



Investor Solutions

STRUCTURED NOTES OVERVIEW



Structured Notes are flexible and customizable investments that provide investors with exposure to a wide variety of payout strategies and asset classes.

Structured Notes are popular in part due to the ability to tailor payouts to achieve specific risk/return objectives (income, return enhancement, capital preservation, or hedging). These products can be linked to a variety of underlying assets (equities, indices, bonds, commodities, currencies, or interest rates) and can provide varying degrees of principal protection. Payouts are determined using a pre-defined payout formula and are never subject to style drift, management turnover, or decision making based on emotions.

Structured Notes are senior unsecured and unsubordinated debt obligations of Scotiabank and rank equally with all other present and future senior unsecured indebtedness of the Bank. This report is designed to introduce our clients to how Structured Notes can be used as part of a diversified portfolio and explore some of their unique features.

It is important to us that our clients understand the nature and risks of the financial instruments that we may offer. Accordingly, this overview provides certain information regarding Structured Notes and summarizes certain risks in dealing with them.

Before you review the information contained inside, we would like to highlight the following points:

1. You should not invest with Structured Notes unless you understand the nature of these instruments, the underlying asset of such instrument and the extent of your risk exposure.
2. Before purchasing Structured Notes, you should be satisfied that the instrument is suitable for you in light of your investment experience, financial position, investment objectives and other relevant circumstances.
3. Structured Notes involve a different level of risks. Therefore, in deciding whether to purchase Structured Notes you should be aware of the information contained herein and any disclosure document provided to you.

Please note that the information contained in this document is not intended to be exhaustive and therefore does not disclose everything about the nature and risks of Structured Notes. Please refer to the offering documents for more details.



Structured Note investment categories

Scotiabank offers three broad categories of Structured Notes, each offering structural characteristics designed to help investors realize specific financial objectives.

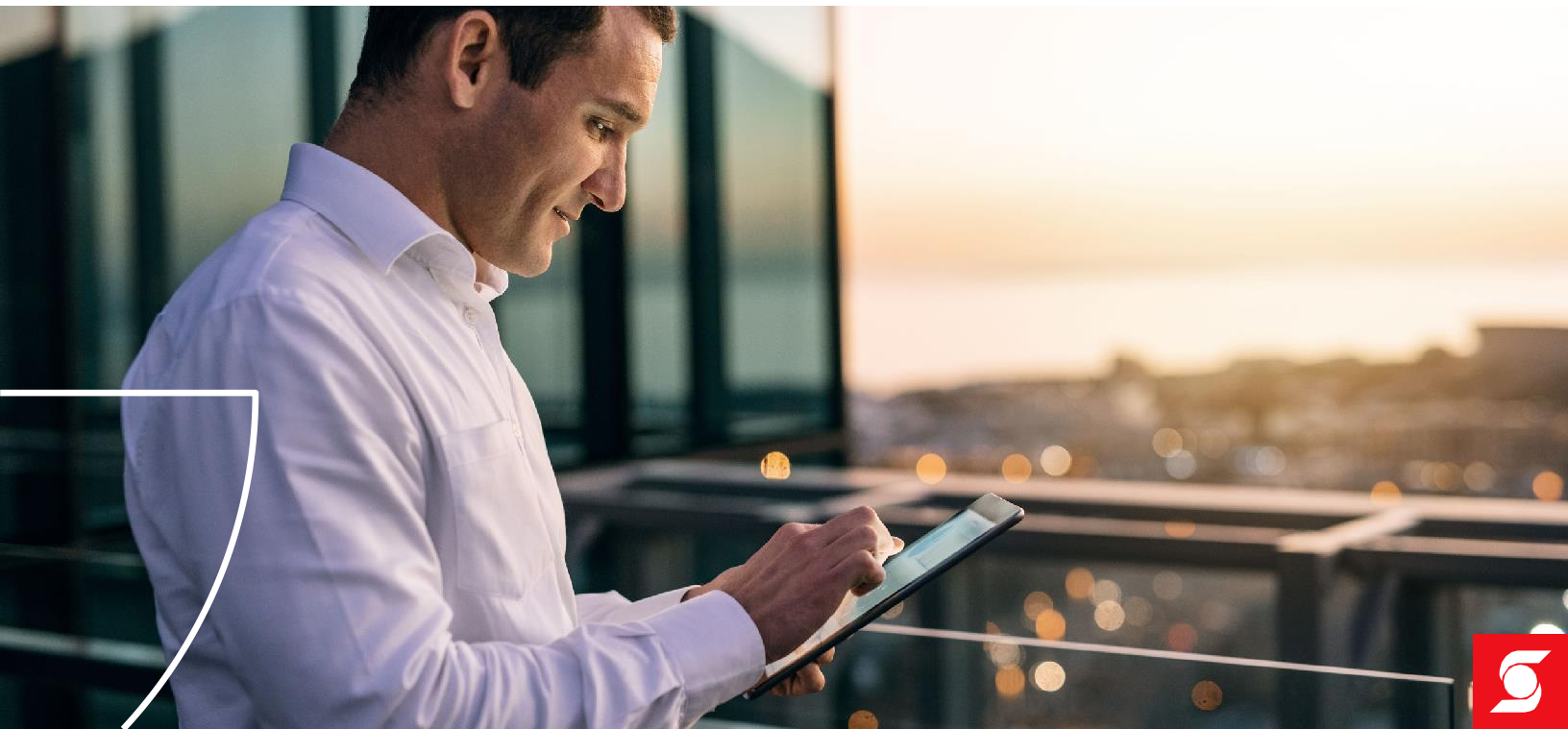
PRINCIPAL PROTECTED NOTES (PPNS) AND MARKET LINKED GICS (MLGICS)

