

**The Bank of Nova Scotia
Deutsche Bank X-Alpha™ Index Linked
Deposit Notes, Series 1**

X-Alpha™: International Long/Short Strategy using Indices

Deutsche Bank X-Alpha™ US Dollar Excess Return Index

X-Alpha™: an international long/short strategy using indices

Investor long eight regional DB style indices and short regional benchmark indices in Continental Europe, U.S., Japan and U.K.

Index reflects performance of an alpha investment model without regard to direction of benchmarks

Very low correlation of Index Return to global and Canadian equity and fixed income indices

7.5% Annualized Index Return since inception¹

8.05% Annualized Average Index Return over daily rolling 7 year periods¹

Attractive alternative to hedge funds – full transparency, daily liquidity, no performance fees

The Bank of Nova Scotia Deutsche Bank X-Alpha™ Index Linked Deposit Notes, Series 1 are a 7-year principal-protected investment linked to the performance of Deutsche Bank's proprietary X-Alpha US Dollar Excess Return Index (the "Index")

The Index uses a unique international long/short strategy whereby investors are long eight DB style indices and short the relevant regional benchmark indices

SIMPLE STRUCTURE

- 120% PARTICIPATION IN UPSIDE PERFORMANCE OF INDEX
- 7 YEAR TERM
- 100% PRINCIPAL GUARANTEED IF HELD UNTIL MATURITY

FEATURES

Proprietary International Long/Short Strategy Using Indices

120% Exposure to DB's international long/short strategy using indices through a single investment with no direct currency risk

Simple Structure

Variable Return is 120% of the upside performance of the Index with 100% principal protection by The Bank of Nova Scotia if held until maturity

Very Low Correlation of Index Return to Benchmarks

7.5% Annualized Index Return since inception with very low correlation to global and Canadian equity and fixed income indices¹

8.05% Annualized Average Index Return over daily rolling 7 year periods¹

Secondary Market

The Notes will not be listed on any stock exchange. Scotia Capital Inc, intends to effect certain actions and maintain a secondary market for the Notes through FundSERV but reserves the right not to do so at any time without notice to investors

Early Trading Charge

An early trading charge of up to 5.95% of the principal amount of a Note sold to Scotia Capital Inc. will apply for the 1080 days following issuance.

ISSUER

The Bank of Nova Scotia

AVAILABLE

January 15, 2007
to March 16, 2007

MATURITY

March 20, 2014 (7 year term)

MINIMUM INVESTMENT

\$5,000 (50 Notes)

RRSP ELIGIBLE

100% qualified for RRSPs, RRIFs, RESPs, and DPSPs

1. Annualized Index Returns and Annualized Average Index Returns are from 10/22/96 to 12/29/06. Historic returns are not indicative of future performance of the Index or the Notes.

For further information please contact your investment advisor



The Bank of Nova Scotia Deutsche Bank X-Alpha™ Index Linked Deposit Notes, Series 1

X-Alpha™: International Long/Short Strategy using Indices

IMPORTANT INFORMATION

The information above must be read in conjunction with the attached Information Statement. This document is a summary only of certain aspects of the Notes and you are urged to read the attached Information Statement in its entirety for complete information related to the Notes, including the risk factors. A hard copy of the Information Statement will be sent to all investors.

A prospective investor should decide to invest in the Notes only after carefully considering with his or her advisor as to whether the Notes are a suitable investment in light of the information set out in the Information Statement. None of the Bank including in its capacity as Calculation Agent, Scotia Capital Inc., including in its capacity as Selling Agent, nor BluMont Capital Corporation in its capacity as Sub-Agent makes any recommendation as to whether the Notes are a suitable investment for any person.

The Notes have certain investment characteristics that differ from conventional fixed income investments in that they do not provide holders with any return or income stream prior to the Maturity Date, or a return at the Maturity Date that is calculated by reference to a fixed or floating rate of interest that is determinable prior to the Maturity Date. The return on the Notes (if any), unlike the return on many deposit liabilities of Canadian chartered banks, is uncertain in that the Notes could produce no return on the holder's original investment. Therefore, the Notes are not suitable investments for a holder if the holder needs or expects to receive any return or a specific return on investment. The Notes are designed for holders with a long-term investment horizon who are prepared to hold the Notes to the Maturity Date and are prepared to assume risks with respect to a return tied to the performance of the Index. Prospective purchasers should take into account additional risk factors associated with this Offering. See "Risk Factors" in the attached Information Statement.

If a holder sells Notes prior to the Maturity Date, the holder may have to do so at a discount from the original Principal Amount even if the performance of the Index has been positive and, as a result, the holder may suffer losses. In addition, an "Early Trading Charge" of up to 5.95% of the principal amount of a Note will apply if the holder sells a Note in the first 1080 days following the issue date. The Notes are not redeemable by the holder. The Notes are generally not suitable for a holder who requires liquidity prior to the Maturity Date. A holder should consult his or her investment advisor concerning whether it would be more favourable to the holder in the circumstances at any time, to sell the Notes (assuming the availability of a secondary market) or to hold the Notes until the Maturity Date. A holder should also consult his or her tax advisor as to the income tax consequences arising from a sale prior the Maturity Date as compared to holding the Notes until the Maturity Date.

The Notes are issued by The Bank of Nova Scotia. The Notes are not deposits insured under the Canada Deposit Insurance Act or under any other deposit insurance regime. The price to be paid by each holder upon issuance of a Note has been determined by agreement between the Bank and Scotia Capital Inc. (the "Selling Agent"). The Selling Agent is a subsidiary of the Bank. As a result, the Bank is a related issuer of the Selling Agent under applicable Canadian securities legislation.

"Deutsche Bank X-Alpha™ US Dollar Excess Return Index", is a registered trademark of Deutsche Bank AG, which does not endorse, sponsor, recommend or promote the Notes and is not in any way responsible or liable therefore. The right to use the Index is held under license by The Bank of Nova Scotia. See "The Index" in the Information Statement. "Scotiabank", "Scotia Capital", and the flying "S" logo are registered trademarks of The Bank of Nova Scotia.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "1933 Act") or under any State securities laws and may not be offered or sold, directly or indirectly, in the United States, its territories or possessions to or for the account or benefit of US persons. The Notes may not be offered or sold to residents of any country or jurisdiction in Europe.

INFORMATION STATEMENT DATED JANUARY 12, 2007

This Information Statement has been prepared solely for the purpose of assisting prospective purchasers in making an investment decision with respect to the Deposit Notes. This Information Statement 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 Deposit Notes only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell the Deposit Notes. No securities commission or similar authority in Canada has in any way passed upon the merits of the Deposit Notes offered hereunder and any representation to the contrary is an offence. The Deposit 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 State securities laws and, subject to certain exceptions, may not be offered for sale, sold or delivered, directly or indirectly in the United States, its territories or possessions to or for the account or benefit of US persons within the meaning of Regulation S under the 1933 Act. In addition, the Deposit Notes may not be offered or sold to residents of any jurisdiction or country in Europe.



The Bank of Nova Scotia

Deutsche Bank X-Alpha™ Index Linked Deposit Notes – Series 1

PRINCIPAL GUARANTEED

The Bank of Nova Scotia – Deutsche Bank X-Alpha™ Index Linked Deposit Notes – Series 1 (the “Deposit Notes”) are principal protected notes, the return of which is linked, in the manner provided herein, to the performance of the Deutsche Bank X-Alpha™ US Dollar Excess Return Index (the “Index”). The Deposit Notes will mature on March 20, 2014 (the “Maturity Date”). The Deposit Notes are not redeemable prior to the Maturity Date.

At the Maturity Date, a holder of a Deposit Note (each an “Investor”) will receive an amount per Deposit Note equal to: (i) the amount deposited of \$100 (the “Principal Amount”); and (ii) the variable return, if any (the “Variable Return”) in an amount equal to the Principal Amount multiplied by the Participation Rate multiplied by the Index Return. The Participation Rate is 120%. The Index Return is the percentage increase or decrease in the Closing Value of the Index between the Issue Date and the date that is two Business Exchange Days (as defined herein) prior to the Maturity Date (the “Calculation Date”). **Unless the Index Return is positive, no Variable Return will be payable on the Deposit Notes. The Deposit Notes do not carry a fixed rate of interest.** See “Description of the Deposit Notes — Variable Return”.

The Index is designed to replicate the return on an international long-short strategy, where the Investor is synthetically long eight Deutsche Bank style indices, and simultaneously short comparable regional benchmark indices.

A prospective investor should decide to invest in the Deposit Notes only after carefully considering with his or her advisor as to whether the Deposit Notes are a suitable investment in light of the information set out in this Information Statement. Neither The Bank of Nova Scotia (the “Bank”), Scotia Capital Inc. nor any of their respective affiliates makes any recommendation as to whether the Deposit Notes are a suitable investment for any person. See “Risk Factors”. The performance of the Index will be based solely upon the rate of return of the Index, which is determined by reference to the Closing Value of the Index on the Issue Date and the Calculation Date. Accordingly, the Variable Return payable in respect of the Deposit Notes, if any, will be unaffected by changes in the exchange rate of Canadian dollars relative to any other currency.

PRICE: \$100 PER DEPOSIT NOTE
Minimum Subscription: \$5,000 (50 Deposit Notes)
FundSERV Code: SSP 103

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

Neither the Bank, the Selling Agent nor their respective affiliates express any view concerning the Index. Investors should make any decision to invest in the Deposit Notes based only on their own views on the likely future performance of the Index without reliance on the Bank or any of its affiliates.

All dollar amounts expressed herein are in Canadian currency, unless otherwise indicated.

SUITABILITY FOR INVESTMENT

An investment in Deposit Notes is suitable only for investors prepared to assume risks with respect to a return tied to the performance of the Index. The return on the Deposit Notes, if any, is uncertain in that an Investor may not receive anything more than the Principal Amount at the Maturity Date. **The Principal Amount is guaranteed to be repaid only if the Deposit Notes are held to the Maturity Date.** A person should reach a decision to invest in the Deposit 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 Deposit Notes are not conventional indebtedness in that they have no fixed yield. It is possible that the Index will not have appreciated in value by the Maturity Date and therefore the Deposit Notes could produce no yield at the Maturity Date. Therefore, the Deposit Notes are not suitable investments for investors requiring or expecting certainty of yield. See “Risk Factors”.

ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, counsel to the Bank, the Deposit Notes offered hereby would, if issued on the date of this Information Statement, be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans or deferred profit sharing plans (other than a trust governed by a deferred profit sharing plan to which contributions are made by the Bank or by an employer with which the Bank does not deal at arm’s length within the meaning of such Act).

SUMMARY

The following is a summary only and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Information Statement. Capitalized terms that are used but not defined in this summary are defined elsewhere in this Information Statement. See “Glossary” for defined terms.

Issue: The Bank of Nova Scotia – Deutsche Bank X-Alpha™ Index Linked Deposit Notes – Series 1.

Issuer: The Bank of Nova Scotia.

Selling Agent: Scotia Capital Inc.

Sub-Agent: BluMont Capital Corporation.

Index Sponsor: Deutsche Bank AG.

Principal Amount: The Deposit Notes will be sold in denominations of \$100 per Deposit Note (the “Principal Amount”).

Subscription Price:	<u>Price to an Investor⁽¹⁾</u>	<u>Selling Agent Fees</u>	<u>Proceeds to the Bank⁽²⁾</u>
	\$100 per Deposit Note	\$4.50	\$95.50

(1) The price to be paid by each Investor upon issuance has been determined by negotiation between the Bank and the Selling Agent.

(2) Before deduction of expenses of issue, which will be paid by the Bank out of its general funds.

Minimum Subscription: Minimum subscription of \$5,000 (50 Deposit Notes).

Issue Size: A maximum of CAD \$50,000,000 Principal Amount of Deposit Notes will be issued by the Bank. The maximum size of the Offering may be changed at any time without notice, in the sole discretion of the Bank.

Issue Date: The Deposit Notes will be issued on or about March 20, 2007 (the actual date of issuance being the “Issue Date”).

Maturity Date/Term: The Deposit Notes will mature on March 20, 2014, resulting in a term to maturity of approximately seven years.

The Index: The Index is the Deutsche Bank X-Alpha™ U.S. Dollar Excess Return Index.

The Index is designed to replicate the return on an international long-short strategy, where the Investor is synthetically long eight Deutsche Bank style indices, and simultaneously short comparable regional benchmark indices. “Alpha” is the difference in performance between a particular asset and a relevant benchmark index. The objective of the Index is to reflect the performance of an alpha investment model. For the Index, the underlying assets are eight Deutsche Bank (“DB”) style indices (representing four regions), and the relevant benchmarks are four regional benchmark indices. The Index effectively replicates a notional investment whereby, for each region, an Investor is long: (i) an equally weighted position of a DB Value Index and DB Growth Index, and (ii) short an initially equally offsetting position in a regional benchmark index. The four regions are Continental Europe, the United States, Japan and the United Kingdom.

For the DB Regional Style Indices, 85% of the cash dividends paid are reinvested into the relevant index as a result of taxation on dividends while, for the Benchmark Indices, 100% of the cash dividends paid are reinvested into each relevant index.

The relevant Index Constituents comprising each Index Constituent Pair are listed below:

Euro Value Pair

DB Euro Value Total Return Index
Dow Jones Euro STOXX 50 Total Return Index™

Euro Growth Pair

DB Euro Growth Total Return Index
Dow Jones Euro STOXX 50 Total Return Index™

US Value Pair

DB US Value Total Return Index
S&P® 500 Total Return Index

US Growth Pair

DB US Growth Total Return Index
S&P® 500 Total Return Index

UK Value Pair

DB UK Value Total Return Index
FTSE 100® Total Return Index

UK Growth Pair

DB UK Growth Total Return Index
FTSE 100® Total Return Index

Japan Value Pair

DB Japan Value Total Return Index
TOPIX 100® Total Return Index

Japan Growth Pair

DB Japan Growth Total Return Index
TOPIX 100® Total Return Index

The DB Growth Index constituents are selected from the eligible shares from the relevant region with the highest trailing twelve month earnings momentum. For the DB Growth Indices in each of the Eurozone, Japan and UK, the twenty shares with the highest earnings momentum are selected and equally weighted. For the DB Growth Index in the U.S., the thirty shares with the highest earnings momentum are selected and equally weighted.

For the DB Value Indices, the stocks with the lowest twelve month trailing reported price-earnings ratio are selected. For the DB Value Index in the U.S., the thirty stocks with the lowest twelve month trailing price-earnings ratio are selected and equally weighted. For the DB Value Indices in the UK and Japan, the twenty stocks with the lowest trailing twelve month reported price-earnings ratio are selected and equally weighted. For the DB Value Index in the Eurozone, the twenty stocks with the highest trailing twelve month reported dividend yield are selected and equally weighted.

The Index, in turn, reflects the return on the X-Alpha™ Model. The X-Alpha™ Model is a rules-based, mathematical model that reflects the relative performance of the eight regional DB Indices against the relevant benchmark equity indices. The exposure of the Index to the X-Alpha™ Model is adjusted based upon the X-Alpha™ Model's recent observed volatility to target a volatility of 8% per year for the Index. The calculation of the Index level and

reconstitution process are quantitative and rules-based and contain no subjectivity or discretion on the part of the Index Sponsor. See “The Index”.

All references herein to the Index are solely for purposes of establishing the sources of and the mechanics for determining the Variable Return. The Deposit Notes do not constitute an investment in any of the securities underlying an Index Constituent. By acquiring Deposit Notes, Investors will not have a direct economic or other interest in, claim or entitlement to, or any legal or beneficial ownership of, any security underlying an Index Constituent.

