

## INFORMATION STATEMENT DATED OCTOBER 10, 2007

*This information statement (the "Information Statement") has been prepared solely for the purpose of assisting prospective purchasers in making an investment decision with respect to the Deposit Notes described herein. 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 such 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 or any state securities law and, subject to certain exemptions, may not be offered or sold in the United States or to U.S. persons or other non-residents of Canada.*



### Standard Life Diversified Dividend Notes, Series 3

The Standard Life Diversified Dividend Notes, Series 3 (the "Deposit Notes") issued by the National Bank of Canada (the "Bank") mature on or about December 8, 2014 (the "Maturity Date"). The Deposit Notes are principal-protected deposit notes linked to the performance of a notional portfolio (the "Benchmark Portfolio") of assets allocated dynamically in accordance with pre-defined portfolio allocation rules (the "Portfolio Allocation Rules") over the term of the Deposit Notes between a notional fund portfolio (the "Fund Portfolio") of units (the "Reference Units") of the Standard Life Canadian Dividend Growth Fund and the Standard Life Global Dividend Growth Fund (collectively, the "Reference Funds") and a notional bond denominated in Canadian dollars maturing on or about the Maturity Date with a coupon of 0.50% per annum and a notional principal amount of \$100.00 (the "Bond").

The objectives of the Deposit Notes are to provide a return based on the long-term capital appreciation of the Benchmark Portfolio and to provide a targeted leveraged exposure of up to 200% to the capital appreciation of the Fund Portfolio. The Benchmark Portfolio will have an initial exposure of 100% to the Fund Portfolio on the closing of the offering of the Deposit Notes and will have a target exposure thereafter that will vary between 0% and 200% depending on the performance of the Fund Portfolio. When the allocation to the Fund Portfolio exceeds 100% of the Benchmark Portfolio NAV, the Calculation Agent will employ leverage by notionally borrowing from the Bank to notionally acquire additional Reference Units in order to provide the targeted exposure in excess of 100%. See "Benchmark Portfolio – Portfolio Allocation Rules".

At maturity, holders of Deposit Notes ("Holders") will be entitled to receive, in respect of each Deposit Note held, repayment of their initial deposit amount, being \$100 per Deposit Note (the "Initial Deposit Amount"). In addition, depending on the performance of the Benchmark Portfolio on the Valuation Date, Holders will be entitled to receive a Variable Return. The Variable Return will be an amount equal to the greater of (a) zero and (b) the product of the Initial Deposit Amount (being \$100 per Deposit Note) and the Benchmark Portfolio Return. The Benchmark Portfolio Return will be a number (which may be positive or negative), expressed as a percentage (rounded to two decimal places), equal to (i) the Benchmark Portfolio NAV on the Valuation Date less the Initial Deposit Amount, (ii) divided by the Initial Deposit Amount. The Benchmark Portfolio NAV on the Issuance Date will be \$94.00 per Deposit Note. See "Description of the Deposit Notes – Payment upon Maturity".

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**PRICE: \$100 per Deposit Note**

**Minimum Subscription: \$2,000 (20 Deposit Notes)**

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Holders have no ownership interest in and have no right to receive Reference Units or the Bond, which are used simply as references to calculate amounts payable under the Deposit Notes.

The Deposit Notes are not redeemable prior to maturity, except by the Bank under certain special circumstances of an income tax nature affecting the Bank but outside its control. See "Description of the Deposit Notes - Reimbursement Under Special Circumstances and Payment".

The Deposit Notes will constitute direct unsecured deposit obligations of the Bank. The Deposit Notes will be issued on an unsubordinated basis and will rank *pari passu* as among themselves and will be payable rateably without any preference or priority. The Deposit Notes will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* or any other deposit insurance regime designed to ensure the payment of all or a portion of a deposit upon the insolvency of the deposit taking financial institution. Moreover, there is no assurance that an investment in the Deposit Notes will be eligible for protection under the Canadian Investor Protection Fund. A Holder should consult with his or her investment advisor as to whether the Holder's investment in the Deposit Notes is eligible for protection in light of such Holder's particular circumstances. The Deposit Notes are not qualified by prospectus or registered under any securities laws.

The Deposit Notes have certain investment characteristics that differ from those of conventional fixed income investments in that they do not provide Holders with a return or income stream prior to maturity, or a return at maturity, calculated by reference to a fixed or floating rate of interest that is determinable prior to maturity. The Deposit Notes do not have a fixed yield and could produce no yield. The return on the Deposit Notes (if any), unlike the return on many fixed income securities, is uncertain in that if the Fund Portfolio does not generate a positive return during the term of the Deposit Notes and at maturity, the Deposit Notes will produce no return on the Holders' original investment. There is no assurance that the Fund Portfolio will be able to avoid losses prior to maturity or generate a positive return during the term of the Deposit Notes and at maturity (after taking into account the Management Fee and the Trailer Fee). Holders should realize that because the Initial Benchmark Portfolio NAV is \$94.00 per Deposit Note, the Benchmark Portfolio NAV will need to increase by more than 6.38% at the Valuation Date to generate a Variable Return. Also, as highlighted herein, if the value of the Fund Portfolio falls such that the Distance drops to 2%, or lower, Holders will no longer have any exposure to the Fund Portfolio and the Final Benchmark Portfolio NAV will be automatically set to \$100.00 per Deposit Note regardless of the subsequent performance of the Fund Portfolio and the Variable Return will be nil. There is no assurance that a Holder will receive any amount at maturity other than repayment of the Initial Deposit Amount. 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, the Deposit Notes are not suitable investments for a Holder if such Holder needs or expects to receive any return or a specific return on investment. The Deposit Notes are designed for investors with a long-term investment horizon who are prepared to hold the Deposit Notes to maturity and are prepared to assume risks with respect to a return tied to the performance of the Fund Portfolio.

Investors should consider and understand the risk that in the event the Distance drops to 2% or below, the Benchmark Portfolio will be entirely allocated to the Bond until the Maturity Date and the Final Benchmark Portfolio NAV will be automatically set to \$100.00 per Deposit Note, regardless of the subsequent performance of the Fund Portfolio. See "Description of the Deposit Notes – Payment upon Maturity", "The Benchmark Portfolio – Portfolio Allocation Rules" and "Risk Factors – Fund Portfolio may be replaced entirely by the Bond". Prospective investors should take into account additional risk factors associated with this offering of Deposit Notes. See "Risk Factors".

The Deposit Notes will not be listed on any stock exchange or other market. National Bank Financial Inc. (the "Agent") intends to maintain, under normal market conditions, a weekly secondary market for the Deposit Notes using the FundSERV network. The Agent is under no obligation to facilitate or arrange for such a secondary market, and such secondary market, when commenced, may be suspended at any time at the sole discretion of the Agent, without any prior notice to Holders. Therefore, there can be no assurance that a secondary market will be available or that such market will be liquid or sustainable. The price paid to a Holder in connection with a sale using the FundSERV network made during the first two years following the date of issuance of the Deposit Notes will reflect a pre-determined early trading charge. A Holder that sells its Deposit Notes prior to maturity may receive less than its Initial Deposit Amount, even if the performance of the Reference Units up to that time has been positive, and as a result, such Holder may suffer a loss. See "Secondary Market for the Deposit Notes" and "Risk Factors - No assurance of a secondary market and possible illiquidity of any developing secondary market". **Investors who cannot accept that the secondary market is limited in this way or who must have access to a secondary market at all times should not invest in the Deposit Notes.**

The Bank and the Agent have entered into an agency agreement (the "Agency Agreement") pursuant to which the Agent has agreed to offer Deposit Notes for sale on a best efforts basis, if, as and when issued by the Bank, in accordance with the terms and conditions contained in the Agency Agreement and subject to the approval of certain legal matters on behalf of the Bank and the Agent by Fasken Martineau DuMoulin LLP. **The Agent is a wholly owned subsidiary of the Bank. As a result, the Bank is a related issuer of the Agent under applicable securities legislation.** See "Plan of Distribution".

Subscriptions for Deposit Notes may be made using the mutual fund order entry system FundSERV under the order code "NBC1803", which will result in funds being accumulated in a non-interest bearing account pending execution of all documents required for this transaction and satisfaction of closing conditions, if any. Upon acceptance of a subscription at closing (in whole or in part as provided below), a confirmation of acceptance will be sent out by prepaid mail or other means of delivery to the subscriber. If for any reason the closing of this offering does not occur, all subscription funds will be returned to subscribers without interest or deduction.

Closing of the offering of the Deposit Notes will take place on or about December 7, 2007, or such other date agreed to between the Bank and the Agent, but in any event no later than January 4, 2008. 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. A global certificate for the full amount of the issue of the Deposit Notes will be issued in registered form to CDS Clearing and Depository Services Inc. (“CDS”) and will be deposited with CDS on the Issuance Date. Subject to limited exceptions, certificates evidencing the Deposit Notes will not be available to Holders and registration of ownership of the Deposit Notes will be made only through CDS’s book-entry system. See “Description of the Notes – Book-Entry System”.

Investors should be aware that the Deposit Notes are not securities issued by a mutual fund and purchasers do not benefit from certain rights and recourses otherwise provided by certain securities laws in connection with the issuance of such securities, including the right to receive a prospectus and other customary information documents provided by issuers, a right of rescission and certain other rights of action to rescind a purchase, revise the price of a purchase or seek damages in case documents show false or misleading information. However, purchasers will receive a copy of this Information Statement, which grants purchasers a contractual right of rescission described herein under “Right of Rescission”.

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## **ABOUT THIS INFORMATION STATEMENT**

This Information Statement has been prepared for the sole purpose of assisting prospective investors in making an investment decision with respect to the Deposit Notes. The Bank has taken reasonable care to ensure that the facts stated in this Information Statement with respect to the description of the Deposit Notes are true and accurate in all material respects.

All information included in this Information Statement relating to the Reference Funds have been taken from publicly-available information of the Reference Funds filed on behalf of the Reference Funds on [www.sedar.com](http://www.sedar.com), including the most recent prospectuses and annual information forms relating to such Reference Funds. Moreover, certain information contained in this Information Statement relating to publicly traded securities and the issuers of those securities is taken from and based solely upon information published by those issuers. Neither the Bank nor the Agent have independently verified the accuracy or completeness of any such information or assume any responsibility for the completeness or accuracy of such information.

Furthermore, neither the Bank, the Agent nor any of their respective affiliates make any recommendation concerning the Reference Units or the suitability of investing in the Reference Units generally or the Deposit Notes in particular. In connection with the issue and sale of the Deposit Notes, no person is authorized to give any information or to make any representation not expressly contained in this Information Statement or the global certificate evidencing the Deposit Notes and neither the Bank, the Agent nor any of their respective affiliates accept any responsibility for any information not contained herein or therein.

Certain statements included in this Information Statement constitute forward looking statements, including but not limited to those identified by the expressions “believe”, “estimate”, “expect”, and similar expressions to the extent that they relate to the Bank or to the Agent, as the case may be. These forward looking statements are not historical facts, but reflect the Bank’s or Agent’s current expectations regarding future results or events. These forward looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under “Risk Factors” and in other sections of this Information Statement.

## **SUITABILITY FOR INVESTMENT**

The Deposit Notes have certain investment characteristics that differ from those of conventional fixed income investments in that they do not provide Holders with a return or income stream prior to maturity, or a return at maturity, calculated by reference to a fixed or floating rate of interest that is determinable prior to maturity. The Deposit Notes do not have a fixed yield and could produce no yield. The return on the Deposit Notes (if any), unlike the return on many fixed income securities, is uncertain in that if the Fund Portfolio does not generate a positive return during the term of the Deposit Notes and at maturity, the Deposit Notes will produce no return on the Holders’ original investment. There is no assurance that the Fund Portfolio will be able to avoid losses prior to maturity or generate a positive return during the term of the Deposit Notes and at maturity (after taking into account the Management Fee and the Trailer Fee). Holders should realize that because the Initial Benchmark Portfolio NAV is \$94.00 per Deposit Note, the Benchmark Portfolio NAV will need to increase by more than 6.38% at the Valuation Date to generate a Variable Return. Also, as highlighted herein, if the value of the Fund Portfolio falls such that the Distance drops to 2%, or lower, Holders will no longer have any exposure to the Fund Portfolio and the Final Benchmark Portfolio NAV will be automatically set to \$100.00 per Deposit Note regardless of the subsequent performance of the Fund Portfolio and the Variable Return will be nil. There is no assurance that a Holder will receive any amount at maturity other than repayment of the Initial Deposit Amount. 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, the Deposit Notes are not suitable investments for a Holder if such Holder needs or expects to receive any return or a specific return on investment. The Deposit Notes are designed for investors with a long-term investment horizon who are prepared to hold the Deposit Notes to maturity and are prepared to assume risks with respect to a return tied to the performance of the Fund Portfolio.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Fasken Martineau DuMoulin LLP, counsel to the Bank and the Agent, in accordance with legislation in effect at the date hereof, the Deposit Notes offered hereby will, at the Issuance Date, be qualified investments under the Tax Act for trusts governed by Registered Retirement Savings Plans (“RRSPs”), Registered Retirement Income Funds (“RRIFs”), Registered Education Savings Plans (“RESPs”) and Deferred Profit Sharing Plans (“DPSPs”), other than DPSPs under which the Bank or any person or partnership with which the Bank does not deal at arm’s length within the meaning of the Tax Act. Purchasers who wish to purchase Deposit Notes using the FundSERV network for registered accounts such as RRSPs will need to have their own self-directed registered accounts. See “FundSERV”.

## SUMMARY OF THE OFFERING

*The following is a summary of the terms of the Deposit Notes and more detailed information appearing elsewhere in this Information Statement. Because this is a summary, it does not contain all of the information that may be important to an investor and investors should read the more detailed information appearing elsewhere in this Information Statement. Capitalized terms used but not defined in this summary are defined under “Definitions” and elsewhere in this Information Statement.*

<b>Issuer:</b>	National Bank of Canada.
<b>Deposit Notes Offered:</b>	Standard Life Diversified Dividend Notes, Series 3.
<b>Initial Deposit Amount:</b>	\$100 per Deposit Note.
<b>Minimum Subscription:</b>	\$2,000 (20 Deposit Notes).
<b>Issuance Date:</b>	On or about December 7, 2007, but no later than January 4 2008.
<b>Maturity Date:</b>	The date falling on the seventh anniversary date of the Issuance Date. Assuming a closing on December 7, 2007, the Maturity Date will be December 8, 2014.
<b>Investment Rationale for the Deposit Notes:</b>	The objectives of the Deposit Note are to provide a return based on the long-term capital appreciation of the Benchmark Portfolio and to provide a targeted leveraged exposure of up to 200% to the capital appreciation of the Fund Portfolio.
<b>Payment at Maturity:</b>	On the Maturity Payment Date, Holders of Deposit Notes will be entitled to receive, in respect of each Deposit Note held by such Holder, repayment of their Initial Deposit Amount. In addition, depending on the performance of the Benchmark Portfolio on the Valuation Date, Holders will be entitled to receive a Variable Return.

The Variable Return is an amount equal to the greater of (a) zero and (b) the product of the Initial Deposit Amount (being \$100 per Deposit Note) and the Benchmark Portfolio Return. The Benchmark Portfolio Return will be equal to a number (which may be positive or negative), expressed as a percentage (rounded to two decimal places), determined per the following formula:

$$\frac{\text{Final Benchmark Portfolio NAV} - \text{Initial Deposit Amount}}{\text{Initial Deposit Amount}}$$

Where:

“Final Benchmark Portfolio NAV” means the Benchmark Portfolio NAV on the Valuation Date.

The Initial Benchmark Portfolio NAV will be set at \$94.00 per Deposit Note. As a result, if the Benchmark Portfolio NAV does not increase from its initial level by more than 6.38% on the Valuation Date, the Variable Return will be nil. The Benchmark Portfolio NAV, on any day, will be equal to the net asset value of the Benchmark Portfolio, calculated pursuant to the formula set forth in Appendix 1 hereto.

See “Description of the Deposit Notes – Variable Return” for examples of how the Variable Return and the Maturity Redemption Amount are calculated.

**Portfolio Allocation Rules:** During the term of the Deposit Notes, the allocation of the Benchmark Portfolio assets to the Fund Portfolio and the Bond will be determined in accordance with the Portfolio Allocation Rules. Under the Portfolio Allocation Rules, the Target Fund Portfolio Weighting, being the target exposure level to the Fund Portfolio in the form of Reference Units, will be determined by reference to the Distance, being the distance (expressed as a percentage) between the Benchmark Portfolio NAV and the Bond Price. The Benchmark Portfolio NAV will be \$94.00 per Deposit Note on the Issuance Date of this offering, and will thereafter fluctuate according to the fluctuations in the price of the Reference Units and the Bond Price and will also be reduced by a management fee of 2.15% per annum of the portion of the assets of the Benchmark Portfolio allocated to the Fund Portfolio and a trailer fee of 0.25% per annum of the Principal Amount. The Bond Price will be equal to the present value of the Bond calculated by the Calculation Agent based on yields equal to the prevailing Canadian dollar inter-bank swap rate (using the bid and offer swap rate) for a term equivalent to the remaining term of the Bond.

The Target Fund Portfolio Weighting will vary between 0% and 200% of the Benchmark Portfolio NAV depending on the Distance, as set forth in more detail herein. The Target Fund Portfolio Weighting will be equal to 5.40 times the Distance (subject to a maximum of 200%). The table below serves to illustrate the allocation of the Benchmark Portfolio assets depending on the Distance:

<b>Distance</b>	<b>Target Fund Portfolio Weighting</b>	<b>Target Bond Weighting</b>
Dt = 50%	200%	0%
Dt = 40%	200%	0%
Dt = 30%	162%	0%
Dt = 20%	108%	0%
Dt = 15%	81%	19%
Dt = 10%	54%	46%
Dt = 5%	27%	73%
Dt ≤ 2%	0%	100%

The Benchmark Portfolio will have an initial exposure of 100% to the Fund Portfolio on the Issuance Date and the Distance will be approximately 18.50%.

When the Actual Fund Portfolio Weighting exceeds 100%, the Calculation Agent will employ leverage by notionally borrowing from the Bank to notionally acquire additional Reference Units in order to provide the Target Fund Portfolio Weighting in excess of 100% of the Benchmark Portfolio NAV. Any notional borrowing by the Calculation Agent may affect the return on the Deposit Notes, as the Benchmark Portfolio NAV will be reduced by an amount equal to the notional interest payable to the Bank on the notionally borrowed money, calculated at an annual interest rate equal to the One-month Bankers' Acceptance Rate plus 0.25%.

