

Prospectus Supplement to Amended and Restated Short Form Base Shelf Prospectus dated August 19, 2013, amending and restating Short Form Base Shelf Prospectus dated March 26, 2013

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This prospectus supplement together with the amended and restated short form base shelf prospectus dated August 19, 2013 to which it relates, as amended or supplemented, and each document incorporated by reference into such prospectus, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

The securities to be issued hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and, subject to certain exceptions, may not be offered, sold or delivered, directly or indirectly, in the United States or to or for the account or benefit of U.S. Persons (as defined in Regulation S under the U.S. Securities Act). See "Plan of Distribution" in the amended and restated short form base shelf prospectus.

New Issue

August 22, 2013



**The Bank of Nova Scotia
Senior Notes (Principal at Risk Notes)**

Index Linked Notes

The Bank of Nova Scotia (the "Bank") may, from time to time, offer and issue unsecured and unsubordinated debt securities (principal at risk notes) (the "Notes") in one or more tranches or series as described in its amended and restated short form base shelf prospectus dated August 19, 2013 (the "Prospectus"), amending and restating its short form base shelf prospectus dated March 26, 2013 establishing the Bank's senior (principal at risk) note program. For the purpose of this prospectus supplement ("product supplement") the Notes will be linked to the performance of one or more indices as specified in the relevant pricing supplement (a "pricing supplement") to be delivered together with the Prospectus and this product supplement.

The Notes will not constitute deposits under the *Canada Deposit Insurance Corporation Act*.

The return on the Notes offered hereunder will be based on the performance of one or more indices during the term of such Notes. The Notes are designed for investors seeking exposure to the specified index or indices, and who are prepared to assume the risks associated with an investment linked to the specified index or indices.

An investment in Notes involves risks. The Notes are only appropriate investments for persons who understand the risks associated with structured products and derivatives. A purchaser of Notes will be exposed to fluctuations and changes in the levels of the applicable index or indices to which the Notes are linked. Index levels may be volatile and an investment linked to index levels may be considered to be speculative. Notes offered hereunder do not guarantee the repayment of the entire amount of the principal of such Notes or the payment of any return, may be subject to a cap or other limitation on return and may be fully exposed to any decline in the value of the securities or other interests that comprise the specified index or indices. A purchaser of Notes could lose all or substantially all of his or her investment. See "Risk Factors" in this product supplement and the applicable pricing supplement.

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Prospectus for Notes

Notes that may be issued under the Bank's senior (principal at risk) note program are unsecured and unsubordinated debt securities. The index linked Notes will be described in three separate documents: (1) the Prospectus, (2) this product supplement, and (3) a pricing supplement that contains the specific terms (including pricing information) about the Notes offered. In respect of any particular index linked Notes the Bank may offer under its senior (principal at risk) note program, the Prospectus together with this product supplement and the applicable pricing supplement will, collectively, constitute the "prospectus" in respect of such Notes. Each of these documents should be read and considered carefully before a purchaser makes an investment decision in respect of the Notes. See "About this Prospectus for Notes" in the Prospectus. A copy of the prospectus for the Notes will be posted at <http://www.investorsolutions.gbm.scotiabank.com>.

Documents Incorporated by Reference

This product supplement is deemed to be incorporated by reference into the Prospectus solely for the purpose of the Notes issued hereunder. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full particulars.

Any statement contained or contemplated in a document incorporated or deemed to be incorporated by reference in the Prospectus or in this product supplement will be deemed to be modified or superseded for purposes of this product supplement 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 in the Prospectus or in this product supplement modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement 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 an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this product supplement.

Caution Regarding Forward-Looking Statements

See "Forward-Looking Statements" in the Prospectus and the applicable pricing supplement for any Notes offered.

Description of Index Linked Notes

The following terms and conditions, subject to completion and amendment and as supplemented or varied as specified in the applicable pricing supplement, will be applicable to index linked Notes. The applicable pricing supplement in relation to any particular Notes offering may specify other terms and conditions which will, to the extent so specified or to the extent inconsistent with the following conditions, replace or modify the following conditions for the purposes of such Notes.

Indices

Notes issued hereunder will be linked to a particular index or a basket of indices which will be specified in the relevant pricing supplement. If the return on Notes is linked to a basket of indices, the relevant pricing supplement will indicate the relative weighting of each index in the basket and any other compositional or weighting factors relevant to such basket.

In this product supplement, references to an “Index” or “Indices” mean the index or indices to which particular Notes are linked. References herein to “underlying interests” are to the securities or other interests that comprise an Index and references to an “Index Sponsor” or “Index Sponsors” are to the sponsor or sponsors of the Indices to which the Notes are linked as specified in the applicable pricing supplement.