Principal Protected Notes are deposit notes with returns linked to a variety of underlying assets. As with all other deposits issued by Scotiabank, an investor's principal amount is 100% guaranteed by the Bank at the maturity date of their investment. Principal Protected Notes typically offer the potential for variable returns in excess of traditional bonds based on the performance of the underlying assets. Potential assets include equities, equity indices, interest rates, commodities, currencies or mutual funds. These variable returns may be combined with fixed coupon payments and may be paid during the life of the investment or as a lump-sum payment at maturity.

MLGICs are similar to PPNs, but with CDIC insurance. The appeal of a market-linked GIC is that it comes with deposit insurance up to eligible limits, with the potential to obtain upside returns from the equity market. BNS MLGICs are distributed to retail investors through Canadian Bank branches or through investment advisors at registered Canadian Dealers.

PRINCIPAL AT RISK NOTES (PARS)

Principal at Risk Notes provide investors with returns linked to a variety of underlying assets. PARs do not guarantee repayment of an investor's principal amount at maturity. These products are designed for investors seeking the opportunity for an enhanced return over other traditional equity or fixed rate investments and who are prepared to assume the risks associated with an investment linked to equity markets. The potential return on PAR Notes is augmented by putting some, or all, of an investor's principal at risk, based on the performance of the underlying assets during the life of the note. The most-common type of PAR notes offered in Canada are designed to generate an enhanced income stream, even in flat or negative equity markets, and are frequently automatically callable based on underlying asset performance.



Note protection types

PRINCIPAL PROTECTED NOTES AND MARKET LINKED GICS

100% PRINCIPAL PROTECTION

Regardless of the performance of the underlying asset, full principal amount is protected and repaid at maturity.

PRINCIPAL AT RISK NOTES

PARTIAL PRINCIPAL PROTECTION

An investor is protected from an initial decrease in the underlying asset, up until a specified threshold. The difference between the initial asset level and the loss threshold acts as a protective “buffer” which ensures a maximum potential loss. For example, if the buffer threshold was -20%, an investor would be protected against the first 20% of losses – if the index performance at maturity was -30%, investors would realize a loss of -10%.

