsecured claim against the Bank for the deficiency, which will rank *pari passu* with the other deposit obligations of the Bank. However, there can be no assurance that the Bank will have sufficient funds to pay that shortfall.

If there is a call on the Covered Bond Guarantee, the claims of covered bondholders will be limited to the Guarantor's available funds from time to time, which may be limited due to a lack of liquidity in respect of the Portfolio

If there is a call on the Covered Bond Guarantee and sale of the Portfolio, the proceeds from the sale of the Portfolio will depend on market conditions at the time of sale. If market conditions are unfavorable, the sale of the Portfolio may result in proceeds that are less than the amount due on the covered bonds. Furthermore, the maturities of the Loans in the Portfolio may not match those of the covered bonds which may require the Guarantor to sell Loans in order to pay principal on those covered bonds. Any such sale of Loans exposes investors to market risk, as the then current market value of the Loans may be less than the principal amount on the covered bonds. In addition, should an Issuer Event of Default or other Registered Title Event occur, there may be a delay in any and all borrowers switching payments to the new Servicer or the Guarantor.

There is no tax gross-up under the Covered Bond Guarantee

All payments of principal and interest in respect of the covered bonds will be made by the Bank without withholding or deduction for, or on account of, taxes imposed by any governmental

or other taxing authority (subject to customary exceptions), unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed by a tax jurisdiction specified under the Terms and Conditions, the Bank will, save in certain limited circumstances provided in the Terms and Conditions, be required to pay additional amounts to cover the amounts so deducted. By contrast, under the terms of the Covered Bond Guarantee, the Guarantor will not be liable to pay any such additional amounts payable by the Bank under the Terms and Conditions, or to pay any additional amounts in respect of any amount withheld or deducted for, or on account of, taxes from a payment by the Guarantor under the Covered Bond Guarantee.

The Guarantor may not be able to sell Loans prior to maturity of Hard Bullet Covered Bonds upon a breach of the Pre-Maturity Test or upon an Asset Coverage Test Breach Notice or Notice to Pay

Upon the breach of the Pre-Maturity Test and unless the Pre-Maturity Liquidity Required Amount is otherwise fully funded from Capital Contributions, the Guarantor is obligated to sell Selected Loans (selected on a random basis) to a purchaser in order to generate sufficient cash to enable the Guarantor to pay the Final Redemption Amount on any Hard Bullet Covered Bond in the event that the Bank fails to pay that amount on the relevant Final Maturity Date. If an Asset Coverage Test Breach Notice or a Notice to Pay is served to the Guarantor, the Guarantor may be obliged to sell Selected Loans (selected on a random basis) in order to remedy a breach of the Asset Coverage Test or to make payments to the Guarantor's creditors, including payments under the Covered Bond Guarantee, as appropriate. There is no guarantee that a purchaser will be found to acquire Selected Loans at the times required and there can be no guarantee or assurance as to the price which may be obtained, which may affect the ability of the Guarantor to make payments under the Covered Bond Guarantee.

In addition, the Guarantor will not be permitted to give representations and warranties or indemnities for those Selected Loans. There is no obligation for the Seller to give, and no assurance that the Seller would give, any representations and warranties or indemnities in respect of the Selected Loans. Any representations or warranties or indemnities previously given by the Seller in respect of Loans in the Portfolio may not have value for a purchaser if the Seller is then insolvent. Accordingly, there is a risk that the realizable value of the Selected Loans could be adversely affected by the lack of representations, warranties or indemnities which in turn could adversely affect the ability of the Guarantor to meet its obligations under the Covered Bond Guarantee.

The Bond Trustee will not be required to release the Loans and their Related Security from the Security pursuant to any sale and purchase agreement with respect to the sale of Selected Loans unless (i) the Bond Trustee has provided its prior written consent to the terms of such sale in accordance with the Guarantor Agreement, and (ii) the Guarantor has provided a certificate to the Bond Trustee that such sale of Loans and their Related Security has been made in accordance with the terms of the Transaction Documents. See "*Summary of the Principal Documents Security Agreement—Release of Security*" below.

