

INFORMATION STATEMENT DATED SEPTEMBER 14, 2006

This Information Statement has been prepared solely for assisting prospective purchasers in making an investment decision with respect to the Notes. This Information Statement, as it may be amended or supplemented, is confidential and should not be reproduced or disseminated in whole or in part without the permission of The Bank of Nova Scotia. This Information Statement constitutes an offering of these Notes only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell the Notes. No securities commission or similar authority in Canada or elsewhere has in any way passed upon the merits of the Notes offered hereunder and any representation to the contrary is an offence. The Notes offered under this Information Statement have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any securities laws of any State of the United States and may not be offered for sale, sold or delivered, directly or indirectly, in the United States, its territories or possessions or to or for the account or benefit of US persons within the meaning of Regulation S promulgated under the 1933 Act. In addition, the Notes may not be offered or sold to residents of any jurisdiction or country in Europe.



THE BANK OF NOVA SCOTIA

U.S. Dollar Index Optimizer Principal Protected Notes, Series 1 *Guaranteed Principal Repayment*

The Bank of Nova Scotia (the "Bank") is hereby offering U.S. Dollar Index Optimizer Principal Protected Notes, Series 1 (the "Notes"), the return on which is linked, in the manner provided herein, to the performance of the S&P 500® Index, the Dow Jones EURO STOXX 50 Index®, the Nikkei 225™ Index, the Goldman Sachs Commodity Index (GSCI®) Excess Return and the US Dollar/Japanese Yen Foreign Exchange Spot Rate (each a "Portfolio Component" and collectively the "Portfolio Components"). The Notes will mature on September 29, 2011 (the "Maturity Date"). The Notes are not redeemable prior to the Maturity Date.

The Notes will constitute direct unconditional obligations of the Bank. The Notes will be issued on an unsecured and unsubordinated basis and will rank *pari passu*, as among themselves, and with all other outstanding direct, unsecured and unsubordinated, present and future indebtedness (except as otherwise prescribed by law or as to any sinking fund or funds or securities set aside for such indebtedness) of the Bank, and will be payable rateably without any preference or priority. **The Notes will not be deposits insured under the Canada Deposit Insurance Corporation Act or any other deposit insurance regime.** See "Description of the Notes – Rank".

On the Maturity Date, each holder of Notes (a "Holder") will receive, in respect of each Note held by such Holder, repayment of the US\$100 principal amount of such Note (the "Principal Amount") plus a return, if any, based on the performance of the Portfolio Components calculated on the basis described in this Information Statement (the Principal Amount together with such return, if any, are collectively referred to as the "Maturity Redemption Amount"). The Maturity Redemption Amount of a Note shall be equal to the sum of: (i) the Principal Amount; and (ii) the product obtained by multiplying the Principal Amount by 200% of the Average Locked-In Performance (as hereinafter defined). The Notes do not bear a fixed rate of interest. The interest, if any, payable in respect of a Note at maturity will be equal to the excess of the Maturity Redemption Amount over the Principal Amount.

Prospective investors should take into account various risk factors associated with this offering. See "Risk Factors".

In this Information Statement, "\$" refers to United States dollars, unless otherwise expressly specified.

PRICE: \$100 PER NOTE

Scotia Capital Inc. (the "Agent") will promote, on a best efforts basis, the sale of the Notes if, as and when issued by the Bank. The Bank reserves the right to close the subscription book for the Notes at any time in its sole discretion. **The Agent is a wholly-owned subsidiary of the Bank. Accordingly, the Bank is a "related issuer" of the Agent for Canadian securities regulatory purposes. The terms of this offering have been negotiated between the Bank and the Agent.**

Closing of this offering is scheduled to occur on or about September 29, 2006 (the "Settlement Date"). Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Certain legal matters will be passed upon on behalf of the Bank by McCarthy Tétrault LLP. A global certificate for the full amount of the issue will be issued in registered form to The Canadian Depository for Securities Limited ("CDS") and will be deposited with CDS on the Settlement Date. Subject to certain exceptions, certificates evidencing the Notes will not be available to Holders and registration of interests in the Notes will be made through CDS's book-entry system. See "Description of the Notes – Book-Entry System".

TABLE OF CONTENTS

| | |
|--|-----|
| SUITABILITY FOR INVESTMENT | 2 |
| ELIGIBILITY FOR INVESTMENT..... | 2 |
| SUMMARY OF THE OFFERING | 4 |
| THE BANK OF NOVA SCOTIA | 9 |
| DESCRIPTION OF THE NOTES..... | 9 |
| PORTFOLIO COMPONENTS | 18 |
| CALCULATION AGENT | 18 |
| USE OF PROCEEDS | 18 |
| CERTAIN CANADIAN INCOME TAX CONSIDERATIONS | 18 |
| RISK FACTORS | 19 |
| PLAN OF DISTRIBUTION..... | 23 |
| DOCUMENTS INCORPORATED BY REFERENCE | 24 |
| GLOSSARY | 25 |
| ANNEX A | A-1 |

The Bank has taken reasonable care to ensure that the facts stated in this Information Statement with respect to the description of the Notes are true and accurate in all material aspects. However, the Bank and the Agent make no assurances, representations or warranties with respect to the accuracy, reliability or completeness of any information obtained from third parties reproduced herein.

Any directional views on the future performance of any of the Portfolio Components expressed in this Information Statement or implied within the terms of the Notes may not reflect the views of the Bank or any of its affiliates on any of the Portfolio Components and are not necessarily consistent with the views of the Bank’s research analysts concerning any of the Portfolio Components. Investors should make any decision to invest in the Notes based only on their own views on the likely future performance of the Portfolio Components without reliance on the Bank or any of its affiliates and with the knowledge that the views of the Bank or any of its affiliates and the views of other market professionals may be different than theirs. The performance of the Portfolio Components that are stock indices will be based on price return and will not reflect the payment of dividends and distributions on the securities underlying those Portfolio Components. Neither the Bank nor the Agent nor any of their affiliates expresses any views on the future performance of any of the Portfolio Components.

SUITABILITY FOR INVESTMENT

An investment in Notes is suitable only for investors prepared to assume risks with respect to a return tied to the performance of the Portfolio Components. Whether a return will be paid on the Notes is uncertain and an investor may not receive anything more at the Maturity Date than the Principal Amount. The Principal Amount is guaranteed to be repaid only if the Notes are held to the Maturity Date. A person should reach a decision to invest in the Notes only after carefully considering, with his or her advisors, the suitability of this investment in light of his or her investment objectives and the information set out in this Information Statement. The Notes have characteristics that differ from fixed income investments. The Notes will not provide investors with any return prior to or at the Maturity Date, nor may they provide a return in excess of the Principal Amount at the Maturity Date. Therefore, an investment in the Notes is only suitable for investors prepared to assume risks with an investment whose return is tied to the performance of the Portfolio Components. The Principal Amount is only repaid if the Notes are held to the Maturity Date. The Notes are not conventional indebtedness. The Notes could produce no yield. Therefore, the Notes are not suitable investments for investors who require a fixed annual return. See “Risk Factors”.

ELIGIBILITY FOR INVESTMENT

The Notes offered hereby will, at the Settlement Date, be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans or deferred profit

sharing plans within the meaning of the *Income Tax Act* (Canada) (the “Income Tax Act”) (other than a deferred profit sharing plan under which the Bank or a person or partnership with which the Bank does not deal at arm’s length within the meaning of the Income Tax Act is an employer).

SUMMARY OF THE OFFERING

The following is a summary of more detailed information appearing elsewhere in this Information Statement. Capitalized terms not defined in this summary are defined elsewhere in this Information Statement. See "Glossary".

| | |
|--|--|
| Issue: | U.S. Dollar Index Optimizer Principal Protected Notes, Series 1. |
| Issuer: | The Bank of Nova Scotia. |
| Subscription Price: | 100% of the Principal Amount. |
| Settlement Date (Original Issuance Date): | On or about September 29, 2006. |
| Maturity Date: | September 29, 2011. |
| Principal Amount: | \$100 per Note. |
| Portfolio Components: | The S&P 500® Index, Dow Jones EURO STOXX 50 Index®, the Goldman Sachs Commodity Index (GSCI®) Excess Return, the Nikkei 225™ Index and the US Dollar/Japanese Yen Foreign Exchange Spot Rate. Reference herein to a Portfolio Component will be deemed to include any Successor Portfolio Component, unless the context requires otherwise. The performance of the Portfolio Components that are stock indices will be based on price return and will not reflect the payment of dividends and distributions on the securities underlying those Portfolio Components. See "Description of the Notes – Discontinuance or Modification of the Portfolio Components". |
| Maturity Redemption Amount: | Subject to the occurrence of a Market Disruption Event or an Extraordinary Event, at the Maturity Date, a Holder will receive, in respect of each Note held by such Holder as at the Maturity Date, repayment of the Principal Amount plus a return, if any, (the "Variable Return") equal to: Principal Amount (\$100) x (200% x Average Locked-In Performance) |
| Variable Return: | The Notes do not bear a fixed rate of interest. The interest, if any, payable in respect of a Note will be equal to the Variable Return, being the excess, if any, of the Maturity Redemption Amount over the Principal Amount. Such interest, if any, will not be payable prior to the Maturity Date, subject to the occurrence of a Market Disruption Event or an Extraordinary Event. |
| Deferral of Payment: | In certain circumstances, payment of Variable Return, if any, may be deferred to ensure compliance with Canadian laws regarding interest rates. See "Deferred Payment". |
| Locked-In Performance Determination Dates: | September 29 or, if such date is not a Business Exchange Day, the next following Business Exchange Day in each of the calendar years from 2007 to 2010 and September 26, 2011. |
| Locked-In Performances: | On each Locked-In Performance Determination Date, the Bank (the "Calculation Agent") will select, among the then remaining Portfolio Components, the best performing Portfolio Component. Performance will be measured based on the amount (expressed as a percentage) obtained by dividing the Closing Portfolio Component Level (as defined herein) by the Starting Portfolio Component Level (as defined herein), subtracting one and multiplying by 100. When the performance of a Portfolio Component is "locked-in", that Portfolio Component is discarded for purposes of computing all future Locked-In Performances. The determination of the first Locked-In Performance will be made on |

September 29, 2007 or, if such date is not a Business Exchange Day, on the next following Business Exchange Day (i.e. the Locked-In Performance Determination Date for the period from September 26, 2006 (the “Initial Fixing Date”) to such date). This process will be repeated on September 29 or, if such date is not a Business Exchange Day, on the next following Business Exchange Day in each of the calendar years 2008 through 2010 and on September 26, 2011. By a process of elimination, on the final Locked-In Performance Determination Date in 2011, there will only be one remaining Portfolio Component from which a Locked-in Performance will be obtained. In this manner, each Portfolio Component will be selected only once and each Portfolio Component will have its corresponding Locked-In Performance.

Set out below is a sample calculation only, where the Starting Portfolio Component Level and the Closing Portfolio Component are 100 and 120, respectively:

$$\text{Locked in Performance} = \frac{120}{100} - 1 \times 100 = 20\%$$

Average Locked-In Performance:

The Average Locked-In Performance will be calculated by adding each of the five Locked-In Performances and dividing by 5 as follows:

$$\frac{\text{PortfolioR}_1 + \text{PortfolioR}_2 + \text{PortfolioR}_3 + \text{PortfolioR}_4 + \text{PortfolioR}_5}{5}$$

with “PortfolioR₁”, “PortfolioR₂”, “PortfolioR₃”, “PortfolioR₄”, and “PortfolioR₅” representing the Locked-In Performance for the relevant Portfolio Component on the relevant Locked-In Performance Determination Date for that Portfolio Component up to and including the final Locked-In Performance Determination Date.