Amounts Payable at Maturity:

The amount payable in respect of each Deposit Note on the Maturity Date will be a Canadian dollar amount equal to the sum of: (i) the Principal Amount; plus (ii) the Variable Return, if any. An Investor does not have the right to retract or cause the redemption of the Deposit Notes prior to the Maturity Date. However, an Investor may be able to sell Deposit Notes in any available secondary market prior to the Maturity Date. See “Description of the Deposit Notes — Secondary Trading of Deposit Notes” and “FundSERV”. In no event will the Principal Amount of a Deposit Note be paid prior to the Maturity Date. The amount and method of calculating Variable Return and the timing of the payment of Variable Return, if any, may be affected by Market Disruption Events and Extraordinary Events.

Variable Return:

The Deposit Notes will not bear any interest during the term of the Deposit Notes, but will have a Variable Return, if any, per Deposit Note at maturity calculated as follows:

$$\text{Variable Return} = \text{Principal Amount} \times \text{Participation Rate} \times \text{Index Return}$$

The Participation Rate is equal to 120%.

The Index Return is the percentage increase or decrease in the Closing Value of the Index from the Issue Date to the Calculation Date. See “Description of the Deposit Notes — Variable Return” and “The Index”.

No Currency Risk:

The performance of the Index will be based solely upon the rate of return of the Index, which is determined by reference to the Closing Value of the Index on the Issue Date and the Closing Value of the Index on the Calculation Date. Accordingly, the Variable Return, if any, payable in respect of the Deposit Notes will be unaffected by changes in the exchange rate of Canadian dollars relative to any other currency.

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 “Description of the Deposit Notes — Deferred Payment” and “Description of the Deposit Notes — Special Circumstances — Market Disruption Event”.

Market Disruption Event:

If a Market Disruption Event occurs on the Calculation Date, determination of the Index Return will be postponed to a later date, which may result in a deferral of the determination and payment of the Variable Return, if any. If a Market Disruption Event continues for a period of 8 consecutive Banking Days, the Calculation Agent may, in its discretion, elect to determine the Variable Return, if any, payable to Investors at that time notwithstanding the continued existence of a Market Disruption Event. See “Description of the Deposit 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 Investors. If an Extraordinary Event occurs, the Bank may elect to pay the Variable Return, if any, to Investors 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 Deposit Note will not, under any circumstances, be repaid until the Maturity Date. See “Description of the Deposit Notes — Special Circumstances — Extraordinary Event”.

Credit Rating:

As of the date of this Information Statement, the Bank’s deposit liabilities with a term of more than one year were rated AA by DBRS, AA – by S&P and Aa3 by Moody’s. **The Deposit Notes have not been rated.** There can be no assurance that if the Deposit Notes were specifically rated by these rating agencies that they would have the same rating as such other deposit liabilities. **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 “Description of the Deposit Notes — Credit Rating”.

Secondary Market:

There is currently no market through which the Deposit Notes may be sold. There can be no assurance that a secondary market for the Deposit Notes will develop or, if such market does develop, that it will be sustained or liquid. The Deposit Notes will not be listed on any stock exchange. However, an Investor may be able to sell Deposit Notes prior to maturity in any available secondary market.

The Selling Agent intends to use reasonable efforts to initiate and maintain a secondary market for the Deposit Notes, but reserves the right not to do so at any time in the future, in its sole discretion, without providing prior notice to Investors. These efforts will consist of posting a daily Bid Price through FundSERV for the Deposit Notes. The Selling Agent may, for any reason, elect not to purchase Deposit Notes from any particular Investor. **If an Investor sells a Deposit Note to the Selling Agent within the first 1080 days from the Issue Date, the Investor will receive sale proceeds equal to the Bid Price for the Deposit Note as determined by the Selling Agent minus any applicable Early Trading Charge. The Bid Price less any Early Trading Charge is referred to as the “secondary market price”.** A sale of Deposit Notes originally purchased through FundSERV will be subject to certain additional procedures and limitations established by FundSERV. See “Description of the Deposit Notes — Secondary Trading of Deposit Notes”, “FundSERV” and “Risk Factors”.

Early Trading Charge:

During the first 1080 days following the issuance of the Deposit Notes, an Early Trading Charge will apply to any secondary market sale of a Deposit Note through the Selling Agent. The Early Trading Charge will be equal to a percentage of the Principal Amount of the Deposit Note, determined as follows:

<u>If Sold Within</u>	<u>Early Trading Charge</u>
0-180 days	5.95%
181-360 days	4.95%
361-540 days	3.95%
541-720 days	2.95%
721-900 days	1.95%
901-1080 days	0.95%
Thereafter	Nil

An Investor should be aware that any price for the Deposit Notes appearing on his or her monthly or quarterly investment account statement will be before the application of any applicable Early Trading Charge. An Investor wishing to sell Deposit Notes prior to the Maturity Date should consult with his or her

investment advisor as to whether an Early Trading Charge is exigible and, if so, how much it will be.

Book-Entry Registration:

The Deposit Notes will be evidenced by a single global Deposit Note held by a depositary (initially being CDS). Registration of the interests in and transfers of the Deposit Notes will be made only through the book-entry system of CDS. Subject to certain limited exceptions, Investors will not be entitled to any certificate or other instrument from the Bank or the depositary evidencing the ownership thereof and Investors will not be shown on the records maintained by the depositary except through an agent who is a participant of the depositary. See “Description of the Deposit Notes — Form of the Deposit Notes”.

Status:

The Deposit Notes will constitute direct, unsubordinated and unsecured obligations of the Bank ranking *pari passu* among themselves with all other direct, unsecured and unsubordinated indebtedness of the Bank from time to time outstanding (except as otherwise prescribed by law). Investors will not have the benefit of any insurance under the provisions of the *Canada Deposit Insurance Corporation Act* or under any other deposit insurance regime.

Use of Proceeds:

The Net Proceeds will not be held by the Bank in trust for the Investors in any segregated or other account, but rather the Bank will use the Net Proceeds of the Offering for its general banking purposes. See “Use of Proceeds”.

Income Tax Considerations:

If Deposit Notes are held until the Maturity Date, an Initial Investor will be required to include in its income as interest the amount, if any, by which the payment at the Maturity Date exceeds the Principal Amount. The Bank will file an information return with the Canada Revenue Agency in respect of any interest or deemed interest to be included in an Initial Investor’s income and will provide the Initial Investor with a copy of such information return. Subject to the limitations outlined under “Certain Canadian Federal Income Tax Considerations”, an amount received by an Initial Investor on a disposition or deemed disposition of a Deposit Note (other than a repayment by the Bank) should give rise to a capital gain (or capital loss) to that Initial Investor at such time to the extent such amount exceeds (or is less than) the aggregate of its adjusted cost base of the Deposit Note and any reasonable costs of disposition. **An Initial Investor should consult his or her tax advisor as to the income tax consequences arising from a sale prior to the Maturity Date as compared to holding the Deposit Notes until the Maturity Date.**

See “Certain Canadian Federal Income Tax Considerations”.

Selling Expenses:

The Selling Agent will be paid a selling fee of \$4.50 per Deposit Note sold.

Risk Factors:

Investors should consider carefully certain risk factors set out under “Risk Factors” before reaching a decision to purchase the Deposit Notes.

DESCRIPTION OF THE DEPOSIT NOTES

Issue Size

The Bank of Nova Scotia – Deutsche Bank X-Alpha™ Index Linked Deposit Notes – Series 1 will be issued by the Bank on the Issue Date. A maximum of \$50,000,000 Principal Amount of Deposit Notes will be issued by the Bank. The maximum size of the Offering may be changed at any time without notice in the sole discretion of the Bank.

Principal Amount and Minimum Subscription

Each Deposit Note will be issued in a Principal Amount of \$100. The price to be paid by each Investor upon issuance has been determined by negotiation between the Bank and the Selling Agent. The minimum subscription per Investor will be fifty (50) Deposit Notes (i.e. \$5,000).

Maturity and Principal Repayment

Each Deposit Note matures on the Maturity Date, on which date the Investor will receive a minimum of the Principal Amount of \$100 per Deposit Note. If the Maturity Date is not a Business Exchange Day for any reason, then the Maturity Date will be deemed to occur on the next following Business Exchange Day and no interest or other compensation will be paid to an Investor in respect of such postponement.

The Index

The Index is the Deutsche Bank X-Alpha™ US Dollar Excess Return Index.

The Index is designed to replicate the return on an international long-short strategy, where the Investor is synthetically long eight Deutsche Bank style indices, and simultaneously short comparable regional benchmark indices. “Alpha” is the difference in performance between a particular asset and a relevant benchmark index. The objective of the Index is to reflect the performance of an alpha investment model. For the Index, the underlying assets are eight Deutsche Bank (“DB”) style indices (representing four regions), and the relevant benchmarks are four regional benchmark indices. The Index effectively replicates a notional investment whereby, for each region, an Investor is long: (i) an equally weighted position of a DB Value Index and DB Growth Index, and (ii) short an initially equally offsetting position in a regional benchmark index. The four regions are Continental Europe, the United States, Japan and the United Kingdom.

The relevant Index Constituents comprising each Index Constituent Pair are listed below:

Euro Value Pair

DB Euro Value Total Return Index

Dow Jones Euro STOXX 50 Total Return Index™

Euro Growth Pair

DB Euro Growth Total Return Index

Dow Jones Euro STOXX 50 Total Return Index™

US Value Pair

DB US Value Total Return Index

S&P® 500 Total Return Index

US Growth Pair

DB US Growth Total Return Index

S&P® 500 Total Return Index

UK Value Pair

DB UK Value Total Return Index

FTSE 100® Total Return Index

UK Growth Pair

DB UK Growth Total Return Index

FTSE 100® Total Return Index

Japan Value Pair

DB Japan Value Total Return Index

TOPIX 100® Total Return Index

Japan Growth Pair

DB Japan Growth Total Return Index

TOPIX 100® Total Return Index

The DB Growth Index constituents are selected from the eligible shares from the relevant region with the highest trailing twelve month earnings momentum. For the DB Growth Indices in each of the Eurozone, Japan and UK, the twenty shares with the highest earnings momentum are selected and equally weighted. For the DB Growth Index in the U.S., the thirty shares with the highest earnings momentum are selected and equally weighted.

For the DB Value Indices, the stocks with the lowest twelve month trailing reported price-earnings ratio are selected. For the DB Value Index in the U.S., the thirty stocks with the lowest twelve month trailing price-earnings ratio are selected and equally weighted. For the DB Value Indices in the UK and Japan, the twenty stocks with the lowest trailing twelve month reported price-earnings ratio are selected and equally weighted. For the DB Value Index in the Eurozone, the twenty stocks with the highest trailing twelve month reported dividend yield are selected and equally weighted.

The Index, in turn, reflects the return on the X-Alpha™ Model. The X-Alpha™ Model is a rules-based, mathematical model that reflects the relative performance of the eight regional DB Indices against the relevant benchmark equity indices. The exposure of the Index to the X-Alpha™ Model is adjusted based upon the X-Alpha™ Model's recent observed volatility to target a volatility of 8% per year for the Index. The calculation of the Index level and reconstitution process are quantitative and rules-based and contain no subjectivity or discretion on the part of the Index Sponsor. See "The Index".

All references herein to the Index are solely for purposes of establishing the sources of and the mechanics for determining the Variable Return. The Deposit Notes do not constitute an investment in any of the securities underlying any Index Constituent. By acquiring Deposit Notes, Investors will not have a direct economic or other interest in, claim or entitlement to, or any legal or beneficial ownership of, any security underlying any Index Constituent.

Variable Return

Each Deposit Note will bear Variable Return, if any, in an amount in Canadian dollars, as described herein, which Variable Return will be paid on the Maturity Date, subject to acceleration or deferral in the circumstances described under "Description of the Deposit Notes — Deferred Payment" and "Description of the Deposit Notes — Special Circumstances". The Deposit Notes will not bear interest during the term of the Deposit Notes, but will have a Variable Return per Deposit Note, if any, payable at maturity in Canadian dollars, calculated as follows:

$$\text{Variable Return} = \text{Principal Amount} \times \text{Participation Rate} \times \text{Index Return}$$

The Index Return shall be equal to the rate of return (expressed as a percentage), measured from the Issue Date to the Calculation Date. The Index Return is calculated as follows:

$$\text{Index Return} = \frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$$

The Final Price of the Index is its Closing Value on the Calculation Date, subject to the provisions set out under “Description of the Deposit Notes — Special Circumstances”. The Initial Price of the Index is its Closing Value on the Issue Date, subject to the provisions set out under “Description of the Deposit Notes — Special Circumstances”.

Hypothetical Variable Return Examples

The following sample Variable Return calculations are illustrative only. The Initial Price and Final Price of the Index used in these examples are not estimates or forecasts of: (i) the actual Closing Values of the Index on the Issue Date or the Calculation Date; or (ii) the actual performance of the Deposit Notes, which is impossible to predict.

Example 1: Strong Index Performance

Assumptions:

Initial Price:	3000
Final Price:	5500
Principal Amount:	\$100

$$\text{Variable Return} = \text{Principal Amount} \times \text{Participation Rate} \times \text{Index Return}$$

$$\begin{aligned} \text{Index Return} &= \frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}} \\ &= \frac{5500 - 3000}{3000} \\ &= 83.33\% \end{aligned}$$

$$\text{Variable Return} = \text{Principal Amount} \times \text{Participation Rate} \times \text{Index Return}$$

$$= \$100 \times 120\% \times 83.33\% = \$100.00$$

In the above hypothetical example, the Index Return would have been 83.33% and the Variable Return would have been \$100.00. The amount payable at the Maturity Date per Deposit Note would therefore be \$200.00, being the sum of: (i) the product of the Index Return of 83.33% the Participation Rate of 120% and the Principal Amount of \$100; and (ii) the Principal Amount of \$100. In the above hypothetical example, the compound annual return over the term of the Deposit Notes would have been 10.41%.

Example 2: Weak Index Performance

Assumptions:

Initial Price:	3000
Final Price:	2500
Principal Amount:	\$100

$$\text{Variable Return} = \text{Principal Amount} \times \text{Participation Rate} \times \text{Index Return}$$

$$\begin{aligned}\text{Index Return} &= \frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}} \\ &= \frac{2500 - 3000}{3000} \\ &= -16.67\%\end{aligned}$$

$$\text{Variable Return} = \text{Principal Amount} \times \text{Participation Rate} \times \text{Index Return}$$

$$= \$100 \times 120\% \times -16.67\% = -\$20.00$$

$$= 0 \text{ (as Index Return is negative)}$$

In the above hypothetical example, the Index Return would have been -16.67% , and the Variable Return would have been \$0. The amount payable at the Maturity Date per Deposit Note would therefore be \$100, being the sum of the Variable Return of \$0 and the Principal Amount of \$100.

The amount of Variable Return, if any, will depend upon the performance of the Index. It is possible that no Variable Return will be payable. The Variable Return will only be paid if the Index Return is positive. See “Risk Factors — No Variable Return May be Payable”.

Variable Return, if any, will generally be paid by the Bank to the Investor only on the Maturity Date. However, the timing, manner of determining and payment of Variable Return may be affected by the occurrence of an Extraordinary Event or a Market Disruption Event and certain other events. See “Description of the Deposit Notes — Special Circumstances”.

An Investor cannot elect to receive Variable Return, if any, before the Maturity Date.

If, following payment of any Variable Return, a correction or change is made by any Price Source to the Initial Price or the Final Price of the Index used in the determination of the Index Return, the amount of such Variable Return 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 Investor.

Currency

All amounts expressed herein are in Canadian currency, unless otherwise specified. The performance of the Index will be based solely upon the rate of return of the Index, which is determined by reference to the Closing Value of the Index on the Issue Date and the Calculation Date. Accordingly, the Variable Return payable in respect of the Deposit Notes, if any, will be unaffected by changes in the exchange rate of Canadian dollars relative to any other currency.