A rebalancing of the exposure of the Benchmark Portfolio assets to the Fund Portfolio will take place whenever the Actual Fund Portfolio Weighting differs from the Target Fund Portfolio Weighting by more than 25%. Moreover, in the event the Actual Fund Portfolio Weighting becomes equal to or greater than 225%, the Actual Fund Portfolio Weighting will be rebalanced to the Target Fund Portfolio Weighting. Furthermore, if the Distance decreases to 2% or below, all of the assets of the Benchmark Portfolio will be allocated to the Bond for the remainder of the term of the Deposit Notes, regardless of the subsequent performance of the Fund Portfolio, and the Final Benchmark Portfolio NAV will be automatically set to \$100.00 per Deposit Note and the Variable Return will be nil.

Any rebalancing of assets between the Fund Portfolio and the Bond and the use of any notional borrowing will occur as of the next business day following the date on which it was determined that any such rebalancing or notional borrowing was necessary, except if the Distance becomes equal or less than 2% the rebalancing will be immediate. See “The Benchmark Portfolio – Portfolio Allocation Rules”.

**Bond:**

A notional bond denominated in Canadian dollars maturing on or about the Maturity Date with a coupon of 0.50% per annum and a notional principal amount of \$100.00. The coupon of 0.50% per annum payable on the Bond will accrue to the Bank and not to the Benchmark Portfolio.

**Fund Portfolio:**

The Fund Portfolio is a notional portfolio comprised as follows:

<u>Name of Reference Funds</u>	<u>Target weighting within the Fund Portfolio</u>
Standard Life Canadian Dividend Growth Fund, 0-Series 1	65%
Standard Life Global Dividend Growth Fund, 0-Series 1	35%

The Fund Portfolio will be rebalanced every six months if the actual weighting of the Reference Funds in the Fund Portfolio differs by 2% or more of the target weighting indicated in the table above so that, at the time of rebalancing, the Reference Funds included in the Fund Portfolio will be approximately as per the weightings set forth in the table above opposite each Reference Funds.

Although the Fund Portfolio will be comprised of 0-Series 1 units of the Reference Funds, the Reference Prices used to calculate the Benchmark Portfolio NAV will be the net asset values of the 0-Series 1 units, adjusted to remove the management and administration fees otherwise charged by the Reference Funds on such 0-Series 1 units. As a result, there will be no duplication of the fees and expenses contained in the management expense ratio of the Reference Funds in respect of the Reference Units and the fees and expenses payable in respect of the Deposit Notes.

All distributions made on account of the Reference Units will accrue to the assets allocated to the Fund Portfolio and be notionally reinvested in additional Reference Units.

**Reference Funds:**

Standard Life Canadian Dividend Growth Fund

The Standard Life Canadian Dividend Growth Fund is a Canadian equity fund managed by the Reference Fund Manager. The portfolio advisor to this Reference Fund is Standard Life Investments Inc.

*Investment Objectives*

The investment objectives of the Standard Life Canadian Dividend Growth Fund are to provide both capital growth and superior dividend income.

The Standard Life Canadian Dividend Growth Fund invests in a diversified portfolio of high-quality, high-yielding Canadian equities. The portfolio advisor focuses on companies that have superior financial positions and have historically demonstrated their capacity to pay high relative dividends and sustain such payments over time.

### *Investment Strategies*

The Standard Life Canadian Dividend Growth Fund invests primarily in common shares but may also invest in preferred shares. The Fund may also invest in bonds, warrants, rights or other securities that are convertible into common shares which carry the attributes of paying high dividends consistently over time. It may also invest in royalty trusts and income trusts, limited partnerships and ETFs. ETFs may include, among others, iShares, SPDRs, IPU's and WEBS.

It is the practice of the Standard Life Canadian Dividend Growth Fund to primarily buy distribution-paying securities, convertible securities and trusts. In normal market conditions, the Fund would divest of securities that are not paying distributions. The Fund seeks to have an overall yield higher than the S&P/TSX Capped Equity Index.

The Standard Life Canadian Dividend Growth Fund may use derivatives for non-hedging purposes in order to invest indirectly in securities or financial markets, or gain exposure to other currencies. The Standard Life Canadian Dividend Growth Fund may also employ derivative instruments for hedging purposes.

The Standard Life Canadian Dividend Growth Fund may hold a portion of its assets in cash or money market instruments for strategic reasons.

### *Past Performance*

The following chart contains historical total returns (YTD, 1 month, 3 months and 6 months) and annualized compounded returns (1 year, 3 years, 5 years, 10 years and since inception) of A-Series units of the Standard Life Canadian Dividend Growth Fund as of August 31, 2007 and is not intended to be, nor should it be construed to be, an indication as to the future returns or volatility of the A-Series or the 0-Series 1 units of the Standard Life Canadian Dividend Growth Fund or the potential return, if any, on the Deposit Notes. The following chart assumes that all distributions were reinvested in additional units of the Standard Life Canadian Dividend Growth Fund. The returns in the chart do not include any applicable sales, redemption, distribution or optional charges or taxes, which would have reduced returns. The returns are shown after the payment of expenses and fees of the of the A-Series units of the Standard Life Canadian Dividend Growth Fund.

#### **As of August 31, 2007 (%) (unaudited)**

<b>Performance</b>	<b>YTD</b>	<b>1 month *</b>	<b>3 months *</b>	<b>6 months *</b>	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>10 years</b>	<b>Since Inception (November 8, 1994)</b>
Standard Life Canadian Dividend Growth Fund, A-Series**	7.66 %	- 0.51%	- 0.235 %	6.58%	14.7 2%	17.27 %	15.5 2%	13.6 1%	16.32%

\* Not annualized

\*\* A-Series returns shown in the absence of existing data for 0-Series 1 units. Returns are net of management fees. Returns for 0-Series 1 units net of applicable fees and expenses will not match those of the A-Series units as the A-Series units have management fees.

Standard Life Global Dividend Growth Fund

*The Standard Life Global Dividend Growth Fund is a global equity fund managed by the Reference Fund Manager. The portfolio adviser to this Reference Fund is Standard Life Investments Inc.*

#### *Investment Objectives*

The investment objectives of the Standard Life Global Dividend Growth Fund are to provide both capital growth and income.

The Standard Life Global Dividend Growth Fund invests primarily in a globally diversified portfolio of equity, equity-type securities and other income producing investments.

#### *Investment Strategies*

The following strategies will be used to achieve the investment objectives:

- (i) . Invest primarily in high-quality equities and equity-type instruments, including common and preferred shares, convertible securities, REITs, limited partnerships, DRs and ETFs. DRs may consist of, but are not limited to, ADRs, and ETFs may include, among others, iShares, SPDRs, IPU and WEBS.
- (ii) Invest in fixed-income securities and other funds, some of which may also be managed by the Reference Fund Manager.

The portfolio advisor will select the securities of mid- to large-sized global issuers with strong financial positions. These issuers will have historically demonstrated their capacity to pay distributions and have the ability to sustain earnings and distributions over time. The Standard Life Global Dividend Growth Fund may also invest in securities that currently do not pay dividends but do show good potential to do so in the future.

The Standard Life Global Dividend Growth Fund may use derivatives for non-hedging purposes in order to invest indirectly in securities or financial markets, or gain exposure to other currencies. The Standard Life Global Dividend Growth Fund may also employ derivative instruments for hedging purposes.

The Standard Life Global Dividend Growth Fund may hold a portion of its assets in cash or money market instruments for strategic reasons.

The portfolio advisor expects to actively trade the investments of the Standard Life Global Dividend Growth Fund. As a result, the portfolio turnover rate of the Standard Life Global Dividend Growth Fund may exceed 70%.

#### *Past Performance*

The following chart contains historical total returns (YTD, 1 month, 3 months and 6 months) and annualized compounded returns (1 year and since inception) of A-Series units of the Standard Life Global Dividend Growth Fund as of August 31, 2007 and is not intended to be, nor should it be construed to be, an indication as to the future returns or volatility of the A-Series or the 0-Series 1 units of the Standard Life Global Dividend Growth Fund or the potential return, if any, on the Deposit Notes. The following chart assumes that all distributions were reinvested in additional units of the Standard Life Global Dividend Growth Fund. The returns in the chart do not include any applicable sales, redemption, distribution or optional charges or taxes, which would have reduced returns. The returns are shown after the payment of expenses and fees of the A-Series units of the Standard

Life Global Dividend Growth Fund.

**As of August 31, 2007 (%) (unaudited)**

Performance	YTD	1 month*	3 months*	6 months*	1 year	3 years	Since Inception (July 2, 2004)
Standard Life Global Dividend Growth Fund, A-Series**	- 2.70 %	- 0.66%	- 4.36%	- 4.39 %	8.23 %	7.29%	6.14%

\* Not annualized

\*\* A-Series returns shown in the absence of existing data for 0-Series 1 units. Returns are net of management fees. Returns for 0-Series 1 units net of applicable fees and expenses will not match those of the A-Series units as the A-Series units have management fees.

Reference Fund Manager

The Reference Fund Manager manages the Reference Funds and is responsible for day-to-day operations of the Funds, including general and administrative management services. The Reference Fund Manager provides office space and facilities, clerical help, book-keeping and internal accounting services required by the Reference Funds, implements purchase, redemption and transfer orders, calculates and arranges for payment of distributions, supervises plans for unitholders, and provides or co-ordinates all other services required by the Reference Funds, including the appointment of Standard Life Investments Inc. as portfolio advisor to manage the Reference Funds' investments.

The Reference Fund Manager has retained Standard Life Investments Inc. to provide investment advisory and portfolio management services in connection with each of the Reference Funds.

Standard Life Investments Inc. has been providing investment management services in Canada since 1973. We are a subsidiary of Edinburgh-based Standard Life Investments Limited, one of the world's major asset management companies with CDN\$300.1 billion under management worldwide and approximately CDN\$ 26.9 billion in Canada as at end of June 2007. With a global investment network, enhanced by a presence on the ground in key markets, we have a clear understanding of worldwide investment issues. Standard Life Investments Ltd has a global investment platform with analysts based in Edinburgh, London, Montreal, Boston, Hong Kong and Dublin and representative offices in Beijing, Seoul, Toronto and Calgary. Our global platform provides us with the local insight to give our clients exceptional investment performance.

Our clients include both institutional and retail investors. Although pooled and separated pension funds for defined benefit plans constitute its core institutional client base, we also manage assets for endowment funds, foundations, corporations and wrap programs. Standard Life Investments Inc. also manages pooled investment funds for defined contribution pension plans, retail mutual funds and individual segregated funds associated with various savings and retirement products offered by Standard Life Canada. Both Standard Life Investments Inc. and its parent, Standard Life Investments Ltd. (Edinburgh) are part of the global financial services giant, The Standard Life group, which has offices in the UK, Germany, Ireland, Spain, Canada, Hong Kong and the USA.

**Reimbursement Under Special Circumstances:**

Notwithstanding the Maturity Date, the Bank may redeem the Deposit Notes prior to maturity under certain special circumstances of an income tax nature affecting the Bank but outside of its control. See "Description of the Deposit Notes –

**Secondary Market for the Deposit Notes:**

Reimbursement Under Special Circumstances and Payment”. In the case of this special redemption, it is possible that Holders of Deposit Notes may only be entitled to receive the Initial Deposit Amount per Deposit Note.

There is currently no established trading market for the Deposit Notes. The Bank does not intend to apply for listing of the Deposit Notes on any securities exchange or quotation system.

The Agent intends to maintain until the Maturity Date, under normal market conditions, a weekly secondary market for the Deposit Notes. Sale orders and settlement thereof may also be made using the mutual fund order entry system FundSERV. If the trading markets for one or more of the Reference Units are disrupted, or if trading of one or more of the Reference Units is suspended or terminated, or if any other Market Disruption Event occurs, the Agent will generally deem that normal market conditions do not exist.

The Agent is under no obligation to facilitate or arrange a secondary market and the Agent may, in its sole discretion, may stop maintaining a market for the Deposit Notes at any time, without any prior notice to Holders. There can be no assurance that a secondary market will be available or that such market will be liquid or sustainable.

**FundSERV carries certain restrictions in respect of the sale of Deposit Notes, including the selling procedures that require an irrevocable sale order be initiated at a Net Bid Price that will not be known previously to placing such sale order. See “FundSERV – Sale of Deposit Notes using the FundSERV network”.**

The sale of a Deposit Note through the Agent will be effected at a price equal to the bid price for the Deposit Note, determined by the Agent in its sole discretion, less any applicable early trading charge, as described below. The bid price of a Deposit Note will be dependent on a varied number of factors at any time, which may include the return of each Reference Unit since the Issuance Date and other interrelated factors, including, without limitation, the volatility of the prices of the Reference Units, prevailing interest rates and the time remaining to the Maturity Date. The relationship among these factors is complex and may also be influenced by various political, economic and other factors that can affect the trading price of a Deposit Note. Moreover, while the Initial Deposit Amount is based on the full principal amount of the Deposit Notes, the original subscription price takes into account the selling fee described under “Fees and Expenses” and the Bank’s cost of hedging its obligations under the Deposit Notes. As a result, assuming no change in market conditions and any other relevant factors highlighted herein that may affect the price on the secondary market, the price on the secondary market will likely be lower than the original issue price to exclude such costs. See “Secondary Market for the Deposit Notes”.

Any sale of Deposit Notes through the market maintained by the Agent within the first two years of the Issuance Date will be subject to an early trading charge per Deposit Note, as set out below:

IF SOLD	EARLY TRADING CHARGE PER DEPOSIT NOTE
From 0 to 3 months from the Issuance Date	6.00%
From 4 to 6 months following the Issuance Date	5.50%
From 7 to 9 months following the Issuance Date	5.00%
From 10 to 12 months following the Issuance Date	4.50%
From 13 to 15 months following the Issuance Date	4.00%
From 16 to 18 months following the Issuance Date	3.50%
From 19 to 21 months following the Issuance Date	3.00%

From 22 to 24 months following the Issuance Date	2.50%
From 25 to 27 months following the Issuance Date	2.00%
From 28 to 30 months following the Issuance Date	1.50%
From 31 to 33 months following the Issuance Date	1.00%
From 34 to 36 months following the Issuance Date	0.50%
Thereafter	NIL

Holders should be aware that any valuation price for the Deposit Notes appearing in a Holder's periodic investment account statement, as well as any bid price quoted to the Holder to sell Deposit Notes, will be before the application of the applicable early sales charge.

There will not be any secondary market for the Deposit Notes other than the market described above. Investors who cannot accept that the secondary market is limited in this way or who must have access to a secondary market at all times should not invest in the Deposit Notes.

**A Holder who sells Deposit Notes prior to maturity may receive less than the Initial Deposit Amount per Deposit Note, even if the performance of the Reference Units up to that time has been positive, and as a result, such Holder may suffer a loss.** See "Risk Factors – No assurance of a secondary market and possible illiquidity of any developing secondary market."

Holders should consult their investment advisors on whether it would be more favourable in the circumstances at any time to sell the Deposit Notes (assuming the availability of a secondary market) or to hold the Deposit Notes until the Maturity Date. Holders should also consult their tax advisors as to the tax consequences arising from the sale of a Deposit Note prior to the Maturity Date as compared to holding the Deposit Note until the Maturity Date. See "Certain Canadian Federal Income Tax Considerations".

**Use of Proceeds and Hedging:**

The Bank will use the proceeds of the offering of Deposit Notes, after payment of the expenses related to such offering, for general banking purposes. The Bank may also use those proceeds in transactions intended to hedge the Bank's obligations under the Deposit Notes. See "Use of Proceeds and Hedging" and "Risk Factors – Hedging transactions may affect the Reference Units".

**Rank:**

The Deposit Notes will constitute direct unsecured deposit obligations of the Bank. The Deposit Notes will be issued on an unsubordinated basis and will rank *pari passu* as among themselves and will be payable rateably without any preference or priority. **The Deposit Notes will not constitute deposits that are insured under the Canada Deposit Insurance Corporation Act or any other deposit insurance regime to ensure the payment of all or a portion of a deposit upon the insolvency of the deposit taking financial Institution.** See "Description of the Deposit Notes – Rank; No Deposit Insurance". Moreover, there is no assurance that an investment in the Deposit Notes will be eligible for protection under the Canadian Investor Protection Fund. A Holder should consult with his or her investment advisor on whether the Holder's investment in the Deposit Notes is eligible for protection in light of the Holder's particular circumstances.

**Credit Rating:**

The Deposit Notes have not been rated by any rating agencies. The long term deposits of the Bank, at the date of this Information Statement, are rated AA (low) by DBRS, A by Standard & Poor's and Aa2 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 credit 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.

**Calculation Agent:**

The Bank.

**Book-Entry System:**

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

Holders purchasing Deposit Notes using the FundSERV network will have an indirect beneficial interest in the global certificate held by CDS. See “FundSERV – Deposit Notes Purchased using the FundSERV network”.

**FundSERV:**

Deposit Notes may be purchased through the Book-Entry System of FundSERV. The FundSERV order code for the Deposit Notes is NBC1803. No interest will be paid on account of funds deposited using the FundSERV network pending closing of the offering of the Deposit Notes or the return of such funds if subscriptions are rejected or not fully allotted. See “FundSERV – Deposit Notes Purchased using the FundSERV network” for a description of the mechanics and restrictions involved in the use of FundSERV for the purchase of Deposit Notes.

**Certain Canadian Federal  
Income Tax  
Consequences:**

The amount of the Variable Return that is payable to a Holder at the Maturity Payment Date will be included in the Holder’s income, as interest, in the taxation year in which the Valuation Date is reached. Generally, a Holder should realize a capital gain (or capital loss) on the disposition of a Deposit Note (other than on a payment from the Bank) equal to the amount by which the proceeds of disposition net of amounts included in the Holder’s income as interest and any reasonable costs of disposition exceed (or are exceeded by) the adjusted cost base of the Deposit Note to the Holder. Holders who dispose of a Deposit Note, particularly those who dispose of a Deposit Note shortly prior to the Maturity Date, should consult their own tax advisors with respect to their particular circumstances. See “Certain Canadian Federal Income Tax Considerations”.

**Eligibility for Investment:**

Based on legislation in effect on the date hereof, the Deposit Notes will, at their Issuance Date, be qualified investments under the Tax Act for trusts governed by RRSPs, RRIFs, RESPs and DPSPs, other than DPSPs under which the Bank or any person or partnership with which the Bank does not deal at arm’s length within the meaning of the Tax Act is an employer, and may be held in such plan or fund subject to the terms thereof. See “Eligibility for Investment”. Purchasers who wish to purchase Deposit Notes using the FundSERV network for registered accounts such as RRSPs will need to have their own self-directed registered accounts. See “FundSERV”.