Starting Portfolio Component Levels:

The Starting Portfolio Component Levels will be determined as follows by the Calculation Agent:

- S&P 500® Index – The closing level of such Index at the regular official close of trading of the relevant market on the Initial Fixing Date published by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc.
- Dow Jones EURO STOXX 50® Index – The closing level of such Index at the regular official close of trading of the relevant market on the Initial Fixing Date published by Dow & Jones & Company.
- Nikkei 225™ Index – The closing level of such Index at the regular official close of trading of the relevant market on the Initial Fixing Date published by Nihon Keizai Shimbun Inc.
- Goldman Sachs Commodity Index (GSCI®) Excess Return – The official settlement price of such Index published by Goldman Sachs & Co. at 4:00 p.m. (New York time) on the Initial Fixing Date and displayed on the Reuters page entitled “GSCIER” or, if such page is not then available, such other electronic or other source determined by the Calculation Agent in its sole discretion.

- US Dollar/Japanese Yen Foreign Exchange Spot Rate – The number of Japanese Yen exchangeable into one U.S. Dollar as of 4:00 p.m. (New York time) on the Initial Fixing Date based on the Bloomberg page entitled “USDJPY Currency HP<go>” or, if such page is not then available, such other electronic or other source determined by the Calculation Agent in its sole discretion.

Closing Portfolio Component Level:

The closing level of each Portfolio Component will be determined in the same manner as the relevant Starting Portfolio Component Level except that all references to the “Initial Fixing Date” are replaced with references to the “Locked-In Performance Determination Date”. The Locked-In Performance Determination Dates are September 29 or, if such date is not a Business Exchange Day, on the next following Business Exchange Day in each of the calendar years 2007 through 2010 and September 26, 2011.

Credit Ratings:

The Notes are not rated by any rating agency. The deposit liabilities of the Bank with a term to maturity of more than one year as of the date hereof are rated AA(low) by Dominion Bond Rating Service (“DBRS”), AA- by Standard & Poor’s Rating Service, a division of The McGraw-Hill Companies, Inc. (“S&P”) and Aa3 by Moody’s Investors Service, Inc. (“Moody’s”). There can be no assurance that, if the Notes were specifically rated, they would have the same ratings as such deposit liabilities of the Bank. **A rating is not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency. See “Credit Ratings”.**

Rank:

The Notes will constitute direct unconditional obligations of the Bank. The Notes will be issued on an unsecured and unsubordinated basis and will rank *pari passu*, as among themselves and with all other outstanding direct, unsecured and unsubordinated, present and future indebtedness (except as otherwise prescribed by law or as to any sinking fund or funds or securities set aside for such indebtedness) of the Bank, and will be payable rateably without any preference or priority. **The Notes will not be deposits insured under the Canada Deposit Insurance Corporation Act or under any other deposit insurance regime.** See “Description of the Notes – Rank”.

Calculation Agent:

The Bank will act as the Calculation Agent, provided that the Bank may appoint a successor calculation agent and may delegate its functions to a third party. The Calculation Agent will make all necessary calculations and determinations required in respect of the Notes. In certain circumstances involving a Market Disruption Event, exact and precise calculations may not be possible. The Calculation Agent’s calculations and determinations will be made in good faith and will, absent manifest error, be final and binding on Holders.

Use of Proceeds:

The net proceeds of this offering (after payment of the expenses related to this offering, the amount payable to the Agent and the commission payable to the members of the selling group) will be used by the Bank for general banking purposes.

Market Disruption Event:

If a Market Disruption Event occurs on a Locked-In Performance Determination Date, determination of the Locked-In Performance for that Locked-In Performance Determination Date will be postponed to a later date. If a Market Disruption Event continues for a period of 8 consecutive Business Days, the Calculation Agent may, in its discretion, elect to determine the Variable Return, if any, payable to Holders at that time. In such event, the Bank may elect to pay the Variable Return, if any, to Holders at that time or, instead, defer payment of any such Variable Return until the Maturity Date. Notwithstanding the occurrence of a Market Disruption Event, the Principal Amount of each Note will not, under any circumstances, be repaid until the Maturity Date. See “Description of the Notes – Special Circumstances – Market Disruption Event”.

Extraordinary Event:

The occurrence of an Extraordinary Event may result in the early determination of the Variable Return, if any, payable to Holders. If an Extraordinary Event occurs, the Bank may elect to pay the Variable Return, if any, to Holders at that time or, instead, defer payment of any such Variable Return until the Maturity Date. Notwithstanding the occurrence of an Extraordinary Event, the Principal Amount of each Note will not, under any circumstances, be repaid until the Maturity Date. See “Description of the Notes – Special Circumstances – Extraordinary Event”.

Book-Entry System:

The Notes will be evidenced by a single global certificate held by CDS, or on its behalf, as registered holder of the Notes. Registration of the interests in and transfers of the Notes will be made only through the depository system of CDS. Subject to certain exceptions, no Holder will be entitled to any certificate or other instrument from the Bank or CDS evidencing the ownership of the Notes and no Holder will be shown on the records maintained by CDS except through a CDS Participant. See “Description of the Notes – Book-Entry System”.

Risk Factors:

Prospective investors should carefully consider all of the information set forth in this Information Statement and, in particular, should take into account the specific risk factors associated with the investment in the Notes offered hereunder set forth in “Risk Factors”.

Income Tax Considerations:

The excess, if any, of the Maturity Redemption Amount over the Principal Amount of a Note will be included in a Holder’s income as interest, in the taxation year in which the Maturity Date occurs. Subject to the limitations outlined under “Certain Canadian Income Tax Considerations”, an amount received by a Holder on a disposition or a deemed disposition of a Note (other than a payment by the Bank) should give rise to a capital gain (or capital loss) to such Holder at such time to the extent such amount exceeds (or is less than) the aggregate of such Holder’s adjusted cost base of the Note and any reasonable costs of disposition. **Holders who dispose of a Note within a short period of time before the Maturity Date should consult their own tax advisor with respect to their particular circumstances.** See “Certain Canadian Income Tax Considerations”.

Holders who are not residents of Canada should consult their own tax advisors in their jurisdiction of residence.

Secondary Market:

There is currently no market through which the Notes may be sold. The Bank does not intend to apply for listing of the Notes on any exchange. There can be no assurance that a secondary market for the Notes will develop, or that if such a market does develop, that it will be sustained or liquid. The Agent intends to use reasonable efforts to maintain a secondary market for the Notes commencing 5 Business Days following the Settlement Date, but reserves the right not to do so in the future in its sole discretion, without providing prior notice to Holders. If a Holder elects to sell Notes through the Agent, the Trading Price (as defined herein) quoted by the Agent upon which the Holder will base its decision to sell will be an indicative price only. The actual Trading Price received by the Holder may be different than the quoted indicative price, based on market changes between the time of the indicative quote and the agreement to sell. **If you sell a Note to the Agent prior to November 1, 2009, you will receive proceeds equal to the Trading Price for the Note as determined by the Agent minus any applicable Early Trading Charge. The Trading Price less any Early Trading Charge is referred to as the “Secondary Market Price”.** Due to the method used to price the Notes, the Trading Price determined by the Agent may be substantially less than the values computed only with reference to the price performance of the Portfolio Components. If you sell a Note prior to maturity, you may have to do so at a substantial discount from the original Principal Amount even if the performance of the Portfolio Components have been positive and, as a result, you may suffer substantial losses. See “Description of the Notes – Secondary Market” and “Risk Factors”.

Early Trading Charge:

An Early Trading Charge will apply to any secondary market sale of Notes through the Agent prior to November 1, 2009. The Early Trading Charge will, initially and until October 31, 2006, be 3% of the Principal Amount of any Note re-sold to the Agent. **This 3% Early Trading Charge will be reduced by 1/36 on the last day of each successive calendar month following October 31, 2006, so that the Early Trading Charge will cease to apply as of November 1, 2009.**

Investors should be aware that any valuation price for the Notes appearing on his or her monthly or quarterly investment account statement will be BEFORE deduction of any applicable Early Trading Charge. An Investor wishing to sell Notes prior to the Maturity Date should consult with his or her investment advisor as to whether the Investor will bear the Early Trading Charge and, if so, how much it will be.

Commission:

Upfront sales commission of 3.00% of the Principal Amount payable on the Settlement Date by the Bank to the Agent.

CUSIP:

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THE BANK OF NOVA SCOTIA

The Bank of Nova Scotia was granted a charter under the laws of the Province of Nova Scotia in 1832, and commenced operations in Halifax, Nova Scotia in that year. Since 1871, the Issuer has been a chartered bank under the *Bank Act* (Canada) (The “Bank Act”). The Bank is a Schedule I bank under the Bank Act and the Bank Act is its charter. The head office is located at 1709 Hollis Street, Halifax, Nova Scotia and the executive offices are at Scotia Plaza, 44 King Street West, Toronto, Ontario, M5H 1H1. A copy of the Bank’s by-laws are available on www.sedar.com.

The Bank is one of North America's premier financial institutions and Canada's most international bank. With more than 50,000 employees, Scotiabank Group and its affiliates serve about 10 million customers in some 50 countries around the world. The Bank offers a diverse range of products and services including personal, commercial, corporate and investment banking. With \$325 billion in assets (as at January 31, 2006), the Bank trades on the Toronto (BNS) and New York (BNS) Stock Exchanges. For more information please visit www.scotiabank.com. A copy of the Bank's by-laws are available on www.sedar.com.

The Bank has three major business lines: Domestic Banking, International Banking and Scotia Capital. Additional information on each of the Bank’s business lines is available in the 2005 Management’s Discussion and Analysis found on page 51 of the Annual Report.

DESCRIPTION OF THE NOTES

The following is a summary of the material attributes and characteristics of the Notes offered hereby.

General; Evidence of the Notes

This offering consists of Notes which are being issued by the Bank. The Notes will mature on September 29, 2011.

A global certificate for the full amount of the issue will be issued in registered form to CDS on the Settlement Date. Subject to certain exceptions, certificates evidencing the Notes will not be available to Holders and registration of ownership of the Notes will be made through the Book-Entry System of CDS. See “Description of the Notes - Book-Entry System”.

The Bank may at any time and from time to time issue additional series of Notes (which may or may not resemble the Notes), or any other debt instruments or Notes.

Maturity Redemption Amount

At the Maturity Date, a Holder will receive, in respect of each Note held by such Holder, repayment of the Principal Amount plus the Variable Return, if any, equal to the greater of:

- (a) 0; and
- (b) the Principal Amount x (200% x Average Locked-In Performance).

Locked-In Performances

On each Locked-In Performance Determination Date, the Calculation Agent will select, among the then remaining Portfolio Components, the best performing Portfolio Component. Performance will be measured based on the amount (expressed as a percentage) obtained by dividing the Closing Portfolio Component Level on the Locked-In Performance Determination Date by the Starting Portfolio Component Level, subtracting 1 and multiplying the result by 100. When the performance of Portfolio Component is “locked-in”, such Portfolio Component is discarded for purposes of computing any future Locked-In Performances.

The determination of the first Locked-In Performance will be made on September 29, 2007 or, if such date is not a Business Exchange Day, on the next following Business Exchange Day (i.e. the Locked-In Performance Determination

Date for the period from the Initial Fixing Date to such date). This process will be repeated on September 29 or, if such date is not a Business Exchange Day, on the next following Business Exchange Day in each of the calendar years 2008 through 2010 and on September 26, 2011. By a process of elimination, on the final Locked-In Performance Determination Date in 2011, there will only be one remaining Portfolio Component from which a Locked-In Performance will be obtained. In this manner, each Portfolio Component will be selected only once and each Portfolio Component will have its corresponding Locked-In Performance.