Later maturing covered bonds may not be paid in full or at all under the Covered Bond Guarantee as Portfolio assets are not segregated by different Series of covered bonds and will be used to repay earlier maturing covered bonds first

Although each Series of covered bonds will rank *pari passu* with all other Series of covered bonds issued under the Program, each Series of covered bonds may not necessarily have the same Final Maturity Date. As Portfolio assets are not segregated in relation to each Series of

covered bonds and will be used to repay earlier maturing covered bonds first, there is a risk that later maturing covered bonds will not be paid in full (or at all) under the Covered Bond Guarantee. The Amortization Test may not mitigate this risk. A breach of the Amortization Test will occur if the aggregate Principal Amount Outstanding of all covered bonds issued under the Program is greater than the aggregate value of the Portfolio's assets. Upon the occurrence of a breach of the Amortization Test, a Guarantor Event of Default will also occur which will (subject to the Terms and Conditions) lead to the service of a Guarantor Acceleration Notice on the Guarantor and the acceleration of the obligations under the Covered Bond Guarantee in relation to all covered bonds then outstanding (hence any further timing subordination will cease to exist). There is however no guarantee that the remaining Portfolio assets will be sufficient to meet the claims of the remaining covered bondholders under the Covered Bond Guarantee in full.

Reliance on certain transaction parties

The Guarantor and the covered bondholders place significant reliance on the Bank in connection with the multiple roles of the Bank under the Transaction Documents and such reliance may give rise to conflicts of interest

The Guarantor and the covered bondholders place significant reliance on the Bank in connection with the servicing of the Loans in the Portfolio, as well as for the Guarantor's administration and funding. In particular, the Bank performs the initial roles of (a) Cash Manager, (b) Servicer, (c) GDA Provider, (d) Swap Provider, (e) Intercompany Loan Provider, and (f) Calculation Agent. The Bank holds substantially all of the interests in the Guarantor and is the sole shareholder of the initial Managing GP. Prior to the occurrence of a Managing GP Default Event, subject to the occurrence of certain events, the Bank has the ability to control the Guarantor through its control of the initial Managing GP. The Bank, under the Servicing Agreement, will be responsible for servicing and administering the Loans and their Related Security. Furthermore, the Bank, as the Seller of assets to the Portfolio, (a) has considerable discretion to substitute Portfolio assets during the course of the Program and can generate and store the data and documentation relating to the Portfolio assets underlying the transfer, retransfer and servicing of the Loans and the Related Security, which data is also provided to third parties in their respective functions under the Program, and (b) is obligated in certain circumstances to repurchase Loans and their Related Security from the Guarantor. See "*Summary of the Principal Documents—Mortgage Sale Agreement—Repurchase of Loans.*"

The Bank, as Cash Manager, has, (a) prior to the earlier of (i) its credit rating falling below any of the threshold ratings of (x) P-1 (in respect of Moody's), (y) BBB+ and F2 (in respect of Fitch), and (z) BBB (low) (in respect of DBRS), as applicable, of the unsecured, unsubordinated and unguaranteed debt obligations (or in the case of Fitch, the issuer default rating) of the Cash Manager by the Rating Agencies (the "**Cash Manager Required Ratings**") or (ii) the occurrence of a Cash Manager Termination Event, unrestricted access to the funds standing to the credit accounts of the Guarantor, and (b) the obligation to identify Non-Performing Eligible Loans for purposes of performing the Asset Coverage Test, the Amortization Test and the Valuation Calculation from time to time. The Guarantor is also reliant on the Swap Providers to provide it with the funds matching its obligations under advances and the Covered Bond Guarantee. In view of these multiple roles of the Bank, such reliance may give rise to a wide variety of substantial conflicts of interests. The Bank will have significant influence over important services required to maintain the Program and provided to the Guarantor, which may conflict with the interests of the Guarantor and holders of the covered bonds. This influence could adversely affect the Program and value of the covered bonds. If the Bank does not adequately perform or withdraws from performing such services for the Guarantor or if there are disputes between the Bank and the Guarantor, the Guarantor's performance of its obligations could be affected. There can be no assurance that the conflicts of interest described above will not have a material adverse effect on the Guarantor's performance of its payment and other obligations and/or on the covered bondholders.

Further, the Bond Trustee is not obliged under any circumstances to act as a Servicer, as Cash Manager or as any other third party on which the Guarantor relies, or to monitor the performance of any obligations of any third parties under any relevant agreement.