**Risk Factors:**

Prospective investors should carefully consider all of the information set forth in this Information Statement and, in particular, should evaluate the specific risk factors set forth under “Risk Factors” for a discussion of certain risks involved in evaluating an investment in the Deposit Notes. Such risk factors include, without limitation, the following:

- Risks relating to the offering of Deposit Notes, including;

- Suitability for investment; Deposit Notes may not be a suitable investment for some investors;
  - Uncertain return until maturity; Deposit Notes are linked only to the Benchmark Portfolio and the Reference Units;
  - Reallocation of the Benchmark Portfolio assets or change in the Actual Fund Portfolio Weighting;
  - Fund Portfolio may be replaced entirely by the Bond;
  - Use of leverage will amplify the increase or decrease of the Benchmark Portfolio NAV;
  - The return on the Deposit Notes does not reflect the full performance of the Reference Units;
  - Historical prices of the Reference Units are not a guarantee of future performance;
  - Valuation of the Reference Funds is dependent on the Reference Fund Manager;
  - The Calculation Agent can postpone the determination of the Final Benchmark Portfolio NAV if a Market Disruption Event occurs on the Valuation Date or is existing on such date;
  - Holders have no ownership interest in the Reference Units or the Bond;
  - No assurance of a secondary market and possible illiquidity of any developing secondary market;
  - Deposit Notes could be redeemed prior to maturity under a Reimbursement Under Special Circumstances;
  - Payment at maturity of the Initial Deposit Amount is dependent upon creditworthiness of the Bank;
  - Deposit Notes will not be insured under *the Canada Deposit Insurance Corporation Act*;
  - Deposit Notes may not be eligible for protection under the Canadian Investor Protection Fund;
  - No independent calculation; Conflict of interest;
  - Hedging transactions may affect the Reference Units; and
  - Deposit Notes not qualified by prospectus
- Risks relating to the Reference Funds, including:
    - Reliance on the Reference Fund Manager;
    - Potential modification of the Reference Funds;
    - The Bank and its affiliates have no affiliation with the Reference Fund Manager and are not responsible for its public disclosure of information;
    - Derivatives risk;
    - Price change risk;
    - Series risk;
    - Trust investment risk;
    - Substantial securityholder risk; and
    - Securities lending, repurchase and reverse repurchase transactions risk.
  - Risks relating specifically to the Standard Life Canadian Dividend Growth Fund, including, but not limited to:

- Credit risk; and
  - Interest rate risk.
- Risks relating specifically to the Standard Life Global Dividend Growth Fund, including, but not limited to:
  - Currency risk; and
  - Foreign investment risk.

## SUMMARY OF FEES AND EXPENSES

**Selling Concession Fee:** The Bank will pay to the Agent for further payment by the Agent to representatives, including representatives employed by the Agent, a selling concession fee equal to 5.00% of the Initial Deposit Amount of each Deposit Note purchased by their clients, being \$5.00 per Deposit Note. In addition, the Bank will pay to the Reference Fund Manager a selling fee of 1.00% of the Initial Deposit Amount of Deposit Notes issued, being \$1.00 per Deposit Note.

These fees, totaling \$6.00 per Deposit Note, will be paid out of the gross proceeds of the offering, and will be borne indirectly by the Holders since the Initial Benchmark Portfolio NAV for the Deposit Notes will be set at \$94.00 per Deposit Note.

**Trailer Fee:** A trailer fee of 0.25% per annum of the Initial Deposit Amount of the Deposit Notes outstanding will be payable to the Agent for further payment by the Agent to all representatives whose clients hold Deposit Notes, including applicable taxes, if any (the "Trailer Fee"). The Trailer Fee will accrue daily and be paid monthly in arrears. The Trailer Fee will be charged as a reduction of the Benchmark Portfolio NAV.

**Management Fee:** The Bank will be entitled to the payment of a management fee equal to 2.15% per annum of the portion of the assets of the Benchmark Portfolio allocated to the Fund Portfolio, accrued daily and charged monthly in arrears (the "Management Fee"). The Management Fee will be charged in reduction of the Benchmark Portfolio NAV.

The Management Fee and the Trailer Fee will be paid from the Benchmark Portfolio and will therefore affect the Maturity Payment Amount by reducing the Benchmark Portfolio NAV and the Final Benchmark Portfolio NAV or, as the case may be, the amount payable upon a Reimbursement Under Special Circumstances.

Where assets of the Benchmark Portfolio are allocated to the Bond under the portfolio allocation rules, the coupon of 0.50% per annum payable on the Bond will accrue to the Bank and not to the Benchmark Portfolio.

In the event where the assets of the Benchmark Portfolio are entirely allocated to the Bond, the Management Fee and the Trailer Fee will no longer be payable. The coupon of 0.50% per annum payable on the Bond will continue to accrue to the Bank and not to the Benchmark Portfolio.

For providing leverage to the Fund Portfolio, the Bank will receive the equivalent of the interest payable on funds notionally borrowed, calculated at an annual interest rate equal to One-month Bankers' Acceptance Rate plus 0.25% per annum, paid daily. See "The Benchmark Portfolio – Portfolio Allocation Rules".

The Bank will not charge any other fee or seek reimbursement of any other expense in respect of the Deposit Notes.

As is generally the case for Bank deposits, the Bank may earn a return on the offering of Deposit Notes. This return may arise from the difference between the amount the Bank is obliged to pay under the Deposit Notes, net of related fees and expenses, and the returns the Bank may generate in hedging its obligations under the Deposit Notes. See "Use of Proceeds and Hedging".

## DEFINITIONS

In this Information Statement, unless the context otherwise requires, terms not otherwise defined herein will have the meaning ascribed thereto hereunder:

“**Actualized NAV**” means an amount calculated in respect of Deposit Notes in a situation in which the Bank determines to make a Reimbursement Under Special Circumstances, all as described under “Description of the Deposit Notes – Reimbursement Under Special Circumstances and Payment.”

“**Actual Fund Portfolio Weighting**” means the percentage of the notional assets in the Benchmark Portfolio allocated to the Fund Portfolio.

“**Agency Agreement**” has the meaning ascribed thereto under “Plan of Distribution”.

“**Agent**” means National Bank Financial Inc., a wholly-owned subsidiary of the Bank.

“**Benchmark Portfolio**” means a portfolio of notional investments consisting of (i) if the Actual Fund Portfolio Weighting is greater than 100%, the Fund Portfolio and a notional loan facility, (ii) if the Fund Portfolio Weighting is greater than 0% but below 100%, the Fund Portfolio and the Bond or (iii) if the Fund Portfolio Weighting is 0% or under certain circumstances pursuant to an Extraordinary Event, the Benchmark Portfolio will consist of the Bond.

“**Benchmark Portfolio NAV**” means, on any day, the net asset value of the Benchmark Portfolio, calculated pursuant to the formula set forth in Appendix 1 hereto. The initial Benchmark Portfolio NAV on which the calculation of the Final Benchmark Portfolio NAV will be calculated is \$94.00 per Deposit Note.

“**Benchmark Portfolio Return**” means a number (which may be positive or negative), expressed as a percentage (rounded to two decimal places), determined per the following formula:

$$\frac{\text{Final Benchmark Portfolio NAV} - \text{Initial Deposit Amount}}{\text{Initial Deposit Amount}}$$

“**Bond**” means a hypothetical bond denominated in Canadian dollars maturing on or about the seventh anniversary date of the Issuance Date with a coupon of 0.50% per annum, calculated on the basis of a 365-day year, and a notional principal of \$100.00 at maturity, provided however that the coupon received on this bond will accrue to the Bank and not the Benchmark Portfolio will therefore not increase the return to the Benchmark Portfolio.

“**Bond Price**” means, as at the relevant date of determination, the present value of the Bond calculated by the Calculation Agent based on yields equal to the prevailing Canadian dollar inter-bank swap rate (using the bid and offer swap rate) for a term equivalent to the remaining term of the Bond.

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

“**Business Day**” means any day, other than a Saturday or a Sunday or a day on which commercial banks in either Montreal or Toronto are required or authorized by law to remain closed. If a deadline specified in this Information Statement in respect of Deposit Notes falls on a day which is not a Business Day, the deadline will be postponed to the following Business Day.

“**Calculation Agent**” means the Bank.

“**CDS**” means CDS Clearing and Depository Services Inc., or its nominee.

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

“**CRA**” means the Canada Revenue Agency.

“**Custodian**” means National Bank Trust Inc., an affiliate of the Bank, or any other person appointed by the Bank for that purpose.

“**DBRS**” means Dominion Bond Rating Service, Limited.

“**Deposit Notes**” means the Standard Life Diversified Dividend Notes, Series 3.

“**Distance**” or “**Dt**” means a number, expressed as a percentage (rounded to the nearest whole number) equal to:

$$\frac{\text{Benchmark Portfolio NAV} - \text{Bond Price}}{\text{Benchmark Portfolio NAV}}$$

“**Extraordinary Event**” has the meaning ascribed thereto under “The Reference Funds – Fund Reallocation Event”.

“**Final Benchmark Portfolio NAV**” means the Benchmark Portfolio NAV on the Valuation Date, subject to a minimum of \$100.00 per Deposit Note.

“**Fund Business Day**” means any day on which it is possible to execute subscription and redemption orders with respect to the Reference Funds.

“**Fund Reallocation**” has the meaning ascribed thereto under “The Reference Funds – Fund Reallocation Event”.

“**FundSERV**” means the facility maintained and operated by FundSERV Inc. for electronic communication with participating companies, including the receiving of orders, order match, contracting, registrations, settlement of orders, transmission of confirmation of purchases, and the redemption of investments or instruments.

“**Holder**” means an owner of record or beneficial owner of a Deposit Note.

“**Initial Benchmark Portfolio NAV**” means an amount of \$94.00 per Deposit Note.

“**Initial Deposit Amount**” means \$100 per Deposit Note.

“**Issuance Date**” means the date as of which is issued a global certificate for the full amount of the Deposit Notes, being on or about December 7, 2007, or such other date agreed to between the Bank and Agent, but in any event no later than January 4, 2008.

“**Market Disruption Event**” has the meaning ascribed thereto under “Description of the Deposit Notes – Market Disruption Event.”

“**Maturity Date**” means the date falling on the seventh anniversary date of the Issuance Date.

“**Maturity Payment Date**” means the date falling on the fifth Business Day following the Valuation Date (or, as the case may be, the latest Valuation Date if such date is postponed in respect of a Reference Funds due to the absence of a Fund Business Day or a Market Disruption Event.

“**Maturity Redemption Amount**” means an amount per Deposit Note equal to the sum of the Initial Deposit Amount and the Variable Return.

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

**“One-month Bankers’ Acceptance Rate”** means, on any Business Day, the average bid rate of interest (expressed as an annual percentage rate) rounded to the nearest one-hundred-thousandth of one percent (with decimal fractions of 0.000005 percent and greater being rounded up) for Canadian dollar bankers’ acceptances with maturities of one month which appear on Bloomberg under the symbol CDOR01 INDEX as of approximately 10:00 a.m., Montreal time, on such Business Day, provided that if such rate does not appear on Bloomberg under the symbol CDOR01 INDEX on such Business Day, the One-month Bankers’ Acceptance Rate for such Business Day shall be such rate as it appears on Bloomberg under the symbol CDOR01 INDEX on the previous Business Day where such rate appears and provided further that if the Calculation Agent is unable to determine such rate in accordance with the foregoing, the Calculation Agent shall adjust the foregoing as it determines appropriate to determine One-month Bankers’ Acceptance Rate.

**“Permitted Investments”** means fixed income and/or money market instruments consisting of debt issued by the Government of Canada or its agencies, debt issued by the provinces of Ontario, Quebec, Alberta or British Columbia or bankers’ acceptances issued by Canadian banks or cash deposits with Canadian banks with a rating of at least R-1 (low), A-1 or P-1 by DBRS, S&P and Moody’s, respectively. The maximum maturity of the Permitted Investments is the Valuation Date.

**“Portfolio Allocation Rules”** means the rules set forth under “The Benchmark Portfolio - Portfolio Allocation Rules” and used by the Calculation Agent to determine the thresholds for allocating and reallocating assets of the Benchmark Portfolio between the Fund Portfolio and the Bond, which formula is based on a number of factors including the characteristics and performance of the Reference Funds, the remaining term of the Deposit Notes and interest rates as of the relevant date of determination.

**“Reallocation Event”** has the meaning ascribed thereto under “The Reference Funds – Fund Reallocation Event”.

**“Reference Funds”** means the Standard Life Canadian Dividend Growth Fund and the Standard Life Global Dividend Growth Fund, or any successor thereof following a Reallocation Event.

**“Reference Fund Manager”** means Standard Life Mutual Funds Ltd., or any successor thereof.

**“Reference Price”** means, for each Reference Unit of each Reference Funds, the net asset value per unit of the Reference Unit on any Fund Business Day communicated by the Reference Fund Manager, adjusted to remove any management fees and administration fee relating to such units.

**“Reference Units”** means the 0-Series 1 of units of the Reference Funds, or any successor security of a successor fund following a Reallocation Event.

**“SEDAR”** means the Canadian System for Electronic Document Analysis and Retrieval maintained by Canadian securities regulators.

**“Special Circumstances”** has the meaning ascribed thereto under “Description of the Deposit Notes – Reimbursement Under Special Circumstances and Payment”.

**“Special Reimbursement Date”** means the special payment date established in connection with a Reimbursement under Special Circumstances as described hereunder “Description of the Deposit Notes – Reimbursement Under Special Circumstances and Payment”.

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

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

**“Targeted Fund Portfolio Weighting”** means on any day, the targeted percentage of notional assets in the Benchmark Portfolio to be allocated to the Fund Portfolio, which shall be equal to 5.40 times the Distance, subject to a maximum of 200%.

“**Valuation Date**” means the fifth Business Day preceding the Maturity Date, provided, however, that if such day is not a Fund Business Day for any Reference Funds comprising the Fund Portfolio, the Valuation Date in respect of any such Reference Funds will be postponed until the next Fund Business Day, subject to a Market Disruption Event; for greater certainty, the net asset value per unit or share of all of the other unaffected Reference Funds will remain as of the initially scheduled Valuation Date.

“**Variable Return**” means an amount equal to the greater of (a) zero and (b) the product of the Initial Deposit Amount (being \$100 per Deposit Note) and the Benchmark Portfolio Return.

“**\$**” means Canadian dollars.

## NATIONAL BANK OF CANADA

The Bank was formed through a Series of amalgamations and its roots date back to 1859 with the founding of Banque Nationale in Québec City. The Bank's head and registered office is located at the National Bank Tower, 600 de La Gauchetière Street West, Montreal, Québec, H3B 4L2. The Bank offers a full range of financial services to individuals, commercial enterprises, financial institutions and governments both in Canada and abroad.

Prospective purchasers may obtain more information on the Bank by consulting the Bank's public disclosure documents filed by the Bank with the various securities commissions or similar authorities in each of the provinces of Canada through the Internet on SEDAR at [www.sedar.com](http://www.sedar.com).

### INVESTMENT RATIONALE FOR THE DEPOSIT NOTES

The Deposit Notes are principal-protected deposit notes which aim to provide Holders with a return based on the long-term capital appreciation of the Benchmark Portfolio and to provide a targeted leveraged exposure of up to 200% to the capital appreciation of the Fund Portfolio.

### BENCHMARK PORTFOLIO

#### General

The Benchmark Portfolio is a notional portfolio of assets allocated dynamically in accordance with the Portfolio Allocation Rules over the term of the Deposit Notes between the Fund Portfolio and the Bond.

Holders have no ownership interest in and have no right to receive Reference Units or the Bond, which are used simply as references to calculate amounts payable under the Deposit Notes.

#### Bond

A notional bond denominated in Canadian dollars maturing on or about the Maturity Date with a coupon of 0.50% per annum and a notional principal amount of \$100.00. The coupon of 0.50% per annum payable on the Bond will accrue to the Bank and not to the Benchmark Portfolio.

#### Fund Portfolio

The Fund Portfolio will be comprised as follows:

<u>Name of Reference Funds</u>	<u>Target weighting within the Fund Portfolio</u>
Standard Life Canadian Dividend Growth Fund, 0-Series 1	65%
Standard Life Global Dividend Growth Fund, 0-Series 1	35%

Although the Fund Portfolio will be comprised of 0-Series 1 units of the Reference Funds, the Reference Prices used to calculate the Benchmark Portfolio NAV will be the net asset values of the 0-Series 1 units, adjusted to remove the management and administration fees otherwise charged by the Reference Funds on such 0-Series 1 units. As a result, there will be no duplication of the fees and expenses contained in the management expense ratio of the Reference Funds in respect of the Reference Units and the fees and expenses payable in respect of the Deposit Notes.

The Fund Portfolio will be rebalanced every six months if the actual weighting of the Reference Funds in the Fund Portfolio differs by 2% or more of the target weighting indicated in the table above so that, at the time of rebalancing, the Reference Funds included in the Fund Portfolio will be approximately as per the weightings set forth in the table above opposite each Reference Funds.

All distributions made on account of the Reference Units will accrue to the assets allocated to the Fund Portfolio and be notionally reinvested in additional Reference Units.

**Portfolio Allocation Rules**

During the term of the Deposit Notes, the allocation of the Benchmark Portfolio assets to the Fund Portfolio and the Bond will be determined in accordance with the Portfolio Allocation Rules. Under the Portfolio Allocation Rules, the Target Fund Portfolio Weighting, being the target exposure level to the Fund Portfolio in the form of Reference Units will be determined by reference to the Distance, being the distance (expressed as a percentage) between the Benchmark Portfolio NAV and the Bond Price. The Benchmark Portfolio NAV will be \$94.00 per Deposit Note on the closing date of this offering, and will thereafter fluctuate according to the fluctuations in the price of the Reference Units and the Bond Price and will also be reduced by a management fee of 2.15% per annum of the Fund Portfolio NAV and a trailer fee of 0.25% per annum of the Principal Amount. The Bond Price will be equal to the present value of the Bond calculated by the Calculation Agent based on yields equal to the prevailing Canadian dollar inter-bank swap rate (using the bid and offer swap rate) for a term equivalent to the remaining term of the Bond.

The Target Fund Portfolio Weighting will vary between 0% and 200% of the Benchmark Portfolio NAV depending on the Distance, as set forth in more detail herein. The Target Fund Portfolio Weighting will be equal to 5.4 times the Distance (subject to a maximum of 200%). The table below serves to illustrate the allocation of the Benchmark Portfolio assets depending on the Distance:

<b>Distance</b>	<b>Target Fund Portfolio Weighting</b>	<b>Target Bond Weighting</b>
Dt = 50%	200%	0%
Dt = 40%	200%	0%
Dt = 30%	162%	0%
Dt = 20%	108%	0%
Dt = 15%	81%	19%
Dt = 10%	54%	46%
Dt = 5%	27%	73%
Dt ≤ 2%	0%	100%

The Benchmark Portfolio will have an initial exposure of 100% to the Fund Portfolio on the Closing Date and the Distance will be approximately 18.50%.