CONTINGENT PRINCIPAL PROTECTION

An investor is protected from an initial decrease in the underlying asset up to a specified threshold. If the performance breaches this “barrier” threshold at maturity. For example, if the barrier threshold was -20%, an investor would be protected against a loss of up to 20% – if the index performance at maturity was -30%, investors would realize a loss of -30%.

NO PROTECTION

An investor is fully exposed to any negative asset performance at maturity, similar to direct ownership of the underlying asset. The principal repaid is reduced by the decline in the reference asset.



What are the key benefits of using Structured Notes?

The key benefits of using Structured Notes are:



PRINCIPAL PROTECTION

Principal amount can be partially or fully protected at the investor's preferred level.



DIVERSIFICATION

Provides a broad spectrum of investment strategies, allowing investors to diversify through a number of underlying assets. Adjustable risk/return profiles can provide a range of performance outcomes complimentary to traditional long/short investing.



HEDGING

Can protect an investor's portfolio by hedging the risks of existing investments.



MARKET ACCESS

Opens the door to investments in a wide variety of underlying assets that may otherwise be unavailable to investors, ranging from indices to stock baskets, providing to investors optimum diversification opportunities.



TAILORED TO ANY RISK PROFILE

Can satisfy any risk profile. Bullish investors may select from a wide range of leverage products such as enhanced participation notes. Investors who are looking to preserve capital are best served with principal protected notes.



REPRODUCTION OF MARKET VIEW

Allows for the reproduction of all market views. Returns from direct investments in shares or funds are dependent of the upward movements of the prices, while Structured Notes can still generate returns when price development is neutral or even declining, depending of the payoff of the structure.



DAILY LIQUIDITY

Scotia Capital Inc. seeks to provide a daily secondary market allowing investors to sell notes prior to a note's maturity.



STABILITY

Direct unsecured and unsubordinated debt obligations of the Bank of Nova Scotia and rank pari-passu to the Bank's other senior unsecured deposit liabilities (A+ S&P / A2 Moody's).



ACCOUNT ELIGIBILITY

Eligible for investment in registered plans (including RRSPs and RESPs), Tax-Free Savings Accounts (TFSA) and Deferred Profit-Sharing Plans (DPSP).

A benefit listed above may not apply to each Scotiabank structured note. Please refer to a note's offering documents for more details.



What are the key risk factors of using Structured Notes?

CREDIT RISK

Structured Notes are debt obligations for which the issuer is liable. This makes the security of a Structured Note dependent on the issuer's creditworthiness and you should therefore evaluate the credit risk of doing business with the issuer. An increase in an issuer's credit spread will result in a decrease in the price of a Structured Note, all else being equal.

INTEREST RATE RISK

The zero-coupon bond component is sensitive to changes in benchmark interest rates. Increases in benchmark interest rates will decrease the market value of the zero-coupon bond.

MARKET RISK

The performance of a Structured Note depends on a number of unpredictable factors based on the performance of the underlying asset in the financial markets. Changes to the prices of the underlying asset can impact the value of different Structured Notes. Investors may not receive an income payment, could lose up to their full principal amount at maturity due to the poor performance of an underlying asset. If the volatility, or anticipated volatility, of an asset changes during the term of the Structured Notes, the trading value may be adversely affected.

UPSIDE POTENTIAL MAY BE LIMITED

While one of the benefits of Structured Notes includes the ability to protect principal or achieve positive returns in flat, or negative equity markets, these may come at the expense of pre-defined or capped returns beyond a threshold.

RE-INVESTMENT RISK

Structured Notes may be automatically called due to the performance of the underlying asset, potentially subjecting investors to re-invest at lower yields.

EXPIRY CONSIDERATIONS

Structured Notes have an expiry date, either due to a call event or maturity. Investors should be aware of the time horizon and select a product with an appropriate lifespan. Scotia Capital Inc. provides a daily secondary market allowing an investor to sell notes prior to maturity. However, a sale of a note may be subject to an early trading fee, and/or loss on the principal amount.

TAX CONSIDERATIONS

Investing in Structured Notes may have tax implications for investors.