Average Locked-In Performance

The Average Locked-in Performance will be calculated by adding each of the Locked-In Performances and dividing the result by five, as follows:

$$\frac{\text{Portfolio R}_1 + \text{Portfolio R}_2 + \text{Portfolio R}_3 + \text{Portfolio R}_4 + \text{Portfolio R}_5}{5}$$

with “PortfolioR₁”, “PortfolioR₂”, “PortfolioR₃”, “PortfolioR₄” and “PortfolioR₅” representing the Locked-In Performance for the relevant Portfolio Component on the relevant Locked-In Performance Determination Date up to and including the final Locked-In Performance Determination Date on September 26, 2011.

The Average Locked-in Performance will be calculated by the Calculation Agent immediately after the determination of the Closing Portfolio Component Level on the last Locked-In Performance Determination Date. The Calculation Agent will provide notice to the Agent of each Locked-In Performance immediately after its determination and of the Average Locked-in Performance by the close of business on the Business Day following the final Locked-In Performance Determination Date. All percentages resulting from any calculation with respect to the Notes will be rounded to the nearest one hundredth of a percentage point, with five one thousandth of a percentage point rounded upwards, and all dollar amounts used in or resulting from such calculation will be rounded to the nearest cent with one-half being rounded upwards.

Starting Portfolio Component Levels

The Starting Portfolio Component Levels and the Closing Portfolio Component Levels will be determined by the Calculation Agent.

The Starting Portfolio Component Levels will be as follows:

- S&P 500® Index – The closing level of such Index at the regular official close of trading of the relevant market on the Initial Fixing Date published by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc.
- Dow Jones EURO STOXX 50® Index – The closing level of such Index at the regular official close of trading of the relevant market on the Initial Fixing Date published by Dow & Jones & Company.
- Nikkei 225™ Index – The closing level of such Index at the regular official close of trading of the relevant market on the Initial Fixing Date published by Nihon Keizai Shimbun Inc.
- Goldman Sachs Commodity Index (GSCI®) Excess Return – The official settlement price of such Index published by Goldman Sachs & Co. at 4:00 p.m. (New York time) on the Initial Fixing Date and displayed on the Reuters page GSCIER or, if such page is not available, such other electronic or other source determined by the Calculation Agent in its sole discretion.

- US Dollar/Japanese Yen Foreign Exchange Spot Rate – The number of Japanese Yen exchangeable into one U.S. Dollar as of 4:00 p.m. (New York time) on the Initial Fixing Date based on the Bloomberg page entitled “USDJPY Currency HP<go>” or, if such page is not then available, on such other electronic or other source determined by the Calculation Agent in its sole discretion.

Closing Portfolio Component Levels

The closing level of each Portfolio Component will be determined in the same manner as the relevant Starting Portfolio Component Level except that all references to the “Initial Fixing Date” are replaced with references to the “Locked-In Performance Determination Date”. The Locked-In Performance Determination Dates are September 29 or, if such date is not a Business Exchange Day, on the next following Business Exchange Day in each of the calendar years 2007 through 2010 and September 26, 2011.

In any case where any date specified herein for any payment under the Notes or other action required to be taken in connection therewith shall not be a Business Day, then such payment date will be, or such other required action will be taken on the immediately succeeding Business Day (except in the case of the determination of Starting Portfolio Component Level and Closing Portfolio Component Level figures, which shall be as described above).

Examples

The following tables illustrate the manner in which the Maturity Redemption Amount will be calculated under different scenarios.

PLEASE NOTE THAT THESE TABLES ARE PROVIDED FOR ILLUSTRATIVE PURPOSES ONLY AND SHOULD NOT BE CONSTRUED AS AN ESTIMATE OR FORECAST OF THE ACTUAL PERFORMANCE OF THE NOTES OR ANY PORTFOLIO COMPONENT, WHICH IS IMPOSSIBLE TO PREDICT.

Scenario 1 – Positive Performance

| <u>Portfolio Component</u> | <u>Starting Portfolio Component Level</u> | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> | <u>Best Performing Portfolio Component Since Initial Fixing Date (%)</u> |
|-----------------------------------|--|----------------------|----------------------|----------------------|----------------------|----------------------|---|
| Component 1 | 100 | 120 | | | | | 20 |
| Component 2 | 100 | 115 | 109 | | | | 9 |
| Component 3 | 100 | 105 | 105 | 115 | 140 | | 40 |
| Component 4 | 100 | 95 | 108 | 125 | | | 25 |
| Component 5 | 100 | 107 | 105 | 120 | 135 | 155 | <u>55</u> |

Average Portfolio Component Return = $(20+9+25+40+55) / 5 = 29.805$

Participation Rate = 200%

Maturity Redemption Amount = $100 + 2(29.8) = \$159.6$

Scenario 2 – Negative Performance

| <u>Portfolio Component</u> | <u>Starting Portfolio Component Level</u> | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> | <u>Best Performing Portfolio Component Since Initial Fixing Date (%)</u> |
|----------------------------|---|---------------|---------------|---------------|---------------|---------------|--|
| Component 1 | 100 | 90 | 80 | 85 | 102 | 105 | 5 |
| Component 2 | 100 | 75 | 77 | 80 | 103 | | 3 |
| Component 3 | 100 | 85 | 90 | | | | -10 |
| Component 4 | 100 | 95 | | | | | -5 |
| Component 5 | 100 | 91 | 80 | 92 | | | <u>-8</u> |

Average Portfolio Component Return = $(5+3+(-10)+(-5)+(-8)) / 5 = 0$

Participation Rate = 200%

Maturity Redemption Amount = $100 + 2(0) = \$100$

If, following payment of the Variable Return, if any, a correction or change is made to the Starting Portfolio Component Levels or the Closing Portfolio Component Levels used in the determination of a Locked-In Performance, the amount of the Variable Return, if any, will not be changed to reflect such correction or change and the Bank will be under no obligation to pay any additional amount to any Holder.

Special Circumstances

General

During the term of the Notes, certain events affecting the Portfolio Components may occur. Following the occurrence of any such event, the Calculation Agent may be required to make decisions with respect to the Notes relating to the payment and/or calculation of Variable Return, if any, and the valuation of the Portfolio Components.

In connection with the foregoing, the Calculation Agent will make its calculations and determinations in good faith and using commercially reasonable procedures in order to produce a commercially reasonable result; provided, however, that absent manifest error, all of the Calculation Agent's calculations and determinations will be final and binding on Holders, without any liability on the part of the Bank, the Calculation Agent or the Agent, and Holders will not be entitled to any compensation from the Bank, the Calculation Agent or the Agent for any loss suffered as a result of any of the Calculation Agent's calculations or determinations. See "Risk Factors".

Discontinuance, Modification or Replacement of the Portfolio Components

If the calculation or publication of any of the Portfolio Components are discontinued or the Bank ceases to have full and proper licensing rights to utilize any Portfolio Component in connection with the Notes and a successor or substitute Portfolio Component is calculated or published (such successor or substitute Portfolio Component being referred to herein as a "Successor Portfolio Component") that the Calculation Agent determines, in its sole discretion, to be comparable to the discontinued Portfolio Component (the "Discontinued Portfolio Component"), then any subsequent Closing Portfolio Component Level for such Discontinued Portfolio Component will be determined by reference to the level of such Successor Portfolio Component determined by the Calculation Agent on the date as of which such Closing Portfolio Component Level is to be computed. If no successor or substitute Portfolio Component is provided with respect to a Discontinued Portfolio Component, the Calculation Agent will designate another Portfolio Component to replace the Portfolio Component (such Portfolio Component being also referred to herein as a "Successor Portfolio Component"), provided that the Calculation Agent reasonably determines that the Successor Portfolio Component substantially tracks

the market performance of the broad class and market in which the Discontinued Portfolio Component participated and with adjustments as may be determined by the Calculation Agent.

Upon any selection by the Calculation Agent of a Successor Portfolio Component, the Calculation Agent will cause notice thereof to be furnished to the Holders within three Business Days of such selection. If a Successor Portfolio Component is selected by the Calculation Agent, the Successor Portfolio Component will be used as a substitute for the relevant Discontinued Portfolio Component for all purposes, including for purposes of determining whether a Market Disruption Event exists.

Material Changes

If, at any time, the method of calculation of any Portfolio Component or Successor Portfolio Component, or the level thereof, is changed in a material respect, or if such Portfolio Component or Successor Portfolio Component is in any other way modified so that such Portfolio Component does not, in the opinion of the Calculation Agent, fairly represent the level of the Portfolio Component or such Successor Portfolio Component had such changes or modifications not been made, then, for purposes of calculating the Closing Portfolio Component Level or Locked-In Performance or the Maturity Redemption Amount or making any other determinations as of or after such time, the Calculation Agent may make such calculations and adjustments as, in the good faith judgment of the Calculation Agent, may be necessary in order to arrive at a value of a Portfolio Component comparable to the Portfolio Component or such Successor Portfolio Component, as the case may be, as if such changes or modifications had not been made, and will calculate the Maturity Redemption Amount (including the components thereof) with reference to the Portfolio Component or such Successor Portfolio Component, as adjusted.

Market Disruption Event

If the Calculation Agent determines that a Market Disruption Event in respect of a Portfolio Component then remaining in the Portfolio (an "Affected Portfolio Component") has occurred and is continuing on any date that, but for that event, would be a Locked-In Performance Determination Date, then that Locked-In Performance Determination Date for each Affected Portfolio Component will be postponed to the next Business Exchange Day on which there is no Market Disruption Event in effect. If, on any Locked-In Performance Determination Date, a Market Disruption Event affects some, but not all of the Portfolio Components then remaining in the Portfolio, then for purposes of determining the best performing Portfolio Component in the Portfolio as of that Locked-In Performance Determination Date, the return on the Portfolio Components other than Affected Portfolio Components will be measured from the Initial Fixing Date to the originally scheduled Locked-In Performance Determination Date and the return on the Affected Portfolio Components shall be measured from the Initial Fixing Date to the date to which that Locked-In Performance Determination Date may be postponed, as herein provided.

There will be a limit for postponement of any Locked-In Performance Determination Date in respect of Affected Portfolio Components. If, on the eighth Business Day following the date originally scheduled as a Locked-In Performance Determination Date, such Locked-In Performance Determination Date for an Affected Portfolio Component has not occurred, then, subject as set forth below, notwithstanding the occurrence of any Market Disruption Event on or after such eighth Business Day, the Calculation Agent may determine that:

- (i) such eighth Business Day shall be the Locked-In Performance Determination Date in respect of each Affected Portfolio Component; and
- (ii) the closing level of each Affected Portfolio Component as of such eighth Business Day shall be determined in accordance with the formula and method of calculating the closing level of the relevant Affected Portfolio Component last in effect prior to the first day on which the relevant Market Disruption Event occurred using exchange traded or quoted prices on such eighth Business Day for each security, bond, currency or commodity underlying the relevant Affected Portfolio Component or, if the relevant Market Disruption Event pertains to any security, bond, currency or commodity underlying the relevant Affected Portfolio Component, using the Calculation Agent's good faith estimate of the value for such security, bond, currency or commodity (as applicable) on such eighth Business Day and taking into account all market circumstances considered by the Calculation Agent to be relevant, acting reasonably (the "MDE Formula").

A Market Disruption Event may delay the determination of a Locked-In Performance and, consequently, the calculation of Variable Return, if any, payable on the Maturity Date. In such circumstances, the Bank may delay such payment until the tenth Business Exchange Day after the Average Locked-In Performance has been determined.