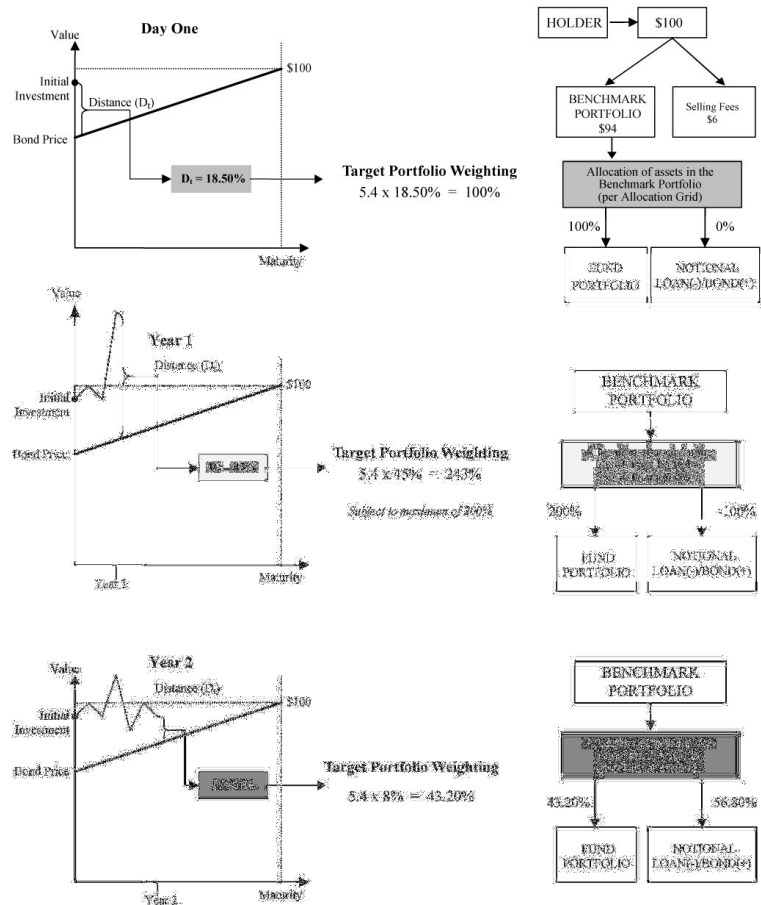
When the Actual Fund Portfolio Weighting exceeds 100%, the Calculation Agent will employ leverage by notionally borrowing from the Bank to notionally acquire additional Reference Units in order to provide the Target Fund Portfolio Weighting in excess of 100% of the Benchmark Portfolio NAV. Any notional borrowing by the Calculation Agent may affect the return on the Deposit Notes, as the Benchmark Portfolio NAV will be reduced by an amount equal to the notional interest payable to the Bank on the notionally borrowed money, calculated at an annual interest rate equal to the One-month Bankers' Acceptance Rate plus 0.25%.

A rebalancing of the exposure of the Benchmark Portfolio assets to the Fund Portfolio will take place whenever the Actual Fund Portfolio Weighting differs from the Target Fund Portfolio Weighting by more than 25%. Moreover, in the event the Actual Fund Portfolio Weighting becomes equal to or greater than 225%, the Actual Fund Portfolio Weighting will be rebalanced to the Target Fund Portfolio Weighting. Furthermore, if the Distance decreases to 2% or below, all of the assets of the Benchmark Portfolio will be allocated to the Bond for the remainder of the term of the Deposit Notes, regardless of the subsequent performance of the Fund Portfolio, and the Final Benchmark Portfolio NAV will be automatically set to \$100.00 per Deposit Note and the Variable Return will be nil.

Any rebalancing of assets between the Fund Portfolio and the Bond and the use of any notional borrowing will occur as of the next business day following the date on which it was determined that any such rebalancing or

notional borrowing was necessary, except if the Distance becomes equal or less than 2% the rebalancing will be immediate.

The following diagrams, based on hypothetical scenarios, demonstrate how the notional assets in the Benchmark Portfolio will be allocated and reallocated between the Fund Portfolio and the Bond based on the Distance (Dt). The diagrams on the left hand side show the calculation of the Distance (a) as at the closing of the offering, (b) as at the end of Year 1, where the Benchmark Portfolio NAV has increased and (c) at the end of Year 2, where the Benchmark Portfolio NAV has decreased. The diagrams on the right-hand side for the corresponding time periods show the reallocation of the assets in the Benchmark Portfolio based upon the changes in the “Distance” or “Dt”:



## **Fund Reallocation Event**

Following the occurrence of an Extraordinary Event, the Bank may substitute a Reference Fund with another mutual fund as provided below. To do this, the Bank will notionally redeem the Reference Units of such Reference Fund and reallocate the notional proceeds to the notional subscription of units or shares of one or more Canadian mutual funds managed by the Reference Fund Manager having similar investment objectives and strategies in order to replace the Reference Funds subject to the Extraordinary Event (a “Fund Reallocation”). If the Bank determines there is no such replacement fund managed by the Reference Fund Manager that is suitable, the Bank may then select a Canadian mutual fund managed by another fund manager or proceed with a Reimbursement Under Special Circumstances. See “Description of the Deposit Notes – Reimbursement Under Special Circumstances and Payment”.

As determined by the Bank, the occurrence of any of the following events is an “Extraordinary Event”:

(i) the winding-up, dissolution or liquidation of the Reference Funds or other cessation of trading of any units of the Reference Funds;

(ii) the Reference Fund Manager or any affiliate of the Reference Fund Manager ceases to act as the manager of the Reference Funds;

(iii) the investment objective, investment restrictions or investment policies of the Reference Funds or units of the Reference Funds are modified (except where such modification is of a formal, minor or technical nature);

(iv) a material modification (other than any modifications referred to in (iii) above) of the terms and conditions relating to any units of the Reference Funds (including but not limited to a material modification of the constitutive documents of the Reference Funds) or the occurrence of any event or change having a material adverse affect on any units of the Reference Funds (including, but not limited to, the interruption, breakdown or suspension for a significant period of time of the calculation or publication of the net asset value per unit);

(v) the non-execution or partial-execution by the Reference Funds of a subscription or redemption order given by an investor in any units of the Reference Funds or a refusal to transfer any units of the Reference Funds to an eligible transferee except where such non-execution, partial execution or refusal is the result of circumstances beyond the control of the Reference Funds;

(vi) any mandatory redemption or other reduction (actual or potential as determined by the Calculation Agent in its sole discretion) in the number of units of the Reference Funds held by any holder of such units for any reason beyond the control of such holder;

(vii) any failure by the Reference Fund Manager to calculate or publish the daily official net asset value per unit of the Reference Funds within five Business Days after the relevant valuation date except as provided in the case of a suspension of determination of the net asset value per unit in accordance with the provisions set out in the constitutive documents of the Reference Funds;

(viii) the Reference Funds imposes in whole or part any restriction, charge or fee in respect of a redemption or subscription of any units of the Reference Funds by any holder thereof (other than any fee applicable to a holder of units of the Reference Funds as at the Closing Date);

(ix) any relevant activities of or in relation to the Reference Funds or the Reference Fund Manager are or become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any present or future law, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof;

(x) a relevant authorization or license is revoked or is under review by a competent authority in respect of the Reference Funds or the Reference Fund Manager;

(xi) any change in or in the official interpretation or administration of any laws or regulation relating to taxation that has or is likely to have a material adverse effect on any unitholder of the Reference Funds or in respect of any hedge established in connection with the offering of the Deposit Notes;

(xii) a party is unable to effectively acquire, establish, re-establish, substitute, maintain or unwind any hedge transaction in connection with the offering of the Deposit Notes or to realize, recover or remit the proceeds of any such hedging transaction;

(xiii) an increase in the cost of acquiring, establishing, re-establishing, substituting, maintaining, unwinding or disposing of any hedging transaction respecting the units of the Reference Funds or in the cost of realizing, recovering or remitting the proceeds of any such hedging transaction; or

(xiv) as a result of any adoption of, or any change in, any law, order, regulation, decree or notice, howsoever described, 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, howsoever described, after such date or as a result of any other event, (1) it would become unlawful for any unitholder of the Reference Funds to hold, purchase or sell any units of the Reference Funds, (2) the cost of investing in any units of the Reference Funds would materially increase, other than ordinary course increases in the market value of units of the Reference Funds, or (3) a unitholder of the Reference Funds would be subject to a material loss as a result of holding any units of the Reference Funds.

## REFERENCE FUNDS

*All information included in this Information Statement relating to the Reference Funds have been taken from publicly-available information of the Reference Funds filed on behalf of the Reference Funds on [www.sedar.com](http://www.sedar.com), including the most recent prospectuses and annual information forms relating to such Reference Funds. Moreover, certain information contained in this Information Statement relating to publicly traded securities and the issuers of those securities is taken from and based solely upon information published by those issuers. Neither the Bank nor the Agent have independently verified the accuracy or completeness of any such information or assume any responsibility for the completeness or accuracy of such information.*

### **Standard Life Canadian Dividend Growth Fund**

The Standard Life Canadian Dividend Growth Fund is a Canadian equity fund managed by the Reference Fund Manager. The portfolio advisor to this Reference Fund is Standard Life Investments Inc.

#### *Investment Objectives*

The investment objectives of the Standard Life Canadian Dividend Growth Fund are to provide both capital growth and superior dividend income.

The Standard Life Canadian Dividend Growth Fund invests in a diversified portfolio of high-quality, high-yielding Canadian equities. The portfolio advisor focuses on companies that have superior financial positions and have historically demonstrated their capacity to pay high relative dividends and sustain such payments over time.

#### *Investment Strategies*

The Standard Life Canadian Dividend Growth Fund invests primarily in common shares but may also invest in preferred shares. The Fund may also invest in bonds, warrants, rights or other securities that are convertible into common shares which carry the attributes of paying high dividends consistently over time. It may also invest in royalty trusts and income trusts, limited partnerships and ETFs. ETFs may include, among others, iShares, SPDRs, IPU and WEBS.

It is the practice of the Standard Life Canadian Dividend Growth Fund to primarily buy distribution-paying securities, convertible securities and trusts. In normal market conditions, the Fund would divest of securities that are not paying distributions. The Fund seeks to have an overall yield higher than the S&P/TSX Capped Equity Index.

The Standard Life Canadian Dividend Growth Fund may use derivatives for non-hedging purposes in order to invest indirectly in securities or financial markets, or gain exposure to other currencies. The Standard Life Canadian Dividend Growth Fund may also employ derivative instruments for hedging purposes.

The Standard Life Canadian Dividend Growth Fund may hold a portion of its assets in cash or money market instruments for strategic reasons.

#### *Fund composition*

The following investments represent the top 10 holdings of the Standard Life Canadian Dividend Growth Fund as at August 31, 2007.

<b>Investment</b>	<b>% of assets</b>
Manulife Financial Corporation	6.21%
Toronto-Dominion Bank, (The)	6.16%
Royal Bank of Canada	6.07%
Bank of Nova Scotia, (The)	5.46%
Bank of Montreal	4.65%
Sun Life Financial Inc.	4.38%
EnCana Corporation	3.84%
Petro-Canada	3.74%
Canadian Imperial Bank of Commerce	3.45%
Imperial Oil Limited	3.33%
<i>Aggregate % of top ten holdings = 47.30%</i>	

The following table shows the market segments in which the assets of the Standard Life Canadian Dividend Growth Fund are invested as at August 31, 2007.

<b>Market Segments</b>	<b>% of assets</b>
Financials	49.31%
Energy	16.77%
Consumer Discretion	7.97%
Telecommunications	7.22%
Materials	6.30%
Industrials	5.34%
Consumer Staples	4.55%
Cash & Cash Equivalents	2.55%
	100.00

#### *Past Performance*

The following chart contains historical total returns (YTD, 1 month, 3 months and 6 months) and annualized compounded returns (1 year, 3 years, 5 years, 10 years and since inception) of A-Series units of the Standard Life Canadian Dividend Growth Fund as of August 31, 2007 and is not intended to be, nor should it be construed to be, an indication as to the future returns or volatility of the A-Series or the 0-Series 1 units of the Standard Life Canadian Dividend Growth Fund or the potential return, if any, on the Deposit Notes. The following chart assumes that all distributions were reinvested in additional units of the Standard Life Canadian Dividend Growth Fund. The returns in the chart do not include any applicable sales, redemption, distribution or optional charges or taxes, which would have reduced returns. The returns are shown after the payment of expenses and fees of the of the A-Series units of the Standard Life Canadian Dividend Growth Fund.

As of August 31, 2007 (%) (unaudited)

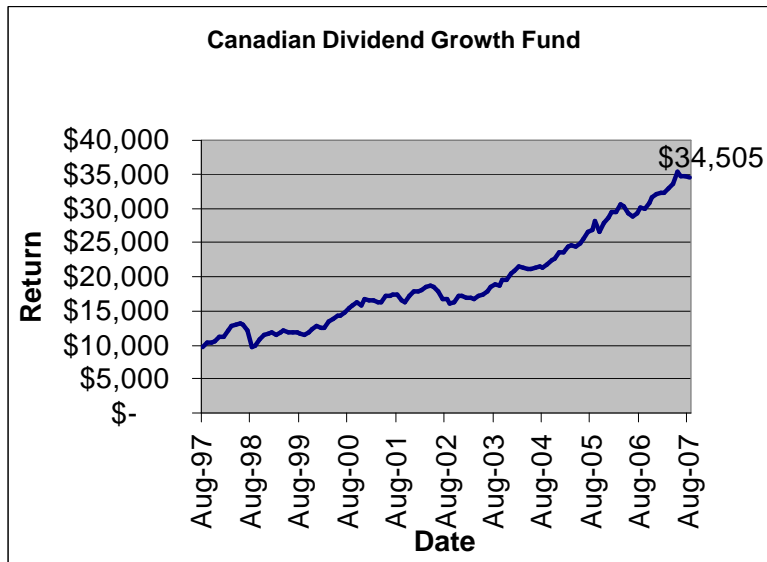
Performance	YTD	1 month*	3 months*	6 months*	1 year	3 years	5 years	10 years	Since Inception (November 8, 1994)
Standard Life Canadian Dividend Growth Fund, A-Series**	7.66%	-0.51%	-0.235%	6.58%	14.72%	17.27%	15.52%	13.61%	16.32%

\* Not annualized

\*\* A-Series returns shown in the absence of existing data for 0-Series 1 units. Returns are net of management fees. Returns for 0-Series 1 units net of applicable fees and expenses will not match those of the A-Series units as the A-Series units have management fees.

The following chart illustrates the price performance of the Reference Units. This information is taken or derived solely from publicly available information and neither the Bank, the Agent nor any of their respective affiliates make any assurances, representations or warranties as to the accuracy, reliability or completeness of such information. **Historical performance is not a guarantee of future performance.**

The following chart shows the performance of the Reference Units from August 1997 to and including August 2007.



\*Source : Bloomberg

## Standard Life Global Dividend Growth Fund

The Standard Life Global Dividend Growth Fund is a global equity fund managed by the Reference Fund Manager. The portfolio adviser to this Reference Fund is Standard Life Investments Inc.

### *Investment Objectives*

The investment objectives of the Standard Life Global Dividend Growth Fund are to provide both capital growth and income.

The Standard Life Global Dividend Growth Fund invests primarily in a globally diversified portfolio of equity, equity-type securities and other income producing investments.

### *Investment Strategies*

The following strategies will be used to achieve the investment objectives:

(i) Invest primarily in high-quality equities and equity-type instruments, including common and preferred shares, convertible securities, REITs, limited partnerships, DRs and ETFs. DRs may consist of, but are not limited to, ADRs, and ETFs may include, among others, iShares, SPDRs, IPU's and WEBS.

(ii) Invest in fixed-income securities and other funds, some of which may also be managed by the Reference Fund Manager.

The portfolio advisor will select the securities of mid- to large-sized global issuers with strong financial positions. These issuers will have historically demonstrated their capacity to pay distributions and have the ability to sustain earnings and distributions over time. The Standard Life Global Dividend Growth Fund may also invest in securities that currently do not pay dividends but do show good potential to do so in the future.

The Standard Life Global Dividend Growth Fund may use derivatives for non-hedging purposes in order to invest indirectly in securities or financial markets, or gain exposure to other currencies. The Standard Life Global Dividend Growth Fund may also employ derivative instruments for hedging purposes.

The Standard Life Global Dividend Growth Fund may hold a portion of its assets in cash or money market instruments for strategic reasons.

The portfolio advisor expects to actively trade the investments of the Standard Life Global Dividend Growth Fund. As a result, the portfolio turnover rate of the Standard Life Global Dividend Growth Fund may exceed 70%.

### *Fund composition*

The following investments represent the top 10 holdings of the Standard Life Global Dividend Growth Fund as at August 31, 2007.

<b>Investment</b>	<b>% of assets</b>
Exxon Mobil Corporation	2.81%
Morgan Stanley	2.81%
Bank of New York Mellon Corp.	2.60%
United Technologies Corporation	2.45%
Barclays Bank PLC	2.43%

Hartford Financial Services	2.40%
Vodafone Group PLC	2.39%
Allianz SE	2.38%
Toronto-Dominion Bank, (The)	2.34%
Nokia Corporation	2.31%
<b>Aggregate % of top ten holdings = 24.91%</b>	

The following table shows the geographic markets in which the assets of the Standard Life Global Dividend Growth Fund are invested as at August 31, 2007.

<b>Market Segments</b>	<b>% of assets</b>
U.S. Equities	45.36%
United Kingdom Equities	12.56%
Canadian Equities	8.35%
Swiss Equities	5.59%
Spanish Equities	4.62%
German Equities	4.56%
Greek Equities	3.03%
Dutch Equities	2.46%
Other	12.19%
Cash and other equivalents	1.29%

#### *Past Performance*

The following chart contains historical total returns (YTD, 1 month, 3 months and 6 months) and annualized compounded returns (1 year and since inception) of A-Series units of the Standard Life Global Dividend Growth Fund as of August 31, 2007 and is not intended to be, nor should it be construed to be, an indication as to the future returns or volatility of the A-Series or the 0-Series 1 units of the Standard Life Global Dividend Growth Fund or the potential return, if any, on the Deposit Notes. The following chart assumes that all distributions were reinvested in additional units of the Standard Life Global Dividend Growth Fund. The returns in the chart do not include any applicable sales, redemption, distribution or optional charges or taxes, which would have reduced returns. The returns are shown after the payment of expenses and fees of the A-Series units of the Standard Life Global Dividend Growth Fund.