Unless otherwise specified in a pricing supplement in respect of particular Notes, the Bank is not, and is not related to, any Index Sponsor. To the extent the Bank is not, and is not related to, an Index Sponsor:

- (a) the Notes are not issued, endorsed, sponsored or promoted by and are not financial or legal obligations of such Index Sponsor;
- (b) the trade names, service marks, trademarks or registered trademarks of such Index Sponsor are the property of their owner;
- (c) neither the Bank nor any Investment Dealer makes any representation or warranty as to the accuracy or completeness of information regarding the Index or the Index Sponsor;
- (d) neither the Bank nor any Investment Dealer has participated in the preparation of publicly available information or made any due diligence inquiry with respect to the Index or the Index Sponsor; and
- (e) neither the Bank nor any Investment Dealer can give any assurance that all events occurring prior to the date of the relevant pricing supplement that would affect the levels of the Index or the value of the underlying interests (and therefore the level of the Index at the time the Notes are priced) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material events concerning the Index, an Index Sponsor or the underlying interests could affect the amount payable on the Notes and therefore the market value of the Notes in the secondary market, if any.

Information regarding Indices and Index Sponsors may be obtained from various public sources including, the Index Sponsors’ websites and other sources publicly disseminated by Index Sponsors. Where the Bank is not, and is not related to, an Index Sponsor, any and all information regarding such Index Sponsor and the Indices it sponsors included in any pricing supplement will be derived from such publicly available information. The Bank and the Investment Dealers are not responsible for an unrelated Index Sponsor’s public disclosure of information on itself or the relevant Index, whether contained in filings made with securities regulators or otherwise.

The inclusion or exclusion of securities in an Index is not a recommendation by the Bank or any Investment Dealer to invest in or divest such securities. The Bank and any Investment Dealer appointed in respect of any offering of Notes makes no representation as to the performance of any Index or its constituent securities. A prospective investor should undertake such independent investigation of an Index or its constituent securities as the investor considers necessary in order to make an informed decision as to the merits of an investment in the Notes.

Maturity Date

The maturity date for the Notes will be specified in the relevant pricing supplement. The Bank will redeem the Notes on their maturity date, subject to (i) early redemption or call rights, which will be specified in the applicable pricing supplement, (ii) redemption due to the occurrence of a Market Disruption Event (as defined below), or (iii) redemption under Special Circumstances (as defined below). See “Special Circumstances – Market Disruption Event” and “Special Circumstances – Redemption by the Bank under Special Circumstances”.

Amounts Payable

The return on the Notes, if any, will be based on the performance of the Indices to which such Notes are linked determined as specified in the applicable pricing supplement. The performance of each Index will be measured from the level of the Index at one point in time to the level of the Index at a subsequent point in time, in each case determined as specified in the applicable pricing supplement. Measurement of Index levels may occur at one or more intervals over the term of the Notes. The percentage change in an Index level over the measurement period, and in turn, the return on the Notes, may be positive or negative.

The specific formula for determining the return on Notes will be set out in the pricing supplement for such Notes. The return on Notes will depend on the percentage change in Index levels over the term of the Notes and may be:

- enhanced by a participation rate which may amplify, maintain or reduce the return on the Notes;
- subject to an upper limit or cap;
- subject to a lower limit or floor; or
- subject to such other variables or methods of calculation as described in the applicable pricing supplement.

Changes in Index levels during the term of the Notes may not be reflected in the calculation of the return on the Notes. The Calculation Agent (as defined in the Prospectus) will calculate the return by comparing only the Index level at one point in time relative to the Index level at another point in time, all as specified in the applicable pricing supplement. No other Index levels or values will be taken into account. As a result, the return on Notes may be negative and a purchaser of Notes may lose some or substantially all of the principal, even if the change in an Index level is positive at certain times during the term of the Notes, as the change in Index level may be negative on the day it is determined for purposes of calculating return. In addition, if the return on the Notes is based on the performance of more than one Index, the level of one or more Indices could increase over the term of the Notes, but be offset or negated by decreases in the levels of the other Indices.

Any payment due and payable under the Notes on a date that is not a Business Day (as defined below) will be postponed until the immediately following Business Day.

Principal at Risk Notes

If Notes are principal at risk notes, meaning that the repayment of any of the principal of such Notes is not guaranteed, the amount payable on such Notes at maturity will be the principal amount of the Notes plus the return on the Notes, the aggregate of which is called the "Maturity Redemption Amount". The return on principal at risk Notes may be negative and, accordingly, the Maturity Redemption Amount may be less than the principal amount of the Notes. The return on principal at risk notes will be determined in the manner described in the applicable pricing supplement and may be paid at maturity or at various times over the term of the Notes, all as specified in the applicable pricing supplement. See "Description of the Notes - Principal at Risk" in the Prospectus.

Partially Principal Protected Notes

If Notes are partially principal protected notes, meaning that the minimum amount payable on such Notes will be equal to the amount of the principal that is protected, the amount payable on such Notes at maturity will be the greater of the Maturity Redemption Amount and the amount of the principal that is protected. The return on partially principal protected Notes may be negative and, accordingly, the

redemption amount payable may be less than the principal amount of the Notes. The return on partially principal protected Notes will be determined in the manner described in the applicable pricing supplement and may be paid at maturity or at various times over the term of the Notes, all as specified in the applicable pricing supplement. See “Description of the Notes – Principal at Risk” in the Prospectus.