CDIC CONSIDERATIONS

Except for the Market Linked GICs, Structured Notes are not insured by the Canadian Depository Insurance Corporation (CDIC).

Investors should consult their investment advisors and consider fully all of the information set out in the prospectus before making any potential investment in Structured Notes. Investors should evaluate the risks described under "Risk Factors" in the offering documents.





How do Structured Notes work?

A typical Principal Protected Note is created by combining two components:



FIXED INCOME COMPONENT

Typically a Zero-Coupon Bond (ZCB), which is issued at a discount and accretes to its par value, guaranteeing an investor's principal at maturity.



VARIABLE RETURN COMPONENT

Provides the exposure to the underlying asset and could take the form of periodic coupon payments or a one-time payoff at maturity.

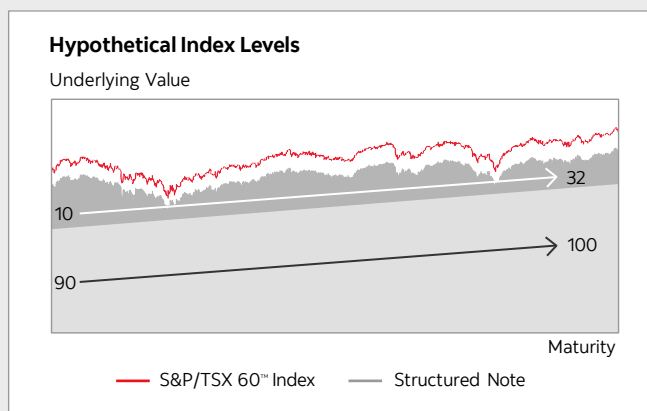


Hypothetical product example

1. An investor wants to invest \$100 CAD over 5 years, with full capital protection and exposure to the TSX60 index upside.
2. In lieu of receiving periodic fixed coupon payments, the investor assumes the risk of no variable return in exchange for the potential to earn a lump-sum variable return at maturity in excess of traditional bonds. The variable return is based on the performance of the reference index and a pre-defined participation rate at inception (i.e., 80%).
3. At maturity, the investor will receive their principal amount plus a potential variable return determined by the actual index return and the participation rate. No variable return is paid unless the index return is greater than 0%, meaning an investor is fully protected from any negative index performance.

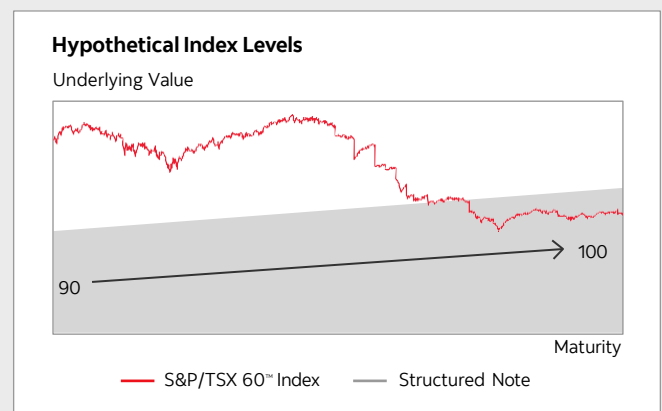
SCENARIO 1:

The S&P/TSX 60™ Index appreciates by 40% over the five years, the investor will achieve a variable return of 32% (80% * 40%) on top of his initial investment. At maturity, the investor receives \$100.00 per Structured Note plus a Variable Return of \$32.00 per Note, equivalent to an annualized return of 5.7% per annum.



SCENARIO 2:

The S&P/TSX 60™ Index decreases by 30% over the five years. Since the Index has decreased from its initial level, no variable return is payable on the Structured Notes. The investor's principal amount is protected and will be repaid 100% at maturity. At maturity, the investor would receive \$100.00 per Note.



These examples are for illustrative purposes only and should not be construed as an estimate or forecast of the performance of the Index or the Variable Return that you might realize on the Structured Notes.