#### **As of August 31, 2007 (%) (unaudited)**

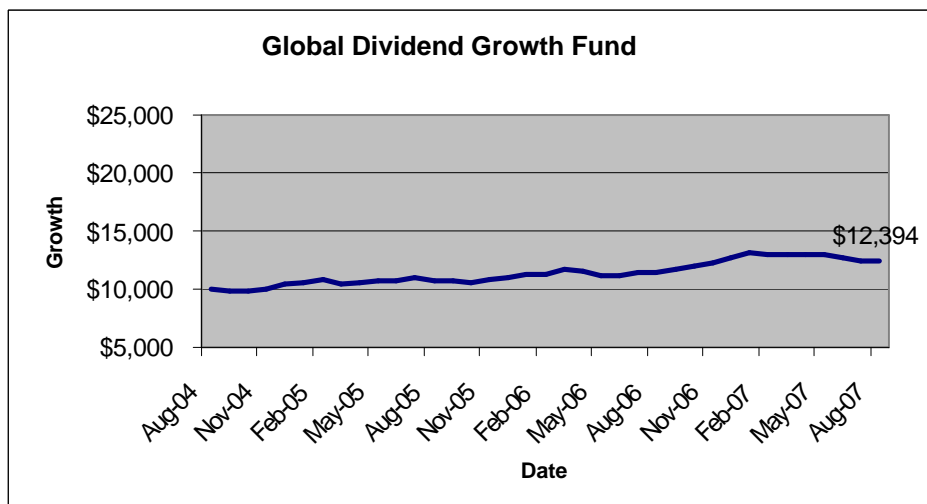
<b>Performance</b>	<b>YTD</b>	<b>1 month*</b>	<b>3 months*</b>	<b>6 months*</b>	<b>1 year</b>	<b>3 year</b>	<b>Since Inception (July 2, 2004)</b>
Standard Life Global Dividend Growth Fund, A-Series**	-2.70%	-0.66%	-4.36%	-4.39%	8.23%	7.29%	6.14%

\* Not annualized

\*\* A-Series returns shown in the absence of existing data for 0-Series 1 units. Returns are net of management fees. Returns for 0-Series 1 units net of applicable fees and expenses will not match those of the A-Series units as the A-Series units have management fees.

The following chart illustrates the price performance of the Reference Units. This information is taken or derived solely from publicly available information and neither the Bank, the Agent nor any of their respective affiliates make any assurances, representations or warranties as to the accuracy, reliability or completeness of such information. **Historical performance is not a guarantee of future performance.**

The following chart shows the performance of the Reference Units from August 1997 to and including August 2007.



\* Source: Bloomberg

### Use of Derivatives by the Reference Funds

A derivative is a financial instrument that derives its value from another investment, called an underlying interest. Possible underlying interests include a security, an index, a commodity or a currency. A derivative usually takes the form of a contract between two parties to buy or sell an asset at a later time. Examples of derivatives include futures, forward contracts, options and swaps.

The Reference Funds may use derivatives as permitted by securities regulations and in accordance with their objectives. Derivatives may be used to:

- hedge, or try to protect, an investment against losses from factors like currency fluctuations, security price changes and interest rate changes.

The Funds may also use derivatives as part of a strategy known as non-hedging to:

- invest indirectly (i.e. without actually buying the investment) in securities, financial markets and currencies, provided the investments are consistent with the Reference Funds' objectives;
- gain and manage exposure to foreign markets;
- gain and manage exposure to other specific markets;
- reduce transaction costs; and
- achieve greater flexibility and increase speed in making changes to their portfolios.

When a Reference Fund uses derivatives for non-hedging purposes, it holds enough cash cover, as required by securities regulations, to satisfy all of its obligations arising from its derivative positions.

## **Reference Fund Manager**

The Reference Fund Manager manages the Reference Funds and is responsible for day-to-day operations of the Funds, including general and administrative management services. The Reference Fund Manager provides office space and facilities, clerical help, book-keeping and internal accounting services required by the Reference Funds, implements purchase, redemption and transfer orders, calculates and arranges for payment of distributions, supervises plans for unitholders, and provides or co-ordinates all other services required by the Reference Funds, including the appointment of Standard Life Investments Inc. as portfolio advisor to manage the Reference Funds' investments.

The Reference Fund Manager has retained Standard Life Investments Inc. to provide investment advisory and portfolio management services in connection with each of the Reference Funds.

Standard Life Investments Inc. has been providing investment management services in Canada since 1973. Standard Life Investments Inc. is a subsidiary of Edinburgh-based Standard Life Investments Limited, one of the world's major asset management companies with over CDN\$250 billion under management worldwide and approximately CDN\$ 24.4 billion in Canada as at end of June 2006. Standard Life Investments Limited has a global investment platform with analysts based in Edinburgh, London, Montreal, Boston, Hong Kong and Dublin and representative offices in Beijing, Seoul, Toronto and Calgary.

Standard Life Investments Inc.'s clients include both institutional and retail investors. Although pooled and separated pension funds for defined benefit plans constitute its core institutional client base, it also manages assets for endowment funds, foundations, corporations and wrap programs. It also manages pooled investment funds for defined contribution pension plans, retail mutual funds and individual segregated funds associated with various savings and retirement products offered by The Standard Life Assurance Company of Canada.

## **Agreement between the Bank and the Reference Fund Manager**

The Bank and the Reference Fund Manager have entered into an agreement pursuant to which the Reference Fund Manager has agreed to the use of certain of its trademarks in connection with the Deposit Notes. The Reference Fund Manager may receive customary management fees in respect of units of the Reference Funds that may be purchased by the Bank in connection with its hedging activities. See "Use of Proceeds and Hedging".

## **DESCRIPTION OF THE DEPOSIT NOTES**

The following contains a summary of the material attributes and characteristics of the Deposit Notes and is entirely qualified by and subject to the global certificate referred to below, which contains the full text of such attributes and characteristics. The Bank will provide a copy of the global certificate of the Deposit Notes to any Holder who requests it.

### **General**

This offering consists of Deposit Notes, sold by the Bank at a price of \$100 each and payable on the Issuance Date. The minimum subscription price per Holder is \$2,000 (20 Deposit Notes).

The Bank is offering the Deposit Notes using the order entry system of FundSERV. Subscriptions for Deposit Notes may be made using the FundSERV network under the order code NBC1803 which will result in funds being accumulated in a non-interest bearing account pending execution of all documents required for this transaction and satisfaction of closing conditions, if any. Funds in respect of all subscriptions are payable at the time of subscription. See "Plan of Distribution".

A global certificate for the full amount of the issue of the Deposit Notes will be issued by the Bank in registered form to CDS on the Issuance Date. Subject to limited exceptions, certificates evidencing the Deposit Notes will not be available to Holders under any circumstances and registration of ownership of the Deposit Notes will be made only through the Book-Entry System of CDS. See "Description of the Deposit Notes – Book-Entry System" and "Description of the Deposit Notes – Definitive Notes".

Orders for purchases of Deposit Notes may be accepted in whole or in part, and the right to allot Deposit Notes to investors in an amount less than subscribed for by the investors reserve by the Bank. The Bank reserves the right to discontinue accepting subscriptions at any time without notice. The Bank may at any time prior to closing, in its discretion, elect whether or not to proceed in whole or in part with the issue of the Deposit Notes. Any unaccepted amount will be returned to investors without any interest or deduction.

The Bank may from time to time issue any additional series of notes or any other notes or other debt instruments or deposit notes which may or may not resemble the Deposit Notes.

### **Currency**

The Initial Deposit Amount and all payments under the Deposit Notes will be in Canadian dollars.

### **Payment upon the Maturity Date**

On the Maturity Payment Date, Holders of Deposit Notes will be entitled to receive, in respect of each Deposit Note held by such Holder, repayment of their Initial Deposit Amount. In addition, depending on the performance of the Benchmark Portfolio on the Valuation Date, Holders will be entitled to receive a Variable Return.

### **Variable Return**

The Variable Return is an amount equal to the greater of (a) zero and (b) the product of the Initial Deposit Amount (being \$100 per Deposit Note) and the Benchmark Portfolio Return. The Benchmark Portfolio Return will be equal to a number (which may be positive or negative), expressed as a percentage (rounded to two decimal places), determined per the following formula:

$$\frac{\text{Final Benchmark Portfolio NAV} - \text{Initial Deposit Amount}}{\text{Initial Deposit Amount}}$$

Where: "Final Benchmark Portfolio NAV" means the Benchmark Portfolio NAV on the Valuation Date.

The Initial Benchmark Portfolio NAV will be set at \$94.00 per Deposit Note. As a result, if the Benchmark Portfolio NAV does not increase from its initial level by more than 6.38% on the Valuation Date, the Variable Return will be nil. The Benchmark Portfolio NAV, on any day, will be equal to the net asset value of the Benchmark Portfolio, calculated pursuant to the formula set forth in Appendix 1 hereto.

**The following are hypothetical examples that illustrate how the Maturity Redemption Amount is calculated. These examples are included for illustration purposes only. The amounts used are hypothetical and are not forecasts or projections of the performance of how the Deposit Notes or the Benchmark Portfolio will perform. No assurance can be given that the results shown in these examples will be achieved.**

#### ***Example 1: Positive Variable Return.***

The performance of the Fund Portfolio leads to a Final Benchmark Portfolio NAV of \$175.22. As a result, the Variable Return and the Maturity Redemption Amount would be as follows:

$$\begin{aligned} \text{Variable Return} &= \$100 \times [(\$175.22 - \$100) \div \$100] \\ &= \$75.22 \end{aligned}$$

$$\text{Maturity Redemption Amount} = \$175.22$$

The Variable Return of \$75.22 represents an annualized return of approximately 8.34% on the Initial Deposit Amount of \$100.00.

#### ***Example 2: Small positive Variable Return***

The performance of the Fund Portfolio leads to a Final Benchmark Portfolio NAV of \$124.26. As a result, the Variable Return and the Maturity Redemption Amount would be as follows:

$$\begin{aligned}\text{Variable Return} &= \$100 \times [(\$124.26 - \$100) \div \$100] \\ &= \$24.26\end{aligned}$$

$$\text{Maturity Redemption Amount} = \$124.26$$

The Variable Return of \$24.26 represents an annualized return of approximately 3.15% on the Initial Deposit Amount of \$100.00.

***Example 3: No Variable Return***

The performance of the Fund Portfolio leads to all the assets of the Benchmark Portfolio being allocated to the Bond for the remainder of the term of the Deposit Notes, and a Final Benchmark Portfolio NAV of \$100.00. As a result, the Variable Return and the Maturity Redemption Amount would be as follows:

$$\begin{aligned}\text{Variable Return} &= \$100 \times [(\$100 - \$100) \div \$100] \\ &= \$0.00\end{aligned}$$

$$\text{Maturity Redemption Amount} = \$100.00$$

The Variable Return would be nil Holders would realize no return on their Initial Deposit Amount.

**Settlement of Payments**

The Bank will be required to make available to Holders of record on the Maturity Date, no later than 10:00 a.m. (Montreal time) on the Maturity Payment Date, funds in an amount sufficient to pay the Maturity Redemption Amount.

All amounts payable in respect of the Deposit Notes will be made available by the Bank through CDS or its nominee. Upon receipt of any such amount, CDS or its nominee will facilitate payment to the applicable CDS Participants or credit the account of such CDS Participants, in amounts proportionate to their respective interests as shown on the records of CDS. National Bank Trust Inc., in its capacity as Custodian, will facilitate payment by FundSERV to non-CDS Participants or credit the account of such non-CDS Participants, in amounts proportionate to their respective interests. See “ - Custodian”.

Payments by CDS Participants and non-CDS Participants to Holders will be governed by standing instructions and customary practices, as is the case with securities or instruments held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such CDS Participants or non-CDS Participants.

The responsibility and liability of the Bank in respect of Deposit Notes represented by a global certificate evidencing the Deposit Notes is limited to making payment of the amounts due in respect of the global certificate evidencing the Deposit Notes to CDS or its nominee. Upon receipt in full of such amounts by CDS, the Bank will be discharged from any further obligation with regard to such payments. The Bank will not have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership of the Deposit Notes represented by the global certificate evidencing the Deposit Notes or for maintaining, supervising or reviewing records relating to any such ownership.

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

## **No Early Retraction**

The Deposit Notes are not retractable at the option of Holders prior to the Maturity Date and are not redeemable by the Bank prior to maturity except under a Reimbursement Under Special Circumstances. A secondary market for the Deposit Notes may be available to Holders. See “Secondary Market for the Deposit Notes”.

## **Market Disruption Event**

If the Calculation Agent determines that a Market Disruption Event exists on the Valuation Date in respect of a Reference Funds, then the Valuation Date for the purpose of calculating the Reference Price of the Reference Units of such Reference Funds will be postponed to the next Fund Business Day on which there is no Market Disruption Event. However, if on the fifth Fund Business Day following the date originally scheduled as the Valuation Date, the Valuation Date has not occurred, then despite the continuance of such Market Disruption Event on or after such Fund Business Day: (a) such Fund Business Day shall be the Valuation Date; and (b) the Reference Price for the Reference Units of such Reference Funds used for determining the Maturity Redemption Amount will be a price estimated by the Calculation Agent as at such Valuation Date, taking into account all relevant market circumstances.

“Market Disruption Event” means any bona fide event, circumstance or cause (whether or not reasonably foreseeable) beyond the reasonable control of the Calculation Agent or any person that does not deal at arm’s length with the Calculation Agent which has or will have a material adverse effect on the ability of the Bank and/or its affiliates generally to place, maintain or modify hedge positions in respect of the Reference Units or the Deposit Notes. A Market Disruption Event may include, without limitation, any of the following events:

- (i) a suspension, absence or material limitation of subscription and redemption of units of the Reference Funds, as determined by the Calculation Agent in its sole discretion;
- (ii) a suspension, absence or material limitation of trading in a material number of securities in which the Reference Funds invest its assets or in option or futures contracts relating to the units of the Reference Funds or a material number of securities in which the Reference Funds invest its assets in the primary market for those contracts for more than two hours of trading or during the one-half hour before the close of trading in that market, as determined by the Calculation Agent in its sole discretion; or
- (iii) in any other event, if the Calculation Agent determines in its sole discretion that the event materially affects the ability of the Bank and/or its affiliates to hedge or unwind all or a material portion of a hedge with respect to the Deposit Notes that has been effected or may come into effect as described below under “Use of Proceeds and Hedging”.

For the purposes of determining whether a Market Disruption Event has occurred: (1) a limitation on the hours or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of an exchange or related market, and (2) “a suspension, absence or material limitation of trading” on any exchange or related market will not include any time when such exchange or related market itself is closed for trading under ordinary circumstances.

## **Reimbursement Under Special Circumstances and Payment**

In the event of a Special Circumstance (as defined below), the Bank may choose to redeem all of the outstanding Deposit Notes (a “Reimbursement Under Special Circumstances”) upon 30 Business Days’ prior notice provided in writing by the Bank to Holders of the Deposit Notes. Any such notice will be given in the manner described under “Description of the Deposit Notes – Notice to Holders”.

A “Special Circumstance” means either of the following:

- (i) case of an income tax nature where, in the opinion of the Bank acting reasonably and in good faith, an amendment or a change is made to an act or regulation; to taxation practices, policies or administration; to the interpretation of an act or regulation or taxation practice, policy or administration; or an event

occurs, or is expected to occur, caused by circumstances beyond the control of the Bank, making it illegal or disadvantageous, from a legislative or regulatory point-of-view, or disadvantageous, from a financial point-of-view, for the Bank to allow the Deposit Notes to remain outstanding; or

- (ii) the occurrence of an Extraordinary Event pursuant to which the Bank determines not to replace the Reference Funds by a replacement fund, as described under “Reference Funds – Fund Reallocation Event”.

In the event of the occurrence of a Special Circumstance in which the Bank determines to make a Reimbursement Under Special Circumstances, the Bank, acting in good faith, will set a date for the reimbursement of the Deposit Notes (the “Special Reimbursement Date”). In such event, the Bank will seek market quotations for the value of the Deposit Notes to be redeemed from two financial institutions and will use the average of those quotations; provided that if such quotations are deemed not to be reasonable by the Bank, acting in good faith, or if the Bank is unable to obtain such quotations, the Bank will establish a value for the Deposit Notes, acting in good faith in accordance with industry-accepted methods based on a number of interrelated factors, such as the appreciation and volatility of the Reference Units, interest rates, hedging costs and the time remaining to the Maturity Date. The value of the Deposit Notes determined in accordance with the foregoing will constitute the “Actualized NAV”. If the Actualized NAV is equal to or greater than the Initial Deposit Amount, then the Maturity Date will be accelerated to the Special Reimbursement Date and Holders of record on such date will be entitled to receive the Actualized NAV (which will not be less than the Initial Deposit Amount). The Bank will make available to Holders, no later than 10:00 a.m. (Montreal time) on the fifth Business Day following the determination of the Actualized NAV, the amount payable pursuant to such redemption, through CDS or its nominee. If, however, the Actualized NAV is less than the Initial Deposit Amount, then the Maturity Date will not be modified and an amount equal to the Actualized NAV will be notionally invested by the Bank in Permitted Investments until the earlier of (i) the date on which such amount equals the Initial Deposit Amount or (ii) the Maturity Date. As a result, investors might receive only the Initial Deposit Amount at such date. Payment of any amount thereunder will be made on the fifth Business Day following such date.

### **Rank; No Deposit Insurance**

The Deposit Notes will constitute direct unsecured deposit obligations of the Bank. The Deposit Notes will be issued on an unsubordinated basis and will rank *pari passu* as among themselves and will be payable rateably without any preference or priority. **The Deposit Notes will not constitute deposits that are insured under the Canada Deposit Insurance Corporation Act or any other deposit insurance regime designed to ensure the payment of all or a portion of a deposit upon the insolvency of the deposit taking financial Institution.**

### **Canadian Investor Protection Fund**

There is no assurance that an investment in the Deposit Notes will be eligible for protection under the Canadian Investor Protection Fund. A Holder should consult his or her investment advisor as to whether the Holder’s investment in the Deposit Notes is eligible for protection in such Holder’s particular circumstances.

### **Book Entry System**

On the Issuance Date, the Bank will cause a single global certificate (the “Global Note”) evidencing all Deposit Notes purchased pursuant to this offering to be delivered to and registered in the name of a depository (initially being CDS). Registration of interests in and transfers of the Deposit Notes will only be made through the Book-Entry System administered by CDS. Except as described below, no Holder will be entitled to any certificate or other instrument from the Bank or CDS evidencing the ownership of the Deposit Notes. Each Holder’s beneficial ownership of Deposit Notes will be shown on the records maintained by the Holder’s broker/dealer, bank, custodian, trust company or other representative that is a participant in CDS (or the relevant depository) or, in certain cases, on the records maintained by the Custodian, as explained more fully below. Interests of participants will be shown on the records maintained by the relevant depository or on the records maintained by the Custodian. Neither the Bank nor any depository will be bound to see to the execution of any trust affecting the ownership of any Deposit Note or be affected by notice of any equitable interest that may be subsisting with respect to any Deposit Note.