Return of Capital Notes

If specified in the relevant pricing supplement, some or all of the principal of the Notes may be repaid to purchasers in instalments over the term of the Notes, such Notes are referred to as “return of capital” Notes or “RoC Notes”. Instalment payments of principal made over the term of RoC Notes reduce the outstanding principal payable at maturity. RoC Notes may be partially principal protected notes or principal at risk notes, as specified in the applicable pricing supplement.

Special Circumstances

The following terms, conditions and definitions, subject to completion and amendment and as supplemented or varied as specified in the applicable pricing supplement, will be applicable to index linked Notes. The applicable pricing supplement in relation to any particular Notes offering may specify other terms, conditions and definitions which will, to the extent so specified or to the extent inconsistent with the following conditions, replace or modify the following foregoing for the purposes of such Notes.

Determinations of the Calculation Agent

All calculations and determinations in respect of the Notes made by the Calculation Agent will, absent manifest error, be final and binding on the holders of Notes and will be made in the Calculation Agent’s sole and absolute discretion. In certain circumstances, the Bank will appoint one or more independent calculation experts. The Calculation Agent will not be responsible for its errors or omissions if made in good faith. See “Description of the Notes – Calculation Agent” and “Description of the Notes – Independent Calculation Experts” in the Prospectus.

Defined Terms

The following terms have the meanings set out below:

“Business Day” means a day, other than a Saturday or a Sunday, on which commercial banks are open for business in Toronto. If any date on which any action is otherwise required to be taken in respect of the Notes is not a Business Day, the date on which such action will be taken will, except as otherwise indicate, will be the immediately following Business Day and, if the action involves the payment of any amount, no interest or other compensation will be paid as a result of such delay.

“Closing Index Level” means the official closing level or value of the Index on a given day as announced by the Index Sponsor on an Exchange Business Day.

“Exchange” means any exchange or trading system on which the securities comprising the Index are traded.

“Exchange Business Day” means any day on which each Exchange and each Related Exchange are scheduled to be open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

“Final Index Level” means the Closing Index Level as calculated and announced by the Index Sponsor on the Final Valuation Date, provided that if the Final Valuation Date is not an Exchange Business Day, then the Final Index Level will be determined as of the first preceding day that is an Exchange Business Day.

“Final Valuation Date” will be a date specified in the applicable pricing supplement.

“Index Return” means an amount expressed as a percentage calculated by the Calculation Agent in accordance with the following formula:

$$\frac{\text{Final Index Level} - \text{Initial Index Level}}{\text{Initial Index Level}}$$

“Initial Index Level” means the Closing Index Level as calculated and announced by the Index Sponsor on the Initial Valuation Date, provided that if the Initial Valuation Date is not an Exchange Business Day, the Initial Index Level will be determined as of the first succeeding day that is an Exchange Business Day.

“Initial Valuation Date” will be a date specified in the applicable pricing supplement.

“Related Exchange” means any exchange or quotation system on which futures, options or other similar instruments related to the Index are listed or traded from time to time.

“Scheduled Closing Time” means, in respect of an Exchange or Related Exchange and an Exchange Business Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Exchange Business Day, without regard to after hours or any other trading outside of the regular trading session hours.

“Valuation Date” means either of the Initial Valuation Date or the Final Valuation Date, or such other date as specified in the applicable pricing supplement.

Index Adjustments

If, during the term of the Notes, the Index: (i) ceases to be calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (ii) is replaced by a successor index (the “Successor Index”) using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then in each case such Successor Index will be deemed to be the Index and such successor sponsor will be deemed to be the Index Sponsor.

If any one of the following occurs in respect of the Index during the term of the Notes (each a “Material Index Change”):

- (a) on any Valuation Date, the Index Sponsor fails to calculate or announce the Closing Index Level;
- (b) the Index Sponsor announces that it will make a material change to the formula for calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in the constituent securities and capitalization or other routine events) or permanently cancels the Index and no Successor Index exists;
- (c) the Bank determines, in its sole discretion, that it has ceased to have any necessary licence or right to utilize the Index in connection with the Notes; or
- (d) on any Exchange Day during the term of the Notes, the Index Sponsor fails to calculate or announce to the Closing Index Level,

then the Calculation Agent may (A) calculate the Index Return using, in lieu of a published value for the Closing Index Level, the Closing Index Level as determined by the Calculation Agent in accordance with the formula for and method of calculating the Index last in effect prior to the change, failure or

cancellation, but using only the constituent securities that comprised the Index immediately prior to that Material Index Change, or (B) determine if another comparable index exists that (1) is reasonably representative of the market which was represented by the Index affected by the Material Index Change, and (2) may be as efficiently and economically hedged by dealers in such market as such Index was so hedged. If the Calculation Agent determines that such other comparable index exists, then such other comparable index shall replace the Index as of the date of such determination. Upon any such replacement (a "Replacement Event"), the Successor Index shall be deemed to be the Index for purposes of determining the Index Return and the Bank shall, as soon as practicable after such Replacement Event, make adjustments to any one or more of the components or variables relevant to the calculation of any amounts payable under the Notes. Adjustments will be made in such a way as the Calculation Agent determines appropriate to account for the performance of the Index up to the occurrence of such Replacement Event and the subsequent performance of the Successor Index in replacement thereof thereafter. Upon any Replacement Event and the making any such adjustment, the Calculation Agent shall promptly give notice and brief details at <http://www.investorsolutions.gbm.scotiabank.com>. See "Special Circumstances - Redemption by the Bank Under Special Circumstances".