Credit Rating

The Deposit Notes have not been rated. As of the date of this Information Statement, the deposit liabilities of the Bank with a term to maturity of more than one year are rated AA by DBRS, AA– by S&P and Aa3 by Moody’s. There can be no assurance that, if the Deposit Notes were specifically rated by these rating agencies, they would have the same rating as the other 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.

Use of Proceeds

The Net Proceeds will not be held by the Bank in trust for the Investors in any segregated or other account, but rather the Bank will use the Net Proceeds of the Offering for its general banking purposes.

Secondary Trading of Deposit Notes

There is currently no market through which the Deposit Notes may be sold. There can be no assurance that a secondary market for the Deposit Notes will develop or, if such market does develop, that it will be sustained or liquid. The Deposit Notes will not be listed on any stock exchange. However, Investors may be able to sell Deposit Notes prior to maturity in any available secondary market. The Selling Agent intends to use reasonable efforts to initiate and maintain a secondary market for the Deposit Notes, but reserves the right not to do so in the future in its sole discretion, without providing prior notice to the Investors. These efforts will consist of posting a daily Bid Price determined by the Selling Agent through FundSERV for the Deposit Notes. The Selling Agent may, for any reason, elect not to purchase Deposit Notes from any particular Investor. Each sale of a Deposit Note to the Selling Agent will be effected at a price equal to: (i) the Bid Price for the Deposit Note; minus (ii) any applicable Early Trading Charge. This will be the secondary market price. See “FundSERV” for details regarding secondary trading where the Deposit Notes are held through participants in FundSERV.

The Bid Price for a Deposit Note will be affected by a number of factors, the most important of which are: (i) the Principal Amount of the Deposit Note which is payable on maturity; and (ii) the expected value of the Variable Return, if any. Generally the longer the term to maturity, and the higher the prevailing interest rates at the time such Bid Price is obtained, the less the Deposit Note will be worth. The expected value of the Variable Return will be a function of a number of variables, including but not limited to: (a) the volatility of the Index; (b) the remaining term to maturity of the Deposit Notes; (c) changes in the Closing Values of the Index since the Issue Date; and (d) various other factors including, but not limited to, prevailing interest rates, and market demand for the Deposit Notes. The relationship between these factors is complex and may also be influenced by various political, economic and other factors that can affect the Bid Price of a Deposit Note. Due to the method used to price the Variable Return, the expected value of the Variable Return may be substantially less than the value computed only with reference to the performance of the Index.

If an Investor sells Deposit Notes prior to maturity, the Investor may have to do so at a discount from the original Principal Amount even if the performance of the Index has been positive and, as a result, the Investor may suffer losses. See “Risk Factors — Liquidity Risk and Secondary Market”

Early Trading Charge

During the first 1080 days following the issuance of the Deposit Notes, an Early Trading Charge will apply to any secondary market sale of a Deposit Note through the Selling Agent. The Early Trading Charge will be equal to a percentage of the Principal Amount of the Deposit Note, determined as follows:

<u>If Sold Within</u>	<u>Early Trading Charge</u>
0-180 days	5.95%
181-360 days	4.95%
361-540 days	3.95%
541-720 days	2.95%
721-900 days	1.95%
901-1080 days	0.95%
Thereafter	Nil

An Investor should be aware that any price for the Deposit Notes appearing on his or her monthly or quarterly investment account statement will be before the application of any applicable Early Trading Charge. An

Investor wishing to sell Deposit Notes prior to the Maturity Date should consult with his or her investment advisor as to whether an Early Trading Charge is exigible and, if so, how much it will be.

The Deposit Notes are generally not suitable for an Investor who requires liquidity prior to the Maturity Date. An Investor should consult his or her investment advisor as to whether it would be more favorable in the circumstances at any time to sell Deposit Notes (assuming the availability of a secondary market) or hold Deposit Notes until the Maturity Date. An Investor should also consult his or her tax advisor as to the income tax consequences arising from a sale prior to the Maturity Date as compared to holding the Deposit Note until the Maturity Date. See “Certain Canadian Federal Income Tax Considerations”.

Special Circumstances

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

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 Investors, without any liability on the part of the Bank, the Calculation Agent or the Selling Agent, and Investors will not be entitled to any compensation from the Bank, the Calculation Agent or the Selling Agent for any loss suffered as a result of any of the Calculation Agent’s calculations or determinations. See “Risk Factors”.

Market Disruption Event

If the Calculation Agent determines that a Market Disruption Event has occurred and is continuing on the Calculation Date, then the Calculation Date will be postponed to the next following Business Exchange Day on which there is no Market Disruption Event in effect.

There will be a limit for postponement of the Calculation Date. If, on the eighth Banking Day following the date originally scheduled as the Calculation Date, the Calculation Date has not occurred, then, subject as set forth below, notwithstanding the occurrence of any Market Disruption Event on or after such eighth Banking Day, the Calculation Agent may determine that:

- (i) such eighth Banking Day shall be the Calculation Date; and
- (ii) the Closing Value of the Index as of such eighth Banking Day shall be determined by the Calculation Agent in consultation with the Index Sponsor (the “MDE Formula”).

A Market Disruption Event may delay the determination of the Final Price 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 Final Price has been determined.

Adjustments Due to Material Changes

If, at any time during the term of the Deposit Notes, the Index is not calculated and announced by the Price Source existing on the Issue Date but is subsequently calculated and announced by a Successor Source, then the Index will be deemed to be the Index as so calculated and announced by the Successor Source, and the Variable Return, if any, will be calculated by reference to the Closing Value of the Index determined by the Successor Source in accordance with the formula previously set out herein.

If, at any time during the term of the Deposit Notes: (i) the Index is terminated; or (ii) the Bank determines that it has ceased to have full licensing rights to utilize the Index in connection with the Deposit Notes, then the Calculation Agent will determine the Variable Return, if any, based on the Closing Value of the Index on the Business Exchange Day immediately preceding such event or in accordance with the MDE Formula if a Market Disruption Event is then in effect. In such event, neither the Variable Return, if any, nor the Principal Amount of the Deposit Notes will be paid prior to maturity.

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 Investors (the date of such notification being the “Extraordinary Event Notification Date”), elect to accelerate the determination of Variable Return, if any, on all outstanding Deposit Notes. Upon such election, Variable Return, if any, per Deposit 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 Final Price of the Index shall be determined as of the Business Exchange Day immediately following the Extraordinary Event Notification Date; and
- (ii) if a Market Disruption Event has occurred and is continuing, the Final Price of the Index shall be determined in accordance with the MDE Formula.

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 Banking Day after the Extraordinary Event Notification Date.

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

Form of the Deposit Notes

General

Each Deposit Note will be represented by a global Deposit Note representing the entire issuance of Deposit Notes. The Bank will issue Deposit Notes evidenced by certificates in definitive form to a particular Investor only in limited circumstances.

Global Deposit Note

The Bank will issue the registered Deposit Notes in a form of the fully registered global Deposit Note that will be deposited with a depository (initially being CDS) and registered in the name of such depository or its nominee in a denomination equal to the aggregate Principal Amount of the Deposit Notes. Unless and until it is exchanged in whole for Deposit Notes in definitive registered form, the registered global Deposit Note may not be transferred except as a whole by and among the depository, its nominee or any successors of such depository or nominee.

The Bank anticipates that the following provisions will apply to all arrangements in respect of a depository.

Ownership of beneficial interests in a global Deposit Note will be limited to persons, called participants, that have accounts with the relevant depository or persons that may hold interests through participants. Upon the issuance of a registered global Deposit Note, the depository will credit, on its book-entry registration and transfer system, the participants’ accounts with the respective Principal Amounts of the Deposit Notes beneficially owned by the participants. Any dealers participating in the distribution of the Deposit Notes will designate the accounts to be credited. Ownership of beneficial interests in a registered global Deposit Note will be shown on, and the transfer of ownership interests will be effected only through, records maintained by the depository, with respect to interests of participants, and on the records of participants, with respect to interests of persons holding through participants.

So long as the depository, or its nominee, is the registered owner of a registered global Deposit Note, that depository or its nominee, as the case may be, will be considered the sole owner or Investor of the Deposit Notes represented by the registered global Deposit Note for all purposes. Except as described below, owners of beneficial interests in a registered global Deposit Note will not be entitled to have the Deposit Notes represented by the registered global Deposit Note registered in their names, will not receive or be entitled to receive physical delivery of the Deposit Notes in definitive form and will not be considered the owners or

Investors of Deposit Notes. Accordingly, each person owning a beneficial interest in a registered global Deposit Note must rely on the procedures of the depository for that registered global Deposit Note and, if that person is not a participant, on the procedures of the participant through which the person owns its interest, to exercise any rights of an Investor. The Bank understands that under existing industry practices, if the Bank requests any action of Investors or if an owner of a beneficial interest in a registered global Deposit Note desires to give or take any action that an Investor is entitled to give or take in respect of the Deposit Notes, the depository for the registered global Deposit Note would authorize the participants holding the relevant beneficial interests to give or take that action, and the participants would authorize beneficial owners owning through them to give or take that action or would otherwise act upon the instructions of beneficial owners holding through them.

Payments on the Deposit Notes represented by a registered global Deposit Note registered in the name of a depository or its nominee will be made to the depository or its nominee, as the case may be, as the registered owner of the registered global Deposit Note. The Bank will not have any responsibility or liability for any aspect of the records relating to payments made on account of beneficial ownership interests in the registered global Deposit Note or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

The Bank expects that the depository for any of the Deposit Notes represented by a registered global Deposit Note, upon receipt of any payment on the Deposit Notes, will immediately credit participants' accounts in amounts proportionate to their respective beneficial interests in that registered global Deposit Note as shown on the records of the depository. The Bank also expects that payments by participants to owners of beneficial interests in a registered global Deposit Note held through participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of those participants.

Definitive Deposit Notes

If the depository for any of the Deposit Notes represented by a registered global Deposit Note is at any time unwilling or unable to continue to properly discharge its responsibilities as depository, and a successor depository is not appointed by the Bank within 90 days, the Bank will issue Deposit Notes in definitive form in exchange for the registered global Deposit Note that had been held by the depository.

In addition, the Bank may at any time and in its sole discretion decide not to have any of the Deposit Notes represented by one or more registered global Deposit Notes. If the Bank makes that decision, the Bank will issue Deposit Notes in definitive form in exchange for all of the registered global Deposit Notes representing the Deposit Notes.

Except in the circumstances described above, beneficial owners of the Deposit Notes will not be entitled to have any portions of such Deposit Notes registered in their name, will not receive or be entitled to receive physical delivery of the Deposit Notes in certificated, definitive form and will not be considered the owners or Investor of a global Deposit Note.

Any Deposit Notes issued in definitive form in exchange for a registered global Deposit Note will be registered in the name or names that the depository gives to the Bank or its agent, as the case may be. It is expected that the depository's instructions will be based upon directions received by the depository from participants with respect to ownership of beneficial interests in the registered global Deposit Note that had been held by the depository.

The text of any Deposit Notes issued in definitive form will contain such provisions as the Bank may deem necessary or advisable. The Bank will keep or cause to be kept a register in which will be recorded registrations and transfers of Deposit Notes in definitive form if issued. Such register will be kept at the offices of the Bank, or at such other offices notified by the Bank to Investors.

No transfer of a definitive Deposit Note will be valid unless made at such offices upon surrender of the certificate in definitive form for cancellation with a written instrument of transfer in form and as to execution satisfactory to the Bank or its agent, and upon compliance with such reasonable conditions as may be required by the Bank or its agent and with any requirement imposed by law, and entered on the register.

Payments on a definitive Deposit Note will be made by cheque mailed to the applicable registered Investor at the address of the Investor appearing in the aforementioned register in which registrations and transfers of Deposit Notes are to be recorded or, if requested in writing by the Investor at least five Banking Days before the date of the payment and agreed to by the Bank, by electronic funds transfer to a bank account nominated by the Investor with a bank in Canada. Payment under any definitive Deposit Note is conditional upon the Investor first delivering the Deposit Note to the Bank which reserves the right, in the case of payment of Variable Return prior to the Maturity Date, to mark on the Deposit Note that Variable Return has been paid in full, or, in the case of payment of Variable Return and the Principal Amount under the Deposit Note in full, to retain the Deposit Note and mark the Deposit Note as cancelled.

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 an Investor at the Maturity Date, payment of a portion of such payment constituting a Variable Return that would exceed 60% per annum may be deferred to ensure compliance with such laws. In addition, the Bank may withhold a portion of any payment to an Investor that the Bank is legally able or required to withhold. The Bank will pay the portion so deferred to the Investor together with interest at the Bank's equivalent term deposit rate as soon as Canadian law permits.

Status

The Deposit Notes will constitute direct, unsubordinated and unsecured obligations of the Bank ranking *pari passu* among themselves with all other direct, unsecured and unsubordinated indebtedness of the Bank from time to time outstanding. Investors will not have the benefit of any insurance under the provisions of the *Canada Deposit Insurance Corporation Act*. The Deposit Notes will not be specifically rated.

Dealings in Securities Underlying the Index Constituents

The Bank may from time to time, in the course of its normal business operations, hold interests linked to the Index. The Bank and its affiliates may deal in the securities underlying the Index Constituents and may, where permitted, accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with any issuer of any security underlying the Index Constituents or any other person or entity having obligations relating to such issuers and may act with respect to such business in the same manner as it would if the Deposit Notes did not exist, regardless of whether any such action may have an adverse effect on the Closing Value of the Index on the Calculation Date and thus the Variable Return, if any, payable in respect of the Deposit Notes. The Bank and its affiliates may, whether by virtue of the relationships described above or otherwise, from time to time be in possession of information in relation to any issuer of any security or bond underlying the Index that may not be publicly available or known to Investors, and the Deposit Notes do not create an obligation on the part of the Bank or its affiliates to disclose to Investors such relationship or information (whether or not confidential).

Notification

All notices to Investors regarding the Deposit Notes will be valid and effective: (i) if such notices are given (which notice may be given by wire or fax) to the applicable depository (initially being CDS) and its relevant participants; or (ii) in the case where the Deposit Notes are directly registered in the Investors' names and issued in definitive form, if such notices are mailed or otherwise delivered to the registered addresses of the Investors; provided, however, that any required notice of an Extraordinary Event or Market Disruption Event will also be published in the Toronto and national editions of a major daily English language Canadian newspaper with national circulation and in a daily French language newspaper of general circulation in Montreal.

Amendments to the Deposit Notes

The terms of the Deposit Notes may be amended without the consent of the Investors by the Bank if, in the reasonable opinion of the Bank, the amendment would not materially and adversely affect the interests of the Investors. In other cases, the terms of the Deposit Notes may be amended if the Bank proposes the amendment and if the amendment is approved by a resolution passed by the favourable votes of the Investors holding not less than 66⅔% of the Deposit Notes represented at a meeting convened for the purpose of considering the resolution. The quorum for a meeting of Investors is at least two Investors represented in person or by proxy holding at least 10% of the Deposit 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 Investors of such adjourned meeting. The Investors present at the adjourned meeting will constitute a quorum. Each Investor is entitled to one vote per Deposit Note held by such Investor for the purposes of voting at meetings.

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

Investor's Right of Rescission

A person may rescind any order to buy a Deposit Note (or its purchase if issued) within 48 hours of the earlier of actual receipt and deemed receipt of the Information Statement. Upon rescission, the person is entitled to a refund of the Principal Amount. This rescission right does not extend to Investors buying a Deposit 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 the server or other electronic means, if provided by electronic means; (ii) on the day recorded as the time of sending by fax, if provided by fax; (iii) five days after the postmark date, if provided by mail, and (iv) when it is received, in any other case.

THE INDEX

All information in this Information Statement relating to the Index is derived from publicly available sources and is presented in this Information Statement in summary form. As such, neither the Bank, Scotia Capital Inc. nor any investment dealer, broker or agent selling the Deposit Notes assumes any responsibility for the accuracy or completeness of such information, or accepts responsibility for the calculation or other maintenance of, or any adjustments to, the Index. Historical performance of the Index will not necessarily predict future performance of the Index or the Deposit Notes. The Index is a Deutsche Bank proprietary index and application has been made to register "Deutsche Bank X-Alpha™ US Dollar Excess Return Index" as a trademark.