Reliance on Swap Providers

The Guarantor will enter into the Interest Rate Swap Agreement with the Interest Rate Swap Provider to provide a hedge, following the Interest Rate Swap Effective Date, against possible variances in the rates of interest payable on the Loans in the Portfolio (which may, for instance, include variable rates of interest or fixed rates of interest), the amounts payable on the Intercompany Loan and (following the Covered Bond Swap Effective Date) the Covered Bond Swap Agreement. To provide a hedge against currency risks arising, following the Covered Bond Swap Effective Date, in respect of amounts received by the Guarantor under the Interest Rate Swap Agreement and amounts payable in respect of its obligations under the Covered Bond Guarantee, the Guarantor will enter into the Covered Bond Swap Agreement with the Covered Bond Swap Provider.

If the Guarantor fails to make timely payments of amounts due under any Swap Agreement (except where such failure is caused by the funds available to the Guarantor being insufficient to make the required payment in full), then it will have defaulted under that Swap Agreement and such Swap Agreement may be terminated. Further, a Swap Provider is only obliged to make payments to the Guarantor as long as and to the extent that the Guarantor complies with its payment obligations. The Guarantor will not be in breach of its payment obligations where the Guarantor fails to pay a required payment in full, provided such non-payment is caused by the funds of the Guarantor being insufficient to make such payment in full under the relevant Swap Agreement. If a Swap Agreement terminates or the Swap Provider is not obliged to make payments or if it defaults in its obligations to make payments of amounts (including in the relevant currency, if applicable) to the Guarantor on the payment date under the relevant Swap Agreement, the Guarantor will be exposed to changes in the relevant currency exchange rates to Canadian dollars and to any changes in the relevant rates of interest. Unless a replacement Swap Agreement is entered into, the Guarantor may have insufficient funds to meet its obligations under the Covered Bond Guarantee.

If a Swap Agreement terminates, the Guarantor may be obliged to make a termination payment in an amount related to the mark to market value of such Swap Agreement to the relevant Swap Provider. There can be no assurance that the Guarantor will have sufficient funds available to make such termination payment under the relevant Swap Agreement, nor can there be any assurance that the Guarantor will be able to find a replacement swap counterparty which (i) agrees to enter into a replacement swap agreement on substantially the same terms as the terminated swap agreement, and (ii) has sufficiently high ratings to prevent a downgrade of the then current ratings of the covered bonds by any one of the Rating Agencies.

The obligation to pay a termination payment may adversely affect the ability of the Guarantor to meet its obligations under the Covered Bond Guarantee. Additionally, the failure of the Guarantor to receive a termination payment from the relevant Swap Provider may adversely affect the ability of the Guarantor to meet its obligations under the Covered Bond Guarantee.

Replacement of the Bank as services provider may not be found on acceptable terms or within an acceptable time period and the ability of the Guarantor to perform its obligations may be impaired

As noted above, the Bank performs a number of initial roles. In addition, the Bank will, as Servicer of the Loans and Related Security, continue to service and administer the Loans and Related Security until revocation of the relevant authority by the Guarantor.

In certain circumstances, the Bank is required to be replaced as provider of these services, for instance if it ceases to have the requisite minimum rating (and it is unable to take other mitigating steps), or if an Issuer Event of Default occurs in relation to the Bank. If the Bank is replaced as Cash Manager, then the Guarantor will be obliged to procure that the funds in the Guarantor's accounts deposited with the Bank are transferred to a newly opened account with a replacement Cash Manager that meets the Cash Manager Required Ratings. See "*Summary of the Principal Documents—Cash Management Agreement.*"

There is no certainty that a relevant replacement third party services provider/counterparty could be found who would be willing to enter into the relevant agreement with the Guarantor. The ability of that servicer/counterparty to perform fully its services would depend in part on the information, software and records which are then available to it. In addition, the replacement servicer may be required to acquire or develop new servicing systems or platforms, which may require substantial time and expense to implement. There can be no assurance that the Guarantor will be able to enter into such replacement agreements and transactions on acceptable terms and within a time period which will ensure uninterrupted payments of amounts due by the Guarantor under the Covered Bond Guarantee (if called). Moreover, any entity appointed as Servicer would not become bound by the Bank's obligations under the Mortgage Sale Agreement.

In the event that any of the Cash Manager, the Account Bank, the Servicer, a Swap Provider, the Custodian or other relevant party providing services to the Guarantor under the Transaction Documents fails to perform its obligations or the Guarantor is unable to replace such service providers, in a timely manner, the Guarantor's ability to perform its payment and other obligations may be compromised. Furthermore, any delay or inability to appoint a suitable replacement Servicer may have an impact on the realizable value of the Portfolio's assets.