Market Disruption Event

If the Calculation Agent determines, in its sole discretion, that a Market Disruption Event (as defined below) has occurred or is continuing on any Valuation Date, then the Index Return, if any, will be calculated (and the applicable Closing Index Level will be determined) on the basis that such Valuation Date will be postponed to the next Exchange Business Day on which there is no Market Disruption Event.

However, if on the eighth Exchange Business Day following the date originally scheduled as a Valuation Date, such Valuation Date has not occurred, then despite the occurrence of any Market Disruption Event:

- (a) such eighth Exchange Business Day shall be the Valuation Date, and
- (b) the Closing Index Level for such Valuation Date used in the calculation of the Index Return will be equal to the estimate of the Calculation Agent for the Closing Index Level as at such Valuation Date reasonably taking into account all relevant market circumstances.

A Market Disruption Event may delay the determination of the Final Index Level and consequently the calculation of the Maturity Redemption Amount payable. Payment of the Maturity Redemption Amount is scheduled for the Maturity Date, but the Calculation Agent may delay such payment until the third Exchange Business Day following the determination of the Maturity Redemption Amount.

"Market Disruption Event" means the occurrence or existence of any *bona fide* event, circumstance or cause (whether or not reasonably foreseeable) beyond the reasonable control of the Bank or any person that does not deal at arm's length with the Bank which has or will have a material adverse effect on the ability of market participants generally to place, maintain or modify hedges of positions in respect of the Index. A Market Disruption Event may include, without limitation, any of the following events:

- (a) any failure of trading to commence, or the permanent discontinuance of trading, or any suspension of or limitation imposed on trading by any Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by any Exchange or Related Exchange or otherwise (i) relating to securities that comprise 20% or more of the Index, or (ii) in futures or options contracts relating to the Index on any relevant Related Exchange;
- (b) the failure of the Index Sponsor to announce or publish the Index (or the information necessary for determining the Closing Index Level), or the temporary or permanent discontinuance or unavailability of the Index Sponsor;

- (c) the closure (“Early Closure”) on any Exchange Business Day of any Exchange or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by the Exchange or Related Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on the Exchange or Related Exchange on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Scheduled Closing Time on such Exchange Business Day;
- (d) any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for securities that comprise 20% or more of the value of the Index, or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Index on any Related Exchange;
- (e) the failure on any Exchange Business Day of any Exchange or Related Exchange to open for trading during its regular trading session;
- (f) the adoption, change, enactment, publication, decree or other promulgation of any statute, regulation, rule or notice, howsoever described, or any order of any court or other governmental or regulatory authority, or any 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, howsoever described or any other event that makes or would make it unlawful, impracticable or disadvantageous for the Bank to perform its obligations under the Notes or for dealers to generally acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of the Index or to realize, recover or remit the proceeds of any such hedge transaction in respect of the Index or has or would have a material and adverse effect on the economy or the trading of securities generally on any relevant Exchange or Related Exchange;
- (g) the taking of any action by any governmental, administrative, legislative or judicial authority or power of any country, or any political subdivision thereof, which has a material adverse effect on the financial markets of Canada or the U.S. or the country in which any Exchange or Related Exchange is located;
- (h) any outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, natural calamities) that has or would have a material adverse effect on the ability of the Bank to perform its obligations under the Notes or of dealers generally to acquire, place, establish, re-establish, substitute, maintain, modify or unwind or dispose of any hedge transaction in respect of the Index or to realize, recover or remit the proceeds of any such hedge transaction in respect of the Index or has or would have a material and adverse effect on the economy or the trading of securities generally on any relevant Exchange or Related Exchange; or
- (i) an increase in the cost of acquiring, placing, establishing, re-establishing, substituting, maintaining, modifying or unwinding or disposing of any hedge transaction in connection with the Index or in the cost of realizing, recovering or remitting the proceeds of any such hedge transaction.

Redemption by the Bank under Special Circumstances

Upon the occurrence of a Special Circumstance, the Bank may elect at its absolute discretion to redeem all, but not less than all, of the Notes. If the Bank so elects, it will provide notice thereof to the Investor, on an Exchange Business Day on or after which such Special Circumstance has occurred which notice will

include a date for the redemption of the Notes (the “Special Redemption Date”) which will be not more than ten Exchange Business Days following delivery of such notice by the Bank. In such event, the Calculation Agent will determine the value of the Notes (the “Accelerated Value”) acting in good faith in accordance with industry-accepted methods taking into account all relevant market circumstances. The Bank will make available to Investors on the Special Redemption Date, the Accelerated Value payable pursuant to such redemption, through CDS Clearing and Depository Services Inc. or its nominee. Upon the determination of the Accelerated Value, the Investor’s right to receive any further payments on the Notes will be extinguished. It is possible that the Accelerated Value may be less than the amount that might have been payable at maturity of the Note absent the occurrence of the Special Circumstance and the election by the Bank to pay the Accelerated Value.