Summary Description

The Index utilizes the X-Alpha™ Model, which is a rules-based, mathematical model that reflects the relative performance between a basket of eight Deutsche Bank equity indices and a basket of four regional equity benchmark indices. The regional focus of the Index is Continental Europe, the United States, Japan and the United Kingdom. The X-Alpha™ Model seeks to identify, from a growth perspective, high short-term earnings momentum stocks in global developed markets and, from a value perspective, low price-earnings ratio or high dividend yielding stocks in the same markets.

The X-Alpha™ Model employs certain Deutsche Bank proprietary indices (the "DB Growth Indices" and the "DB Value Indices" respectively and together the "DB Regional Style Indices" and each a "DB Regional Style Index") that reflect the performance of these categories of stocks, and pairs each with a regional well-known, broad equity index maintained by a third-party sponsor (each a "Benchmark Index" and together the "Benchmark Indices"), to make eight Index Constituent Pairs.

The return on an Index Constituent Pair is determined based on the daily cumulative return of the relevant DB Regional Style Index compared to that of the relevant Benchmark Index. The X-Alpha™ Model reflects a weighted return in US dollars of the Index Constituent Pairs, with the pair weights being determined based upon initial weights assigned to each Index Constituent Pair, adjusted based upon their recent observed volatility to target a volatility of 8% per year for the X-Alpha™ Model's exposure to each Index Constituent Pair.

The Index, in turn, reflects the return on the X-Alpha™ Model, with the exposure of the Index to the X-Alpha™ Model also being adjusted based upon the X-Alpha™ Model's recent observed volatility to target a volatility of 8% per year for the Index.

The Index is reconstituted quarterly, at which time the weights and exposures of the Index Constituent Pairs in the X-Alpha™ Model, and the exposure of the Index to the X-Alpha™ Model, are adjusted. The calculation of the Index level and reconstitution process are fully quantitative and rules-based and contain no subjectivity or discretion on the part of the Index Sponsor.

The objective of the Index is to reflect the performance of an alpha investment model. Alpha is the difference in the performance of an asset (or financial indicator) relative to a benchmark asset (or financial indicator). An alpha investment model is a model that aims to generate returns without regard to the direction of a benchmark. The alpha in the Index is generated, in relation to each Index Constituent Pair, by the relative performance between a DB Regional Style Index and the Benchmark Index with which it is paired.

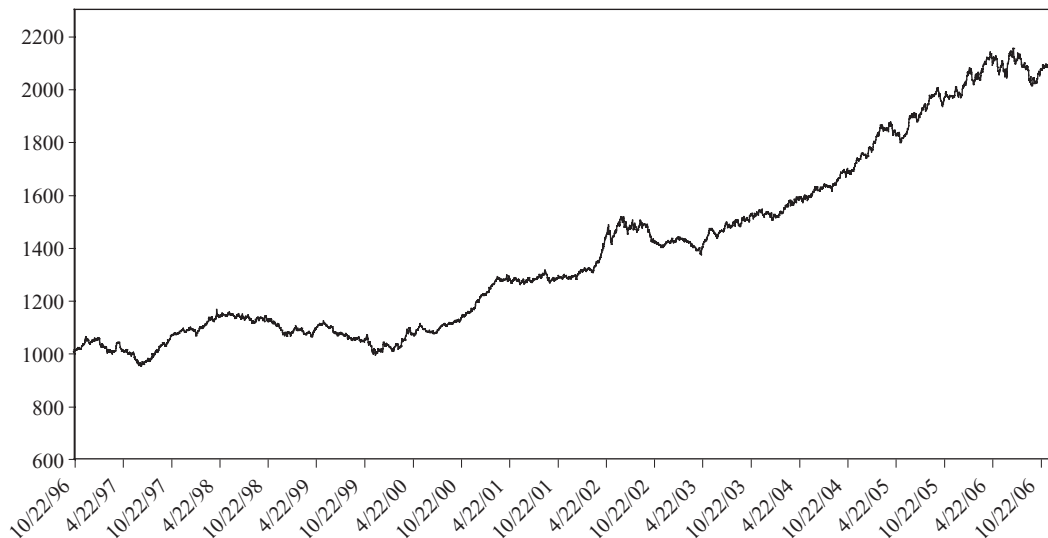
Historical Data

The following charts show the Index's historical daily performance, annual returns and distribution of annual returns over daily rolling 7 year periods, based on the daily Closing Values from October 22, 1996 through December 29, 2006. The starting Closing Value was 1000; the lowest Closing Value was 947.90 on July 4, 1997; the highest Closing Value was 2148.32 on July 14, 2006; and the ending Closing Value was 2086.40.

The charts are a record of historical performance only and should not be taken as an indication or estimate of the future performance of either the Index or the Deposit Notes.

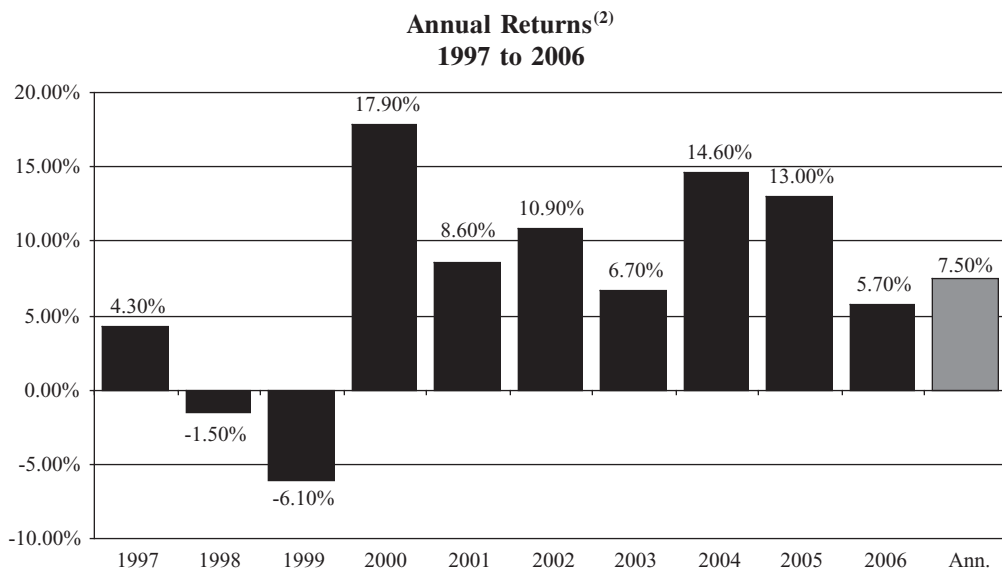
The following chart shows the historical daily performance of the Index from 10/22/1996 to 12/29/2006.

**Historical Daily Performance⁽¹⁾
10/22/1996 to 12/29/2006**



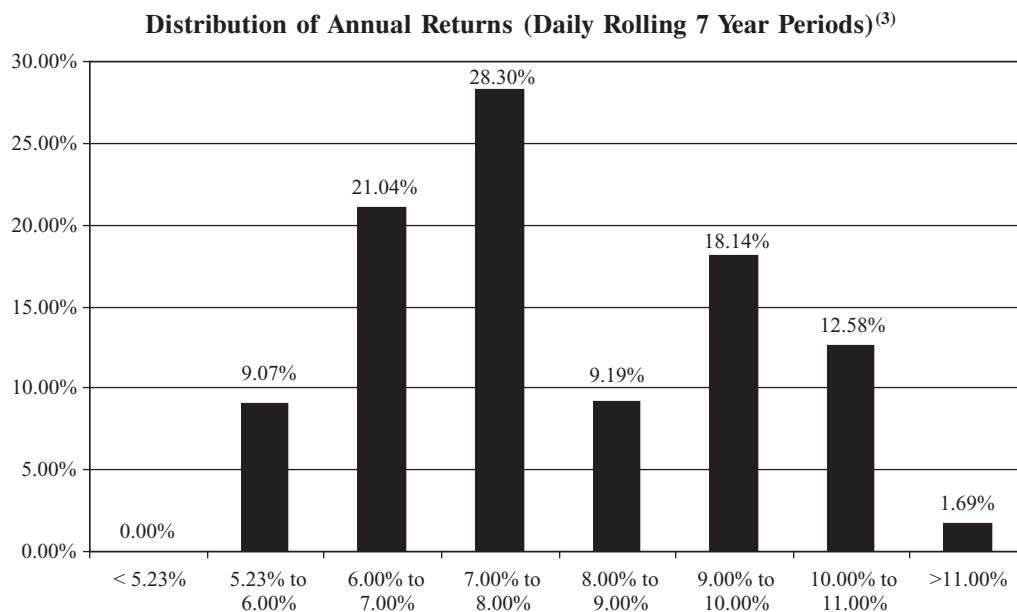
(1) Source: Bloomberg

The following chart shows the historical annual returns of the Index. The annualized return of the Index was 7.5% from 10/22/1996 to 12/29/2006.



(2) Source: Deutsche Bank AG

The following chart shows the distribution of daily rolling 7 year annualized returns of the Index. The average annual return of the Index over daily rolling 7 year periods was 8.05% from 10/22/1996 to 12/29/2006.



(3) Source: Deutsche Bank AG

PLAN OF DISTRIBUTION

Each Deposit Note will be issued for a subscription price of 100% of the Principal Amount thereof (\$100 per Deposit Note). The subscription price was determined by negotiation between the Bank and the Selling Agent. The Selling Agent is a wholly owned subsidiary of the Bank. As a result, the Bank is a related issuer of the Selling Agent under applicable Canadian securities legislation.

The closing of this offering is scheduled to occur on or about March 20, 2007. The Bank may, at any time prior to the Issue Date, in its discretion, elect whether or not to proceed in whole or in part with the issue of the Deposit Notes. 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. Upon acceptance of a subscription, the Selling Agent will deliver or cause to be delivered a confirmation of acceptance by prepaid mail or other means of delivery to the subscriber.

The Bank will pay selling expenses of \$4.50 per Deposit Note to qualified selling group members for selling the Deposit Notes. The selling expenses will be paid out of the proceeds of the offering. The Selling Agent may form a sub-agency group including other qualified selling members and determine the fee payable to the members of such group, which fee will be paid by the Selling Agent out of its own funds. The Selling Agent currently contemplates using BluMont Capital Corporation in this capacity and paying a fee to BluMont Capital Corporation of up to 1.00% of the total Principal Amount of Deposit Notes sold by BluMont Capital Corporation, which will be paid by the Selling Agent out of its own funds. While the Selling Agent has agreed to use its best efforts to sell the Deposit Notes offered hereby, the Selling Agent will not be obligated to purchase any Deposit Notes which are not sold. For greater certainty, the Selling Agent may purchase Deposit Notes offered hereby as principal.

A global Deposit Note for the full amount of the Offering will be issued in registered form to CDS and will be deposited with CDS on the Closing Date. Subject to certain exceptions, certificates evidencing the Deposit Notes will not be available to Investors under any circumstances and registration of interests in and transfer of Deposit Notes will be made through the Book-Entry System of CDS. See “Description of the Deposit Notes — Form of the Deposit Notes”.

In connection with the issue and sale of the Deposit Notes by the Bank, no person is authorized to give any information or to make any representation not expressly contained in this Information Statement or the global Deposit Note and the Bank does not accept responsibility for any information not contained herein or therein. 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. The Deposit Notes have not, and will not be, registered under the 1933 Act or any State securities laws and, subject to certain exceptions 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 U.S. persons within the meaning of Regulation S under the 1933 Act. The Deposit Notes may not be offered or sold to residents of any jurisdiction or country in Europe.

Dealers may from time to time purchase and sell Deposit Notes in any available secondary market but are not obligated to do so. The offering price and other selling terms for such sales in a secondary market may, from time to time, be varied by such dealers.

The Bank reserves the right to issue additional Deposit Notes of this series or a series previously issued, and other debt securities which may have terms substantially similar to the terms of the Deposit Notes offered hereby, which may be offered by the Bank concurrently with the Deposit Notes. The Bank further reserves the right to purchase for cancellation at its discretion any amount of Deposit Notes in a secondary market, without notice to Investors.

FUNDSERV

General

Some Investors may purchase Deposit Notes through dealers and other firms that facilitate purchase and related settlement through a clearing and settlement service operated by FundSERV Inc. (“FundSERV”). The

following FundSERV information is pertinent for such Investors. Investors should consult with their financial advisors as to whether their Deposit Notes have been purchased through FundSERV and to obtain further information on FundSERV procedures applicable to those Investors.

Where an Investor's purchase order for Deposit Notes is effected by a dealer or other firm through FundSERV, such dealer or other firm may not be able to accommodate a purchase of Deposit Notes through certain registered plans for purposes of the Income Tax Act (Canada). Investors should consult their financial advisors as to whether their orders for Deposit Notes will be made through FundSERV and any limitations on their ability to purchase Deposit Notes through certain registered plans.

FundSERV is owned and operated by both fund sponsors and distributors and provides distributors of funds and certain other financial products (including brokers and dealers who sell investment funds, companies who administer registered plans that include investment funds and companies who sponsor and sell financial products) with online order access to such financial products. FundSERV was originally designed and is operated as a mutual fund communications network facilitating the members in electronically placing, clearing and settling mutual fund orders. In addition, FundSERV is currently used in respect of other financial products that may be sold by financial planners, such as the Deposit Notes. FundSERV enables its participants to clear certain financial product transactions between participants, to settle the payment obligations arising from such transactions, and to make other payments between themselves.

FundSERV Deposit Notes Held Through Scotia Capital Inc., a CDS Participant

As stated above, all Deposit Notes will initially be issued in the form of a fully registered global Deposit Note that will be deposited with CDS. Deposit Notes purchased through FundSERV ("FundSERV Deposit Notes") will also be evidenced by that Global Note, as are all other Deposit Notes. See "Description of the Deposit Notes — Form of the Deposit Notes" above for further details on CDS as a depositary and related matters with respect to the Global Note. Investors holding FundSERV Deposit Notes will therefore have an indirect beneficial interest in the Global Note. That beneficial interest will be recorded in CDS as being owned by Scotia Capital Inc., as a direct participant in CDS. Scotia Capital Inc. will in turn record in its records respective beneficial interests in the FundSERV Deposit Notes. An Investor should understand that Scotia Capital Inc. will make such recordings as instructed through FundSERV by the Investor's financial advisor.

Purchase Through FundSERV

In order to complete the purchase of FundSERV Deposit Notes, the full subscription price (i.e., the aggregate Principal Amount therefor) must be delivered to Scotia Capital Inc. in immediately available funds by no later than the Issue Date. Despite delivery of such funds, Scotia Capital Inc. reserves the right not to accept any offer to purchase FundSERV Deposit Notes. If FundSERV Deposit Notes are not issued to the Investor for any reason, such funds will be returned forthwith to the Investor. In any case, whether or not the FundSERV Deposit Notes are issued, no interest or other compensation will be paid to the Investor on such funds.