Depending on market conditions and the existence of a potential replacement Swap Provider with the required ratings and other applicable characteristics, the Guarantor may not be able to enter into replacement swaps if the Bank is required to be replaced as Swap Provider. If no such replacement swaps are executed, an investor in the relevant covered bonds will be exposed to the interest rate and currency risks that were otherwise hedged by the relevant swaps prior to their termination. Such exposure may result in a reduction of the amounts available to be paid on the covered bonds.

In addition, should the applicable criteria (other than ratings requirements which, if not satisfied, will require the replacement of the Bank unless the Guarantor is Independently Controlled and Governed) cease to be satisfied, the parties to the relevant Transaction Document may agree to amend or waive certain of the terms of such document, including the applicable criteria, in order to avoid the need for a replacement entity to be

appointed. Although in certain circumstances the consent of the Bond Trustee and satisfaction of the Rating Agency Condition may be required, the consent of covered bondholders may not be required in relation to such amendments and/or waivers.

Further, the Bank will act in its own interests under the Program which may be adverse to your interests as a holder of the covered bonds. See “—*Program related legal and regulatory risks—The Bank will act in its own interest in connection with the Program, and such actions may not be in the best interests of, and may be detrimental to, the holders of covered bonds.*”

Bankruptcy or Insolvency Risk

The assignments of the Portfolio assets from the Seller to the Guarantor pursuant to the terms of the Mortgage Sale Agreement are intended by the Seller and the Guarantor to be and have been documented as sales for legal purposes. As the subject of a legal sale, the Portfolio assets would not form part of the assets of the Bank available for distribution to the creditors of the Bank. However, if the Seller or the Guarantor were to become bankrupt or otherwise subject to insolvency, winding-up, receivership and/or restructuring proceedings, the Superintendent of Financial Institutions (the “**Superintendent**”), appointed pursuant to *the Office of the Superintendent of Financial Institutions Act (Canada)*, *Canada Deposit Insurance Corporation*, appointed as receiver pursuant to the *Canada Deposit Insurance Corporation Act (Canada)*, or any liquidator or other stakeholder of the Seller, could attempt to re-characterize the sale of the Portfolio assets as a loan from the Guarantor to the Seller secured by the Portfolio assets, to challenge the sale under the fraudulent transfer or similar provisions of the *Winding-up and Restructuring Act (Canada)* (“**WURA**”) or other applicable laws or to consolidate the assets of the Seller with the assets of the Guarantor. In this regard, the Transaction Documents contain restrictions on the Seller and the Guarantor intended to reduce the possibility that a Canadian court would order consolidation of the assets and liabilities of the Seller and the Guarantor given, among other things, current jurisprudence on the matter. Further, the Legislative Framework contains provisions that will limit the application of the laws of Canada and the provinces and territories relating to bankruptcy, insolvency and fraudulent conveyance to the assignments of the Portfolio assets from the Seller to the Guarantor. Nonetheless, any attempt to challenge the transaction or to consolidate the assets of the Seller with the assets of the Guarantor, even if unsuccessful, could result in a delay or reduction of collections on the Portfolio assets available to the Guarantor to meet its obligations under the Covered Bond Guarantee, which could prevent timely or ultimate payment of amounts due to the Guarantor, and consequently, the holders of the covered bonds.

The interests of the Guarantor may be subordinate to statutory deemed trusts and other non-consensual liens, trusts and claims created or imposed by statute or rule of law on the property of the Seller arising prior to the time that the Portfolio assets are transferred to the Guarantor, which may reduce the amounts that may be available to the Guarantor and, consequently, the holders of the covered bonds. The Guarantor will not, at the time of sale, give notice to borrowers of the transfer to the Guarantor of the Portfolio assets or the grant of a security interest therein to the Bond Trustee. However, under the Mortgage Sale Agreement, the Seller will warrant that the Portfolio assets have been or will be transferred to the Guarantor free and clear of the security interest or lien of any third party claiming an interest therein, through or under the Seller, other than certain permitted security interests. The Guarantor will warrant and covenant that it has not taken and will not take any action to encumber or create any security interests or other liens in any of the property of the Guarantor, except for the security interest granted to the Bond Trustee and except as permitted under the Transaction Documents.