If the Calculation Agent determines that one or more Market Disruption Events in respect of one or more Portfolio Components has occurred and is continuing, and if any such Market Disruption Event has continued for at least eight Business Days, the Bank may, at its option upon notice to the Holders (the date of such notification being the “Market Disruption Event Notification Date”), elect to accelerate the determination of the Variable Return, if any, on all outstanding Notes. Upon such election, the Variable Return, if any, per Note will be determined and calculated by the Calculation Agent as of the first Business Day immediately following the Market Disruption Event Notification Date, subject to the following:

- (i) the closing level of each Portfolio Component then remaining in the Portfolio shall be determined as of the Business Day immediately following the Market Disruption Notification Date;
- (ii) the closing level for an Affected Portfolio Component in respect of which the Market Disruption Event has occurred and is continuing shall be determined by the Calculation Agent in accordance with the MDE Formula; and
- (iii) the Calculation Agent shall make such adjustments, if any, to the formula for calculating Variable Return as the Calculation Agent reasonably determines appropriate to account for the fact that, as a consequence of the occurrence and continuance of a Market Disruption Event, the closing level is to be determined as of the Business Day following the Market Disruption Event Notification Date.

In the event of the early determination of the Variable Return, if any, as a consequence of the occurrence of a Market Disruption Event, the Bank may, at its option, elect to: (i) pay the Variable Return, if any, prior to the Maturity Date; or (ii) defer payment of the Variable Return, if any, until the Maturity Date. If the Bank elects to pay the Variable Return, if any, prior to the Maturity Date, payment will be made no later than the tenth Business Day after the Market Disruption Event Notification Date.

Notwithstanding the occurrence of a Market Disruption Event, payment of the Principal Amount per Note will not be accelerated and will remain due and payable only on the Maturity Date.

Extraordinary Event

If the Calculation Agent determines that one or more Extraordinary Events have occurred, the Bank may, at its option upon notice to the Holders (the date of such notification being the “Extraordinary Event Notification Date”), elect to accelerate the determination of Variable Return, if any, on all outstanding Notes. Upon such election, Variable Return, if any, per Note will be determined and calculated by the Calculation Agent as of the Extraordinary Event Notification Date or the next following Business Exchange Day if such date is not a Business Exchange Day, subject to the following:

- (i) the closing level of each Portfolio Component then remaining in the Portfolio shall be determined as of the Business Exchange Day immediately following the Extraordinary Event Notification Date;
- (ii) the closing level for an Affected Portfolio Component in respect of which a Market Disruption Event has occurred and is continuing shall be determined in accordance with the MDE Formula; and
- (iii) the Calculation Agent shall make such adjustments, if any, to the formula for calculating Variable Return as the Calculation Agent reasonably determines appropriate to account for the fact that, as a consequence of the occurrence and continuance of an Extraordinary Event, the closing level is to be determined as of the Business Exchange Day following the Extraordinary Event Notification Date.

In the event of the early determination of the Variable Return, if any, as a consequence of the occurrence of an Extraordinary Event, the Bank may, at its option, elect to: (i) pay the Variable Return, if any, prior to Maturity Date; or

(ii) defer payment of the Variable Return, if any, until the Maturity Date. If the Bank elects to pay the Variable Return, if any, prior to the Maturity Date, payment will be made no later than the tenth Business Day after the Extraordinary Event Notification Date.

Notwithstanding the occurrence of an Extraordinary Event, payment of the Principal Amount per Note will not be accelerated and will remain due and payable only on the Maturity Date.

Return

The Notes do not bear a fixed rate of interest. The interest, if any, payable in respect of a Note at maturity will be equal to the excess of the Maturity Redemption Amount over the Principal Amount. Such interest, if any, will not be payable prior to the Maturity Date. No distributions or other payments will be payable on the Notes prior to the Maturity Date. The excess, if any, of the Maturity Redemption Amount over the Principal Amount of a Note will be treated by the Bank as interest.

Rank

The Notes will constitute direct unconditional obligations of the Bank. The Notes will be issued on an unsecured and unsubordinated basis and will rank *pari passu*, as among themselves and with all other outstanding, direct, unsecured and unsubordinated, present and future indebtedness (except as otherwise prescribed by law or as to any sinking fund or funds or securities set aside for such indebtedness) of the Bank, and will be payable rateably without any preference or priority. **The Notes will not be deposits insured under the *Canada Deposit Insurance Corporation Act* or any other deposit insurance regime.**

Credit Rating

The Notes have not been rated. As of the date hereof, the deposit liabilities of the Bank with a term to maturity of more than one year are rated AA (low) by DBRS, AA- by S&P and Aa3 by Moody's. There can be no assurances that, if the Notes were specifically rated by these rating agencies, they would have the same rating as such deposit liabilities of the Bank. A rating is not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency.

Settlement at Maturity

The Bank will be required to make available to Holders, no later than 10:00 a.m. (Eastern time) on the Maturity Date, funds in an amount sufficient to pay the amount due under the Notes, being the Maturity Redemption Amount for each Note.

All amounts payable in respect of the Notes will be made available by the Bank on the Maturity Date through CDS or its nominee, or otherwise by cheque or (pursuant to an agreement between a Holder and the relevant CDS Participant) by wire transfer. CDS or its nominee will, upon receipt of any such amount, facilitate payment to the applicable CDS Participants or credit the account of such CDS Participants, in amounts proportionate to their respective interests as shown on the records of CDS.

Neither the Bank nor CDS will be bound to see the execution of any trust affecting the ownership of any Note or be affected by notice of any equity that may be subsisting with respect to any Note.

No Redemption

The Notes are not redeemable at the option of the Bank or any Holder prior to the Maturity Date.

Purchase For Cancellation

The Bank may, from time to time, purchase Notes for cancellation pursuant to private agreements between the Bank and Holders.

Secondary Market

There is currently no market through which the Notes may be sold. The Bank does not intend to apply for listing of the Notes on any exchange. There can be no assurance that a secondary market for the Notes will develop, or that if such a market does develop, that it will be sustained or liquid. The Agent intends to use reasonable efforts to maintain a secondary market for the Notes commencing 5 Business Days following the Settlement Date, but reserves the right not to do so in the future in its sole discretion, without providing prior notice to Holders. If a Holder elects to sell Notes through the Agent, the Trading Price quoted by the Agent upon which the Holder will base its decision to sell will be an indicative price only. The actual Trading Price received by the Holder may be different than the quoted indicative price, based on market changes between the time of the indicative quote and the agreement to sell. **If you sell a Note to the Agent prior to November 1, 2009, you will receive proceeds equal to the Trading Price for the Note as determined by the Agent minus any applicable Early Trading Charge. The Trading Price less any Early Trading Charge is referred to as the “Secondary Market Price”.** Due to the method used to price the Notes, the Trading Price determined by the Agent may be substantially less than the values computed only with reference to the price performance of the Portfolio Components. If you sell a Note prior to maturity, you may have to do so at a substantial discount from the original Principal Amount even if the performance of the Portfolio Components have been positive and, as a result, you may suffer substantial losses.

Early Trading Charge

An Early Trading Charge will apply to any secondary market sale of Notes through the Agent prior to November 1, 2009. It is expected that the only secondary market for the Notes will be by way of sale to the Agent. The Early Trading Charge will, initially and until October 31, 2006, be 3% of the Principal Amount of any Note re-sold to the Agent. **This 3% Early Trading Charge will be reduced by 1/36 on the last day in each successive calendar month following October 31, 2006 so that the Early Trading Charge will cease to apply as of November 1, 2009.**

Investors should be aware that any valuation price for the Notes appearing on his or her monthly or quarterly investment account statement will be BEFORE deduction of any applicable Early Trading Charge. An Investor wishing to sell Notes prior to the Maturity Date should consult with his or her investment advisor as to whether the Investor will bear the Early Trading Charge and, if so, how much it will be.

Deferred Payment

Federal laws of Canada preclude the charging of interest or other amounts for the advancing of credit at effective rates in excess of 60% per annum. When any payment is to be made by the Bank to a Holder, payment of a portion of such payment in excess of the Principal Amount that would exceed 60% per annum may be deferred to ensure compliance with such laws. In addition, the Bank will pay the portion so deferred to the Holder together with interest at the Bank's equivalent term deposit rate as soon as Canadian law permits.

Book-Entry System

The Notes will be issued in “book-entry only” form and must be subscribed, transferred and repurchased through a CDS Participant. On the Settlement Date, the Bank will cause all Notes in the form of a single global certificate to be delivered to and registered in the name of CDS. Registration of interests in and transfers of the Notes will be made only through the depository service of CDS. Subject to the exceptions mentioned hereinafter, no Holder will be entitled to any certificate or other instrument from the Bank or CDS evidencing the ownership thereof, and no Holder will be shown on the records maintained by CDS, except through a CDS Participant. All rights of a Holder must be exercised through, and all payments or other property to which such Holder is entitled will be made or delivered by, CDS or the CDS Participant through which the Holder holds the Notes. Upon subscription of any Notes, the Holder will receive only the customary confirmation that will be sent to such Holder by the dealers from whom or through whom such Notes are subscribed.

Definitive certificates in relation to the Notes will be issued to CDS Participants if: (1) the Bank advises the Holders that: (i) CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to Notes; or (ii) CDS ceases to be a recognized clearing agency and the Holders and the Bank are unable to locate a qualified successor depository system; or (2) if the Bank, at its option, advises the Holders in writing that it elects to terminate the use of the

Book-Entry System with respect to the Notes. Upon the surrender by CDS of the global certificate representing the Notes and instructions from CDS for registration the Bank will issue definitive certificates to CDS Participants appearing on the records maintained by CDS at the time of or as soon as practicable prior to such delivery, which definitive certificates will thereafter evidence Notes previously evidenced by the global certificate.

The Maturity Redemption Amount payable under the global certificate will be paid by the Bank to CDS, which will pay the applicable CDS Participants to those Participants' CDS accounts in amounts proportionate to their respective beneficial interests in the global certificate evidencing the Notes as shown on the records of CDS or its nominee. It is expected that payments by CDS Participants to owners of beneficial interests in the global certificate held through such CDS Participants will be governed by standing instructions and customary practises, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such CDS Participants. The responsibility and liability of the Bank in respect of the Notes represented by the global certificate is limited to making payment of any amount due on the global certificate to CDS or its nominee.

Neither the Bank nor the Agent assumes any liability for: (i) any aspect of the records relating to the beneficial ownership of the Notes held by CDS or the payments relating thereto; (ii) maintaining, supervising or reviewing any records relating to the beneficial ownership of the Notes; or (iii) any advice or representations made by, or with respect to, CDS and the rules governing CDS, or any action to be taken by CDS or at the direction of the CDS Participants.

The Bank retains the right, as a condition to payment of amounts at the Maturity Date, to require the surrender for cancellation of any certificate evidencing the Notes.

Notices to Holders

All notices to the Holders regarding the Notes will be validly given if: (i) given through CDS to CDS Participants; or (ii) published once in a French language Canadian newspaper and in the national edition of an English language Canadian newspaper.

Amendments to the Notes

The global certificate may be amended without the consent of the Holders by the Bank and if, in the reasonable opinion of the Bank, the amendment would not materially and adversely affect the interests of the Holders. In other cases, the global certificate may be amended if the amendment is proposed by the Bank and approved by a resolution passed by the favourable votes of the Holders of not less than 66% of the Notes represented at a meeting convened for the purpose of considering the resolution. The quorum for a meeting of Holders is at least two Holders represented in person or by proxy holding at least 10% of the Notes outstanding. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting will be adjourned to another day, not less than 10 days or more than 21 days later, selected by the Bank and notice will be given to the Holders of such adjourned meeting. The Holders present at the adjourned meeting will constitute a quorum. Each Holder is entitled to one vote per Note held by such Holder for the purposes of voting at meetings.

The Notes do not carry the right to vote in any other circumstances.

Holders' Right of Rescission

A person may rescind any order to buy a Note (or its purchase if issued) within 48 hours following the earlier of actual receipt or deemed receipt of this Information Statement. Upon rescission, the person is entitled to a refund of the subscription price. This rescission right does not extend to Holders buying a Note in the secondary market. A person will be deemed to have received the Information Statement: (i) on the day recorded as the time of sending by fax machine, if provided by fax; (ii) on the second calendar day following the provision of a password to enable the Holder to access the Information Statement by website; (iii) five days after the postmark date if provided by mail; and (iv) when it is received, in any other case.