“Special Circumstance” means:

- (a) the determination by the Calculation Agent that a Market Disruption Event has occurred and has continued for at least eight (8) consecutive Exchange Business Days; or
- (b) the occurrence of a Material Index Change and, if applicable, the Calculation Agent has elected not to choose a Successor Index or calculate the Index, as the case may be, as provided for above under “Index Adjustments”.

Available Information Regarding Notes and Index Levels

Purchasers may obtain current information regarding Notes and the percentage change in Index levels for such Notes at a point in time at <http://www.investorsolutions.gbm.scotiabank.com>. Such information includes the key terms of the Notes (i.e. maturity date, term, amount of the Notes that is principal protected, underlying interests, and availability of secondary markets), the current performance of the Notes (i.e. initial price, current price and return since inception), the performance of the Indices and any applicable early trading charges. The percentage change in the Index levels posted at <http://www.investorsolutions.gbm.scotiabank.com> will be calculated as if the date on which the information is provided is the maturity date of the specified Notes and does not reflect the resale price of such Notes prior to their maturity date. See “Secondary Market for Notes” in the Prospectus.

Historical Index Level Information

The Bank may provide historical information relating to the levels of the Indices to which the Notes are linked in the pricing supplement for such Notes. A purchaser should not take any such historical Index levels as an indication of future performance. The Bank cannot provide any assurance that the level of any Index will not decrease. A purchaser of Notes may receive little or no return on the Notes and the amount payable on such Notes may be less than the principal amount thereof.

Hypothetical Returns on the Notes

The pricing supplement for Notes may include a table, chart or other explanation showing a hypothetical return for such Notes at maturity, based on a range of hypothetical Index levels and on various key assumptions shown in the pricing supplement. Any such information will be provided for purposes of illustration only; it should not be viewed as an indication or prediction of future investment results. Such information is intended merely to illustrate the impact of various hypothetical market levels of Indices on any valuation date as calculated in the manner described in the relevant pricing supplement and assuming all other variables remained constant.

As shown in the applicable pricing supplement for Notes, the hypothetical amounts payable on such Notes may bear little or no relationship to the actual market value of the Notes on that date or at any other time, including any time a purchaser of Notes may wish to sell such Notes. In addition, a purchaser should not view the hypothetical amounts as an indication of the possible financial return on an

investment in Notes, since the financial return will be affected by various factors including taxes that the hypothetical information does not take into account. Moreover, whatever the financial return on the Notes might be, it may bear little relation to, and may be much less than, the financial return that a purchaser might realize from an investment in the underlying interests comprising the Index directly.

Various risk factors that may affect the market value of the Notes, and the unpredictable nature of that market value, are described under “Risk Factors” in the Prospectus, this product supplement and the relevant pricing supplement.

Dealings in Underlying Interests

The Bank and its affiliates may from time to time, in the course of their respective normal business operations, have dealings in the underlying interests which make up an Index or with issuers of such underlying interests and certain of their affiliates, including through the extension of credit to, or by investing in, such entities. The Bank and its affiliates will act in the normal course of business in these circumstances and will not take into account the effect, if any, of such actions on Index levels or any amounts that may be payable on the Notes or the interests of purchasers of Notes generally.

Canadian Taxation Considerations

The principal Canadian federal income tax consequences generally applicable to an initial purchaser of Notes will be described in the pricing supplement for such Notes. See “Risk Factors – Risk Factors Relating to the Offering of Notes Generally – Taxation – Canada Revenue Agency Review”.

Risk Factors

An investment in Notes is subject to the risks described below, as well as the risks described under “Risk Factors” in the Prospectus. Notes are not secured debt and involve greater risks than ordinary unsecured debt securities. Investing in the Notes is not equivalent to investing directly in the underlying interests comprising the Indices to which the Notes are linked. **The Notes are not appropriate investments for persons who do not understand the risks associated with structured products or derivatives. Prospective purchasers should carefully consider whether the Notes are suited to their respective particular circumstances.**

This section describes certain risks relating to an investment in Notes. Prospective purchasers should read the following information about these risks, together with the other information in the Prospectus, this product supplement and the applicable pricing supplement, before investing in the Notes.

Risk Factors Relating to the Offering of Notes Generally

An investment in Notes may result in a loss

The Notes do not guarantee the return of the entire amount of the principal of the Notes and, unless otherwise specified in the applicable pricing supplement for the Notes, the Bank will not repay a fixed amount of principal on the Notes on their maturity date. The return on the Notes may be positive or negative and will depend on the direction of and percentage change in the levels of the Indices over the applicable measurement period. As specified in the applicable pricing supplement, the amount payable on the Notes may be less than the principal amount per Note even if the Index level rises at certain periods during the term of the Notes. In addition, the level of one or more Indices could increase over the term of the Notes, but be offset or negated by decreases in the levels of the other Indices on which the return on the Notes is based. As a result, a purchaser of Notes may receive less, and possibly significantly less, than the principal amount of such Notes. Subject to any minimum principal protection as specified in the applicable pricing supplement, purchasers of Notes could lose their entire investment.