The Bank will issue the registered Deposit Notes in the form of the fully registered Global Note that will be deposited with a depository (initially being CDS) and registered in the name of such depository or its nominee in denominations equal to the aggregate Initial Deposit Amount of the Deposit Notes. Unless and until it is exchanged in whole for Deposit Notes in definitive registered form, the registered Global 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 provisions set out below will apply to all arrangements in respect of a depository, including CDS.

Ownership of beneficial interests in a Global Note will be limited to persons that hold interests directly or indirectly through 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 Note, the depository will credit, on its book-entry registration and transfer system, the participants’ accounts with the respective Initial Deposit Amounts of the Deposit Notes beneficially owned by the participants. Any dealers, underwriters or agents participating in the distribution of the Deposit Notes will designate the accounts to be credited. Ownership of beneficial interests in a registered Global 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 Note, that depository or its nominee, as the case may be, will be considered the sole owner or holder of the Deposit Notes represented by the registered Global Note for all purposes. Except as described below, owners of beneficial interests in a registered Global Note will not be entitled to have the Deposit Notes represented by the registered Global 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 holders of Deposit Notes. Accordingly, each person owning a beneficial interest in a registered Global Note must rely on the procedures of the depository for that registered Global Note and, if that person is not a participant, on the procedures of the participant(s) and the Custodian, if any, through which the person owns its interest, to exercise any rights of a Holder. The Bank understands that under existing industry practices, if the Bank requests any action of Holders or if an owner of a beneficial interest in a registered Global Note desires to give or take any action that a Holder is entitled to give or take in respect of the Deposit Notes, the depository for the registered Global Note would authorize the participants and the Custodian, if any, 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. See “– Custodian” below.

Payments on the Deposit Notes represented by a registered Global 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 Note. Neither the Bank, nor any agent thereof will 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 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 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 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 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 or customers in bearer form or registered in “street name,” and will be the responsibility of those participants.

### **Definitive Notes**

If the depository for any of the Deposit Notes represented by a registered Global Note is at any time unwilling or unable to continue to properly discharge its responsibility 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 Note that has been held by the depository.

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

Any Deposit Notes issued in definitive form in exchange for a registered Global 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 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 paying and transfer agent, or at such other offices notified by the Bank to Holders.

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, if issued, will be made by cheque mailed to the applicable registered Holder at the address of the Holder appearing in the aforementioned register in which registrations and transfers of Deposit Notes are to be recorded or, if requested in writing by the Holder at least five Business Days before the date of the payment and agreed to by the Bank, by electronic funds transfer to a bank account nominated by the Holder with a bank in Canada. Payment under any definitive Deposit Note is conditional upon the Holder first delivering the Deposit Note to the paying and transfer agent who reserves the right on behalf of the Bank in the case of payment of the Variable Return on the Deposit Notes in full at any time, to retain the Deposit Note and mark the Deposit Note as cancelled.

### **Custodian**

The Custodian will hold Deposit Notes (directly or indirectly through its affiliates) for persons that do not have accounts with the relevant depository (including, in certain cases, Holders), referred to herein as non-participants and, as the case may be, for certain participants in the relevant depository, in accordance with their respective entitlements as reflected in a register to be maintained by the Custodian solely on the basis of and in reliance upon instructions received from such participants or non-participants, as the case may be. Upon receiving amounts payable in respect of Deposit Notes, the Custodian will arrange for payment to participants and non-participants (including Holders) in amounts proportionate to their respective interests in the Deposit Notes recorded in the register maintained by the Custodian. All records maintained by the Custodian shall, absent manifest error, be final for all purposes and binding on all persons, including the Holders. The Custodian shall not be responsible for its errors if made in good faith.

If the depository for any of the Deposit Notes represented by a registered Global 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 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 Notes. If the Bank makes that decision, the Bank will issue Deposit Notes in definitive form in exchange for all of the registered Global Notes representing the Deposit Notes.

## **Deferred Payment**

Federal laws of Canada prohibit anyone from charging or receiving interest or other amounts for the advancing of credit at effective rates in excess of 60% per annum. Therefore, when payment is to be made by the Bank to a Holder at the Maturity Payment 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. The Bank will pay any portion so deferred to the Holder together with interest at the Bank's equivalent term deposit rate as soon as Canadian law permits. In addition, the Bank may withhold a portion of any payment to a Holder that the Bank is legally able or required to withhold.

## **Notice to Holders**

All notices to the Holders regarding the Deposit Notes will be validly given if (i) given through CDS to CDS Participants, or (ii) published once in an important French language Canadian newspaper of general circulation in the Province of Québec and in the national edition of an important English language Canadian newspaper. The Bank will give notice as aforesaid to the Holders of any material change or material fact relating to the Deposit Notes.

## **Amendments to the Deposit Notes**

The Global Note may be amended without the consent of the Holders by agreement between the Bank and the Agent if, in the reasonable opinion of the Bank and the Agent, the amendment would not materially and adversely affect the interests of the Holders. In all other cases, the Global Note may be amended by the Bank if the amendment is approved by a resolution passed by the favourable votes of the Holders of not less than 66 2/3% of the Deposit Notes represented at a meeting convened for the purposes of considering the resolution, or by written resolution signed by Holders of not less than 66 2/3% of the Deposit Notes.

Each Holder is entitled to one vote per Deposit Note held by such Holder for the purposes of voting at a meeting convened to consider a resolution. Quorum for a meeting of holders of Deposit Notes will exist if Holders of 10% or more of the Deposit Notes are present at the meeting. If a quorum is not reached at any meeting, that meeting must be adjourned to a later date not earlier than seven Business Days after the original meeting date, in which case the quorum required will be the Holders present at such adjourned meeting. The Deposit Notes do not carry the right to vote in any other circumstances.

## **Credit Rating**

The Deposit Notes have not been rated by any rating agencies. The long term deposits of the Bank are, at the date of this Information Statement, rated AA (low) by DBRS and A by Standard & Poor's and Aa2 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 credit 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.

## **FEES AND EXPENSES**

**Selling Concession Fee:** The Bank will pay to the Agent for further payment by the Agent to representatives, including representatives employed by the Agent, a selling concession fee equal to 5.00% of the Initial Deposit Amount of each Deposit Note purchased by their clients, being \$5.00 per Deposit Note. In addition, the Bank will pay to the Reference Fund Manager a selling fee of 1.00% of the Initial Deposit Amount of Deposit Notes issued, being \$1.00 per Deposit Note.

These fees, totaling \$6.00 per Deposit Note, will be paid out of the gross proceeds of the offering, and will be borne indirectly by the Holders since the Initial Benchmark Portfolio NAV for the Deposit Notes will be set at 94.00\$ per Deposit Note.

**Trailer Fee:** A trailer fee of 0.25% per annum of the Initial Deposit Amount of the Deposit Notes outstanding will be payable to the Agent for further payment by the Agent to all representatives whose clients hold Deposit Notes, including applicable taxes, if any (the “Trailer Fee”). The Trailer Fee will accrue daily and be paid monthly in arrears. The Trailer Fee will be charged as a reduction of the Benchmark Portfolio NAV.

**Management Fee:** The Bank will be entitled to the payment of a management fee equal to 2.15% per annum of the portion of the assets of the Benchmark Portfolio allocated to the Fund Portfolio, accrued daily and charged monthly in arrears (the “Management Fee”). The Management Fee will be charged in reduction of the Benchmark Portfolio NAV.

The Management Fee and the Trailer Fee will be paid from the Benchmark Portfolio and will therefore affect the Maturity Payment Amount by reducing the Benchmark Portfolio NAV and the Final Benchmark Portfolio NAV or, as the case may be, the amount payable upon a Reimbursement Under Special Circumstances.

Where assets of the Benchmark Portfolio are allocated to the Bond under the portfolio allocation rules, the coupon of 0.50% per annum payable on the Bond will accrue to the Bank and not to the Benchmark Portfolio.

In the event where the assets of the Benchmark Portfolio are entirely allocated to the Bond, the Management Fee and the Trailer Fee will no longer be payable. The coupon of 0.50% per annum payable on the Bond will continue to accrue to the Bank and not to the Benchmark Portfolio.

For providing leverage to the Fund Portfolio, the Bank will receive the equivalent of the interest payable on funds notionally borrowed, calculated at an annual interest rate equal to One-month Bankers’ Acceptance Rate plus 0.25% per annum, paid daily. See “The Benchmark Portfolio – Portfolio Allocation Rules”.

The Bank will not charge any other fee or seek reimbursement of any other expense in respect of the Deposit Notes.

As is generally the case for Bank deposits, the Bank may earn a return on the offering of Deposit Notes. This return may arise from the difference between the amount the Bank is obliged to pay under the Deposit Notes, net of related expenses and the fees payable to the Agent, and the returns the Bank may generate in hedging its obligations under the Deposit Notes. See “Use of Proceeds and Hedging”.

## **FUNDSERV**

Deposit Notes may be purchased through dealers and other firms that facilitate purchase and related settlement using the clearing and settlement service operated by FundSERV Inc. The following information about FundSERV is pertinent for such Holders. Holders of Deposit Notes should consult with their financial advisors as to whether their Deposit Notes will be purchased using the FundSERV network and to obtain further information on FundSERV’s procedures applicable to them.

### **General Information**

FundSERV is owned and operated by both fund sponsors and distributors and provides distributors of funds and certain other financial products with online order access to such financial products. FundSERV was originally designed and is operated as a mutual fund communications network facilitating 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.

**Where a Holder's purchase order for Deposit Notes is effected by a dealer or other firm using the FundSERV network, such dealer or other firm may not be able to accommodate a purchase of Deposit Notes through certain registered plans for purposes of the Tax Act. Holders should consult their financial advisors as to whether their orders for Deposit Notes will be made using the FundSERV network and any limitation on their ability to purchase Deposit Notes through registered plans.**

### **Deposit Notes Purchased using the FundSERV network**

Deposit Notes will initially be issued in the form of a fully registered global certificate that will be deposited with CDS. Deposit Notes purchased using the FundSERV network will be evidenced by that global certificate. See "Description of the Deposit Notes — Book-Entry System" for further details on CDS as a depository and related matters with respect to the global certificate. Holders of Deposit Notes purchased using the FundSERV network will therefore have an indirect beneficial interest in the global certificate. That beneficial interest will be recorded in CDS as being owned by a Bank affiliate, as a participant in CDS. Such Bank affiliate will hold the Deposit Notes for the Custodian, which will record in its books respective beneficial interests in the Deposit Notes purchased using the FundSERV network which recordings will be made as instructed using the FundSERV network by the participants and non-participants, as the case may be.

### **Purchases using the FundSERV network**

In order to purchase Deposit Notes using the FundSERV network, the full subscription price therefore must be delivered to the Bank in immediately available funds prior to the Issuance Date and will be held in escrow pending closing of the offering of the Deposit Notes. Despite delivery of such funds, the Bank reserves the right not to accept any offer to purchase Deposit Notes using the FundSERV network, in whole or in part. If a subscription for Deposit Notes using the FundSERV network is not accepted (in whole or in part) or Deposit Notes are not issued to the Holder for any reason, such funds will be returned forthwith to the Holder. In any case, whether or not the Deposit Notes purchased using the FundSERV network are issued, no interest or other compensation will be paid to the Holder on such funds.

### **Sale of Deposit Notes using the FundSERV network**

A Holder wishing to sell Deposit Notes purchased using the FundSERV network prior to the Maturity Date is subject to certain procedures and limitations to which a Holder holding Deposit Notes through a full service broker with direct connections to CDS may not be subject. Any Holder wishing to sell a Deposit Note purchased using the FundSERV network should consult with his or her financial advisor in advance in order to understand the timing and other procedural requirements and limitations of selling. A Holder must sell Deposit Notes purchased using the FundSERV network by using the "redemption" procedures of FundSERV; any other sale is not possible. Accordingly, a Holder will not be able to negotiate a sale price for Deposit Notes purchased using the FundSERV network. Instead, the financial advisor for the Holder will need to initiate an irrevocable request to "redeem" the Deposit Notes purchased using the FundSERV network in accordance with the then established procedures of FundSERV for the Deposit Notes. Generally, this means that the financial advisor will need to initiate the redemption request by 12:00 p.m. (Montreal time) on the Wednesday of each week (or the previous Business Day if such day is not a Business Day), or such other day or time as may hereafter be established by the Bank and the Agent (the "Sale Deadline Date"). Any request received after such time will be deemed to be a request sent and received on the following week. Sale of the Deposit Notes purchased using the FundSERV network will be effected at a sale price (the "Net Bid Price") established after the close of market on the Sale Deadline Date, equal to the FundSERV "net asset value" of a Deposit Note on the applicable week, as posted to FundSERV by the Agent on the Sale Deadline Date after the close of markets.

Holders should also be aware that, although the "redemption" procedures of FundSERV would be utilized, the Deposit Notes purchased using the FundSERV network will actually be sold in the secondary market to the Agent (and not "redeemed"). In turn, the Agent will be able to deal with such FundSERV Deposit Notes in its discretion, including, without limitation, to sell those FundSERV Deposit Notes to other parties at any price.

Holders should also be aware that from time to time such sale mechanism to sell Deposit Notes purchased using the FundSERV network may be suspended for any reason without notice, thus effectively preventing Holders from

selling their Deposit Notes purchased using the FundSERV network. Potential Holders requiring liquidity should carefully consider this possibility before purchasing Deposit Notes using the FundSERV network.

The Agent will provide the Bank affiliate for posting, under normal market conditions as part of its agreement to maintain a secondary market to the Deposit Notes, a “net asset value” for the Deposit Notes on a weekly basis, which value may also be used for valuation purposes in any statement sent to Holders. The Net Bid Price will actually represent the Agent’s bid price for the Deposit Notes (i.e., the price it is offering to purchase Deposit Notes in the secondary market) for the applicable week, less the applicable early trading charge set forth under “Secondary Market for the Deposit Notes”. There is no guarantee that the Net Bid Price for any week is the highest bid price possible in any secondary market for the Deposit Notes, but will represent the Agent’s bid price generally available to all Holders, including clients of the Agent. Such bid price will take into account the amount of Deposit Notes offered for sale in the secondary market and other factors described under “Secondary Market for the Deposit Notes”.

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

### SECONDARY MARKET FOR THE DEPOSIT NOTES

There is currently no established trading market for the Deposit Notes. The Bank does not intend to apply to list the Deposit Notes on any securities exchange or quotation system.

The Agent intends to maintain until the Maturity Date, under normal market conditions, a weekly secondary market for the Deposit Notes. Sale orders and settlement thereof may also be made using the mutual fund order entry system FundSERV. If the trading markets for one or more of the Reference Units are disrupted, or if trading of one or more of the Reference Units is suspended or terminated, or if any other Market Disruption Event occurs, the Agent will generally deem that normal market conditions do not exist.

The Agent is under no obligation to facilitate or arrange for such a secondary market, and such secondary market, when commenced, may be suspended at any time at the sole discretion of the Agent, without any prior notice to Holders. Therefore, there can be no assurance that a secondary market will be available or that such market will be liquid or sustainable.

**The mutual fund order entry system FundSERV through which it is intended that the Agent maintain such secondary market carries certain restrictions in respect of the sale of Deposit Notes, including the selling procedures that require an irrevocable sale order be initiated at a Net Bid Price that will not be known previously to placing such sale order.** See “FundSERV — Sale of Deposit Notes using the FundSERV network”.

**If a Holder sells his or her Deposit Notes prior to Maturity, such Holder may have to do so at a discount from the Initial Deposit Amount of the Deposit Note even if the performance of the Reference Units has been positive, and as a result, such Holder may suffer a loss.**

The sale of a Deposit Note through the Agent will be effected at a price equal to (i) the bid price for the Deposit Note, determined by the Agent in its sole discretion based on certain factors described below, less (ii) the applicable early trading charge per Deposit Note, as set out below:

IF SOLD	EARLY TRADING CHARGE PER DEPOSIT NOTE
From 0 to 3 months following the Issuance Date	6.00%
From 4 to 6 months following the Issuance Date	5.50%
From 7 to 9 months following the Issuance Date	5.00%
From 10 to 12 months following the Issuance Date	4.50%

From 13 to 15 months following the Issuance Date	4.00%
From 16 to 18 months following the Issuance Date	3.50%
From 19 to 21 months following the Issuance Date	3.00%
From 22 to 24 months following the Issuance Date	2.50%
From 25 to 27 months following the Issuance Date	2.00%
From 28 to 30 months following the Issuance Date	1.50%
From 31 to 33 months following the Issuance Date	1.00%
From 34 to 36 months following the Issuance Date	0.50%
Thereafter	NIL

**Holders should be aware that any valuation price for the Deposit Notes appearing in a Holder's periodic investment account statements, as well as any bid price quoted to the Holder to sell Deposit Notes within the first two years of the Issuance Date, will be before the application of any applicable early trading charge.**

**A Holder wishing to sell a Deposit Note prior to maturity should consult his or her investment advisor on whether a sale of the Deposit Note will be subject to an early trading charge and, if so, the amount of the early trading charge. If a Holder sells his or her Deposit Notes prior to Maturity, such Holder may have to do so at a discount from the Initial Deposit Amount of the Deposit Note even if the performance of the Indices has been positive, and as a result, such Holder may suffer a loss.**

There will not be any market for the Deposit Notes other than the market described above. Investors who cannot accept that the secondary market is limited in this way or who must have access to a secondary market at all times should not invest in the Deposit Notes.