FAQ: Scotiabank Principal Protected Notes (PPNs) and Principal at Risk Notes (PARs)

Do I need to hold a structured note until maturity?

While Scotiabank's Structured Notes are designed to be held to maturity, investors may want to lock in returns or liquidate their investment prior to such time. Scotia Capital Inc. has dedicated secondary market traders for Structured Notes who will use reasonable efforts under normal market conditions to provide a daily secondary market for the sale of the Notes. Scotia Capital Inc. bid prices can be found for each issued and active note on the note's page at www.scotianotes.com.

For more information on the secondary market, refer to a note's offering documentation.

What are the fees associated with Structured Notes?

Details of fees can be found in each note's offering documentation. To further increase the transparency of Structured Notes, issuers disclose an "estimated value" on the cover page of all notes issued via prospectus in Canada. The difference between the issue price of a structured note and its estimated value reflects the selling concession fee payable to the investment dealers (for commission paying notes) and Scotiabank's expected profit (may or may not be realized) based on an estimate of costs the Bank may incur in creating, issuing, maintaining, and potentially hedging its obligations under the notes. As a result, investors are to be aware that the estimation of a note's fair value differs from its purchase price, allowing them to make informed decisions about the advantages and disadvantages of investing in Structured Notes.

Unlike other investment products, Structured Notes do not pay trailing commissions or charge ongoing management fees. All returns payable on Structured Notes are based off the gross, rather than net, purchase price paid by investors. In order to compare the estimated costs on Structured Notes to other investments, an investor can review the annualized discount between a note's purchase

price and its estimated value to any upfront fees and ongoing (MER) paid on other investment products over the same time horizon.

What information can investors review in advance of investing in a structured note?

Potential investors of Scotiabank PPNs and PAR Notes can review details of the offering in the base shelf prospectus, product supplement, pricing supplement and/or information statement posted on the note's page at www.scotianotes.com.

What are the differences between PPNs and PAR Notes?

All notes have unique terms and benefits which should be reviewed prior with an investment professional prior to making an investment. Both PPNs and PAR notes can be linked to a variety of underlying assets (equities, indices, bonds, commodities, currencies, or interest rates) and can provide exposure to a variety of investment strategies.

BNS Principal Protected Notes are deposit notes issued by The Bank of Nova Scotia with returns linked to a variety of underlying assets. With PPNs, an investor's principal amount is 100% guaranteed by the Bank at the maturity date of their investment. PPNs are regulated federally under The Bank of Canada Act and PPN Regulations.

PAR Notes are securities that do not guarantee repayment of an investor's principal amount at maturity. Instead, investors can gain the potential for variable returns in excess of traditional bonds based on the performance of the underlying assets. The variable returns of PAR Notes are generally enhanced by putting some, or all, of an investor's principal at risk, based on the performance of the underlying assets during the life of the note. PAR Notes are regulated under Provincial Securities Regulators.



How can I understand the different strategies that Structured Notes employ?

For details on our most common products, please visit www.scotianotes.com. Additionally, a potential investor can review details of the offering's investor summary for a description of a note's strategy.

What impacts the secondary market price of a structured note?

The secondary market price for a structured note is impacted by a number of interrelated factors including, but not limited to:

- the Bank's creditworthiness and prevailing market interest rates
- the trading price and volatility of the underlying interests
- the time remaining to maturity of the notes, or any early redemption (or call) features
- the specific investment objective or payout strategy employed by the notes, including the intrinsic and time value of any upside and downside features

Investors should consult "Secondary Market for Notes" in the offering documentation for more information on the secondary market for BNS Notes.

What are the basic similarities and differences between GICs and Structured Notes?

While GICs offer principal protection, similar to PPNs, GICs do not offer a similar range of investment strategies or reward profiles as Scotiabank PPNs and PAR Notes, nor is an investor given the option to sell GICs in a daily secondary market.

What are the basic similarities and differences between mutual funds and Structured Notes?