Sale Through FundSERV

An Investor wishing to sell FundSERV Deposit Notes prior to the Maturity Date is subject to certain procedures and limitations to which an Investor holding Deposit Notes through a "full service broker" with direct connections to CDS may not be subject. Any Investor wishing to sell a FundSERV Deposit Note should consult with his or her financial advisor in advance in order to understand the timing and other procedural requirements and limitations of selling. An Investor must sell FundSERV Deposit Notes by using the "redemption" procedures of FundSERV; any other sale or redemption is not possible. Accordingly, an Investor will not be able to negotiate a sales price for FundSERV Deposit Notes. Instead, the financial advisor for the Investor will need to initiate an irrevocable request to "redeem" the FundSERV Deposit Note in accordance with the then established procedures of FundSERV. Generally, this will mean the financial advisor will need to initiate such request by 1:00 p.m. (Toronto time) on a Banking Day (or such other time as may hereafter be established by FundSERV). Any request received after such time will be deemed to be a request sent and received on the next following Banking Day. Sale of the FundSERV Deposit Note will be effected at a sale price equal to (i) the Bid Price (referenced through FundSERV as the "net asset value") of a Deposit Note as of the

close of business on the applicable Banking Day as posted to FundSERV by Scotia Capital Inc.; minus (ii) any applicable Early Trading Charge (as outlined under “Secondary Trading of Deposit Notes”). The Investor should be aware that, although the “redemption” procedures of FundSERV would be utilized, the FundSERV Deposit Notes of the Investor will not be redeemed by Scotia Capital Inc. but rather will be sold in the secondary market to Scotia Capital Inc. In turn, Scotia Capital Inc. will be able in its discretion to sell those FundSERV Deposit Notes to other parties at any price, to hold them in its inventory or to arrange for purchase for cancellation by the Bank.

Investors should also be aware that from time to time such “redemption” mechanism to sell FundSERV Deposit Notes may be suspended for any reason without notice, thus effectively preventing Investors from selling their FundSERV Deposit Notes. Potential Investors requiring liquidity should carefully consider this possibility before purchasing FundSERV Deposit Notes.

Scotia Capital Inc. is the “fund sponsor” for the FundSERV Deposit Notes within FundSERV. It is required to post a “net asset value” for the FundSERV Deposit Notes on a daily basis, which value may also be used for valuation purposes in any statement sent to Investors. See the second paragraph under the heading “Description of the Deposit Notes — Secondary Trading of Deposit Notes” for some of the factors that will determine the “net asset value” or Bid Price of the Deposit Notes at any time. This posted “net asset value” will actually represent Scotia Capital Inc.’s Bid Price for the Deposit Notes as of the close of business for the applicable Banking Day less any applicable Early Trading Charge. There is no guarantee that the sale price for any day is the highest bid price possible in any secondary market for the Deposit Notes, but will represent Scotia Capital Inc.’s Bid Price generally available to all Investors as at the relevant close of business, including clients of Scotia Capital Inc.

An Investor holding FundSERV Deposit Notes should realize that such FundSERV Deposit Notes may not be transferable to another dealer, if the Investor were to decide to move his or her investment account to such other dealer. In that event, the Investor would have to sell the FundSERV Deposit Notes pursuant to the procedures outlined above.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Bank, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Deposit Notes by an Investor who purchases Deposit Notes at the time of their issuance (an “Initial Investor”). This summary is applicable only to an Initial Investor who is an individual (other than a trust) and, for the purposes of the *Income Tax Act* (Canada) (the “Act”), is a resident of Canada, deals at arm’s length, and is not affiliated, with the Issuer and holds Deposit Notes as capital property. The Deposit Notes will generally be considered to be capital property to an Initial Investor unless: (i) the Initial Investor holds the Deposit Notes in the course of carrying on or otherwise as part of a business of trading or dealing in or buying and selling securities; or (ii) the Initial Investor acquired the Deposit Notes as an adventure in the nature of trade. Certain Initial Investors resident in Canada whose Deposit Notes might not otherwise be considered to be capital property or who desire certainty with respect to the treatment of the Deposit Notes as capital property may be entitled to make an irrevocable election to have the Deposit Notes and all of the Initial Investor’s other “Canadian securities” deemed to be capital property pursuant to subsection 39(4) of the Act. This summary does not apply to an Initial Investor that is a corporation, partnership or trust.

This summary is based on the current provisions of the Act and the regulations thereunder as in force on the date hereof (the “Regulations”), the current administrative and assessing practices published in writing by the Canada Revenue Agency (the “CRA”) prior to the date hereof and all specific proposals to amend the Act and regulations thereunder 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 does not, except for the Tax Proposals, take into account or anticipate any changes in law or the CRA’s administrative or assessing practices, whether by legislative, governmental or judicial action. This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Deposit Notes and does not

take into account provincial, territorial or foreign income tax legislation or considerations, which are not addressed in this summary.

This summary is of a general nature only and is not intended to be legal or tax advice to any Investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Deposit Notes, based on their particular circumstances.

Variable Return

A Deposit Note is a “prescribed debt obligation” within the meaning of the Act. The rules in the Regulations applicable to a prescribed debt obligation generally require a taxpayer to accrue the amount of any interest, bonus or premium receivable in respect of the obligation over the term of the obligation, based on the maximum amount of interest, bonus or premium receivable on the obligation. Based in part on the CRA’s administrative practice with regard to prescribed debt obligations, there should be no deemed accrual of the Variable Return on the Deposit Notes under these provisions prior to the Maturity Date, provided that no Extraordinary Event or other event that results in a determination of the Variable Return has occurred. Where the Variable Return is determined and calculated prior to the Maturity Date as a result of an Extraordinary Event or other event that results in a determination of the Variable Return, and the payment of such Variable Return is deferred until the Maturity Date, an Initial Investor will be required to include in the Initial Investor’s income an amount in each taxation year over the remaining term of the Deposit Notes determined in accordance with the rules in the Regulations applicable to prescribed debt obligations. Where a payment of the Variable Return takes place prior to the Maturity Date as a result of an Extraordinary Event, the full amount of such payment will be included in the Initial Investor’s income in the taxation year of the Initial Investor in which the Variable Return becomes calculable except to the extent that any amount of Variable Return has been included in the Initial Investor’s income for that or a preceding year. The Bank will file an information return with the CRA in respect of any such deemed interest required to be included in an Initial Investor’s income and will provide the Initial Investor with a copy of such return. **Initial Investors should consult their tax advisors with respect to the taxation of the Variable Return, in particular, in the case of an Extraordinary Event or other event that results in a determination of the Variable Return.**

Disposition of Deposit Notes

On a disposition of a Deposit Note at the Maturity Date, an Initial Investor will be required to include in income for the taxation year in which the disposition occurs, the amount, if any, of the Variable Return, except to the extent otherwise included in income in the taxation year or a preceding taxation year. The Bank will file an information return with the CRA in respect of any such amount to be included in an Initial Investor’s income and will provide the Initial Investor with a copy of such return. The Initial Investor will realize a capital gain (or a capital loss) to the extent that the proceeds received from the Bank, less the Variable Return so included in income, exceed (or are less than) the aggregate of the Initial Investor’s adjusted cost base of the Deposit Note and any reasonable costs of disposition.

In certain circumstances, where an Initial Investor assigns or otherwise transfers a debt obligation, the amount of interest accrued on the debt obligation to that time, but unpaid, will be excluded from the proceeds of disposition of the obligation and will be required to be included as interest in computing the Initial Investor’s income for the taxation year in which the transfer occurs, except to the extent that it has been otherwise included in income for that year or a preceding year. Except in the case of an Extraordinary Event or other event that results in a determination of the Variable Return, there should be no amount in respect of Variable Return that will be treated as accrued interest on an assignment or transfer of a Deposit Note prior to the Maturity Date. Except as described above regarding a payment at the Maturity Date, while the matter is not free from doubt, an amount received by an Initial Investor on a disposition or deemed disposition of a Deposit Note should give rise to a capital gain (or capital loss) to the extent that proceeds of disposition exceed (or are less than) the aggregate of the Initial Investor’s adjusted cost base of the Deposit Note and any reasonable costs of disposition. **Initial Investors who dispose of Deposit Notes prior to the Maturity Date should consult their tax advisors with respect to their particular circumstances.**

One-half of a capital gain realized by an Initial Investor must be included in the income of the Initial Investor. One-half of a capital loss realized by an Initial Investor is deductible against the taxable portion of capital gains realized in the year, in the three preceding years or in subsequent years, subject to and in accordance with the rules in the Act.

Capital gains realized by an individual may give rise to a liability for alternative minimum tax.

CALCULATION AGENT

Scotia Capital will be the Calculation Agent with regard to the Deposit Notes. The Calculation Agent will be solely responsible for the determination and calculation of the Initial Price, the Final Price and the Variable Return, if any, as well as for making certain other determinations with regard to the Deposit Notes and the Index. 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 Investors. The Calculation Agent is obligated to carry out its duties and functions in good faith and using its reasonable judgment. The Calculation Agent may have an economic interest adverse to those of Investors, including with respect to the Bank's hedging arrangements with respect to the Deposit Notes and with respect to certain determinations that the Calculation Agent must make, such as determining the Variable Return, if any, and whether a Market Disruption Event or Extraordinary Event has occurred and in making certain other determinations with respect to the Index and the Notes.

DESCRIPTION OF THE BANK

The Bank 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 Bank has been a chartered bank under the *Bank Act* (Canada) (the "Bank Act"). The Issuer is a Schedule 1 bank under the Bank Act and the Bank Act is its charter. The head office of the Bank 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. The Bank is a full-service financial institution, active in both domestic and international markets. In Canada, the Bank provides a full range of retail, commercial, corporate, investment and wholesale banking services through its extensive network of branches and offices across Canada. With close to 57,000 employees, the Bank and its affiliates have branches and offices serving almost 12 million customers in some 50 countries, which provide a wide range of banking and financial services, either directly or through subsidiary and associated banks, trust companies and other financial institutions.

The Bank has three major business lines: Domestic Banking, International Banking and Scotia Capital. Each of these three business lines is discussed below and additional information on each of the Bank's business lines is available in the 2006 Management's Discussion and Analysis found on page 42 of the Annual Report.

Domestic Banking

The Bank's Domestic Banking business line provides a full range of banking and investment services to retail and small business banking, commercial and wealth management customers across Canada. Retail Banking provides a full range of financial products and services to nearly 7 million customers through a multi-channel domestic delivery network that includes 972 branches; 2,742 automated banking machines ("ABMs"); telephone, wireless and internet banking; three call centres, 100 wealth management branches, four dealer finance centres; and six commercial and business banking centres. Retail and Small Business Banking supplies mortgages, loans, credit cards, investments, insurance and day-to-day banking products to individuals and small businesses. Wealth Management provides a full range of products and services including: retail brokerage (discretionary, non-discretionary and self-directed); investment management advice; mutual funds and savings products; and financial planning and private client services for affluent clients. Commercial Banking delivers a full product suite to medium and large businesses.

International Banking

The Bank's International Banking business line operates in more than 40 countries and includes operations in the following geographic regions: the Caribbean and Central America, Mexico, Latin America, and Asia. International Banking includes the Bank's retail and commercial banking operations outside of Canada. Including the Bank's subsidiaries and affiliates, more than 27,100 employees worldwide provide a full range of services to over 4.7 million customers. In the Caribbean and Central America, the Bank operates in 25 countries with 372 branches and offices and a network of 844 ABMs and employs over 11,200 staff. In Mexico, Grupo Financiero Scotiabank Inverlat, S.A. de C.V. is the sixth-largest financial group in the Mexican banking system, serving more than 1.4 million customers through 494 branches and offices, and has a network of 1,122 ABMs, nearly 7,400 employees and a significant portion of the rapidly expanding mortgage and automotive financing markets. In Latin America, the Bank's holdings include Scotiabank Sud Americano, S.A. in Chile, Scotiabank Peru S.A.A. and an affiliate in Venezuela. In Chile, the Bank operates 53 branches and offices and provides personal, commercial and corporate banking services. The Bank expanded its operations in Peru this year, which resulted in 77.57% ownership of the third-largest bank in the country, with 140 branches and other operations. In the Asia Pacific region, the Bank operates in nine countries with 24 branches and offices. Current activities are focused on commercial banking and trade finance, along with some wholesale banking.

Scotia Capital

Scotia Capital provides full service wholesale banking to corporate, government and institutional clients across the NAFTA region as well as other selected niche markets globally. Scotia Capital has 18 offices and more than 300 relationship managers who are organized primarily around industry specialties. Scotia Capital is organized into two main businesses. Global Corporate and Investment Banking is organized geographically with four groups: Canadian Corporate and Investment Banking; United States Corporate; Europe Corporate; and Mexico Wholesale. In Canada, Scotia Capital provides wholesale banking services. In Mexico, Scotia Capital offers a full suite of wholesale products, as well as cash management, trade finance and correspondent banking to our Mexico-based clients. The United States and European units provide corporate lending products as well as select non-lending products. Global Capital Markets represents the Bank's trading businesses and operates in Canada, the United States, Mexico, Western Europe and Asia. Global Capital Markets specializes in fixed income, derivatives, foreign exchange, and equity sales, trading and research, and through ScotiaMocatta, precious metals.

RISK FACTORS

Suitability of Deposit Notes for Investment

A person should reach a decision to invest in the Deposit Notes only after carefully considering, with his or her investment, legal, accounting, tax and other advisors, the suitability of the Deposit Notes in light of his or her investment objectives and the information set out in this Information Statement. For instance, an investment in a Deposit Note is not suitable for a person seeking a guaranteed or fixed rate of return. The Bank, the Calculation Agent and the Selling Agent make no recommendation as to the suitability of the Deposit Notes for investment by any particular person. The Deposit Notes have certain investment characteristics that differ from fixed income investments. The Deposit Notes may not provide Investors with a Variable Return prior to or at the Maturity Date, and it is possible that the Deposit Notes will not provide a return in excess of the Principal Amount at the Maturity Date. Therefore, an investment in the Deposit Notes is only suitable for Investors prepared to assume risks with an investment whose return is tied to the performance of the Index. The Principal Amount is only repaid if the Deposit Notes are held to the Maturity Date. The Deposit Notes are not conventional indebtedness. The Deposit Notes could produce no yield. Therefore, the Deposit Notes are not suitable investments for Investors who need or expect a positive annual return.

Comparison to Other Obligations

The terms of the Deposit Notes differ from those of ordinary obligations or debt instruments, in that a return, if any, is payable on the Deposit Notes only at the Maturity Date in most circumstances and only to the extent that the Variable Return is greater than zero. Whether the Variable Return will be greater than zero 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 the Variable Return will be greater than zero, or that more than the Principal Amount will ever be payable with respect to the Deposit Notes. Moreover, the value of an investment in the Deposit 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 Deposit Notes may result in a lower return when compared to alternative investments.

No Guaranteed Return on Deposit Notes

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

Pledging

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

No Variable Return May Be Payable

Variable Return, if any, payable on the Deposit Notes is directly linked to the Index Return (which may be positive or negative). Unless the Index Return is positive at maturity, no Variable Return will be payable on the Deposit Notes. See "Description of the Deposit Notes — Variable Return".

Historical Performance of the Index is not an Indication of Future Performance

Variable Return, if any, will be determined on the basis of the performance of the Index. The historical performance of the Index is not indicative of the future performance of the Index. Closing Values of the Index will be influenced by complex and interrelated political, economic, financial and other factors.

Risks Relating to the Index

It is impossible to predict whether the Closing Value of the Index will increase or decrease over the term of the Deposit Notes. Trading prices of the securities underlying the Index Constituents will be influenced by complex and interrelated political, economic, financial and other factors that can affect the capital 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. The composition of the Index Constituents may also change from time to time.

The level of the Index can go down as well as up and the performance of the Index in any future period may not mirror its past performance.

Any investment linked or related to the Index will not necessarily be the same as an investment in the Index Constituent Pairs or their components.

The Closing Value on any Trading Day will depend on the comparative performance of, in relation to each Index Constituent Pair, the relevant DB Regional Style Index compared to the relevant Benchmark Index. If the overall performance of the DB Regional Style Indices compared to the Benchmark Indices, when measured by reference to each Index Constituent Pair, is positive, the Closing Value will rise. Conversely, if the overall performance of the DB Regional Style Indices compared to the Benchmark Indices, when measured by reference to each Index Constituent Pair, is negative, the Closing Value will fall. Therefore, whether or not the Closing Value rises or falls depends not on whether or not the levels of any of the DB Regional Style Indices and/or the Benchmark Indices rise or fall but on the overall comparative performance of the DB Regional Style Indices to the Benchmark Indices when measured by reference to each Index Constituent Pair.