The Deposit Notes are intended to be instruments held to maturity. As a result, a sale of the Deposit Notes prior to the Maturity Date may result in a bid price that is less than the Initial Deposit Amount of the Deposit Notes. The bid price of a Deposit Note at any time will be determined by the Agent, acting in its sole discretion, and will be dependent upon a number of factors, which may include, among other things:

- supply and demand for the Deposit Notes – an oversupply of Deposit Notes or a weak demand for the Deposit Notes may adversely affect the price of the Deposit Notes;
- inventory positions with market-makers – large inventory positions with market-makers may negatively impact the demand for the Deposit Notes which may adversely affect the price of the Deposit Notes;
- interest rates in the market – an increase in interest rates may bring investors in the market place to favour fixed-income instruments over the Deposit Notes which offer an uncertain potential of return, and therefore adversely affect the demand for and price of the Deposit Notes;
- the return of the Reference Units since the Issuance Date – a negative return will adversely affect the price of the Deposit Notes;
- the time remaining to the maturity of the Deposit Notes – where the value may be discounted prior to such time;
- the volatility of the Reference Units (i.e., the frequency and magnitude of changes in the price of the Reference Units) – high volatility may adversely affect the price of the Reference Units, adversely affecting the Benchmark Portfolio NAV and therefore the price of the Deposit Notes;
- economic, financial, political, regulatory or judicial events that affect the price of the Reference Units – which will affect the Benchmark Portfolio NAV and therefore the price of the Deposit Notes;

- the liquidity and market price of the Reference Units or factors that affect stock markets generally – poor liquidity and price will adversely affect the Benchmark Portfolio NAV and therefore the price of the Deposit Notes;
- the creditworthiness of the Bank – a deterioration of the creditworthiness of the Bank may bring uncertainty as to the capacity of paying amounts owed under the Deposit Notes at maturity, and therefore adversely affect the demand for and price of the Deposit Notes;

The effect of any one factor may be offset or magnified by the effect of another factor. The relationship among these factors is complex and may also be influenced by various political, economic and other factors that can affect the trading price of a Deposit Note. In particular, Holders should realize that any trading price for a Deposit Note may have a non-linear sensitivity to the increases and decreases in the prices of the Reference Units (i.e., the trading price of a Deposit Note will increase and decrease at a different rate compared to the percentage increases and decreases in the prices of the Reference Units). As well, the trading price for a Deposit Note may be substantially affected by changes in the level of interest rates independent of performance of the Reference Units.

Holders should consult their investment advisors as to whether it would be more favourable in the circumstances at any time to sell the Deposit Notes (assuming the availability of a secondary market) or to hold the Deposit Notes until the Maturity Date. Holders should also consult their tax advisors as to the tax consequences arising from a sale of a Deposit Note prior to the Maturity Date as compared to holding the Deposit Note until the Maturity Date. See “Certain Canadian Federal Income Tax Considerations”.

#### **CALCULATION AGENT**

The Bank will be the Calculation Agent for the Deposit Notes. The Calculation Agent will be solely responsible for the determination and calculation of the Benchmark Portfolio NAV, the Final Benchmark Portfolio NAV, the Maturity Redemption Amount, the Actualized NAV and any other determinations and calculations with respect to any payment in connection with the Deposit Notes, as well as for determining whether a Market Disruption Event has occurred or a Fund Reallocation is required, and for making certain other determinations with regard to the Deposit Notes. All determinations and calculations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding upon the Holders. Since the Bank and the Calculation Agent are the same person, the Calculation Agent may have economic interests adverse to those of the Holders, including with respect to certain determinations that the Calculation Agent must make in determining the aforementioned determinations with regard to the Deposit Notes. The Calculation Agent will carry out its duties and functions in good faith and using its reasonable judgment.

#### **PLAN OF DISTRIBUTION**

The Agent and the Bank have entered into an Agency Agreement pursuant to which the Agent has agreed to offer Deposit Notes for sale on a best efforts basis, if, as and when issued by the Bank, in accordance with the terms and conditions contained in the Agency Agreement and subject to the approval of certain legal matters on behalf of the Bank and the Agent by Fasken Martineau DuMoulin LLP. The Bank may also retain the services of other registered dealers to act as agents in the sale of Deposit Notes. Fees are payable to the Agent as described under “Fees and Expenses”. Subscriptions for Deposit Notes may be made using the FundSERV network under the order code “NBC1803”, which will result in funds being accumulated in a non-interest bearing account pending execution of all documents required for this transaction and satisfaction of closing conditions if any. Upon acceptance of a subscription at closing (in whole or in part as provided below), a confirmation of acceptance will be sent out by prepaid mail or other means of delivery to the subscriber. If for any reason the closing of this offering does not occur, all subscription funds will be returned to subscribers without interest or deduction.

Closing of the offering of the Deposit Notes will take place on or about December 7, 2007, or such other date agreed to between the Bank and the Agent, but in any event no later than January 4, 2008. 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. A global certificate for the full amount of the Deposit Notes will be issued in registered form to CDS and will be deposited with CDS on the Issuance Date. Subject to limited exceptions, certificates

evidencing the Deposit Notes will not be available to Holders and registration of ownership of the Deposit Notes will be made only through CDS's book-entry system. See "Description of the Deposit Notes –Book Entry System".

The Agent is a wholly owned subsidiary of the Bank. As a result, the Bank is a related issuer of the Agent under applicable securities legislation by virtue of the Bank's ownership of the Agent. The decision to offer the Deposit Notes and the terms of this offering were negotiated at arm's length between the Bank and the Agent.

The obligations of the Agent under the Agency Agreement may be terminated and the Agent may withdraw all subscriptions for Deposit Notes before their issuance on behalf of the subscribers at its discretion on the basis of its assessment of the state of the financial markets and upon the occurrence of certain other stated events. The Agent will receive certain customary fees in connection with its role in the offering which are set forth under "Fees and Expenses". Such fees will be paid out of the Bank's own funds.

The Bank may from time to time issue any additional series of notes or any other notes or other debt instruments or deposit notes which may or may not resemble 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 Note and the Bank does not accept responsibility for any information not contained herein.

This Information Statement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken to permit an offering of the Deposit Notes or the distribution of this Information Statement in the United States or to U.S. Persons (as defined in Regulation S under the United States Securities Act of 1933, as amended) or in any jurisdiction outside Canada where any action is required. No Deposit Notes will be sold in the United States or to U.S. Persons.

## **USE OF PROCEEDS AND HEDGING**

The Bank will use the proceeds of the offering of Deposit Notes, after payment of the expenses related to such offering, for general banking purposes. The Bank and/or its affiliates may also use those proceeds in transactions intended to hedge the Bank's obligations under the Deposit Notes. The hedging activity of the Bank and/or its affiliates may adversely affect the market value of the Deposit Notes from time to time. See "Risk Factors - Hedging transactions may affect the Reference Units".

As is generally the case for Bank deposits, the Bank may earn a return on the offering of Deposit Notes. This return may arise from the difference between the amount the Bank is obliged to pay under the Deposit Notes, net of related expenses and the fees payable to the Agent, and the returns the Bank may generate in hedging its obligations under the Deposit Notes.

## **RISK FACTORS**

An investment in the Deposit Notes is subject to certain risk factors that prospective investors should carefully consider before acquiring Deposit Notes, including the following factors: The risk factors "Derivatives risk", "Risk of price change", "Series risk", "Trust investment risk" and "Substantial securityholder risk" as well as the risk factors relating specifically to the Standard Life Canadian Growth Fund and the Standard Life Global Growth Fund are taken from the Reference Funds' latest prospectus filed on SEDAR.

### **Risks relating to the offering of Deposit Notes**

#### **Suitability for investment: Deposit Notes may not be a suitable investment for some investors**

An investor should reach a decision to invest in the Deposit Notes after carefully considering, in conjunction with his or her advisors, the suitability of the Deposit Notes in light of his or her investment objectives and the other

information set out in this Information Statement. Neither the Bank nor the Agent makes any recommendation as to whether the Deposit Notes are a suitable investment for any person.

The Deposit Notes have certain investment characteristics that differ from those of conventional fixed income investments in that they do not provide Holders with a return or income stream prior to maturity, or a return at maturity, calculated by reference to a fixed or floating rate of interest that is determinable prior to maturity. The Deposit Notes do not have a fixed yield and could produce no yield. The return on the Deposit Notes (if any), unlike the return on many fixed income securities, is uncertain in that if the Fund Portfolio does not generate a positive return during the term of the Deposit Notes and at maturity, the Deposit Notes will produce no return on the Holders' original investment. There is no assurance that the Fund Portfolio will be able to avoid losses prior to maturity or generate a positive return during the term of the Deposit Notes and at maturity (after taking into account the Management Fee and the Trailer Fee). Holders should realize that because the Initial Benchmark Portfolio NAV is \$94.00 per Deposit Note, the Benchmark Portfolio NAV will need to increase by more than 6.38% at the Valuation Date to generate a Variable Return. Also, as highlighted herein, if the value of the Fund Portfolio falls such that the Distance drops to 2%, or lower, Holders will no longer have any exposure to the Fund Portfolio and the Final Benchmark Portfolio NAV will be automatically set to \$100.00 per Deposit Note regardless of the subsequent performance of the Fund Portfolio and the Variable Return will be nil. There is no assurance that a Holder will receive any amount at maturity other than repayment of the Initial Deposit Amount. 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, the Deposit Notes are not suitable investments for a Holder if such Holder needs or expects to receive any return or a specific return on investment. The Deposit Notes are designed for investors with a long-term investment horizon who are prepared to hold the Deposit Notes to maturity and are prepared to assume risks with respect to a return tied to the performance of the Fund Portfolio.

#### **Uncertain return until maturity; Deposit Notes are linked to the appreciation of the Benchmark Portfolio and the Reference Units**

The return, if any, on the Deposit Notes will not be known until maturity. The Deposit Notes are linked to the appreciation, if any, of the Benchmark Portfolio NAV, which is based on the appreciation of the Reference Units. There can be no assurance that, as of the Valuation Date, the Reference Prices of the Reference Units will have appreciated since the Issuance Date so as to increase the Benchmark Portfolio NAV and generate a positive Variable Return. Fluctuations in the price of Reference Units may have a significant impact upon the value of the Deposit Notes.

The Reference Prices of the Reference Units is unpredictable, will be influenced by factors that are beyond the control of the Bank and will fluctuate. Historical prices of the Reference Units should not be considered any indication of the future performance thereof. Prices of the Reference Units will be influenced by both the complex and interrelated political, economic, financial and other factors that can affect markets generally, and by various circumstances that can influence the value of a particular security. No assurance can be given that the values of the Reference Units will appreciate in the period during which the Deposit Notes are outstanding such as to generate a return on the Initial Benchmark Portfolio NAV of \$94.00 per Deposit Note of more than 6.38% at the Valuation Date in order to provide a positive Variable Return.

#### **Reallocation of the Benchmark Portfolio assets or change in the Actual Fund Portfolio Weighting**

If, pursuant to the Portfolio Allocation Rules, assets are reallocated from the Fund Portfolio to the Bond during the term of the Deposit Notes, such allocation will reduce the exposure of the Deposit Notes to the Reference Units. Therefore, any positive performance of the Fund Portfolio will have less impact on the Benchmark Portfolio NAV than if all of the assets of the Benchmark Portfolio NAV were allocated to the Fund Portfolio. The allocation between the Fund Portfolio and the Bond will be determined in accordance with the Portfolio Allocation Rules.

#### **Fund Portfolio may be replaced entirely by the Bond**

Investors should consider and understand the risk that during the term of the Deposit Notes, the Distance may decrease to 2% or below, in which case the Benchmark Portfolio will be entirely allocated to the Bond until the

Maturity Date and the Final Benchmark Portfolio NAV will be automatically set to \$100.00 per Deposit Note, regardless of the subsequent performance of the Fund Portfolio and the Variable Return will be nil.

#### **Use of leverage will amplify the increase or decrease of the Benchmark Portfolio NAV**

The Target Fund Portfolio Weighting may increase to up to 225% of the Benchmark Portfolio NAV. When the Fund Portfolio Weighting exceeds 100%, the Benchmark Portfolio will notionally borrow money to notionally acquire additional Reference Units. The use of borrowed money creates an opportunity for increased exposure to the Reference Units and the potential of an increased return. At the same time, however, borrowing money creates special risks. Although the principal amount of the money notionally borrowed will be fixed, the net asset value of the Reference Units may change in value during the time a borrowing is outstanding. Since any decline in net asset value of the Reference Units will be borne entirely by the Benchmark Portfolio (and not by those persons providing the borrowed money), a decline in the net asset value of the Reference Units will result in a greater decrease in the Benchmark Portfolio NAV than if no money was borrowed. Decreases in the Benchmark Portfolio NAV can lead to an increased allocation to the Bond and ultimately a potential entire allocation to the Bond under the Portfolio Allocation Rules.

Notionally borrowing money will create interest expense for the Benchmark Portfolio. The interest expense may exceed the net return made from the Reference Units notionally acquired with the borrowed funds. To the extent that the net return on the Reference Units notionally acquired with notionally borrowed funds is greater than the interest expense of the Benchmark Portfolio on the notionally borrowed money, then the return on the Benchmark Portfolio assets will be greater than the return if no funds were notionally borrowed. Conversely, if the net return on the Reference Units notionally acquired with notionally borrowed funds is not sufficient to cover the interest expense on the notionally borrowed funds, the return on the Benchmark Portfolio assets will be less than if no money was notionally borrowed.

#### **The return on the Deposit Notes does not reflect the full performance of the Reference Units**

Because of the Management Fee and the Trailer Fee, which will be charged in reduction of the Benchmark Portfolio NAV, the return on the assets of the Benchmark Portfolio NAV allocated to the Fund Portfolio in the form of Reference Units will not correspond to 100% of the performance of such Reference Units.

#### **Historical prices of the Reference Units are not a guarantee of future performance**

Historical prices of the Reference Units should not be taken as an indication of their future appreciation. It is impossible to predict whether the price of the Reference Units will increase or decrease. Trading prices of the Reference Units will be influenced by both the 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.

#### **Valuation of the Reference Funds is dependant on the Reference Fund Manager**

In valuing the Reference Units, the Calculation Agent will be dependent on information reported by the Reference Fund Manager and the Reference Fund Manager's determinations as to the fair value of its assets, which generally will be unaudited. Readily available market prices or quotations normally may not be available for all interests in the Reference Funds and neither the Bank nor the Calculation Agent will have access to information about the Reference Funds' portfolio holdings that could be used to verify the fair value of the Reference Units as reported by the Reference Funds.

#### **The Calculation Agent can postpone the determination of the Final Benchmark Portfolio NAV if a Market Disruption Event occurs on the Valuation Date or is existing on such date**

If there is a postponement of the Valuation Date owing to the occurrence of a Market Disruption Event, the payment at maturity actually received by a Holder may be substantially lower than the otherwise applicable payment at maturity if the Valuation Date had not been postponed.

### **Holders have no ownership interest in the Reference Units or the Bond**

An investment in the Deposit Notes does not constitute an actual investment in the Reference Units or the Bond. The Benchmark Portfolio is a notional portfolio made up of a notional investment in Reference Units and the Bond and is used to calculate the Variable Return. The Holders of Deposit Notes will not be the owners of the Reference Units or the Bond and, therefore, there is no recourse to the notional assets of the Benchmark Portfolio to satisfy amounts owing under the Deposit Notes.

### **No assurance of a secondary market and possible illiquidity of any developing secondary market**

The Deposit Notes are designed for investors with long-term investment horizons who are prepared to hold the Deposit Notes to maturity. The Deposit Notes are not designed as a short-term investment. There is currently no market through which the Deposit Notes may be sold. The Bank does not intend to apply to list the Deposit Notes on any securities exchange or quotation system.

The Agent may (but is not obligated to) maintain a secondary market for the purchase and sale of the Deposit Notes. Should there be such a secondary market, it is not possible to predict at what price the Deposit Notes will trade in the secondary market or whether such market will be liquid or illiquid. If the secondary market for the Deposit Notes is limited, there may be few buyers when an investor decides to sell his or her Deposit Notes prior to the Maturity Date, affecting the price such a Holder will receive.

Holders choosing to sell their Deposit Notes prior to the Maturity Date will receive an amount which is not necessarily equal to the Initial Deposit Amount and which does not necessarily reflect the appreciation of the Fund Portfolio up to the date of such sale. Holders who sell Deposit Notes in the secondary market may receive less than the Initial Deposit Amount, even if the Reference Portfolio has appreciated.

The market for the Deposit Notes expected to be maintained by the Agent will be limited to a weekly secondary market using the FundSERV network, which carries certain restrictions. The price at which a Holder will be able to sell the Deposit Notes prior to the Maturity Date may be at a discount, which could be substantial, from the Initial Deposit Amount of the Deposit Notes, based upon one or more factors. The factors that will affect the trading value of the Deposit Notes interrelate in complex ways, as, for example, one factor may offset a potential increase in the trading value of the Deposit Notes caused by another factor. The bid price of a Deposit Note will be dependent on a varied number of factors at any time, which may include the return of each Reference Unit since the Issuance Date and other interrelated factors, including, without limitation, the volatility of the prices of the Reference Units, prevailing interest rates and the time remaining to the Maturity Date. The relationship among these factors is complex and may also be influenced by various political, economic and other factors that can affect the trading price of a Deposit Note. In particular, Holders should realize that any trading price for a Deposit Note: (a) may have a non-linear sensitivity to the increases and decreases in the prices of the Reference Units (i.e., the trading price of a Deposit Note will increase and decrease at a different rate compared to the percentage increases and decreases in the prices of the Reference Units); and (b) may be substantially affected by changes in the level of interest rates independent of performance of the Reference Units. See “Secondary Market for the Deposit Notes”.

### **Deposit Notes could be redeemed prior to maturity under a Reimbursement Under Special Circumstances**

If a Special Circumstance occurs, the Bank may redeem the Deposit Notes pursuant to a Reimbursement under Special Circumstances. Under such circumstances, the investor will not be able to participate fully any appreciation of the Reference Units that might have occurred up to the payment date pursuant to a Reimbursement under Special Circumstances. Holders may only be entitled to receive the Initial Deposit Amount per Deposit Note.

### **Payment at maturity of the Initial Deposit Amount is dependent on the creditworthiness of the Bank**

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

### **Deposit Notes will not be insured under the *Canada Deposit Insurance Corporation Act***

The Deposit Notes will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* or any other deposit insurance regime designed to ensure the payment of all or a portion of a deposit upon the insolvency of a deposit taking financial institution. Therefore, a Holder will not be entitled to Canada Deposit Insurance Corporation protection.

### **Deposit Notes may not be eligible for protection under the Canadian Investor Protection Fund**

There is no assurance that an investment in the Deposit Notes will be eligible for protection under the Canadian Investor Protection Fund. A Holder should consult with his or her investment advisor as to whether the Holder's investment in the Deposit Notes is eligible for protection in light of such Holder's particular circumstances.

### **No independent calculation; Conflicts of interest**

Since the Bank and the Calculation Agent are the same person, the Calculation Agent may have economic interests adverse to those of the Holders, including with respect to certain determinations that the Calculation Agent must make in determining the Maturity Redemption Amount and in making certain other determinations with regard to the Deposit Notes. However, the Calculation Agent will carry out its duties and functions in good faith and using its reasonable judgment.