Amounts that are on deposit from time to time in the Guarantor Accounts may be invested in certain permitted investments pursuant to the Transaction Documents. In the event of the liquidation, insolvency, receivership or administration of any entity with which an investment of the Guarantor is made (such as pursuant to the Guaranteed Deposit Account Contract or the Standby Guaranteed Deposit Account Contract) or which is an issuer, obligor or guarantor of any investment, the ability of the Guarantor to enforce its rights to any such investments and the ability of the Guarantor to make payments to holders of the covered bonds in a timely manner may be adversely affected and may result in a loss on the covered bonds. In order to reduce this risk, these investments must satisfy certain criteria.

Payments of interest and principal on the covered bonds are subordinate to certain payments (including payments for certain services provided to the Guarantor), taxes and the reimbursement of all costs, charges and expenses of and incidental to the enforcement of the Trust Deed and the other Transaction Documents to which the Bond Trustee is a party, including the appointment of a receiver in respect of the Portfolio assets (including legal fees and disbursements) and the exercise by the receiver or the Bond Trustee of all or any of the powers granted to them under the Trust Deed and the other Transaction Documents to which the Bond Trustee is a party, and the reasonable remuneration of such receiver or any agent or employee of such receiver or any agent of the Bond Trustee and all reasonable costs, charges and expenses properly incurred by such receiver or the Bond Trustee in exercising their power. These amounts could increase, especially in adverse circumstances such as the occurrence of a Guarantor Event of Default, the insolvency of the Bank or the Guarantor or a Servicer Termination Event. If after the insolvency of the Bank such expenses or the costs of a receiver or the Bond Trustee become too great, payments of interest on and principal of the covered bonds may be reduced or delayed.

The ability of the Bond Trustee (for itself and on behalf of the other Secured Creditors) to exercise remedies in respect of the covered bonds and the Covered Bond Guarantee and to enforce the security granted to it pursuant to the terms of the Security Agreement is subject to the bankruptcy and insolvency laws of Canada. The *Bankruptcy and Insolvency Act* (Canada) (“**BIA**”) and the *Companies’ Creditors Arrangement Act* (Canada) (“**CCAA**”) both provide regimes pursuant to which debtor companies are entitled to seek temporary relief from their creditors. The BIA applies to limited partnerships. In addition, Canadian jurisprudence makes it clear that both the BIA and the CCAA can apply to limited partnerships. Further, it is a possibility that a liquidator or receiver of the Seller, another creditor of the Guarantor or the Superintendent could seek the court appointment of a receiver of the Guarantor or a winding-up of the Guarantor, or might commence involuntary bankruptcy or insolvency proceedings against the Guarantor under the BIA or the CCAA.

If the Guarantor or Bank, including as Seller and initial Servicer, voluntarily or involuntarily becomes subject to bankruptcy, insolvency or winding-up proceedings including pursuant to the BIA, the CCAA or the WURA or if a receiver is appointed over the Bank or the Guarantor, notwithstanding the protective provisions of the Legislative Framework, this may delay or otherwise impair the exercise of rights or any realization by the Bond Trustee (for itself and on behalf of the other Secured Creditors) under the covered bonds, the Covered Bond Guarantee and/or the Security Agreement and/or impair the ability of the Guarantor or Bond Trustee to trace and recover any funds which the Servicer has commingled with any other funds held by it prior to such funds being paid into the GDA Account. In the event of a Servicer Termination Event as a result of the insolvency of the Bank, the right of the Guarantor to appoint a successor Servicer may be stayed or prevented.

Risks relating to the Portfolio

When realizing assets of the Portfolio following the occurrence of a Guarantor Event of Default, the proceeds may be insufficient to repay all amounts due to covered bondholders

All Guaranteed Amounts will immediately become due and payable following the occurrence of a Guarantor Event of Default and the service of a Guarantor Acceleration Notice on the Guarantor. At such time, the Bond Trustee will then be entitled to liquidate the Portfolio and otherwise enforce assets under the Portfolio in accordance with, and subject to, the provisions of the Security Agreement. The enforcement proceeds thereof may be used to make payments to the Guarantor's creditors, including payments under the Covered Bond Guarantee in accordance with the Post-Enforcement Priority of Payments, described below in "*Cashflows*." However, there is no guarantee that the proceeds of enforcement of the Portfolio will be in an amount sufficient to repay all amounts due to the covered bondholders and any relevant creditors.