Investors considering the performance of the Index must, therefore, carefully consider the composition and calculation of each DB Regional Style Index and the Benchmark Index which together form an Index Constituent Pair.

Volatility Weighting

The exposure to an Index Constituent Pair and the X-Alpha™ Model is determined quarterly on as part of reconstitution of the Index based on that Index Constituent Pair's and the X-Alpha™ Model's 100 Day Annualized Volatility compared to the Target Volatility Cap, subject to the Minimum Percentage Weight and Maximum Percentage Weight. If returns on Index Constituent Pairs or the X-Alpha™ Model coincide with volatility higher than the target, the Index would be exposed less to such returns than if the volatility targeting had not been done. If returns on Index Constituent Pairs or the X-Alpha™ Model coincide with volatility lower than the target, the Index would be exposed more to such returns than if the volatility targeting had not been done.

Index Costs

On each Trading Day, the calculation of the Closing Value will include a deduction of the Borrow Fee to defray transaction costs incurred in relation to the Index on such day.

Calculations and Determinations by the Index Sponsor

All calculations and determinations of the Index Sponsor in relation to the Index as described herein shall be binding on all parties.

The Index Sponsor has discretion to alter the dates on which the Index Constituent Pairs and/or the Index are/is reconstituted in certain circumstances as described in "The Index — Adjustments". The exercise of such discretion may result in the Closing Value on any Trading Day being different to that which it may have been had the Index Sponsor not determined to exercise such discretion.

Reliance on Publicly Available Sources

For so long as the Index Sponsor constitutes and calculates the Index and the Closing Value, calculations and determinations by the Index Sponsor in connection with the Index will be made in reliance upon the information of various publicly available sources that the Index Sponsor has not independently verified. The Index Sponsor does not accept any liability for loss or damage of any kind arising from the use of such information in any such calculation or determination and neither the Bank, the Selling Agent nor any of their respective affiliates assumes any liability in respect thereof.

Adjustments to the Index and Index Calculation

Investors should note carefully the provisions under "The Index — Adjustments". Pursuant to these provisions, a DB Regional Style Index and/or a Benchmark Index may be replaced and/or other determinations and/or adjustments made as the Index Sponsor considers appropriate and the method of constituting the Index and/or determining the Closing Value may be changed.

Index Change upon Illegality

If any change in law or regulations would: (i) make the calculation of the Index illegal; or (ii) materially change the economic terms of the Index in the reasonable view of the Index Sponsor, then the Index Sponsor may modify the methodology of the Index in order to reconstitute the Index or calculate the Closing Value to the extent required to permit calculation of the Index or make such modification or prevent such material change in the economic terms of the Index, as the case may be. The Index Sponsor may also make modifications to the terms of the Index and the method of calculating the Closing Value in any manner that it may deem necessary or desirable to correct any manifest or proven or proven error. In such a case, the Index Sponsor shall make any modification to the Index methodology such that the fundamental economic terms of the Index are equivalent to those immediately prior to the change in law or regulations requiring such modification.

Liquidity Risk and Secondary Market

The Principal Amount and Variable Return, if any, per Deposit Note are only payable at maturity (subject, in the case of Variable Return, to the occurrence of an Extraordinary Event or a Market Disruption Event and deferral of payment in certain circumstances). An Investor cannot elect to receive Variable Return prior to the Maturity Date. The Deposit Notes will not be listed on any stock exchange. However, the Selling Agent intends to use reasonable efforts to initiate and maintain a secondary market for the Deposit Notes, but reserves the right not to do so in the future in its sole discretion, without providing prior notice to the Investors. These efforts will consist of posting a daily Bid Price through FundSERV for the Deposit Notes. The Selling Agent may, for any reason, elect not to purchase Deposit Notes from any particular Investor. Investors may sell the Deposit Notes in any such secondary market prior to maturity. The Bid Price for a Deposit Note will be affected by a number of factors, the most important of which are: (i) the Principal Amount of the Deposit Note which is payable on maturity; and (ii) the expected value of the Variable Return. Generally the longer the term to maturity, and the higher the prevailing interest rates at the time such Bid Price is obtained, the less the Deposit Note will be worth. The expected value of the Variable Return will be a function of a number of variables, including but not limited to: (a) the volatility of the Closing Values of the Index; (b) the remaining term to maturity; (c) changes in the Closing Values of the Index since the Issue Date; and (d) various other factors including, but not limited to, prevailing interest rates, and market demand for the Deposit Notes. The relationship between these factors is complex and may also be influenced by various political, economic and other factors that can affect the Bid Price of a Deposit Note. Due to the method used to price the Variable Return, the expected value of the Variable Return may be substantially less than the value computed only with reference to the performance of the Index. If an Investor sells Deposit Notes prior to maturity, the Investor may have to do so at a discount from the original Principal Amount even if the performance of the Index has been positive and, as a result, the Investor may suffer losses. An Investor who sells a Deposit Note prior to the Maturity Date may have to pay an Early Trading Charge of up to 5.95% of the Principal Amount.

Potential Conflicts of Interest

The Bank is the issuer of the Deposit Notes. Scotia Capital will, as the Calculation Agent, calculate the amount, if any, of Variable Return paid to Investors at maturity. The Calculation Agent may also be required to exercise its judgment in relation to the Deposit Notes from time to time. For example, the Calculation Agent may have to determine whether a Market Disruption Event or Extraordinary Event has occurred, and may, as a consequence, have to make certain calculations and determinations. While the Calculation Agent is required to make such calculations and determinations in good faith and using commercially reasonable procedures in order to produce a commercially reasonable result, absent manifest error, all of the Calculation Agent's calculations and determinations will be final and binding on Investors, without any liability on the Calculation Agent's, the Selling Agent's or the Bank's part, and Investors will not be entitled to any compensation from the Bank, the Calculation Agent or the Selling Agent for any loss suffered as a result of any of the Calculation Agent's calculations and determinations. Since the Calculation Agent's calculations and determinations may affect the market value of the Deposit Notes, the Bank may have a conflict of interest if the Calculation Agent needs to make any such calculations and determinations.

Since the Bank and the Calculation Agent may be the same person, the Calculation Agent may have an economic interest adverse to those of Investors, including with respect to the Bank's hedging arrangements with respect to the Deposit Notes and with respect to certain determinations that the Calculation Agent must make including, without limitation, whether a Market Disruption Event or an Extraordinary Event has occurred and in making other determinations with respect to the Index. The Bank and its affiliates may also deal in the securities underlying any Index Constituent and may, where permitted, accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with any issuer of any security underlying any Index Constituent or any other person or entity having obligations relating to such issuers and may act with respect to such business in the same manner as it would if the Deposit Notes did not exist, regardless of whether any such action might have an adverse effect on the Closing Value of the Index on the Calculation Date and, thus, the Variable Return, if any, payable in respect of the Deposit Notes. The Bank and its affiliates may, whether by virtue of the relationships described above or otherwise, from time to time be in possession of information in relation to any issuer of any security underlying an Index

Constituent that may not be publicly available or known to Investors, and the Deposit Notes do not create an obligation on the part of the Bank or its affiliates to disclose to Investors such relationship or such information (whether or not confidential).

The Index Sponsor may, as an issuer of securitized products or otherwise, engage in hedging activities that may impact on the Closing Value on a Trading Day from that which it would otherwise have been, whether directly or indirectly. While the Index Sponsor believes that such activity will not have a material impact on the Closing Value on any Trading Day, no assurance can be given that market, regulatory, juridical, financial or fiscal circumstances will not arise with the result that the Closing Value on any Trading Day is negatively impacted. The Index Sponsor may, but is not obliged, to adjust the method of calculation of the Closing Value to reduce the effect of any such factors.

The common stock of Deutsche Bank AG may be included in one or more of the Benchmark Indices and DB Regional Style Indices from time to time, so that the value of the Deutsche Bank AG shares will have an effect on the level of such Benchmark or one or both of the two relevant DB Regional Style Indices and, therefore, the Index.

Market Disruption Event

If a Market Disruption Event occurs on the Calculation Date, the determination of the Index Return (and, possibly, any subsequent payment of Variable Return, if any) may be delayed. Fluctuations in the Closing Value of the Index may occur in the interim. In the event that a Market Disruption Event occurs and continues for eight consecutive Banking Days, the Calculation Agent may elect to determine the Closing Value of the Index utilizing the MDE Formula. 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. See “Description of the Deposit 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 Investors to be given effective on the Extraordinary Event Notification Date, elect to accelerate the determination of the Variable Return, if any, on all outstanding Deposit 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 Deposit Note be paid prior to the Maturity Date. See “Description of the Deposit Notes — Special Circumstances — Extraordinary Event”.

Credit Risk

Because the obligation to make payments to Investors is an obligation of the Bank, the likelihood that such Investors will receive the payments owing to them in connection with the Deposit Notes will be dependent upon the financial health and creditworthiness of the Bank.

Hedging Transactions

On or prior to the Issue Date, the Bank or an affiliate thereof, may hedge some or all of its anticipated exposure in connection with the Deposit Notes by the purchase and sale of exchange traded and over the counter options on the Index. The Bank and its affiliates may also from time to time buy or sell the securities underlying the Index or derivative instruments related to the Index 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 level of the Index, there can be no assurance that the Bank or an affiliate thereof will not affect such prices as a result of such activities.

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 Investors.

No Deposit Insurance

The Deposit Notes will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* or any other deposit insurance regime. Therefore, an Investor will not be entitled to Canada Deposit Insurance Corporation protection.

Deferral of Payment

Payment of Variable Return, if any, in respect of the Deposit Notes may be deferred to ensure compliance with Canadian laws governing interest rates.

Economic and Regulatory Issues

Changes in economic conditions, including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, political and diplomatic events and trends, war, tax laws and innumerable other factors, can affect substantially and adversely the business and prospects or issuers, the securities of which are reflected in the Index and, therefore, the value of the Index. None of these conditions are within the control of the Bank.

The Deposit Notes are not subject to Canadian securities laws. Accordingly, Investors do not have the same rights of action with respect to the disclosure in this Information Statement that a prospectus would provide. No securities commission or similar authority has in any way passed upon the merits of the Deposit Notes or the Information Statement.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Information Statement from documents filed by the Bank with securities commissions 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, 2006; and
- (b) the Bank's consolidated financial statements as at and for the years ended October 31, 2006 and 2005 together with the auditors' report thereon, including management's discussion and analysis of financial conditions and results of operations as contained in the Bank's Annual Report for the year ended October 31, 2006.

Any documents of the type referred to in the preceding paragraph and any unaudited interim financial statements for three, six or nine months financial periods, any information circulars; any material change reports (excluding confidential material change reports), news release containing financial information concerning the Bank for period following October 31, 2006 and any business acquisition reports for acquisitions completed after October 31, 2006 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 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

“**100 Day Annualized Volatility**” is expressed as a percentage and means, in relation to an Index Reconstitution Day and an Index Constituent Pair Daily Level and the X-Alpha™ Model Daily Level, the level calculated by the Index Sponsor using the following formula:

$$\sqrt{\frac{n * \sum_{i=0}^{n-1} \left(\ln \frac{P_i}{P_{i+1}} \right)^2 - \left(\sum_{i=0}^{n-1} \ln \frac{P_i}{P_{i+1}} \right)^2}{n * (n-1)}} * 252$$

where:

ln = Natural Logarithm;

n = number of Week Days from and excluding the Week Day falling 100 Week Days prior to the relevant Index Reconstitution Day up to and including the relevant Index Reconstitution Day; and

where to calculate the 100 Day Annualized Volatility of an Index Constituent Pair Daily Level:

P_i = where i is a number other than 0, the X-Alpha™ Model Daily Level on the i^{th} Week Day preceding the relevant Index Reconstitution Day and, where i is equal to 0, the X-Alpha™ Model Daily Level on the relevant Index Reconstitution Day;

where to calculate the 100 Day Annualized Volatility of the X-Alpha™ Model Daily Level:

P_i = where i is a number other than 0, the X-Alpha™ Model Daily Level on the i^{th} Week Day preceding the relevant Index Reconstitution Day and, where i is equal to 0, the X-Alpha™ Model Daily Level on the relevant Index Reconstitution Day.

“**Act**” means *Income Tax Act* (Canada).

“**Bank**” means The Bank of Nova Scotia.

“**Banking Day**” means a day other than a Saturday, Sunday or any day in which the Bank is closed in Toronto, Ontario.

“**Benchmark Index**” means each of:

The Dow Jones EuroSTOXX 50 Total Return Index™

The S&P® 500 Total Return Index

The TOPIX 100® Total Return Index

The FTSE 100® Total Return Index

subject to adjustment as provided in “The Index — Adjustments”.

“**Bid Price**” has the meaning ascribed thereto under “Description of the Deposit Notes — Secondary Trading of Deposit Notes”.

“**Borrow Fee**” means, in relation to any Trading Day, an amount equal to the Borrow Fee Rate multiplied by the Day Count Fraction.

“**Borrow Fee Rate**” means 0.60%, provided that the Index Sponsor may increase or decrease this percentage from time to time when, in the determination of the Index Sponsor, the arithmetic average of the rate charged by three market counterparties as selected by the Index Sponsor from time to time in its sole and absolute discretion in relation to lending futures or constituent stocks of all the Index Constituents changes from time to time as determined conclusively by the Index Sponsor in its sole and absolute discretion from time to time.

“Business Exchange Day” means any day that is a Trading Day, other than a Saturday, a Sunday or any day on which the Bank is closed in Toronto, Ontario.

“Calculation Agent” means Scotia Capital or any third party that it delegates its function to.

“Calculation Date” means the day that is two Business Exchange Days prior to the Maturity Date, subject to the provisions set out under “Description of the Deposit Notes — Special Circumstances”.

“CDS” means CDS Clearing and Depository Services Inc.

“Closing Value” or **“X-Alpha™ USD Excess Return Index Closing Level”** means, in respect of a Trading Day, the product of (i) the X-Alpha™ Leveraged Reference Level for such Trading Day and (ii) the X-Alpha™ Leveraged Daily Cumulative Return for such Trading Day, all as determined by the Index Sponsor.

“CRA” means the Canada Revenue Agency.

“DB Regional Style Index” means each of:

- The DB Euro Value Total Return Index
- The DB Euro Growth Total Return Index
- The DB US Value Total Return Index
- The DB US Growth Total Return Index
- The DB Japan Value Total Return Index
- The DB Japan Growth Total Return Index
- The DB UK Value Total Return Index
- The DB UK Growth Total Return Index,

subject to adjustment as provided in “The Index — Adjustments”.

“DBRS” means Dominion Bond Rating Service, Limited.

“Deposit Note” means The Bank of Nova Scotia – Deutsche Bank X-Alpha™ Index Linked Deposit Notes – Series 1 offered by this Information Statement.

“Early Trading Charge” has the meaning ascribed thereto under “Description of the Deposit Notes — Early Trading Charge”.

“Exchange” means:

- (a) in respect of each Index Constituent other than the Euro Stoxx Index, the principal stock exchange(s) on which the securities comprising the Index Constituent are principally traded, as determined by the Index Sponsor; and
- (b) in respect of the Euro Stoxx Index, in relation to each component security of the Euro Stoxx Index (each a Component Security), the principal stock exchange on which such Component Security is principally traded, as determined by the Index Sponsor.

“Exchange Rate” means, in respect of any day, the rate of exchange prevailing at 16:00 Central European Time (or at such time approximate thereto as the Index Sponsor determines to be practicable) on such day between the currency in which any Index Constituent is expressed (the “Reference Currency”) and the Index Currency (expressed as the number of units of the Reference Currency or a fraction thereof required to buy one unit of the Index Currency) as determined by the Index Sponsor by reference to such source(s) as the Index Sponsor may determine to be appropriate at such time.