The Notes are not suitable for all investors

An investor should reach a decision to invest in Notes only after carefully considering, in conjunction with his or her own advisors (financial and tax), the suitability of the Notes in light of his or her investment objectives and the other information set out in the Prospectus, this product supplement and the applicable pricing supplement. None of the Bank, any Investment Dealer selling Notes or any of their respective affiliates or associates makes any recommendation as to whether or the Notes are a suitable investment for any person.

The return on Notes may be lower than the return on other debt securities of comparable maturity

The return on Notes, which could be negative, may be less than the return that could be earned on other investments, including traditional interest-bearing debt securities of the Bank with the same term to maturity as the Notes. Unlike traditional interest-bearing debt securities, subject to any minimum principal protection and as otherwise may be specified in the relevant pricing supplement, the Notes do not guarantee the return of a principal amount on their maturity date.

Principal protection on the Notes depends on the creditworthiness of the Bank and does not apply to sales in the secondary market

In respect of any partially principal protected Note, such principal protection applies only where the Notes are held to maturity and not if a purchaser chooses to sell the Notes in any secondary market prior to maturity. The ability to receive principal protection on the Notes depends on the creditworthiness of the Bank. The Notes, however, have not been and will not be specifically rated by any rating agency. See “Business of the Bank” and “Secondary Market for Notes” in the Prospectus.

Owning Notes is not the same as owning the underlying interests or a security directly linked to the performance of the Indices

The return on the Notes will not reflect the return an investor would realize on an investment directly in the underlying interests comprising the Indices or a security directly linked to the performance of the Indices held for a similar period because:

- the amount payable on the Notes may be subject to an upper limit or a cap;
- the return on the Notes may be subject to a participation rate which may reduce the return on the Notes; and
- Index levels may not reflect the value of any dividends paid on the underlying interests.

Even if Index levels appreciate from the Initial Index Level during the term of the Notes, the market value of the Notes may not increase by a corresponding amount. It is also possible for the market value of the Notes prior to maturity to decline while Index levels appreciate.

Special Circumstances will affect the return on the Notes

In the event of the occurrence of a Special Circumstance the Bank may accelerate the calculation and payment of the return (if any) on the Notes. Unless otherwise specified in the relevant pricing supplement, in such case a holder of Notes will receive the Accelerated Value on such Notes and following such payment, no further payments will be made on such Notes. As a result, holders of Notes may lose all or substantially all of their investment.

The Bank may be permitted to redeem Notes prior to their maturity

On the occurrence of a Special Circumstance or as otherwise specified in the applicable pricing supplement for Notes, the Bank may have the right to redeem the Notes prior to their maturity date. If the Bank redeems, or “calls” the Notes prior to their maturity, investments in the Notes will terminate and holders of such Notes will not be entitled to any appreciation in Index levels or any regular payment of interest or principal, if applicable, after such redemption. Unless the redemption feature of the Notes is expressed in the applicable pricing supplement to be mandatory or automatic upon the occurrence of specified events, there is no assurance that the Bank will exercise any right of early redemption that it may have.

Taxation – Canada Revenue Agency Review

The Canada Revenue Agency (the “CRA”) is currently reviewing its administrative policies and assessing practices with regards to obligations such as the Notes. This review may result in changes to or adoption of policies or practices that may affect, among other things, the CRA’s views concerning (1) whether there is a deemed accrual of any amount of interest, bonus or premium on such obligations, and (2) whether amounts received on the disposition of such obligations prior to maturity are on capital account or income account. There can be no assurance that the CRA’s administrative policies and assessing practices will not be subject to adverse development, change or qualification with respect to these or other issues. Any change in or development of new administrative policies and assessing practices respecting obligations such as the Notes could result in the tax considerations relevant to acquiring, holding and disposing of the Notes being materially different from those described under “Certain Canadian Taxation Considerations” in the pricing supplement. Holders should refer to “Certain Canadian Taxation Considerations” in the relevant pricing supplement and should read it carefully. Holders should consult with and rely on their own tax advisor about their particular tax situation.

Risk Factors Relating to Conflicts of Interest

The Bank’s other business activities may create conflicts of interest

The Bank and its affiliates expect to engage in trading activities related to underlying interests, which activities will not be for the account of holders of Notes and will not be undertaken on their behalf. These trading activities may present a conflict between a holder’s interest in Notes and the Bank’s or its affiliates’ interests in proprietary accounts and in facilitating transactions (including options and other derivatives transactions) for customers and in accounts under the Bank’s or its affiliates’ management. These trading activities could influence the level, value of underlying interests or Index levels in a manner adverse to the interests of holders of the Notes. The Bank and its affiliates may, at present or in the future, engage in business with the issuers of underlying interests, including making loans to or providing advisory services (including investment banking and merger and acquisition advisory services). These activities may present a conflict between the Bank’s, or its affiliates’, interests and the interests of holders of the Notes. Moreover, the Bank and its affiliates may have published, and in the future expect to publish, research reports with respect to the issuers of underlying interests. This research may be modified from time to time without notice and may express opinions or make recommendations that are inconsistent with purchasing or holding the Notes. Any of these activities by the Bank and its affiliates may affect the level, price or value of the underlying interests or the Indices and, therefore, the market value of the Notes. The Bank will carry on business including with respect to its dividend policy without regard to the effect that decisions may have on the Notes. See “Dealings in Underlying Interests”.