While mutual funds can offer a liquid secondary market, a range of investment strategies and similar reward profiles to Scotiabank PPNs and PAR Notes, mutual funds do not offer principal protection.

Are Structured Notes eligible for investment in registered plans?

Yes, Scotiabank Structured Notes are generally "qualified investments" (for purposes of the Income Tax Act (Canada)) for trusts governed by registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs), registered disability savings plans (RDSPs), registered education savings plans (RESPs) and tax-free savings accounts (TFSA), and are also eligible for investment in deferred profit sharing plans (DPSPs).



What currency risks are associated with Structured Notes?

Scotiabank PPNs and PAR Notes are denominated in Canadian or U.S. dollars and the currency can be customized to suit the investor. Where notes are U.S. dollar denominated investments, investors must be prepared to assume risks (including losses) associated with investments exposed to fluctuations in currency exchange rates.

How can Structured Notes help diversify a portfolio?

Scotiabank offers a range of Structured Notes to help investors diversify their portfolio. Structured Notes can provide exposure to a vast range of underlying assets including broad-based international equity indices, domestic equity sectors and interest rates. Additionally, given their flexible structure, notes can be customized to vary the risk/reward profile to suit an investor's objectives. Structured Notes offer a wide range of asymmetric return profiles that can compliment traditional long/short investing. This includes generating positive returns in flat or negative equity markets (e.g., Booster Notes, Autocallable Notes), provide outperformance in bull-markets (e.g., Enhanced Participation Notes), or provide varying degrees of principal protection depending on risk tolerance (e.g., Buffer Notes, Downside Control Notes).

Are structure notes for institutional investors only?

No, given the range of Structured Notes Scotiabank offers, these investment products may be suitable for retail, corporate, and institutional investors. To determine if BNS Principal Protected Notes are suitable for your investment needs and objectives, please consult with an investment professional.

What types of assets will Structured Notes give me exposure to?

Scotiabank's Structured Notes give exposure to a wide variety of assets, which include:

- Equity indices such as the S&P/TSX 60[®],* S&P 500[®], EURO STOXX 50[®] Index.
- Equity baskets
- Equity industry sub-indices such as the S&P/TSX Banks Composite Index and S&P/TSX Capped Utilities Index
- Interest Rates such as SOFR, CORRA, and Constant Maturity Swaps (CMS)
- Commodities, including energy, agriculture and metals
- Credit Linked Notes



The information above pertains only to Principal Protected Notes and Principal at Risk Notes issued by the Bank of Nova Scotia. Neither the Bank of Nova Scotia nor any of its affiliates makes any comment on the basis on which such notes are provided by other sources.

This information is for the general information and should not be construed as an offer to sell or the solicitation of Structured Notes in any jurisdiction. We are not soliciting any specific action based on this information. This information does not constitute a recommendation to purchase Structured Notes. Past performance is not a guide to future performance. We do not provide tax, accounting or legal advice, and you should consult with your tax, accounting or legal advisers regarding any potential investment. This information is produced as of a particular date and we are under no obligation to notify you of any changes. To determine if BNS Principal at Risk Notes and/or Principal Protected Notes are suitable for your investment needs and objectives, please consult with an investment professional.

This e-mail, including any attachments, is for the information of the addressee only, is considered confidential and should not be reproduced or distributed to any other person without the express consent of Scotia Capital Inc. ("SCI"). If you received this e-mail in error, please notify the sender by reply e-mail then delete it from your system. This transmission has been scanned for viruses, but it is the recipients' responsibility to conduct their own security measures. SCI makes no representation or warranty as to the completeness or accuracy of the information contained herein and accepts no responsibility or liability for loss or damage arising from the receipt or use of this e-mail or its contents.

® Registered trademark of The Bank of Nova Scotia. Scotiabank is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including Scotia Capital Inc. (Member-Canadian Investor Protection Fund and regulated by the Investment Industry Regulatory Organization of Canada). Services described are available only in jurisdictions where permitted by law. Full disclaimers, and terms and conditions may apply to individual products and banking services.