PORTFOLIO COMPONENTS

The following table lists each Portfolio Component. A more complete description of each Portfolio Component is provided in Annex A to this Information Statement.

S&P 500® Index
Dow Jones EURO STOXX 50 Index®
Nikkei 225™ Index
Goldman Sachs Commodity Index (GSCI®) Excess Return
US Dollar/Japanese Yen Foreign Exchange Spot Rate

CALCULATION AGENT

The Bank will be the Calculation Agent with regard to the Notes, provided that the Bank may appoint a successor calculation agent and may delegate its functions to a third party. The Calculation Agent will be solely responsible for the determination and calculation of the Locked-In Performances, the Average Locked-In Performance and the Maturity Redemption Amount (including the components thereof), as well as for making certain other determinations with regard to the Notes and the Portfolio Components. All determinations and calculations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding upon the Holders. The Calculation Agent is obligated to carry out its duties and functions in good faith and using its reasonable judgment. Since the Bank and the Calculation Agent are the same person, the Calculation Agent may have an economic interest adverse to those of Holders, including with respect to the Bank's hedging arrangements with respect to the Notes and with respect to certain determinations that the Calculation Agent must make, such as determining the Maturity Redemption Amount, the Locked-in Performances, whether a Market Disruption Event has occurred and in making certain other determinations with respect to the Portfolio Components.

USE OF PROCEEDS

The net proceeds of this offering (after payment of the expenses related to this Offering and the amount payable to the Agent) will be used by the Bank for general banking purposes. The Bank will pay Scotia Capital Inc. a fee equal to 0.50% per annum during the term of the Notes, payable quarterly, of the then principal amount of the outstanding publicly-held Notes, for services provided in developing the Notes and structuring the Offering.

CERTAIN CANADIAN INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Bank, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a person who acquires Notes at the time of their issuance, pursuant to this offering, who is an individual (other than a trust) and who, for purposes of the Income Tax Act and at all relevant times, is or is deemed to be a resident of Canada, holds such Notes as capital property and deals at arm's length, and is not affiliated, with the Bank. Notes will generally constitute capital property to a Holder unless the Holder holds such Notes in the course of carrying on a business or has acquired such Notes as an adventure in the nature of trade. Certain Holders whose Notes might not otherwise qualify as capital property, may, in certain circumstances, treat such Notes and all of the Holder's other Canadian securities as capital property by making an irrevocable election provided by subsection 39(4) of the Income Tax Act. This summary does not apply to a holder that is a corporation, partnership or trust.

This summary is based upon the current provisions of the Income Tax Act, the regulations thereunder (the "Regulations") and counsel's understanding of the current published administrative practices and policies of the Canada Revenue Agency (the "CRA"), all in effect as of the date hereof. This summary also takes into account all specific proposals to amend the Income Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof ("Tax Proposals") and assumes all Tax Proposals will be enacted substantially as proposed. However, no assurance can be given that the Tax Proposals will be enacted as proposed, or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, or any changes in the administrative or assessing practices of the CRA. This summary does not take into account tax legislation of any province, territory or foreign jurisdiction which are not addressed in this summary.

This summary is of a general nature only and is not intended to be, nor should it be relied upon or construed to be, legal or tax advice to any particular Holder. Accordingly, Holders should consult their own tax advisors for advice with respect to the income tax consequences to them of acquiring, holding and disposing of Notes having regard to their particular circumstances.

This summary does not address the position of non-residents of Canada and those Holders are urged to consult their own tax advisers in their jurisdiction of residence.

Holding and Disposing of Notes

The excess of the Maturity Redemption Amount over the Principal Amount of a Note can be ascertained, and the right to it arises, only at the Maturity Date. Consequently, the amount of such excess, if any, should only be included in the Holder's income, as interest, in the taxation year in which the Maturity Date occurs.

On a disposition of a Note resulting from the repayment by the Bank at the Maturity Date, a Holder should realize a capital gain (or a capital loss) to the extent that a payment received at such time, less reasonable costs of disposition and the amount, if any, required to be included in the Holder's income in the year of such a disposition as interest, exceeds (or is less than) the Holder's adjusted cost base of the Note.

It is unclear whether amounts received or deemed to be received by a Holder on a disposition or deemed disposition of a Note, other than a disposition resulting from a repayment by the Bank, will be considered as giving rise to a capital gain or a capital loss, or to income or an ordinary loss. Generally, an amount received or deemed to be received by a Holder on such disposition or deemed disposition of a Note should give rise to a capital gain (or a capital loss) to the Holder to the extent such amount, net of any reasonable costs of disposition, exceeds (or is less than) the Holder's adjusted cost base of the Note. **Holders who dispose of a Note prior to the Maturity Date, particularly those who dispose of a Note within a short period of time prior to the Maturity Date or pursuant to a private agreement with the Bank, should consult their own tax advisor with respect to their particular circumstances.**

One-half of any capital gain is a taxable capital gain which must be included in the Holder's income in the year of disposition and one-half of any capital loss is deductible against taxable capital gains, subject to and in accordance with the provisions of the Income Tax Act. Capital gains realized may give rise to alternative minimum tax under the Income Tax Act.

RISK FACTORS

Investment in the Notes is subject to certain risk factors. Prospective investors should carefully consider the risks associated with acquiring, holding and disposing of Notes, including the following factors:

Suitability for Investment

A person should reach a decision to invest in the Notes only after carefully considering, with his or her investment, legal, accounting, tax and other advisors, the suitability of the Notes in light of his or her investment objectives and the information set out in this Information Statement. For instance, an investment in a Note is not suitable for a person seeking a guaranteed or fixed rate of return. The Bank and the Agent make no recommendation as to the suitability of the Notes for investment by any particular person. The Notes have certain investment characteristics that differ from fixed income investments. The Notes will not, absent special circumstances, provide Holders with any return prior to the Maturity Date and there can be no assurance that they will provide any return in excess of the Principal Amount at the Maturity Date. Therefore, an investment in the Notes is only suitable for Holders prepared to assume risks with an investment whose return is tied to the performance of the Portfolio Components. The Principal Amount is only repaid if

the Notes are held to the Maturity Date. The Notes are not conventional indebtedness. The Notes could produce no yield. Therefore, the Notes are not suitable investments for Holders who need or expect a positive annual return.

Comparison to Other Obligations

The terms of the Notes differ from those of ordinary obligations or debt instruments, in that a return, if any, is payable on the Notes only at the Maturity Date, absent special circumstances, and only to the extent that the Maturity Redemption Amount exceeds the Principal Amount as at the Maturity Date. The Maturity Redemption Amount will exceed the Principal Amount only if the Average Locked-In Performance is positive. Such an appreciation is contingent on events that are inherently difficult to predict and which are beyond the Bank's control. Accordingly, there can be no assurance that any such appreciation will occur, or that more than the Principal Amount will ever be payable with respect to the Notes. Moreover, the value of an investment in the Notes may diminish over time owing to inflation and other factors that adversely affect the present value of future payments. Accordingly, an investment in the Notes may result in a lower return when compared to alternative investments.

No Guaranteed Return on Notes

While a Holder is entitled to payment on the Maturity Date which cannot be less than the Principal Amount of the Note, the Notes do not bear a fixed rate of interest and there can be no assurance that the Notes will bear any return. Historical returns on the Portfolio Components should not be considered as an indication of the future performance of the Notes. No assurance can be given, and none is intended to be given, that any of the Portfolio Components will appreciate in the period during which the Notes are outstanding and that any return will be achieved on the Notes at the Maturity Date.

Pledging

The ability of a Holder to pledge the Notes or otherwise take action with respect to such Holder's interest in such Notes (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Secondary Market for the Notes / Possible Illiquidity of Secondary Market

The Notes will not be listed on any stock exchange. There is no assurance that a secondary market for the Notes will develop or, if developed, that it will be sustained or liquid.

Despite the fact that the Agent intends, subject to certain conditions, to use reasonable efforts to maintain under normal market conditions, a secondary market for the Notes commencing 5 Business Days following the Settlement Date, it is not possible to predict how the Notes will trade in the secondary market or whether such market will be liquid or illiquid. Holders choosing to sell their Notes prior to the Maturity Date will receive a price which is not necessarily equal to the Principal Amount and which does not necessarily reflect the performance of the Portfolio Components, including any Locked-In Performance, up to the date of such sale. The price at which a Holder will be able to sell the Notes prior to the Maturity Date may be at a discount, which could be substantial, from the Principal Amount, based upon one or more factors. Although the Agent intends to use reasonable efforts to maintain a secondary market for the Notes, it reserves the right not to do so in the future in its sole discretion, without providing prior notice to the Holders. The secondary market price of the Note will be affected by a number of factors, the most important of which is the expected value of the return, if any, in excess of the Principal Amount. Generally the longer the term to maturity, and the higher the prevailing interest rates at the time such secondary market price is obtained, the less the Note will be worth. The expected value of the return, if any, in excess of the Principal Amount will be a function of a number of variables including but not limited to: (a) the volatility of the Portfolio Components, (b) the remaining term to maturity, (c) the price performance of the Portfolio Components, (d) the correlation between the price performance of the Portfolio Components and prevailing interest rates. The relationship between these factors is complex and may also be influenced by various political, economic and other factors. Due to the method used to price the return, if any, in excess of the Principal Amount, if any, the expected value of the return, if any, in excess of the Principal Amount, may be substantially less than the value computed only with reference to the price performance of the Portfolio Components. If a Holder sells Notes prior to maturity, the Holder may have to do so at a substantial discount from the original Principal Amount even if the performance of the Portfolio Components has been positive and, as a result, the Holder may suffer substantial losses. A

Holder who sells a Note prior to the Maturity Date may have to pay an Early Trading Charge to the Agent of up to 3.00% of the Principal Amount.

Return not Reflective of an Investment in a Portfolio Composed of all Portfolio Components until Maturity

The Average Locked-In Performance, calculated only at the Maturity Date, will be the result of the sum of each of the Locked-In Performances determined on each Locked-In Performance Determination Date divided by five. On each such Locked-In Performance Determination Date, a Portfolio Component will be withdrawn and will therefore no longer be taken into account to determine future Locked-In Performances. As a result, the Locked-In Performances determined on the subsequent Locked-In Performance Determination Dates shall be determined from a lesser number of eligible Portfolio Components. The investor is therefore not exposed to the same risk or potential return as if it held all the underlying securities until the Maturity Date. As the Note moves closer to maturity there may be an increased likelihood that, given the fewer remaining Portfolio Components, none of those remaining Portfolio Components will have positive performance which would negatively impact the return, if any, in excess of the Principal Amount.

Historical Performance of the Portfolio Components is not an Indication of Future Performance

The return, if any, on the Notes in excess of the Principal Amount will be determined on the basis of the performance of the Portfolio Components. The historical price performance of the of the Portfolio Components is not necessarily indicative of the future price performance of those Portfolio Components.

Risks Relating to the Portfolio Components

While the trading prices of the securities, currencies or other interests comprising the Portfolio Components will determine their level, it is impossible to predict whether any Portfolio Component will increase or decrease. Trading prices of the securities and foreign exchange rates making up the Portfolio Components will be influenced by both the complex and interrelated political, economic, financial and other factors that can affect the capital and currency markets generally and the equity trading markets on which the underlying securities are traded, and by various circumstances that can influence the value of a particular security or currency. The composition of the Portfolio Components may also change from time to time.

Return Does Not Necessarily Reflect Dividends and Distributions

The performance of the Portfolio Components that are stock indices will be based on price return and will not reflect the payment of dividends and distributions on the securities underlying those Portfolio Components, as those Portfolio Components are not all calculated by taking into consideration the value of dividends and distributions paid on those securities. Therefore, the yield to maturity based on the methodology for calculating the Maturity Redemption Amount will not be the same as the yield which may be produced if such securities were purchased directly and held for the same period.