Trading and other transactions by the Bank or its affiliates in underlying interests or derivative products on underlying interests or indices may adversely affect the market value of the Notes

The Bank or one or more of its affiliates may hedge the Bank's obligations under the Notes by purchasing or selling underlying interests, or futures contracts, options or other derivatives relating to underlying interests or Indices, and the Bank may adjust these hedges by, among other things, purchasing or selling any of the foregoing at any time. Although they are not expected to, any of these hedging activities may decrease the market price of underlying interests and/or Index levels, and, therefore, decrease the market value of the Notes. It is possible that the Bank or its affiliates could receive substantial returns from these hedging activities while the market value of the Notes declines.

The Bank or its affiliates may also engage in trading in underlying interests and other investments relating to those interests or an Index on a regular basis as part of their respective general broker-dealer and other businesses, for proprietary accounts, for other accounts under management or to facilitate transactions for customers including block transactions. Any of these activities could decrease the market price of underlying interests and/or Index levels and, therefore, decrease the market value of the Notes. The Bank or its affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to changes in the performance of underlying interests or an Index. By introducing competing products into the marketplace in this manner, the Bank or its affiliates could adversely affect the market value of the Notes.

Potential conflicts of interest if the Bank is, or is related to, the Index Sponsor

The Bank or one or more of its affiliates may be an Index Sponsor. In certain circumstances, the Bank's role and responsibilities as an Index Sponsor may give rise to conflicts of interest. Even though Indices will be calculated in accordance with certain principles or rules, such calculations may require certain judgments and decisions to be made. If the Bank is, or is related to, an Index Sponsor, the Bank will be directly or indirectly responsible for these judgments and decisions. Determinations made by an Index Sponsor could affect the level of the applicable Index. Further, in certain circumstances where one of the Bank's affiliates is an Index Sponsor, there may be a conflict of interest between the Bank and such affiliate in its capacity as the Index Sponsor and the Bank's role in trading underlying interests and derivatives instruments. The Bank or its affiliates may hedge the market risks to the Bank associated with its obligation to pay amounts due on the Notes. The Bank or its affiliates expect to make a profit in connection with these arrangements.

Potential conflicts of interest between holders of Notes and the Calculation Agent

The Calculation Agent will, among other things, decide the amount payable on the Notes. The Bank may change the Calculation Agent after the issue date of any Notes without notice to the holders thereof. See "Description of the Notes - Calculation Agent" in the Prospectus. The Calculation Agent will exercise judgment when performing its functions. For example, the Calculation Agent may have to determine whether a Market Disruption Event has occurred. Since these determinations by the Calculation Agent will affect the payment on the Notes, the Calculation Agent may have a conflict of interest if it needs to make any such decisions.

Risk Factors Relating to Indices

Volatility of equity markets

Equity securities, including underlying interests, are susceptible to general market fluctuations and increases and decreases in value based on many unpredictable factors including, but not limited to, market confidence, the perception of equity markets generally and the perceptions of a specific issuer or issuers of securities. Such perceptions themselves are based on unpredictable factors including past performance, expectations with regard to domestic, economic, monetary and regulatory policies, inflation

and interest rates, economic expansion or contraction and domestic and international political, economic, financial and social policies.

Securities issued by foreign issuers may be subject to additional risks

Underlying interests that are foreign securities, and foreign securities markets, may be more volatile than Canadian securities and securities markets. Direct or indirect government intervention to stabilize foreign securities markets, as well as cross shareholding in foreign issuers may affect trading prices and volumes in those markets. There may be less publicly-available information about foreign issuers than there is about Canadian issuers subject to the reporting requirements of the Canadian securities regulators, and foreign issuers are subject to accounting, auditing and financial reporting standards and requirements that may be different from those applicable to Canadian reporting issuers. Where a foreign issuer reports, or its securities trade, in a currency other than the Canadian dollar, there may be currency risk, and performance of the Notes and/or the underlying interests may be affected by currency fluctuations and volatility.

Notes linked to one Index or a limited number of Indices may be subject to concentration risk

Notes that are linked to one Index or a limited number of Indices only are less diversified and may be subject to greater volatility.

Holders of Notes will not have any rights in respect of any underlying interests

A holder of Notes is not a holder of the underlying interests. A holder of Notes will not have any voting rights, any right to receive dividends or other distributions or any other rights with respect to the underlying interests.

There is generally no restriction on the Bank's, or its affiliates', ability to hedge, sell, pledge or otherwise convey all or any of the underlying interests acquired by the Bank or its affiliates. Neither the Bank nor its affiliates will hedge, pledge or otherwise hold any underlying interests for the benefit of holders of Notes under any circumstances. Consequently, in the event of bankruptcy, insolvency or liquidation of the Bank, any such underlying interests owned by the Bank or its affiliates will be subject to the claims of the Bank's creditors generally and will not be available for the benefit of holders of Notes specifically.