In the case of insolvency of the Account Bank, the Guarantor will only have an unsecured claim against the estate for funds deposited

While the Guarantor has undertaken to transfer the funds standing to the credit of the Account Bank to another bank if the credit rating of the Account Bank falls below the Account Bank Required Ratings, there can be no assurance that such transfer would be completed before the Account Bank becomes insolvent. If such an event occurs, the Guarantor would have a claim as an unsecured creditor of the Account Bank. Accordingly, there is a potential risk of a loss of the Guarantor's funds held with the Account Bank in the event that the Account Bank has insufficient funds to meet all the claims of its unsecured creditors.

The Asset Coverage Test, Amortization Test, Valuation Calculation and Pre-Maturity Test may not ensure that adequate funds will be available to satisfy the Guarantor's obligations in full

While the Asset Coverage Test, the Amortization Test and the Pre-Maturity Test have been designed to mitigate certain economic and legal stresses in connection with the performance and valuation of the Portfolio in order to ensure that the Guarantor is able to meet its ongoing requirements at all relevant times, in setting the values and criteria for such tests, modeling has been undertaken on the basis of certain assumptions in certain stress scenarios. No assurance can be given that the assumptions utilized in such modeling have been able to incorporate or examine all possible scenarios that may occur in respect of the Guarantor and the Portfolio. As such, no assurance can be given that the methodology and modeling utilized to set the relevant values and criteria within such tests will be sufficient in all scenarios to ensure that the Guarantor will be able to meet its obligations in full.

The Bond Trustee will not be responsible for monitoring compliance with, or the monitoring of, the Asset Coverage Test, the Amortization Test, the Valuation Calculation or the Pre-Maturity Test or any other test, or supervising the performance by any other party of its obligations under any Transaction Document. See "*Summary of the Principal Documents—Guarantor Agreement*."

While the Guarantor is required to perform the Valuation Calculation to monitor exposure to volatility of interest rate and currency market risk by measuring the present value of

the Portfolio relative to the market value of the obligations guaranteed under the Covered Bond Guarantee, there is no obligation on the part of the Bank or the Guarantor to take any action in respect of the Valuation Calculation to the extent it shows the market value of the Portfolio is less than the market value of the obligations guaranteed under the Covered Bond Guarantee.

Borrowers may default in paying amounts due under the Loans. The inability of borrowers to pay amounts due under the Loans may reduce the amount of the Guarantor's available funds

Borrowers may for a variety of reasons default on their obligations due under the Loans. Various factors influence mortgage delinquency rates and the ultimate payment of interest and principal. Examples of such factors include changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in a borrower's individual, personal or financial circumstances may affect the ability of the borrower to repay its Loan. Loss of earnings, illness, divorce and other similar factors may also lead to an increase in delinquencies by and bankruptcies of borrowers, and could ultimately have an adverse impact on the ability of borrowers to repay the Loans. In addition to the above, the ability of a borrower to sell a property at a price sufficient to repay the amounts outstanding under that Loan will depend upon a number of factors, including the availability of purchasers for that property, the value of that property and property values in general at the time. See also "*—Risks relating to the Canadian residential mortgage market such as a deterioration in the market for real estate, could negatively affect the value and marketability of the covered bonds.*"

Risks relating to the Canadian residential mortgage market such as a deterioration in the market for real estate, could negatively affect the value and marketability of the covered bonds

A severe correction in the housing market could create strains in the residential mortgage market by causing an economic recession (and associated loss of income) and a reduction in homeowner equity, leading to rising delinquencies. The risk of a severe correction is considered low in most regions of the country, as valuations are moderate, affordability is reasonable and interest rates are likely to remain low for some time. The risk of a correction is somewhat larger in the Greater Vancouver and Toronto areas, which account for about one-quarter of the population, as valuations are high and affordability of detached properties is strained. The risk of a severe correction would increase if interest rates rose sharply or an external shock caused the economy to contract. In this case, the subsequent housing downturn would impair economic circumstances and create greater stress in the mortgage market.

Prior to the completion of a transfer of payments collected from the Loans and their Related Security to the Guarantor, funds collected by the Servicer on behalf of the Guarantor are commingled with the funds of the Servicer, and there can be no assurance as to the ability of the Guarantor to obtain effective direct payments from borrowers

Notice is usually given to borrowers of the transfer of the Loan and Related Security to the Guarantor only after the occurrence of a Registered Title Event. Such notice will instruct the relevant borrower to pay all further amounts due under the relevant Loan to an account in the name of the Guarantor (as specified in such notice). As a matter of Canadian law, until such notice is received by the borrower, the borrower may continue to pay all amounts due under the relevant Loan to the Seller and receive good discharge for such payments.