Currency Risks

One of the Portfolio Components, the U.S. Dollar/Japanese Yen Foreign Exchange Spot Rate, is a currency exchange rate. Unlike the other Portfolio Components, which are broad based stock or commodity indices whose values are determined by a spectrum of underlying securities or commodities, the U.S. Dollar/Japanese Yen Foreign Exchange Spot Rate will be influenced only by the relative values of two currencies, which could result in that Portfolio Component being more prone to volatility than the stock or commodity index Portfolio Components. Currency exchange rates can be affected by a broad range of factors and events which may or may not be similar to the factors and events that can affect the performance of stock and commodity indices. These factors and events may include global geopolitical conditions, government action, fiscal and economic policies (including, without limitation, imposition of foreign exchange controls and other legislation), foreign trade balances, wars and terrorist acts. In recent years, rates of exchange have been highly volatile and such volatility may be expected to continue in the future. Past fluctuations in the U.S. Dollar/Japanese Yen Foreign Exchange Spot Rate are not necessarily indicative of fluctuations that may occur in the future.

Hedging Transactions

On or prior to the Settlement Date, the Bank or an affiliate thereof, may hedge some or all of its anticipated exposure in connection with the Notes by the purchase and sale of exchange traded and over the counter options on the Portfolio Components, individual securities included in the Portfolio Components, or futures contracts on the Portfolio Components and options on such futures contracts or by taking positions in any other instruments that it may wish to use in connection with such hedging. The Bank is likely to modify its hedge position throughout the life of the Notes, including on each date as of which a Closing Portfolio Component Level is to be determined, by purchasing and selling the securities and instruments listed above and other available securities and instruments. The Bank and its affiliates may also from time to time buy or sell the shares underlying the Portfolio Components or derivative instruments related to the Portfolio Components in connection with their normal business practices. Although the Bank does not believe that such activities will have a material impact on the price of such options, shares, futures contracts, and options on futures contracts or on the levels of the Portfolio Components, there can be no assurance that the Bank or an affiliate thereof will not affect such prices as a result of such activities.

Conflict of Interest

Since the Bank and the Calculation Agent are the same person, the Calculation Agent may have an economic interest adverse to those of Holders, including with respect to the Bank's hedging arrangements with respect to the Notes and with respect to certain determinations that the Calculation Agent must make, such as determining the Maturity Redemption Amount, the Locked-in Performances, whether a Market Disruption Event or an Extraordinary Event has occurred and in making certain other determinations with respect to the Portfolio Components.

Credit Risk

Because the ultimate obligation to make payments to Holders of the Notes is incumbent upon the Bank, the likelihood that such Holders will receive the payments owing to them in connection with the Notes, including the Principal Amount, will be dependent upon the financial health and creditworthiness of the Bank.

Notes Do Not Constitute Insured Deposits

The Notes will not constitute deposits that are insured under the Canada Deposit Insurance Corporation Act or any other deposit insurance regime.

Changes in Legislation

There can be no assurance that income tax, securities and other laws will not be amended or changed in a manner which adversely affects Holders.

Market Disruption Event

If a Market Disruption Event occurs on a Locked-In Performance Determination Date, the determination of the Locked-In Performance for such Locked-In Performance Determination Date (and, possibly, any subsequent payment of Variable Return, if any) may be delayed. Fluctuations in the closing level of a Portfolio Component may occur in the interim. In the event that a Market Disruption Event occurs and continues for eight consecutive Business Days, the Calculation Agent may elect to accelerate the determination of the Variable Return, if any, on all outstanding Notes. If so, the Bank may at its option, elect to pay the Variable Return, if any, prior to the Maturity Date or to defer such payment until the Maturity Date. In such circumstances, the Variable Return, if any, may be less than the Variable Return, if any, that would otherwise have been payable had the Market Disruption Event not occurred. However, in no event will the Principal Amount of a Note be paid prior to the Maturity Date. See "Description of the Notes – Special Circumstances – Market Disruption Event".

Extraordinary Event

If the Calculation Agent determines that an Extraordinary Event has occurred, the Bank may, at its option upon notice to the Holders to be given effective on the Extraordinary Event Notification Date, elect to accelerate the determination of the Variable Return, if any, on all outstanding Notes. If so, the Bank may, at its option, elect to pay the Variable Return, if any, prior to the Maturity Date or to defer such payment until the Maturity Date. In such circumstances, the Variable Return, if any, may be less than the Variable Return, if any, that would otherwise have been payable had the Extraordinary Event not occurred. However, in no event will the Principal Amount of a Notes be paid prior to the Maturity Date. See “Description of the Notes – Special Circumstances – Extraordinary Event”.

Adjustments in Special Circumstances

In certain circumstances the Calculation Agent may replace a Portfolio Component and may adjust any one or more of the Closing Portfolio Component Levels. See “Description of the Notes – Special Circumstances – Discontinuance, Modification or Replacement of the Portfolio Components” and “Description of the Notes – Special Circumstances – Material Changes”.

PLAN OF DISTRIBUTION

The Agent will promote, on a best efforts basis, the sale of the Notes if, as and when issued by the Bank. The Bank will have the sole right to accept offers to purchase Notes and may reject any proposed purchase of Notes in whole or in part. The Bank reserves the right to discontinue accepting subscriptions at any time without notice. The Agent is a wholly-owned subsidiary of the Bank. Accordingly, the Bank is a “related issuer” of the Agent for Canadian securities regulatory purposes. The terms of this offering have been negotiated between the Bank and the Agent.

The closing of this offering is scheduled to occur on or about September 29, 2006. The Bank will pay the Agent an amount equal to 3.00% of the gross amount of the Notes sold by the Agent.

The Bank reserves the right to issue additional Notes and other debt instruments or Notes which may have terms substantially similar to the terms of the Notes offered hereby, which may be offered by the Bank concurrently with the offering of Notes.

A global certificate for the full amount of the offering will be issued in registered form to CDS and will be deposited with CDS on the Settlement Date. Subject to certain exceptions, certificates evidencing the Notes will not be available to Holders and registration of interests in and transfer of Notes will be made through the Book-Entry System of CDS. See “Description of the Notes - Book-Entry System”.

The Notes have not been, and will not be, registered under the 1933 Act or any securities laws of any State of the United States and may not be offered for sale, sold or delivered, directly or indirectly, in the United States, its territories or possessions or to or for the account or benefit of US persons within the meaning of Regulation S promulgated under the 1933 Act. In addition, the Notes may not be offered or sold to residents of any jurisdiction or country in Europe. The Notes may only be sold in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell the Notes.

In connection with the issue and sale of the Notes, no person is authorized to give any information or to make any representation not expressly contained in this Information Statement and the Bank does not accept responsibility for any information not contained herein. This Information Statement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken to permit an offering of the Notes or the distribution of this Information Statement in the United States or to US persons or in any jurisdiction outside Canada where any action is required.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Information Statement from documents filed by the Bank with securities commission or similar authorities in Canada. Copies of the documents incorporated by reference may be obtained on request without charge from the Executive Vice-President, General Counsel and Secretary, The Bank of Nova Scotia, Scotia Plaza, 44 King Street West, Toronto, Ontario M5H 1H1, telephone: (416) 866-3672.

The following documents are specifically incorporated by reference into, and form an integral part of, this Information Statement:

- (a) the Bank's Annual Information Form dated December 19, 2005;
- (b) the Bank's Management Proxy Circular attached to the Notice of Meeting dated January 13, 2006 (excluding those portions which, pursuant to National Instrument 44-101 of the Canadian Securities Administrator, are not required to be incorporated by reference);
- (c) the Bank's consolidated financial statements as and for the years ended October 31, 2005 and 2004 together with the auditor's report thereon, including management's discussion and analysis of financial condition and results of operations as contained in the Bank's Annual Report for the year ended October 31, 2005;
- (d) the Bank's consolidated financial statements as at and for the nine months ended July 31, 2006, including managements' discussion and analysis of financial condition and results of operations as contained in the Bank's Third Quarter Report to Shareholders; and
- (e) a material change report of the Bank dated January 20, 2006 announcing certain changes to the Bank's senior executive team.

Any documents of the type referred to in the proceeding paragraph and any unaudited interim financial statements for three, six or nine month financial periods, any information circulars; and material change reports (excluding confidential material change reports), news releases containing financial information concerning the Bank for periods following October 31, 2005 and any business acquisition reports for acquisitions completed after October 31, 2005 filed by the Bank with a securities regulatory authority in Canada after the date of this Information Statement and prior to the completion or withdrawal of this offering, are deemed to be incorporated by reference in this Information Statement.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein or contemplated in this Information Statement shall be deemed to be modified or superseded for purposes of this Information Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified it or superseded a prior statement or include any information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Statement.

GLOSSARY

In this Information Statement, unless the context otherwise requires:

“Affected Portfolio Component” has the meaning ascribed under “Description of the Notes – Special Circumstances – Market Disruption Event”;

“Agent” means Scotia Capital Inc.;

“Average Locked-In Performance” means the amount calculated by adding each of the five Locked-In Performances and dividing by 5 as follows:

$$\frac{\text{PortfolioR}_1 + \text{PortfolioR}_2 + \text{PortfolioR}_3 + \text{PortfolioR}_4 + \text{PortfolioR}_5}{5}$$

with “PortfolioR₁”, “PortfolioR₂”, “PortfolioR₃”, “PortfolioR₄”, and “PortfolioR₅” representing the Locked-In Performance for the relevant Portfolio Component on the relevant Locked-In Performance Determination Date for that Portfolio Component up to and including the final Locked-In Performance Determination Date;

“Bank” means The Bank of Nova Scotia and all of its affiliates;

“Book-Entry System” means the record entry, transfer and pledge system established and governed by one or more agreements between CDS and CDS Participants pursuant to which the operating rules and procedures for such system are established and administered by CDS, including in relation to CDS;

“Business Day” means any day other than (i) a Saturday or Sunday, or (ii) a day on which banking institutions in the cities of Toronto, Canada and New York, United States of America, are authorized or obligated by law or executive order to be closed;

“Business Exchange Day” means any day that is both a Trading Day and a Business Day;

“Calculation Agent” means the Bank;

“CDS” means The Canadian Depository for Securities Limited or its nominee;

“CDS Participant” means a broker, dealer, bank or other financial institution or other person for whom CDS effects book-entry transfers and pledges of Notes under the Book-Entry System;

“Closing Portfolio Component Level” means the closing levels of each then remaining Portfolio Component, determined by the Calculation Agent on the same basis as the Starting Portfolio Component Levels, except that all references to “Initial Fixing Date” are replaced with references to “Locked-In Performance Determination Date”, on each Locked-In Performance Determination Date;

“DBRS” means Dominion Bond Rating Service, Limited;

“Discontinued Portfolio Component” means a Portfolio Component, the calculation or publication of which is discontinued;

“Early Trading Charge” has the meaning ascribed thereto under “Description of the Notes – Secondary Trading”;

“Extraordinary Event” means any of the following events that occurs after the Settlement Date and prior to the Maturity Date where the Calculation Agent, acting in its sole and absolute discretion, has determined to designate such event as an “Extraordinary Event”: (i) the Bank is unable to effectively acquire, establish, reestablish, substitute, maintain or unwind any hedge transaction in connection with the offering of Notes or to realize, recover or remit the proceeds of any such hedging transaction; (ii) an increase in the cost of acquiring, establishing, re-establishing,

substituting, maintaining, unwinding or disposing of any hedging transaction entered into connection with the offering of Notes or in the cost of realizing, recovering or remitting the proceeds of any such hedging transaction; or (iii) as a result of any adoption of, or any change in, any law, order, regulation, decree or notice, or issuance of any directive or promulgation of, or any change in the interpretation, whether formal or informal, by any court, tribunal, regulatory authority or similar administrative or judicial body of any law, order, regulation, decree or notice, after such date or as a result of any other event it would become unlawful for the Bank to acquire, establish, re-establish, substitute, maintain or unwind any hedge transaction entered into in connection with the offering of Notes;