Changes that affect Indices will affect the market value of Notes and the amount payable on Notes

The policies of an Index Sponsor concerning the calculation of an Index, additions, deletions or substitutions of the underlying interests and the manner in which changes affecting those underlying interests or the issuers thereof, such as stock dividends, reorganizations or mergers, may be reflected in the relevant Index and could affect the amount payable on the Notes and the market value of the Notes prior to maturity. The amount payable on the Notes and their market value could also be affected if the Index Sponsor changes these policies, for example by changing the manner in which it calculates an Index, or if the Index Sponsor discontinues or suspends calculation or publication of an Index, in which case it may become difficult to determine the market value of the Notes. If events such as these occur, or if an Index level is not available because of a Market Disruption Event or for any other reason and no Successor Index is selected, the Calculation Agent may determine such Index level and the amount payable on the Notes in a manner it considers appropriate, in its sole discretion, subject to confirmation by an independent calculation expert if a determination contemplated to be made by the Calculation Agent following the occurrence of Special Circumstance involves the application of material discretion and is not based on information or calculation methodologies compiled, utilized or provided by, or derived from, independent third party sources (including hedge counterparties).

The Bank is not responsible for the public disclosure of Index Sponsors

Where the Bank is not, and is not related to, an Index Sponsor, such Index Sponsor will not be involved in the offering of any Notes, will have no obligation of any sort with respect to the Notes and will have no obligation to take the interests of holders of Notes into consideration for any reason, including in taking any corporate actions that might affect the value of the Notes.

Where the Bank is not, and is not related to, an Index Sponsor, the Bank does not assume any responsibility for the adequacy of the information about such Index Sponsor or the relevant Index contained in this product supplement, any pricing supplement or in any of the Index Sponsor's publicly available information. The Bank is not responsible for an unrelated Index Sponsor's public disclosure of information with respect to itself or the relevant Index, whether contained in filings made with securities regulators or otherwise. See "Description of Index Linked Notes - Indices" in this product supplement.

Delay in determining Index levels

The occurrence of a Market Disruption Event may delay the determination of an Index level and consequently delay the calculation and payment, of the return (if any) on the Notes. See "Special Circumstances - Market Disruption Event" in this product supplement.

Historical performance of underlying interests or an Index should not be taken as an indication of future performance

The performance of any underlying interests will affect Index levels and, therefore, the value of the Notes. The historical performance of underlying interests or an Index is not necessarily an indication of the future performance of such underlying interests or Index. As a result, it is impossible to predict whether the value of underlying interests or Index levels will rise or fall during the term of the Notes. The value of underlying interests and Index levels will be influenced by complex and interrelated political, economic, financial and other factors. See "Historical Index Level Information" in this product supplement.

Risk Factors Relating to the Secondary Market

There may not be an active trading market for the Notes

There may be little or no secondary market for the Notes. Unless otherwise specified in the relevant pricing supplement, the Notes will not be listed or quoted on any securities exchange or any electronic communications network. Scotia Capital and other affiliates of the Bank may make a market for the Notes, although they are not required to do so, and they may stop any such market-making activities at any time. See "Secondary Market for Notes" in the Prospectus.

The market value of the Notes may be influenced by unpredictable factors and sales in the secondary market may result in significant losses

Even if a secondary market for the Notes develops and is maintained, it may not provide significant liquidity or trade at prices advantageous to purchasers of Notes. Many factors independent of the Bank's creditworthiness may affect the trading market and market value of the Notes. These factors include, but are not limited to:

- the trading price of underlying interests and the degree to which the performance of each underlying interest correlates to one another;
- the volatility of the Indices to which the Notes are linked;

- the dividend rate, if any, on the underlying interests (while not paid to holders of the Notes, dividend payments on the underlying interests may influence the market level of Indices or options on Indices);
- economic, financial, regulatory, political, military, judicial and other events that affect stock markets generally and which may affect Index levels;
- the time remaining to the maturity of the Notes;
- any early redemption features of the Notes;
- the level, direction and volatility of interest rates and currency exchange rates;
- disruptions of market trading in underlying interests and related futures markets; and
- the quantity and liquidity of the underlying interests.

These factors interrelate in complex ways, and the effect of one factor on the market value of the Notes may offset or enhance the effect of another factor.

Notes that are designed for specific investment objectives or strategies may have a more limited trading market and may experience more price volatility. There may be a limited number of buyers for such Notes and this may affect the price received for such Notes in the secondary market or the ability to sell such Notes at all.

Transaction costs in any secondary market are expected to be high. The difference between bid and ask prices for the Notes in any secondary market could be substantial. Sales in the secondary market may be subject to fees or charges. If holders of Notes wish to sell their Notes before maturity, they may have to do so at a substantial discount from the issue price and, as a result, may suffer substantial losses. See “Secondary Market For Notes” in the Prospectus.