There can be no assurance that upon the occurrence of a Registered Title Event, (a) notification to the borrower will be made duly and timely or (b) the Guarantor will have the ability to obtain effective direct payments from the borrower under the Loan and the Related Security.

Under the Servicing Agreement, the Servicer may receive funds belonging to the Guarantor that arise from the Loans and their Related Security comprised in the Portfolio and are to be paid into the GDA Account. Prior to a downgrade of the ratings of the Servicer by one or more Rating Agencies below any of the Servicer Deposit Threshold Ratings, the Servicer will transfer such funds on or before the next Guarantor Payment Date (i) to the Cash Manager prior to a downgrade of the ratings of the Cash Manager by one or more Rating Agencies below any of the Cash Management Deposit Ratings, and (ii) following a downgrade of the ratings of the Cash Manager by one or more Rating Agencies below any of the Cash Management Deposit Ratings, directly into the GDA Account. In the event of a downgrade of the ratings of the Servicer by one or more Rating Agencies below any of the Servicer Deposit Threshold Ratings, the Servicer will transfer such funds (i) to the Cash Manager prior to a downgrade of the ratings of the Cash Manager by one or more Rating Agencies below any of the Cash Management Deposit Ratings, and (ii) following a downgrade of the ratings of the Cash Manager by one or more Rating Agencies below any of the Cash Management Deposit Ratings, directly into the GDA Account, in each case within two Toronto Business Days of the collection and/or receipt thereof.

Until completion of the transfer of such payments collected on the Loans and Related Security to the Cash Manager or the GDA Account and prior to the circumstances as set out above, funds collected by the Servicer on the account of the Guarantor are commingled with the funds of the Servicer. This may adversely affect the timing and amount of payments on the covered bonds. Moreover, the Bank also serves as initial Account Bank to the Guarantor. Therefore, even if the transfer of such payments to the Guarantor's account with the Bank is completed, the covered bondholders bear the risk of an insolvency of the Bank unless the Bank has been replaced as Account Bank and transfer of the funds has been completed prior to such event.

The Lending Criteria applicable to any Loan at the time of its origination may not be the same as those set out in this prospectus, including lower creditworthiness

Each of the Loans originated by the Seller will have been originated in accordance with its Lending Criteria at the time of origination. Since the Portfolio is dynamic, Loans made based on different lending criteria may be included in the Portfolio so long as the Loan Representations and Warranties are satisfied as of the applicable Transfer Date with respect to each such Loan. It is expected that the Seller's Lending Criteria will generally consider type of property, term of loan, age of applicant, the Loan-To-Value ratio, insurance policies, high loan-to-value fees, status of applicants and credit history. In connection with the sale of any Loans and Related Security to the Guarantor, the Seller will warrant only that prior to making each advance under such Loans, the Lending Criteria and all other preconditions to the making of the Loans were satisfied. The Seller retains the right to revise its Lending Criteria from time to time but would only do so to the extent that such a change would be acceptable to reasonable and prudent institutional mortgage lenders in the Seller's market. If the Lending Criteria of the Seller changes in a manner that affects the creditworthiness of the Loans, that may lead to increased defaults by borrowers and may affect the realizable value of the

Portfolio, or part thereof, and the ability of the Guarantor to make payments under the Covered Bond Guarantee.

In addition, New Sellers who are affiliates of the Bank may in the future accede to the Program, become a limited partner of the Guarantor and sell Loans and their Related Security to the Guarantor. Any loans originated by a New Seller will have been originated in accordance with the lending criteria of the New Seller, which may differ from the Lending Criteria for Loans originated by the Seller. If the lending criteria differ in a way that affects the creditworthiness of the Loans in the Portfolio, that may lead to increased defaults by borrowers and may affect the realizable value of the Portfolio or any part thereof or the ability of the Guarantor to make payments under the Covered Bond Guarantee.

Levels of arrears in the Portfolio included in the applicable prospectus supplement are as of the applicable cut-off dates, and may have changed at the date of the issuance of the relevant Series of covered bonds

For each Series of covered bonds, selected information about the Loans in the Portfolio, including information in respect of arrears as of the cut-off date prior to the time of the relevant issue of such Series of covered bonds, will be set out in the applicable prospectus supplement. Except as otherwise indicated in such prospectus supplement, the selected information will be prepared using the current balance as of the relevant cut-off date, which includes all principal and accrued interest for the Loans as of the relevant cut-off date and may not be a true reflection of the Loans as at the date of issuance of such Series of covered bonds. The selected information will not include any Loans assigned to the Portfolio since the relevant cut-off date.