“Extraordinary Event Notification Date” has the meaning ascribed thereto under “Description of the Notes – Special Circumstances – Extraordinary Event”;

“Holder” means a registered holder or beneficial owner of a Note;

“Initial Fixing Date” means September 26, 2006;

“Locked-In Performance” means the Portfolio Component showing the best performance, among the remaining Portfolio Components, expressed as a percentage and determined by dividing the Closing Portfolio Component Level by the Starting Portfolio Component Level, subtracting 1 and multiplying by 100;

“Locked-In Performance Determination Dates” means September 29 or, if such date is not a Business Exchange Day, the next following Business Exchange Day in each of the calendar years from 2007 to 2010 and September 26, 2011;

“Market Disruption Event” means, with respect to a Portfolio Component or any Successor Portfolio Component: (i) a suspension, absence or material limitation of trading of 20% or more of the securities included in such Portfolio Component or any Successor Portfolio Component, as the case may be, in each case for more than two hours of trading or during the one-half hour period preceding the close of trading on the relevant exchange; (ii) if the relevant Portfolio Component or any Successor Portfolio Component is linked to the performance of one or more commodities, a suspension, absence or material limitation of trading of one or more commodities included in such Portfolio Component or any Successor Portfolio Component, as the case may be, in each case for more than two hours of trading or during the one-half hour period preceding the close of trading on the relevant exchange, or the failure of the relevant entity to announce or publish the spot price (or the information necessary for determining the spot price) for one or more commodities included in such Portfolio Component or any Successor Portfolio Component; (iii) the suspension, absence or material limitation of trading on any major exchange for trading in futures or options contracts related to the relevant Portfolio Component or any Successor Portfolio Component for more than two hours of trading or during the one-half hour period preceding the close of trading in the applicable market, in each case as determined by the Calculation Agent in its sole discretion; (iv) the taking of any action by any governmental, administrative, legislative or judicial authority or power of Canada, the United States of America or any other country, or any political subdivision thereof which has a material adverse effect on the financial markets of Canada, the United States of America or Japan, as determined by the Calculation Agent in its sole discretion; or (v) any outbreak or escalation or hostilities or other national or international calamity or crisis (including, without limitation, natural calamities) which has or would have a material adverse effect on the Notes or on the Bank’s or its agent’s ability to place, maintain, unwind or modify hedges of positions with respect to the Portfolio Components or Successor Portfolio Components or a material adverse effect on the economy of Canada, the United States of America or Japan or the trading of securities or commodities generally on any applicable exchange or related market, as determined by the Calculation Agent in its sole discretion. For purposes of determining whether a Market Disruption Event has occurred: (1) a limitation on the hours or number of days of trading or closure as part of regular schedule business hours will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange or market; (2) a decision to permanently discontinue trading in the relevant futures or options contract will not constitute a Market Disruption Event; (3) limitations on trading during significant market fluctuations pursuant to any applicable rule or regulation enacted, promulgated or followed by any relevant exchange or self-regulatory organization or the securities commission relevant to the operation of one or more of the Portfolio Components as determined by the Calculation Agent will constitute a Market Disruption Event; and (4) a suspension of trading in a futures or options contract on the relevant Portfolio Component or on any Successor Portfolio Component, by a major exchange or market for more than two hours by reason of: (a) a price change exceeding limits set by such relevant exchange or market; (b) an imbalance of orders relating to such contracts; or (c) a disparity in bid and ask quotes relating to such contracts, will constitute a Market Disruption Event;

“Market Disruption Event Notification Date” has the meaning ascribed thereto under “Description of the Notes – Special Circumstances – Market Disruption Event”;

“Maturity Date” means September 29, 2011;

“Maturity Redemption Amount” means, in respect of each Note held by a Holder as at the Maturity Date, the repayment of the Principal Amount plus a return, if any, equal to the greater of:

- (a) 0; and
- (b) the Principal Amount x (200% x Average Locked-In Performance);

“MDE Formula” has the meaning ascribed under “Description of the Notes – Special Circumstances – Market Disruption Event”;

“Moody’s” means Moody’s Investors Service, Inc.;

“Notes” means the US Dollar Index Optimizer Principal Protected Notes, Series 1 of the Bank described in this Information Statement;

“Offering” means the offering of the Notes under this Information Statement;

“Portfolio Components” means, collectively, the S&P 500® Index, the Dow Jones EURO STOXX 50 Index®, the Nikkei 225™ Index, the Goldman Sachs Commodity Index (GSCI®) Excess Return and the US Dollar/Japanese Yen Foreign Exchange Spot Rate;

“Principal Amount” means \$100 per Note;

“S&P” means Standard & Poor’s Rating Service, a division of The McGraw-Hill Companies, Inc.;

“Secondary Market Price” means, in respect of a Note, the price equal to: (i) the Trading Price for the Note determined by Scotia Capital Inc.; minus (ii) any applicable Early Trading Charge;

“Settlement Date” means on or about September 29, 2006;

“Starting Portfolio Component Level”, in respect of a Portfolio Component, has the meaning set out beside that Portfolio Component under “Description of the Notes – Maturity Redemption Amount – Starting Portfolio Component Levels”;

“Subscription Price” means 100% of the Principal Amount;

“Successor Portfolio Component” means a Portfolio Component selected by the Calculation Agent to be a successor to a Discontinued Portfolio Component;

“Trading Day” means a day on which there exists a published closing level for that day for each then remaining Portfolio Component;

“Trading Price” means the price determined by the Agent for the Notes before the subtraction of any applicable Early Trading Charge.; and

“Variable Return” means the excess, if any, of the Maturity Redemption Amount of a Note over its Principal Amount.

ANNEX A

The following information is derived from publicly available sources and is presented in summary form. As such, neither the Bank nor the Agent nor any of their respective affiliates assumes any responsibility for the accuracy or completeness of such information. In addition, neither the Bank nor the Agent nor any of their respective affiliates accepts any responsibility for the calculation or composition or other maintenance of or any adjustment to, or for the level of the Portfolio Components.

Dow Jones EURO STOXX 50 Index®

Objective

The objective of the Index is to provide a blue-chip representation of market sector leaders in the Eurozone. The Index covers Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

Unique Aspects

The inception date of the Index is December 31, 1991 and the Index has a base value of 1000 as of such date. The Index captures approximately 60% of the free-float market capitalization of the Dow Jones Euro Stoxx Total Market Index, which in turn covers approximately 95% of the free-float market capitalization of the represented countries. The major industry groups covered in the Index as of December 30, 2005 are Banks (24.3%), Insurance (12.5%), Oil and Gas (11.3%), Utilities (10.3%) and Telecommunications (8.5%).

Index Universe

The Index universe is defined as all components of the 18 Dow Jones EURO STOXX Supersector Portfolio Components. The Dow Jones EURO STOXX Supersector Portfolio Components represent the Eurozone portion of the Dow Jones STOXX 600 Supersector Portfolio Components. The Dow Jones STOXX 600 Supersector Portfolio Components contain the 600 largest stocks traded on the major exchanges of 17 European countries.

Selection List

Within each of the 18 Dow Jones EURO STOXX Supersector Portfolio Components, the component stocks are ranked by free-float market capitalization. The largest stocks are added to the selection list until the coverage is close to, but still less than, 60% of the free-float market capitalization of the corresponding Dow Jones EURO STOXX TMI Supersector index. If the next-ranked stock brings the coverage closer to 60% in absolute terms, then it is also added to the selection list.

Any remaining stocks that are current Dow Jones EURO STOXX 50 components are added to the selection list.

The stocks on the selection list are ranked by free-float market capitalization. In exceptional cases, the Stoxx Limited Supervisory Board may make additions and deletions to the selection list.

Stock Selection

The 40 largest stocks on the selection list are chosen as components.

Any remaining current components of the Dow Jones EURO STOXX 50 ranked between 41 and 60 are added as Index components.

If the component number is still below 50, then the largest stocks on the selection list are added until the Index contains 50 stocks.

Review Frequency

The Index composition is reviewed annually in September.

Weighting

The Index is weighted by free-float market capitalization. Each component's weight is capped at 10% of the Index's total free-float market capitalization. The free-float weights are reviewed quarterly.

The following chart shows the performance of the Index for the period from January 1, 1990 to and including April, 2006:

Dow Jones EURO STOXX 50® Index ⁽¹⁾



⁽¹⁾ Source: Bloomberg

Disclaimer

“Dow Jones” and “Dow Jones EURO STOXX 50 Index®” are service marks of Dow Jones & Company, Inc. and/or STOXX Limited and have been licensed for use for certain purposes by the Bank. The Notes based on the Dow Jones EURO STOXX 50 Index® are not sponsored, endorsed, sold or promoted by Dow Jones or STOXX, and Dow Jones nor STOXX makes any representation regarding the advisability of investing in the Notes.

The Notes are not sponsored, endorsed, sold or promoted by Dow Jones nor STOXX. Dow Jones nor STOXX makes any representation or warranty, express or implied, to the Holders or any member of the public regarding the advisability of investing in securities generally or in the Notes particularly. STOXX and Dow Jones' only relationship to the Bank is the licensing of certain trademarks, trade names and service marks and of the DJ Euro Stoxx 50 Index®, which is determined, composed and calculated by STOXX without regard to the Bank or the Notes. Neither STOXX nor Dow Jones has any obligation to take the needs of the Bank or the Holders into consideration in determining, composing or calculating the Dow Jones EURO STOXX 50 Index ®. Neither Dow Jones nor STOXX is responsible for or has participated in the determination of the timing of, prices of, or quantities of the Notes to be issued or in the determination or calculation of the equation by which the Notes are to be converted into cash. Neither STOXX nor Dow Jones has any obligation or liability in connection with the administration, marketing or trading of the Notes.

DOW JONES AND STOXX DO NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE DOW JONES EURO STOXX 50 INDEX® OR ANY DATA INCLUDED THEREIN AND DOW JONES AND STOXX SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. DOW JONES AND STOXX MAKE NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY THE BANK, HOLDERS OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE DJ EURO STOXX 50 INDEX® OR ANY DATA INCLUDED THEREIN. DOW JONES AND STOXX MAKE NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE DJ EURO STOXX 50 INDEX® OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL DOW JONES OR STOXX HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES OR LOSSES, EVEN IF NOTIFIED OF THE POSSIBILITY THEREOF. THERE ARE NO THIRD PARTY BENEFICIARIES OF ANY AGREEMENTS OR ARRANGEMENTS BETWEEN DOW JONES, STOXX AND THE BANK.

S&P 500® Index

Standard & Poor's publishes the S&P 500® Index. The S&P 500® Index is a capitalization-weighted index and is intended to provide an indication of the pattern of common stock price movement. The calculation of the value of the S&P 500® Index, discussed below in further details, is based on the relative value of the aggregate market value of the common stocks of 500 companies as of a particular time compared to the aggregate average market value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. Standard & Poor's chooses companies for inclusion in the S&P 500® Index with the aim of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of the New York Stock Exchange, which Standard & Poor's uses as an assumed model for the composition of the total market. Relevant criteria employed by Standard & Poor's include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the market price of that company's common stock is generally responsive to changes in the affairs of the respective industry and the market value and trading activity of the common stock of that company. Seven main groups of companies comprise the S&P 500® Index with the number of companies included in each group expressed as a percentage of the S&P 500® Index, as of December 31, 2005, indicated in parentheses: Financials (21.3%), Information Technology (15.1%), Health Care (13.3%), Industrials (11.3%), Consumer Discretionary (10.8%), Consumer Staples (9.5%) and Energy (9.3%). Changes in the S&P 500® Index are reported daily on Standard & Poor's website (<http://www.spglobal.com>) and in the financial pages of many major newspapers and on the Bloomberg Financial Service under the symbol "SPX". The S&P 500® Index does not reflect the payment of dividends on the stocks included in the S&P 500® Index.