“Extraordinary Event” means any of the following events that occurs after the Closing 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, re-establish, substitute, maintain or unwind any hedge transaction in connection with the offering of Deposit 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 Deposit Notes or in the cost of realizing, recovering or remitting the proceeds of any such hedging transaction; (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 Deposit Notes; or (iv) there shall have occurred a material change in the manner in which the Index, any DB Regional Style Index or any Benchmark Index is calculated or in the composition or constitution of the Index, any DB Regional Style Index or any Benchmark Index.

“Extraordinary Event Notification Date” has the meaning ascribed thereto under “Description of the Deposit Notes — Special Circumstances — Extraordinary Event”.

“Fed Business Day” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York.

“Fed Rate” means, with respect to a Trading Day, the rate published for the Federal Funds Effective Rate US in respect of such Trading Day if that day is a Fed Business Day, or in respect of the Fed Business Day immediately preceding that Trading Day if that day is not a Fed Business Day.

“Final Price” means the Closing Value of the Index on the Calculation Date, as determined by the Calculation Agent.

“Index” means the Deutsche Bank X-Alpha™ US Dollar Excess Return Index.

“Index Constituent” means, subject as provided in “The Index — Adjustments”, each of the eight DB Regional Style Indices and each of the four Benchmark Indices constituting the Index.

“Index Constituent Daily Index Level” means, in relation to an Index Constituent and a Trading Day, the closing level on such Trading Day for such Index Constituent, in each case as determined by the Index Sponsor and converted into the Index Currency at the Exchange Rate on such Trading Day.

“Index Constituent Pair” means, subject as provided in “The Index — Adjustments”, each of the eight pairs of Index Constituents as set out in “The Index — Index Constituent Pairs”.

“Index Constituent Pair Daily Cumulative Return” means, in relation to an Index Constituent Pair and a Trading Day and expressed as a percentage the product of (A) and (B) where:

(A) equals the sum of one (1); and (i) minus (ii) where

(i) equals the Index Constituent Return for the DB Regional Style Index constituting part of such Index Constituent Pair and

(ii) equals the Index Constituent Return for the Benchmark Index constituting part of such Index Constituent Pair, in each case for such Trading Day; and

(B) equals (i) minus (ii) where

(i) is one (1) and

(ii) equals the Borrow Fee calculated for such Trading Day,

all as determined by the Index Sponsor.

“Index Constituent Pair Daily Level” means, in relation to an Index Constituent Pair and a Trading Day, the product of the Index Constituent Pair Daily Cumulative Return and the Index Constituent Pair Reference Level for such Index Constituent Pair, in each case for such Trading Day and all as determined by the Index Sponsor.

“Index Constituent Pair Exposure” means, in relation to an Index Constituent Pair and expressed as a percentage, and not to exceed the Maximum Percentage Weight or fall below the Minimum Percentage Weight, in respect of

an Index Constituent Pair Reconstitution Day (the “First Index Pair Reconstitution Day”) and each Trading Day thereafter to but excluding the immediately succeeding Index Constituent Pair Reconstitution Day, the quotient of:

- (i) the Target Volatility Cap as numerator; and
- (ii) the 100 Day Annualised Volatility determined in respect of such Index Constituent Pair on the Index Reconstitution Day immediately preceding the First Index Pair Reconstitution Day as denominator,

all as determined by the Index Sponsor.

“Index Constituent Pair Knock-Out Event” means, in relation to any Trading Day, a determination by the Index Sponsor that the Index Constituent Pair Daily Cumulative Return for any Index Constituent Pair on such Trading Day is below -40% (minus forty per cent.).

“Index Constituent Pair Leveraged Daily Level” means, in relation to an Index Constituent Pair and a Trading Day, the product of (i) the Index Constituent Pair Leveraged Return for such Index Constituent for such Trading Day and (ii) the Index Constituent Pair Leveraged Reference Level for such Index Constituent Pair for such Trading Day, all as determined by the Index Sponsor.

“Index Constituent Pair Leveraged Reference Level” means, in relation to an Index Constituent Pair in respect of each Trading Day in the period from and including the first Trading Day following an Index Constituent Pair Reconstitution Day (the “First Index Constituent Pair Reconstitution Day”) to and including the immediately succeeding Index Constituent Pair Reconstitution Day, the Index Constituent Pair Leveraged Daily Level determined in respect of the First Index Constituent Pair Reconstitution Day, all as determined by the Index Sponsor.

“Index Constituent Pair Leveraged Return” means, in relation to an Index Constituent Pair and a Trading Day and expressed as a percentage, the sum of (A) and (B) where

(A) equals one (1); and

(B) equals the product of (i) and (ii) where (i) is (a) minus (b) where

(a) equals the Index Constituent Pair Daily Cumulative Return for such Trading Day; and

(b) equals one (1); and

(ii) equals the Index Constituent Pair Exposure for such Trading Day,

all as determined by the Index Sponsor.

“Index Constituent Pair Percentage Weight” means, for each Index Constituent Pair, a percentage as follows:

Euro Value Pair +15%;

Euro Growth Pair +15%;

US Value Pair +25%;

US Growth Pair +25%;

Japan Value Pair +5%;

Japan Growth Pair +5%;

UK Value Pair +5%; and

UK Growth Pair +5%.

“Index Constituent Pair Reconstitution Day” means the third Trading Day following an Index Reconstitution Day.

“Index Constituent Pair Reference Level” means, in relation to an Index Constituent Pair, in respect of each Trading Day in the period from and including the first Trading Day following an Index Constituent Pair Reconstitution Day (the “First Index Constituent Pair Reconstitution Day”) to and including the immediately succeeding Index Constituent Pair Reconstitution Day, the Index Constituent Pair Daily Level as of the First Index Pair Reconstitution Day, all as determined by the Index Sponsor.

“Index Constituent Pair Weight” means, in relation to an Index Constituent Pair and a Trading Day, the number or portion of units, as applicable, of such Index Constituent Pair contained in the Index on such Trading Day and shall be determined by the Index Sponsor to be in respect of an X-Alpha™ Reconstitution Day (the “First X-Alpha™ Reconstitution Day”) and each Trading Day thereafter to but excluding the immediately succeeding X-Alpha™ Reconstitution Day, an amount equal to the product of (a) and (b) where:

- (a) is the sum of the products determined for each Index Constituent Pair of: (i) the Index Constituent Pair Leveraged Daily Level for such Index Constituent Pair for the First X-Alpha™ Reconstitution Day immediately preceding the First X-Alpha™ Reconstitution Day; and (ii) the Index Constituent Pair Weight determined for such Index Constituent Pair for the X-Alpha™ Reconstitution Day immediately preceding the First X-Alpha™ Reconstitution Day; and
- (b) equals the quotient of: (i) the Index Constituent Pair Percentage Weight for such Index Constituent Pair as numerator; and (ii) the Index Constituent Pair Leveraged Daily Level for such Index Constituent Pair for the First X-Alpha Reconstitution Day as denominator.

“Index Constituent Reference Level” means, in relation to an Index Constituent and a Trading Day, the Index Constituent Daily Index Level of such Index Constituent for the Index Constituent Pair Reconstitution Day immediately preceding such Trading Day.

“Index Constituent Return” means, in relation to an Index Constituent and a Trading Day, (A) minus (B), expressed as a percentage, where

(A) equals the quotient of (i) the Index Constituent Daily Index Level for such Index Constituent for such Trading Day as numerator and (ii) the Index Constituent Reference Level for such Index Constituent for such Trading Day as denominator and

(B) equals one (1),

all as determined by the Index Sponsor.

“Index Currency” means US Dollars.

“Index Reconstitution Day” means the 12th calendar day of each January, April, July and October.

“Index Sponsor” means Deutsche Bank AG London or any duly appointed successor in its capacity as sponsor of the Index.

“Initial Investor” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”.

“Initial Price” means the Closing Value of the Index on the Issue Date, as determined by the Calculation Agent.

“Investor” means a holder of Deposit Notes.

“Issue Date” means March 20, 2007.

“Knock-Out Cash Component” means, on a Trading Day subsequent to any Index Constituent Pair Knock-Out Event, an amount equal to the sum of:

(A) the relevant Stop Loss Amount; and

(B) the product of (i) the Knock-Out Cash Component Return determined on such Trading Day and (ii) the relevant Stop Loss Amount;

provided that the Knock-Out Cash Component will reset to zero on the following Index Constituent Pair Reconstitution Day.

“Knock-Out Cash Component Return” means the product of (A) the Fed Rate minus 6.25 basis points and (B) a number being (i) divided by (ii) where:

(i) equals the number of calendar days in the period from and including the date of the occurrence of the relevant Index Constituent Pair Knock-Out Event to but excluding the immediately succeeding Index Reconstitution Day and

(ii) is 365,

all as determined by the Index Sponsor.

“Market Disruption Event” means, in respect of the Index, 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 in the determination of the Calculation Agent has or will have or would have a material adverse effect on the ability of securities dealers generally to place, maintain, unwind or modify hedges of positions in respect of the Index or an Index Constituent. A Market Disruption Event may include, without limitation, any of the following events: (i) any failure for trading to commence, or the permanent discontinuation of trading, or any suspension or limitation on trading of any security underlying an Index Constituent or any futures or options contracts in respect of any security underlying an Index Constituent on the applicable Exchange or Related Exchange, or the occurrence of any event that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants (including the Bank) in general to (i) effect transactions in, or obtain market values for, any security underlying an Index Constituent on the applicable Exchange or Related Exchange, or (ii) effect transactions in, or obtain market values for, futures or options contracts in respect of any security underlying an Index Constituent on the applicable Exchange or Related Exchange (collectively, an “Exchange Disruption”); (ii) the failure of the Price Source for the Index to announce or publish the Closing Value for the Index (or the information necessary for determining the Closing Value), or the temporary or permanent discontinuance or unavailability of the Price Source (collectively, a “Price Source Disruption”); (iii) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or other governmental authority which would make it unlawful or impracticable for the Issuer and/or the Calculation Agent to perform its obligations under the Deposit Notes or for securities dealers generally to place, maintain, unwind or modify hedges of positions in respect of the Index or an Index Constituent; (iv) the taking of any action by any governmental, administrative, legislative or judicial authority or power of Canada or any other country, or any political subdivision thereof, which has, or may reasonably be expected to have, a material adverse effect on the financial markets of Canada or a country in which any applicable Exchange or Related Exchange is located; or (v) any outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, natural calamities) which has, or may reasonably be expected to have, a material adverse effect on the ability of the Bank or the Calculation Agent to perform its obligations under the Deposit Notes or of equity or commodity dealers generally to place, maintain, unwind or modify hedges of positions with respect to the Index or an Index Constituent or a material and adverse effect on the economy of Canada or the trading of the Index, or securities generally on any relevant Exchange or Related Exchange.

“Market Disruption Event Notification Date” has the meaning ascribed thereto under “Description of the Deposit Notes — Special Circumstances — Market Disruption Event”.

“Maturity Date” means March 20, 2014.

“Maximum Percentage Weight” means 150 per cent.

“MDE Formula” has the meaning ascribed under “Description of the Deposit Notes — Special Circumstances — Market Disruption Event”.

“Minimum Percentage Weight” means 50 per cent.

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

“Net Proceeds” means an amount equal to \$95.50 per Deposit Note.

“Participation Rate” means 120%.

“Price Source” means the entity or source that calculates and publishes the Closing Value for the Index on the Issue Date, or any Successor Source.

“Principal Amount” means \$100 per Deposit Note.

“Regulations” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”.

“Related Exchange” means in relation to each Index Constituent, each exchange or quotation system where trading has a material effect (as determined by the Index Sponsor) on the overall market for futures or options contracts relating to such Index Constituent (or any constituent of such Index Constituent).

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

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

“Scotia Capital” means, collectively, the Bank and any of its affiliates.

“Selling Agent” means Scotia Capital Inc.

“Selling Agent Fees” has the meaning ascribed thereto under “Summary-Selling Expenses”.

“Stop Loss Amount” means, following the occurrence on a Trading Day of an Index Constituent Pair Knock-Out Event, an amount determined by the Index Sponsor to be equal to the product of (i) the Index Constituent Pair Weight for the relevant Index Constituent Pair as determined for such day and (ii) the relevant Index Constituent Pair Leveraged Daily Level for such day.

“Sub-Agent” means BluMont Capital Corporation.

“Successor Source” means, in respect of the Index, any entity or source that succeeds a Price Source in respect of such Index and continues calculation and publication of the Closing Value for the Index, provided that such entity or source is acceptable to the Calculation Agent.

“Target Volatility Cap” means 8 per cent.

“Tax Proposals” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”.

“Trading Day” means a day on which each Exchange and each Related Exchange is scheduled to be open for its respective regular trading session and any day on which the index sponsor for the Euro Stoxx Index is scheduled to publish the level of the Euro Stoxx Index.

“Variable Return” has the meaning ascribed thereto under “Summary-Variable Return”.

“Week Day” means a day other than a Saturday or Sunday.

“X-Alpha™ Exposure” means, in respect of the X-Alpha™ Model Daily Level, an amount expressed as a percentage equal to, and not to exceed the Maximum Percentage Weight or fall below the Minimum Percentage Weight, in respect of an X-Alpha™ Reconstitution Day (the “First X-Alpha™ Reconstitution Day”) and each Trading Day thereafter to but excluding the immediately succeeding X-Alpha™ Reconstitution Day, the quotient of (i) the Target Volatility Cap as numerator and (ii) the 100 Day Annualised Volatility determined in respect of the X-Alpha™ Model Daily Level on the Index Reconstitution Day immediately preceding the First X-Alpha™ Reconstitution Day as denominator, all as determined by the Index Sponsor.

“X-Alpha™ Leveraged Daily Cumulative Return” means, in respect of a Trading Day, an amount expressed as a percentage equal to the sum of (A) and (B) where

(A) equals one (1); and

(B) equals the product of (i) and (ii) where

(i) equals the X-Alpha™ Exposure for such Trading Day; and

(ii) equals X-Alpha™ Model Daily Cumulative Return for such Trading Day,

all as determined by the Index Sponsor.

“X-Alpha™ Leveraged Reference Level” means in respect of each Trading Day in the period from and including the first Trading Day following an X-Alpha™ Reconstitution Day (the “First X-Alpha™ Reconstitution Day”) to and including the immediately succeeding X-Alpha™ Reconstitution Day, the X-Alpha™ USD Excess Return Index Closing Level calculated for the First X-Alpha™ Reconstitution Day all as determined by the Index Sponsor.

“X-Alpha™ Model Daily Cumulative Return” means, with respect to a Trading Day, an amount expressed as a percentage, determined by the Index Sponsor as (A) minus (B), where:

(A) is the quotient of (i) the X-Alpha™ Model Daily Level in respect of such Trading Day as numerator and (ii) the X-Alpha™ Model Reference Level in respect of such Trading Day as denominator; and

(B) equals 1.

“X-Alpha™ Model Daily Level” means in respect of a Trading Day, an amount expressed in the Index Currency and determined by the Index Sponsor to be equal to the sum of:

(A) the sum of the products determined for each Index Constituent Pair of (i) the Index Constituent Pair Weight for such Index Constituent as of such Trading Day; and (ii) the Index Constituent Pair Leveraged Daily Level for such Trading Day; and

(B) the Knock-Out Cash Component, if any, for such Index Constituent Pair as of such Trading Day.

“X-Alpha™ Model Reference Level” means in respect of each Trading Day in the period from and including the first Trading Day following an X-Alpha™ Reconstitution Day (the “First X-Alpha™ Reconstitution Day”) to and including the immediately succeeding X-Alpha™ Reconstitution Day, the X-Alpha™ Model Daily Level calculated for the First X-Alpha™ Reconstitution Day, all as determined by the Index Sponsor.