New Loan Types may be included in the Portfolio without the consent of covered bondholders

As at the date of this prospectus, the Portfolio is comprised of Loans secured on residential property located in Canada which have been fully advanced at the date of sale to the Guarantor. In the event that New Loan Types are subsequently included, amendments will be made to the Eligibility Criteria, the Loan Representations and Warranties, and certain related provisions of the Mortgage Sale Agreement, subject to receipt of satisfaction of the Rating Agency Condition. While New Loan Types will be required to comply with the eligibility requirements under Part I.1 of the NHA and the CMHC Guide, the consent of the covered bondholders to these changes will not need to be obtained and as a consequence the interests of the covered bondholders may be adversely affected.

The Guarantor does not have registered or recorded title to the Loans and their Related Security in the Portfolio on the relevant Transfer Date which could affect its rights against borrowers

The Seller will transfer all of its right, title and interest in the Loans and their Related Security to the Guarantor pursuant to the Mortgage Sale Agreement on the relevant Transfer Date. However, the registered or recorded title to the transferred Loans and their Related Security will remain with the Seller until the occurrence of a Registered Title Event. As a result (and until such time) application will not be made to the applicable land registry offices to register or record the Guarantor's ownership interest in the Loans and their Related Security and notice of the sale of the Loans and their Related Security will not be given to any borrower. Since prior to the occurrence of a Registered Title Event, the Guarantor will not have perfected its ownership interest in the Loans and their Related Security by completing the applicable registrations at the

appropriate land registry or land titles office or providing notice of the sale of the Loans to the borrowers, the following risks exist:

first, if the Seller sells a Loan and its Related Security, which has already been sold to the Guarantor, to another person and that person acted in good faith and did not have notice of the interest of the Guarantor in the Loan and its Related Security, then such person might obtain good title to the Loan and its Related Security, free from the interest of the Guarantor. If this occurs then the Guarantor may not have good title in the affected Loan and its Related Security and it may not be entitled to payments by a borrower in respect of that Loan;

second, the rights of the Guarantor may be subject to the rights of the borrowers against the Seller, such as rights of set-off that may occur in relation to transactions or deposits made between borrowers and the Seller and the rights of borrowers to redeem their mortgages by repaying the Loans directly to the Seller; and

third, unless the Guarantor has perfected the sale of the Loans (which it is only entitled to do in certain circumstances), the Guarantor may not be able to enforce any borrower's obligations under the relevant Loan itself but may have to join the Seller as a party to any legal proceedings.

If any of the risks described in the bullet points above were to occur, then the realizable value of the Portfolio or any part thereof and/or the ability of the Guarantor to make payments under the Covered Bond Guarantee may be adversely affected. In addition, the exercise of set-off rights by borrowers may also adversely affect the amount that the Bond Trustee (for covered bondholders and on behalf of the other Secured Creditors) is able to realize on the Portfolio under the Security Agreement.

Limitations on recourse to the Seller may adversely affect the Portfolio

The Guarantor and the Bond Trustee will not undertake any investigations, searches or other actions on any Loan or its Related Security and will rely instead on the representations and warranties provided by the Seller in connection with the transfer of such Loans and their Related Security. If any of the representations and warranties prove to be untrue or there is a material breach of these representations and warranties (subject to the Seller remedying such breach within a certain period of time), the Seller will be required to repurchase the Loan and its Related Security. There can be no assurance that the Seller will have the financial resources to repurchase the Loans and their Related Security. However, if the Seller does not repurchase those Loans and their Related Security that are in breach, those Loans will be given a zero value for the purposes of any calculation of the Asset Coverage Test, the Valuation Calculation and the Amortization Test. There is no further recourse to the Seller for a breach of a Loan Representation and Warranty.

Risks particular to STEP Loans

The Bank expects that the Portfolio will from time to time include STEP Loans. For a detailed description of the STEP Loans, see "Summary of the Principal Documents—Mortgage Sale Agreement—Scotia Total Equity Plan and STEP Loans." STEP Loans are subject to certain additional risks which include, among others, the following risks.

The risk that Other STEP Products that are secured by the same STEP Collateral Mortgage may be sold to third parties. While as a condition precedent to a sale of such a Other STEP Product, such third party must first enter into a Security Sharing Agreement and provide a Release of Security to the Custodian to be held