In practice, the daily calculation of the S&P 500® Index is computed by dividing the total market value of the 500 companies in the Index by a number called the Index divisor. The divisor is an arbitrary number. However, it is the only link to the original base period value of the S&P 500® Index. The divisor keeps the S&P 500® Index comparable over time and is the manipulation point for all S&P 500® Index maintenance adjustments.

Maintaining the S&P 500® Index includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends, and stock price adjustments due to restructurings or spinoffs. Some corporate actions, such as stock splits and stock dividends, require simple changes in the common shares outstanding and the stock prices of the companies in the S&P 500® Index. Other corporate actions, such as share issuances, change the market value of the S&P 500® Index and require an index divisor adjustment to prevent the value of the S&P 500® Index from changing due to the corporate action.

Adjusting the index divisor for a change in market value leaves the value of the S&P 500® Index unaffected by the corporate action. This helps keep the value of the S&P 500® Index accurate as a barometer of stock market performance and ensures that the movement of the S&P 500® Index does not reflect the corporate actions of the companies in the S&P 500® Index. All divisor adjustments are made after the close of trading and after the calculation of the closing value of the S&P 500® Index. Any change in the S&P 500® Index divisor also affects the corresponding Standard & Poor's major industry sector, economic sector, and individual industry group divisors.

Criteria for Additions

Market Value – The S&P 500® Index is a market-value weighted index. The companies chosen for the S&P 500® Index generally have the largest market value within their industry.

Industry Group Classification – Companies selected for the S&P 500® Index represent important industry segments within the US economy.

Capitalization – Ownership of a company’s outstanding common shares is carefully analyzed in order to screen out closely held companies.

Trading Activity – The trading volume of a company’s stock is analyzed on a daily, monthly, and annual basis to ensure ample liquidity and efficient share pricing.

Fundamental Analysis – Both the financial and operating condition of a company are rigorously analyzed. The goal is to add companies to the S&P 500® Index that are relatively stable and will keep turnover in the S&P 500® Index low.

Emerging Industries – Companies in emerging industries and/or new industry groups—industry groups currently not represented in the S&P 500® Index are candidates for the S&P 500® Index as long as they meet the guidelines listed above.

Criteria for Removal

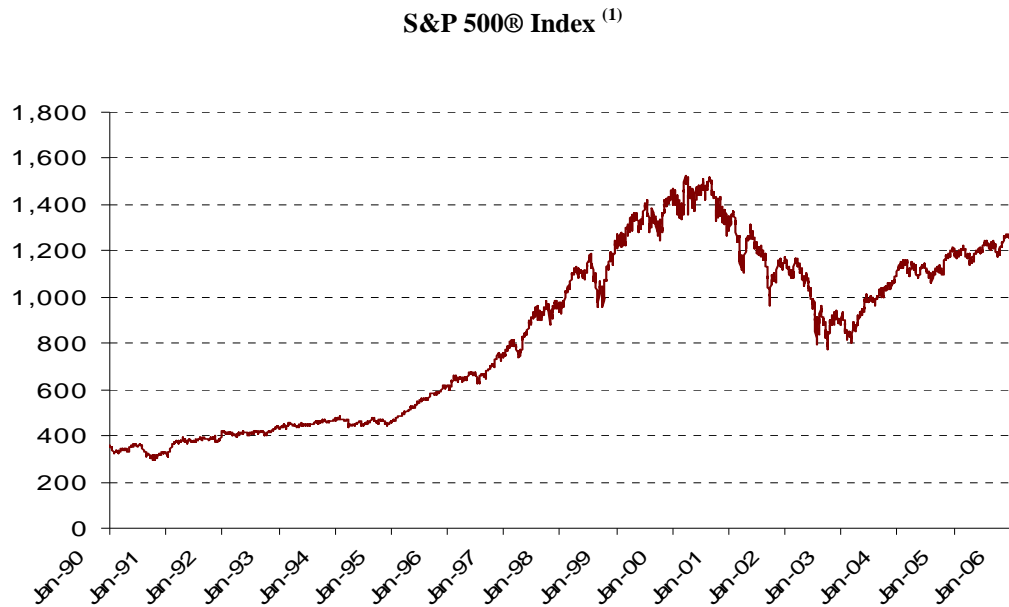
Merger, Acquisition, Leveraged Buyout – A company is removed from the S&P 500® Index as close as possible to the actual transaction date.

Bankruptcy – A company is removed from the S&P 500® Index immediately after Chapter 11 filing or as soon as an alternative recapitalisation plan that changes the company’s debt/equity mix is approved by shareholders.

Restructuring – Each company’s restructuring plan is analyzed in depth. The restructured company as well as any spinoffs are reviewed for index inclusion or exclusion in the S&P 500® Index.

Lack of Representation – A company can be removed from the S&P 500® Index because it no longer meets current criteria for inclusion and/or is no longer representative of its industry group.

The following chart shows the performance of the Index for the period from January 1, 1990 to and including April, 2006:



⁽¹⁾ Source: Bloomberg

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Nikkei 225™ Index

The Nikkei 225™ Index (the “Nikkei”) is a price-weighted index of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange (the “TSE”) representing a broad cross-section of Japanese industries. Stocks listed in the First Section of the TSE are among the most actively traded stocks on the TSE. The Nikkei has been calculated continuously since September 7, 1950. Before that date, the TSE calculated the Tokyo Stock Exchange Adjusted Average Stock Price, so index-based measurement of the market actually goes back to May 16, 1949.

The 225 companies included in the Nikkei are divided into six sector categories: Technology, Financials, Consumer Goods, Materials, Capital Goods/Others and Transportation and Utilities.

The following chart shows the performance of the Index for the period from January 1, 1990 to and including April, 2006:

Nikkei 225™ Index ⁽¹⁾



⁽¹⁾ Source: Bloomberg

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Goldman Sachs Commodity Index (GSCI®) Excess Return

The GSCI® measures the return from investing in nearby GSCI® futures and rolling them forward each month (on the 5th -9th business days of each month) always keeping your investment in nearby futures.

Economic Weighting

The GSCI® is world-production weighted; the quantity of each commodity in the GSCI® is determined by the average quantity of production in the last five years of available data. Such weighting provides the GSCI® with significant advantages, both as an economic indicator and as a measure of investment performance.

For use as an economic indicator, the appropriate weight to assign each commodity is in proportion to the amount of that commodity flowing through the economy (i.e., the actual production or consumption of that commodity). For instance, the impact that doubling the price of corn has on inflation and on economic growth depends directly on how much corn is used (or produced) in the economy.

From the standpoint of measuring investment performance, production-weighting is not only appropriate but vital. The key to measuring investment performance in a representative fashion is to weight each asset by the amount of capital dedicated to holding that asset. In equity markets, this representative measurement of investment performance is accomplished through weighting indices by market capitalization.

For commodities, there is no direct counterpart to market capitalization. The problem is that commodities, and the related price risks, are held in a variety of ways – long futures positions, over-the-counter investments, long-term fixed-price purchasing contracts, physical inventory at the producer, making a complete accounting of capital dedicated to holding commodities from the time they are produced to the time they are consumed infeasible. A simple way to achieve a close analogue to true market capitalization, abstracting from differences in inventory patterns, is to note that the net long position of the economy is proportional to the quantity produced, hence, production weighting.

A Broad Spectrum of Commodities

The GSCI® contains as many commodities as possible, with the rules excluding commodities only to retain liquidity and investability in the underlying futures markets. Currently, the GSCI® contains 24 commodities from all commodity sectors: six energy products, five industrial metals, eight agricultural products, three livestock products and two precious metals. This broad range of constituent commodities provides the GSCI® with a high level of diversification both across subsectors and within each subsector. This diversity minimizes the effects of highly idiosyncratic events, which have large implications for the individual commodity markets, but are muted when aggregated to the level of the GSCI®.

Together, the diversity of its constituent commodities and their economic weighting allow the GSCI® to respond in a stable way to world economic growth, even as the composition of global growth changes through time. When world

growth is dominated by industrialized economies, the metals sector of the GSCI[®] generally responds more than the agricultural components. Similarly, when emerging markets dominate world growth, agricultural and petroleum-based commodities generally respond the most. Thus, for example, an index that significantly underweights agriculture would significantly underperform in a global economy with weak industrialized economies and strong emerging markets growth, much like a stock index that only contained industrials would provide a misleading picture of a service-led economy.

Liquidity Constraints and Return Calculations

Individual commodities are screened by liquidity for inclusion in the GSCI[®]. The eligibility requirements are designed to promote cost-effective implementation and true investability. Underlying liquidity eases hedging of derivative products and investing in the subsector or individual commodity overlays. Furthermore, liquidity in the underlying futures markets facilitates the discovery of true market prices for the components of the GSCI[®].

GSCI[®] returns are calculated based on the arithmetic average of stable long positions in futures contracts. This methodology, along with the liquidity in the underlying markets, allows easy implementation of the portfolio of futures contracts that the GSCI[®] represents. These characteristics of the GSCI[®] are designed to allow for efficient and relatively inexpensive arbitrage of publicly-traded GSCI[®]-related instruments such as the Chicago Mercantile Exchange futures contract.

GSCI[®] Components and Weights

As of February 15, 2006, Goldman Sachs' website (www.goldmansachs.com) indicated that 24 commodities meet the eligibility requirement for the GSCI[®]. A list of these components and their actual weights in the GSCI[®] organized by subsector, is presented in the table below:

| Energy | 72.77% | Industrial Metal | 8.23% | Precious Metal | 2.17% | Agriculture | 11.85% | Livestock | 4.97% |
|-----------------|---------------|-------------------------|--------------|-----------------------|--------------|--------------------|---------------|------------------|--------------|
| Crude Oil | 30.13 | Aluminum | 3.27 | Gold | 1.94 | Wheat | 2.53 | Live Cattle | 2.69 |
| Brent Crude Oil | 14.23 | Copper | 3.12 | Silver | 0.23 | Red Wheat | 1.00 | Feeder Cattle | 0.73 |
| Unleaded Gas | 7.07 | Lead | 0.33 | | | Corn | 2.40 | Lean Hogs | 1.55 |
| Heating Oil | 7.91 | Nickel | 0.72 | | | Soybeans | 1.60 | | |
| Gas Oil | 4.42 | Zinc | 0.80 | | | Cotton | 1.03 | | |
| Natural Gas | 9.01 | | | | | Sugar | 2.33 | | |
| | | | | | | Coffee | 0.76 | | |
| | | | | | | Cocoa | 0.21 | | |

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The following chart shows the performance of the Index for the period from January 1, 1990 to and including April, 2006:

Goldman Sachs Commodity Index (GSCI®) Excess Return ⁽¹⁾



⁽¹⁾ Source: Bloomberg

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US Dollar/Japanese Yen Foreign Exchange Spot Rate

The Japanese Yen is the official currency of Japan, and it is an independent, free-floating currency. The US Dollar/Japanese Yen Foreign Exchange Spot Rate market quotation refers to the number of Japanese Yen exchangeable into one US Dollar as of 4:00 p.m. (New York time) based on the Bloomberg page “USDJPY Currency HP <go>” or, if such page is not then available, on such other electronic or other source determined by the Calculation Agent in its sole discretion.

The following chart shows the performance of the U.S. Dollar/Japanese Yen Foreign Exchange Spot Rate for the period from January 1, 1990 to and including May, 2006:



Source: Bloomberg