“X-Alpha™ Reconstitution Day” means the sixth Trading Day following an Index Reconstitution Day.

SCHEDULE A
DETAILS OF THE INDEX

Index Constituents

Each DB Regional Style Index, which is paired with a corresponding Benchmark Index to constitute an Index Constituent Pair, is reconstituted on a quarterly basis by the Index Sponsor.

Regional Index Selection

The DB Regional Style Indices and the Benchmark Indices have been selected from four regions, representing Continental Europe, the USA, Japan and the United Kingdom. Each Index Constituent reflects the reinvestment of dividends into such Index Constituent. For the DB Regional Style Indices, 85% of the cash dividends paid are reinvested into the relevant index as a result of taxation on dividends while, for the Benchmark Indices, 100% of the cash dividends paid are reinvested into each relevant index.

The DB Regional Style Indices

Eurozone

The DB Euro Value Total Return Index
The DB Euro Growth Total Return Index

The USA

The DB US Value Total Return Index
The DB US Growth Total Return Index

Japan

The DB Japan Value Total Return Index
The DB Japan Growth Total Return Index

The United Kingdom

The DB UK Value Total Return Index
The DB UK Growth Total Return Index

In order for a stock to be considered an “eligible share” for selection into a DB Regional Style Index, at the time of reconstitution, it must be a constituent of a publicly available, large capitalization benchmark equity index for that region (the “Selection Pool”) and that share’s trailing 12 month reported earnings-per-share must be greater than zero. The Selection Pool for a DB Regional Style Index is generally the same as the region’s Benchmark Index, except that, for the Eurozone, the Selection Pool is the Dow Jones EURO STOXX Large Index (excluding any share, the issuer of which is incorporated in Greece) which Selection Pool overlaps extensively with the regional Benchmark Index, and for the US, the Selection Pool is the 251 shares with the highest market capitalization contained in the regional Benchmark Index (the S&P 500® Index).

Short-term earnings momentum, as used to select the constituents of each DB Regional Growth Index, is defined as the percentage change between an eligible share’s trailing twelve months reported earnings-per-share and that company’s trailing twelve month earnings-per-share as reported one year earlier as of that index’s reconstitution date. The eligible shares with the highest trailing twelve month earnings momentum are selected for the relevant DB Regional Growth Index. For the DB Eurozone, Japan and UK Growth Indices, the twenty shares with the highest earnings momentum are selected and equally weighted. For the DB US Growth Index, the thirty shares with the highest earnings momentum are selected and equally weighted.

For the DB UK, US and Japan Value Indices, the stocks with the lowest twelve month trailing reported price-earnings ratio are selected. For the DB US Value Index, the thirty stocks with the lowest twelve month

trailing price-earnings ratio are selected and equally weighted while for the DB UK and Japan Value Indices, the twenty stocks with the lowest trailing twelve month reported price-earnings ratio are selected and equally weighted. For the DB Euro Value Index, the twenty stocks with the highest trailing twelve month reported dividend yield are selected and equally weighted. Dividend yield is used as the value selection criterion for the DB Euro Value Index as a result of price-earnings ratios being incomparable across Eurozone countries due to the different accounting standards used to calculate earnings per share in each Eurozone country.

All of the DB Regional Style Indices are reconstituted quarterly. The reconstitution process for all of the DB Regional Style Indices is fully quantitative and rules-based and contains no subjectivity or discretion on the part of the Index Sponsor.

Benchmark Indices

Eurozone

The Dow Jones EuroSTOXX 50 Total Return Index™ (the “Euro Stoxx Index”) is a capitalization-weighted total return index of 50 European blue-chip stocks from those countries participating in the EMU. The equities use free float shares outstanding in the calculation of the market capitalization weights. The index was developed with a base value of 1000 as of December 31, 1991.

The USA

The S&P 500® Total Return Index is the total return version of the S&P 500 Index, which is a capitalization-weighted index of 500 predominantly US stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Dividends are reinvested on a daily basis and the base data for the index is January 1, 1988 when the index closing level was 256.015. All regular cash dividends are assumed reinvested in the S&P 500 Index on the ex-date. Special cash dividends trigger a price adjustment in the price return index.

Japan

The TOPIX 100® Total Return Index is a capitalization-weighted index designed to measure the performance of the 100 most liquid stocks with the largest market capitalization that are members of the TOPIX Index which is a capitalization-weighted index of the largest stocks listed on the Tokyo Stock Exchange in Japan. Dividends are reinvested back into the index. The index was developed with a base value of 1000 as of April 1, 1998.

The United Kingdom

The FTSE 100® Total Return Index is a capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange. Dividends are reinvested back into the index. The index was developed with a base level of 1000 as of January 3, 1984.

DB Regional Style Indices and Benchmark Indices that are not denominated in US Dollars are expressed in US Dollars by converting the non-US Dollar amount into US Dollars using the Exchange Rate.

Index Constituent Pairs

The Index comprises eight pairs of notional financial positions which reflect the combined performance of a direct investment in one DB Regional Style Index minus the return of the Benchmark Index with which it is paired. Each of the eight DB Regional Style Indices is paired with one of the four Benchmark Indices to form an Index Constituent Pair as set out below, each of the two DB Regional Indices in the same region being paired with the Benchmark Index in the same region. The objective behind this pairing is to isolate the potential excess return of the “value” or “growth” stock selection model implemented by the relevant DB Regional Style Index over the return achieved from the Benchmark Index with which it is paired.

The relevant Index Constituents comprising each Index Constituent Pair are listed below:

<u>Index Constituent Pair</u>	<u>DB Regional Style Index</u>	<u>Benchmark Index</u>
Euro Value Pair	DB Euro Value Total Return Index	Dow Jones Euro STOXX 50 Total Return Index™
Euro Growth Pair	DB Euro Growth Total Return Index	Dow Jones Euro STOXX 50 Total Return Index™
US Value Pair	DB US Value Total Return Index	S&P® 500 Total Return Index
US Growth Pair	DB US Growth Total Return Index	S&P® 500 Total Return Index
UK Value Pair	DB UK Value Total Return Index	FTSE 100® Total Return Index
UK Growth Pair	DB UK Growth Total Return Index	FTSE 100® Total Return Index
Japan Value Pair	DB Japan Value Total Return Index	TOPIX 100® Total Return Index
Japan Growth Pair	DB Japan Growth Total Return Index	TOPIX 100® Total Return Index

Closing Level of the Index

The Closing Level of the Index on any Trading Day will depend on the comparative performance of, in relation to each Index Constituent Pair, the relevant DB Regional Style Index compared to the relevant Benchmark Index. If the overall performance of the DB Regional Style Indices compared to the Benchmark Indices, when measured by reference to each Index Constituent Pair, is positive, the Closing Level of the Index will rise. Conversely, if the overall performance of the DB Regional Style Indices compared to the Benchmark Indices, when measured by reference to each Index Constituent Pair, is negative, the Closing Value of the Index will fall. Therefore, whether or not the Closing Value of the Index rises or falls depends not on whether or not the levels of any of the DB Regional Style Indices and/or the Benchmark Indices rise or fall, but on the overall comparative performance of the DB Regional Style Indices to the Benchmark Indices when measured by reference to each Index Constituent Pair.

Weighting of Index Constituent Pairs

On each X-Alpha™ Index Reconstitution Day, the X-Alpha™ Model will weight each Index Constituent Pair. The weighting of each is determined by taking its Index Constituent Pair Percentage Weight as set forth below, and adjusting such weight by the relevant Index Constituent Pair Exposure determined on the Index Constituent Pair Reconstitution Day immediately preceding such X-Alpha™ Index Reconstitution Day, to effect Index Constituent Pair volatility targeting as described in “The Index-Exposure of the X-Alpha™ Model to an Index Constituent Pair.”

- Euro Value Pair +15%
- Euro Growth Pair +15%
- US Value Pair +25%
- US Growth Pair +25%
- Japan Value Pair +5%
- Japan Growth Pair +5%
- UK Value Pair +5%
- UK Growth Pair +5%

Exposure of the X-Alpha™ Model to an Index Constituent Pair

The exposure of the X-Alpha™ Model to an Index Constituent Pair is determined on the basis of that Index Constituent Pair’s 100 Day Annualized Volatility compared to the Target Volatility Cap and ranges between the

Minimum Percentage Weight and the Maximum Percentage Weight. This exposure is determined quarterly on each Index Reconstitution Day and reflected in the Index Constituent Pair Exposure for the period referred to in such definition. The purpose of adjusting the Index Constituent Pair Exposure is to increase the exposure when the 100 Day Annualized Volatility has been lower than the Target Volatility Cap and to decrease the exposure when the 100 Day Annualized Volatility has been higher than the Target Volatility Cap. This serves to target the volatility of each Index Constituent Pair to the Target Volatility Cap.

Knock-Out of an Index Constituent Pair

In the event that the Index Constituent Pair Daily Cumulative Return for any Index Constituent Pair is below -40% (minus forty percent), the level of the Index Constituent Pair is no longer used in the calculation of the X-Alpha™ Model until the next reconstitution. Rather, until the next reconstitution, the exposure of the X-Alpha™ Model to that Index Constituent Pair is replaced with exposure to a notional amount equal to the product of the Index Constituent Pair Weight for such Index Constituent Pair and the relevant Index Constituent Pair Leveraged Daily Level for such day, and interest thereon at the Fed Rate minus 6.25 basis points. This simulates the effect of “selling out” the notional position represented by the exposure of the X-Alpha™ Model to the poor-performing Index Constituent Pair and investing the proceeds in a Fed Rate-based instrument until the next reconstitution. Upon the next reconstitution, the Index Constituent Pair would again be included in the Model as described in the prior paragraph.

Exposure of the Index to the X-Alpha™ Model

The exposure of the Index to the X-Alpha™ Model is determined on the basis of the X-Alpha™ Model’s 100 Day Annualized Volatility compared to the Target Volatility Cap and ranges between the Minimum Percentage Weight and the Maximum Percentage Weight. Even though each Index Constituent Pair has its exposure targeted to the Target Volatility Cap, the 100 Day Annualized Volatility of the Index may still be below that of the Target Volatility Cap and, therefore, an adjustment using the X-Alpha™ Exposure may be required which is done quarterly on an X-Alpha™ Reconstitution Day and reflected in the X-Alpha™ Exposure for the period referred to in such definition.

The X-Alpha™ USD Excess Return Index Closing Level

The Closing Value depends on the performance of each Index Constituent Pair and the deduction of the Borrow Fee. The Borrow Fee is deducted from the performance of each Index Constituent Pair to account for the transaction costs from reconstituting each Index Constituent Pair. The performance of an Index Constituent within an Index Constituent Pair on any Trading Day depends primarily on the index closing level of that Index Constituent on that Trading Day relative to its index closing level on the immediately preceding Index Constituent Pair Reconstitution Day.

Reconstitution

The calculation of the Index is composed of a series of daily calculations and reconstitution events based on five basic steps, which are summarized below. Step 1 is conducted on a daily basis and Steps 2-5 are performed only during a reconstitution. A reconstitution occurs in two separate phases — the first phase occurs on an Index Constituent Pair Reconstitution Day, which is 3 Trading Days following the immediately preceding Index Reconstitution Day and the second phase occurs on an X-Alpha™ Reconstitution Day, which is 6 Trading Days following the immediately preceding Index Reconstitution Day. Step 2 and Step 3 take place on an Index Constituent Pair Reconstitution Day and Step 4 and Step 5 take place on an X-Alpha™ Reconstitution Day.

Step 1: Convert any of the non-US Dollar denominated Index Constituents into US Dollars using the Exchange Rate (this is done on a daily basis).

Step 2: Re-weight the 8 Index Constituent Pairs back to an equal weighting between the relevant DB Regional Style Index compared to its corresponding Benchmark Index.

Step 3: Determine the Index Constituent Pair Exposure for each Index Constituent Pair based on the relevant Index Constituent Pair’s 100 Day Annualized Volatility compared to the Target Volatility Cap.

Step 4: Re-weight the X-Alpha™ Model based on each Index Constituent Pair's Index Constituent Pair Percentage Weight.

Step 5: Determine the X-Alpha™ Exposure based on the X-Alpha™ Model's 100 Day Annualized Volatility compared to the Target Volatility Cap.

Adjustments

Adjustments to the Index Constituent Pairs

If at any time in the determination of the Index Sponsor: (i) the sponsor of any DB Regional Style Index (a "DB Regional Style Index Sponsor") or Benchmark Index (a "Benchmark Index Sponsor") makes a material change in the formula for or the method of calculating such DB Regional Style Index or such Benchmark Index, as the case may be, or in any other way materially modifies such DB Regional Style Index or such Benchmark Index (other than a modification described in the formula or method of maintaining the DB Regional Style Index or Benchmark Index in the event of changes to constituent share and capitalisation and other routine events); (ii) a DB Regional Style Index Sponsor or a Benchmark Index Sponsor makes a manifest error (in the determination of the Index Sponsor) in the calculation and/or publication of the relevant DB Regional Style Index or the relevant Benchmark Index, as the case may be; or (iii) a DB Regional Style Index Sponsor or a Benchmark Index Sponsor fails to calculate and/or publish the relevant DB Regional Style Index or the Benchmark Index, then the Index Sponsor shall select a replacement index, to replace the affected Index Constituent. Should the Index Sponsor decide that there is no suitable replacement index then the Index Sponsor may make such determinations and/or adjustments as it considers appropriate until such time (if any) as the Index Sponsor determines that there is a suitable replacement index. Any such replacement index, shall be an Index Constituent and shall be included in the relevant Index Constituent Pair from the date the Index Sponsor determines shall be the effective date of such replacement. The Index Sponsor has no obligation to inform any person about any such replacement.

X-Alpha™ USD Excess Return Index Calculation — Change in Methodology

The application of the methodology related to the Index by the Index Sponsor shall be conclusive and binding. While the Index Sponsor currently employs the methodology described herein to constitute the Index and calculate the X-Alpha™ USD Excess Return Index Closing Level, no assurance can be given that market, regulatory, juridical, financial or fiscal circumstances will not arise that would, in the view of the Index Sponsor, necessitate a modification or change of such methodology and in such circumstances the Index Sponsor shall be entitled to make such modification or change as it shall in its sole and absolute discretion consider appropriate. The Index Sponsor may also make modifications to the terms of the Index and/or the method of calculating the X-Alpha™ USD Excess Return Index Closing Level in any manner that it may deem necessary or desirable to correct any manifest error or proven error or to cure, correct or supplement any defective provision contained herein. The Index Sponsor has no obligation to inform any person about such modification or change. The Index Sponsor will make reasonable efforts to ensure that such modifications or changes will result in a methodology that is consistent with the methodology described above.

Index Composition and Calculation — Change in Rebalancing and/or Reconstitution Period

The Index Sponsor may, by way of announcement on a publicly available source, amend any Index Reconstitution Day, Index Constituent Pair Reconstitution Day and/or X-Alpha™ Reconstitution Day (each a "Date" and together the "Dates") on no less than 14 calendar days' notice prior to such amendment taking place. Such amendment may, in the sole and absolute discretion of the Index Sponsor, be applicable in relation to any one or more Dates, and for a certain period or indefinitely.

The Index Sponsor may also, where it determines in its sole and absolute discretion that due to any market, regulatory, juridical, financial or fiscal circumstances, including any such circumstances arising as a result of hedging activity in relation to investments linked to the Index, a lack of market liquidity or any combination of factors, determine that any Dates should be expanded to include additional Trading Days, or moved to a Trading Day immediately before or succeeding any such Date, and may amend such other provisions relating to the composition and/or the calculation of the Index and/or the X-Alpha™ USD Excess Return Index Closing Level

that it considers necessary to effect any such change. The Index Sponsor gives no assurance regarding any modification or change in any methodology used in calculating the Index and the Index Sponsor is under no obligation to continue the calculation, publication and dissemination of the Index.

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