In addition, the Bank and its affiliates, including the Agent, may engage in trading activities related to the Reference Funds and the securities in which the Reference Funds invest that are not for the account of Holders or on their behalf. These trading activities may present a conflict between the Holders' interest in the Deposit Notes and the interests that the Bank and/or its affiliates will have in their proprietary accounts in facilitating transactions, including block trades and options and other derivatives transactions, for their customers and in accounts under their management. These trading activities, if they influence the price of the Reference Units, could be adverse to the interests of the Holders. The Bank and/or its affiliates may, at present or in the future, engage in business with the issuers of the securities in which the Reference Funds invest, including making loans or providing advisory services to those entities. These services could include investment banking and merger and acquisition advisory services. These activities may present a conflict between the obligations of the Bank and/or its affiliates and the interests of Holders. Moreover, subsidiaries of the Bank, including National Bank Financial Inc., have published, and in the future expect to publish, research reports with respect to some or all of the issuers of the securities in which the Reference Funds invest. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Deposit Notes. Any of these activities by the Bank, National Bank Financial Inc. and/or other affiliates thereof may affect the market price of the Reference Units and, therefore, the market value of the Deposit Notes.

### **Hedging transactions may affect the value of the Reference Units**

The Bank and/or its affiliates may hedge the Bank's obligations under the Deposit Notes by purchasing or selling Reference Units or securities in which the Reference Funds invest, futures or options on the Reference Units or securities in which the Reference Funds invest, or exchange-traded funds or other derivative instruments with returns linked or related to changes in the performance of the Reference Units or securities in which the Reference Funds invest, or the Reference Funds, and the Bank and/or its affiliates are likely to adjust these hedges by, among other things, purchasing or selling Reference Units, futures, options, or exchange-traded funds or other derivative instruments with returns linked or related to changes in the performance of the Reference Units or securities in which the Reference Funds invest, from time to time. Although they are not expected to, any of these hedging activities may decrease the market price of the Reference Units or securities in which the Reference Funds invest, and/or the price of the Reference Units, and, therefore, decrease the market value of the Deposit Notes. It is possible that the Bank and/or its affiliates could receive substantial returns from these hedging activities while the market value of the Deposit Notes declines. The Bank may benefit from the difference between the amount it is obligated to pay under the Deposit Notes, net of related expenses, and the returns it may generate in hedging such obligation. The Bank and/or its affiliates may also engage in trading in the Reference Units or securities in which the Reference Funds invest, and other investments relating to the Reference Units or securities in which the Reference Funds invest, or the Reference Funds, on a regular basis as part of their general broker-dealer and other businesses, for

proprietary accounts, for other accounts under management or to facilitate transactions for customers, including block transactions. Any of these activities could decrease the market price of the Reference Units or securities in which the Reference Funds invest and, therefore, decrease the market value of the Deposit Notes. The Bank and/or its affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to changes in the performance of the Reference Units or securities in which the Reference Funds invest, or the Reference Funds. By introducing competing products into the marketplace in this manner, the Bank and/or its affiliates could adversely affect the market value of the Deposit Notes.

### **Deposit Notes not qualified by prospectus**

The Deposit Notes are not qualified by prospectus under applicable Canadian securities laws. No Canadian or other regulatory authority has recommended or approved the Deposit Notes, nor has any such regulatory authority reviewed or passed upon the accuracy or adequacy of this Information Statement.

### **Risks relating to the Reference Funds**

#### **Reliance on the Reference Fund Manager**

The performance of the Fund Portfolio will depend on the performance of the Reference Funds managed by the Reference Fund Manager. Although the employees of the Reference Fund Manager who will be primarily responsible for the management of the Reference Portfolio have extensive experience in managing investment portfolios, there is no certainty that such individuals will continue to be employees of the Reference Fund Manager throughout the term of the Deposit Notes. Any change in the employees of the Reference Fund Manager responsible for the management of the Reference Funds may have an impact on the performance of the Reference Portfolio.

#### **Potential modification of the Reference Funds**

Each of the Reference Funds may be replaced with a successor Reference Fund. Although the Calculation Agent may make certain determinations in certain special circumstances to ensure that a successor Reference Fund is designated, information regarding certain substitute Reference Fund may not be readily available to Holders, which may adversely affect the secondary market for trading in the Deposit Notes. Moreover, the return generated on such successor Reference Fund may not be as favorable as the return that would have been generated by the replaced Reference Fund if it had not been replaced.

#### **The Bank and its affiliates have no affiliation with the Reference Fund Manager and are not responsible for its public disclosure of information**

The Bank and its affiliates are not affiliated with the Reference Fund Manager in any way and have no ability to control or predict its actions, including any errors in or discontinuation of disclosure regarding its methods or policies relating to the calculation of the net asset value of Reference Units.

#### **Derivatives risk**

The Reference Funds may use derivatives as permitted by the Canadian securities regulators. Derivatives have their own special risks. Here are some of the common risks:

- Using derivatives for hedging may not always work and could limit a mutual fund's potential to make a gain or increase potential losses.
- The price of a derivative may not accurately reflect the value of the underlying currency or security.
- There is no guarantee that a mutual fund can close a derivative contract when it wants to. If an exchange imposes trading limits, this may affect the ability of a mutual fund to close out its positions in derivatives. These events could prevent a mutual fund from making a profit or limiting its losses.
- Derivatives traded on foreign markets may be harder to trade and have higher credit risks than derivatives traded in North America.

- The other party to a derivative contract may not be able to live up to its agreement to complete the transaction.

### **Price change risk**

Mutual funds invest in securities such as stocks (equities) and bonds (fixed-income securities), which rise and fall in value from day to day. A fund's level of risk reflects the risk of the securities in which it invests. The price of equity securities may drop because of general economic conditions or specific factors that might affect an individual company or its industry. Debentures, particularly high-yield bonds, depend on investor confidence that the company that issued the bonds will repay them. If that confidence diminishes, the price of those bonds could fall.

### **Series risk**

The Reference Funds are offered in more than one Series. Each Series will be charged separately for any fees, expenses and other liabilities specifically attributable to that Series. These liabilities will be deducted when calculating the unit price for that Series of units and will reduce the value of the Reference Fund's units. These liabilities will continue to be the responsibility of the Reference Fund as a whole. As a result, if there are not enough assets of the Series to pay these liabilities, the remaining assets of the Reference Fund as a whole would be used to pay them. In such circumstances, the unit price of other Series would decline by their proportionate amount of the excess liabilities.

### **Trust investment risk**

Some mutual funds may invest in income trusts such as real estate investment trusts or royalty trusts. An investor in a trust may be held liable for certain obligations and claims of the trust. To the extent that the assets of the income trust do not satisfy the claim, there is a risk that the mutual fund could be held liable for the obligations of the income trust.

### **Substantial securityholder risk**

More than 10% of the units of a Reference Fund may be held by one securityholder, including another mutual fund. A Reference Fund may have to alter its portfolio to accommodate a request for redemption from a substantial unitholder. Depending on the size and timing of the transaction, the net asset value of the Reference Fund could be negatively impacted if the Reference Fund has to alter or dispose of some of its assets at an unfavorable time. The annual information form of the Funds discloses the percentage of units held by substantial securityholders, including other mutual funds, who hold more than 10% of the units of a Fund.

### **Securities lending, repurchase and reverse repurchase transactions risk**

While securities lending, repurchase and reverse repurchase transactions are different, all three arrangements involve the temporary exchange of securities for cash with a simultaneous obligation to redeliver a like quantity of the same securities at a future date. Securities lending is an agreement whereby a fund lends securities through an authorized agent in exchange for a fee and a form of acceptable collateral. Under a repurchase transaction, a fund agrees to sell securities for cash, while at the same time assuming an obligation to repurchase the same securities for cash, usually at a lower price and at a later date. A reverse repurchase transaction is a transaction in which a fund buys securities for cash and simultaneously agrees to resell the same securities for cash, usually at a higher price and at a later date.

Securities lending, repurchase and reverse repurchase transactions may earn additional income for mutual funds. The income is derived from the fees paid by the counterpart to the transaction, the compensation payments from the counterpart equal to the dividends paid on the securities loaned, purchased or sold, and the interest paid on cash or securities held as collateral.

None of the funds will begin entering into these transactions until such time as the investors in the funds have been sent at least 60 days prior written notice of the proposed date. The risks associated with securities lending, repurchase and reverse repurchase transactions arise when a counterpart, whether it be the borrower, seller or buyer,

defaults under the agreement evidencing the transaction. The fund is then forced to make a claim in order to recover its investment. In securities lending or repurchase transactions, the fund could incur a loss if the value of the securities loaned or sold has increased relative to the value of the collateral held by the fund. In the case of a reverse repurchase transaction, the fund could incur a loss if the value of the securities purchased by the fund decreases in value relative to the value of the collateral held by the fund.

The Reference Funds will manage the risks associated with these types of investments by:

- holding collateral not less than the prescribed percentage of the market value of the securities loaned for securities lending transactions;
- holding collateral not less than the prescribed percentage of the market value of the securities sold for repurchase transactions;
- holding collateral not less than the prescribed percentage of the market value of the securities purchased for reverse repurchase transactions;
- adjusting the amount of the collateral provided each business day to ensure the collateral's value relative to the market value of the securities loaned, sold or purchased remains within the prescribed percentage limit; and
- limiting the aggregate value of all securities loaned or sold through securities lending and repurchase transactions to no more than the prescribed percentage of the total assets of the fund, without including the collateral for loaned securities and cash for sold securities.

In addition, the fund must only deal with a counterparty that meets generally accepted creditworthiness standards and which is unrelated to the fund's portfolio advisor, manager or trustee, as defined in applicable securities legislation.

**Additional risks relating specifically to the Standard Life Canadian Dividend Growth Fund:**

**Credit risk**

Credit risk is the risk that the government or company issuing a fixed-income security will be unable to make interest payments or pay back the original investment. Securities that have a low credit rating have high credit risk. Lower-rated debt securities issued by companies or governments in emerging markets often have higher credit risk. Securities issued by well-established companies or by governments of developed countries tend to have lower credit risk. Mutual funds that invest in companies or markets with high credit risk tend to be more volatile in the short term. However, they may offer the potential of higher returns over the long term.

**Interest rate risk**

Changes in interest rates can affect the performance of fixed-income investments such as treasury bills and bonds. The market value of fixed-income investments tends to fall when interest rates rise and vice versa. Longer-term fixed-income instruments are generally more sensitive to interest rate changes.

**Additional risks relating specifically to the Standard Life Global Dividend Growth Fund:**

**Currency risk**

The Standard Life Global Dividend Growth Fund is denominated in Canadian dollars. However, when this Reference Fund buys foreign securities, it may have to pay using a foreign currency. The value of that currency could rise or fall against the Canadian dollar. If the foreign currency falls relative to the Canadian dollar, an investment in the Reference Fund will be worth less in Canadian dollars and vice versa. Therefore, any fund that invests in a security sold in a foreign currency faces exchange rate risk.

## **Foreign investment risk**

Investing in foreign markets may involve higher potential returns and greater risks than other types of investments. Foreign investments can tap into parts of the world that are growing faster than Canada and can offer higher profits than Canadian investments. Foreign investments can help investors diversify their portfolio. However, they also involve particular risks:

- **Regulatory risk.** Not all countries have the same high standards as Canada when it comes to accounting, auditing and financial reporting practices, government regulation, and other disclosure requirements. This means that information about a specific security within a fund may be incomplete or inaccurate. This increases the risk that unforeseen news about a company, industry or market could cause the fund's value to drop.
- **Political and economic risk.** Some parts of the world are subject to political or social instability. Such factors could affect the value of a fund investment or lead to a devaluation in the currency in which it is denominated. In addition, governments may impose taxes or currency controls, making it difficult to take money out of a country. Foreign stock markets may also be less liquid and more volatile than North American stock markets.
- **Foreign debt risk.** Changes in interest rates may be more pronounced in foreign markets than in Canada and the United States, adversely affecting fixed-income investments such as bonds. In some countries, there is a greater danger that a borrower will default on its debt payments.
- **Risk of concentration.** The level of foreign investment risk varies from country to country. Highly concentrated foreign investments generally face a higher level of risk than broadly diversified investments.

## **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Fasken Martineau DuMoulin LLP, counsel to the Bank and the Agent, the following is a fair summary of the principal Canadian federal income tax consequences generally applicable to an initial purchaser of the Deposit Notes offered pursuant to this Information Statement who acquires the Deposit Notes on the Issuance Date and who, at all relevant times, for purposes of the Tax Act, is, or is deemed to be, a resident of Canada, deals at arm's length and is not affiliated with the Bank, and acquires and holds the Deposit Notes as capital property (an "Initial Holder").

The Deposit Notes will generally be regarded as capital property of an Initial Holder who acquires and holds the Deposit Notes as investments unless the Initial Holder holds the Deposit Notes in the course of carrying on a business or has acquired the Deposit Notes in a transaction or transactions considered to be an adventure in the nature of trade. The determination of whether the Deposit Notes are held as capital property for the purposes of the Tax Act should take into account, among other factors, whether the Deposit Notes are acquired with the intention or secondary intention of selling them prior to the Maturity Date. Certain Initial Holders whose Deposit Notes might not otherwise qualify as capital property may, in certain circumstances, treat such Deposit Notes and all of the Initial Holder's other Canadian securities as capital property by making an irrevocable election provided by subsection 39(4) of the Tax Act.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder, all specific proposals to amend the Tax Act, or the regulations publicly announced by the federal Minister of Finance prior to the date hereof and counsel's understanding of certain published administrative practices and policies of the Canada Revenue Agency ("CRA"). This summary does not take into account or anticipate any changes in the law (including retroactive changes), whether by judicial, regulatory, administrative or legislative action, nor does it take into account tax laws of any province or territory of Canada, or of any jurisdiction outside Canada. Provisions of provincial income tax legislation vary from province to province in Canada and may differ from federal income tax legislation.

This summary is of a general nature only and is not intended to constitute, nor should it be relied upon or construed as, tax advice to any particular Initial Holder nor is it exhaustive of all possible Canadian federal income tax considerations. For purposes of this summary, it is assumed that an Initial Holder will not undertake nor arrange a transaction in respect of the Deposit Notes primarily in view of obtaining a tax benefit. **Initial Holders should consult their own tax advisors as to the overall consequences of their acquisition, ownership and disposition of Deposit Notes having regard to their particular circumstances.**

### **No accrual of interest**

No interest is stipulated to be payable in respect of the Deposit Notes. In certain circumstances, provisions of the Tax Act can deem interest to accrue on a “prescribed debt obligation” (as defined for purposes of the Tax Act). Counsel’s understanding is that CRA takes the administrative position that instruments similar to the Deposit Notes constitute “prescribed debt obligations”. Based in part on an understanding of the CRA’s administrative practice, no amount would be deemed to accrue and as a consequence, there should be no deemed accrual of interest on the Deposit Notes under these provisions prior to the Maturity Redemption Amount becoming calculable.

### **Payment at Maturity**

The amount of the excess of the payment at maturity over the Initial Deposit Amount of a Deposit Note that is payable to an Initial Holder can be ascertained, and the right to it arises, only at the Valuation Date. The amount of such excess, if any, will be included in the Holder’s income, as interest, in the taxation year in which the Valuation Date of the Deposit Note occurs.

### **Disposition of Deposit Notes Prior to the Maturity Date**

It is unclear whether amounts received or deemed to be received by an Initial Holder on a disposition or deemed disposition of a Deposit Note, other than a disposition resulting from a payment by or on behalf of the Bank, will be considered as giving rise to a capital gain or a capital loss, or to ordinary income or loss. The CRA has not expressed any opinion on this issue. Generally, an amount received or deemed to be received by an Initial Holder on such disposition or deemed disposition of a Deposit Note should give rise to a capital gain (or a capital loss) to the Initial Holder to the extent such amount, net of amounts included in income as interest and any reasonable costs of disposition, exceeds (or is less than) the Initial Holder’s adjusted cost base of the Deposit Note. The tax consequences described in this paragraph will differ if the Initial Holder disposes of a Deposit Note to the Bank or to an entity on behalf of the Bank. Initial Holders who dispose of a Deposit Note prior to the Maturity Date, particularly those who dispose of a Deposit Note shortly prior to the Maturity Date, should consult their own tax advisors with respect to their particular circumstances.

One half of any capital gain realized will constitute a taxable capital gain that must be included in the calculation of the Initial Holder’s income. One half of any capital loss incurred will constitute an allowable capital loss that is deductible against taxable capital gains of the Initial Holder, subject to and in accordance with the provisions of the Tax Act.

An Initial Holder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) throughout a taxation year may be liable to pay an additional to a refundable tax of 6 2/3 % on its aggregate investment income, including interest and taxable capital gains, for the year. This tax, together with such corporation’s “refundable dividend tax on hand”, will be refunded when the corporation pays taxable dividends at the rate of \$1 for every \$3 of dividends paid.

Capital gains realized by an individual or certain trusts may give rise to alternative minimum tax under the Tax Act.

### **RIGHT OF RESCISSION**

Initial purchasers shall be entitled to a right of rescission, which must be exercised within two Business Days after receipt or deemed receipt of this Information Statement. Purchasers will be deemed to have received the

Information Statement (i) on the date recorded as the time of sending by the server or other electronic transmission system, if provided by electronic means; (ii) on the date recorded as the time of sending by a fax machine, if provided by fax; (iii) five days after the date it is mailed, if provided by mail; and (iv) when it is received, in any other case. Upon rescission, the purchaser will be entitled to a refund of the Initial Deposit Amount and of any fees relating to the purchase that have been paid by the purchaser.

**APPENDIX 1**  
**FORMULA FOR THE CALCULATION OF THE BENCHMARK PORTFOLIO NAV**

Initial Benchmark Portfolio NAV = \$94.00

$$\text{NAV}(t) = \text{NAV}(t-1) \times [1 + \text{Actual Fund Portfolio Weighting}(t-1) \times \text{Fund Portfolio Return}(t,t-1) + \text{MAX}(0, [1 - \text{Actual Fund Portfolio Weighting}(t-1)]) \times \text{Bond Return}(t,t-1) + \text{MIN}(0, [1 - \text{Actual Fund Portfolio Weighting}(t-1)]) \times (\text{BA}(t-1) + \text{Spread}) \times \# \text{ days}(t,t-1)/365)] - \text{Management Fees}(t,t-1) - \text{Trailer Fee}(t,t-1)$$

where:

$\text{NAV}(t-1) = \$94.00$

$\text{NAV}(t) = \text{Benchmark Portfolio NAV at time } [t]$

$\text{Actual Fund Portfolio Weighting}(t-1) = \text{Actual Fund Portfolio Weighting of the Fund Portfolio at time } [t-1]$

$\text{Fund Portfolio Return}(t,t-1) = [\text{Reference Price}(t) - \text{Reference Price}(t-1) + \text{Reference Funds Distribution}(t)] / \text{Reference Price}(t-1)$

$\text{Bond Return}(t,t-1) = [\text{Bond Price}(t) - \text{Bond Price}(t-1)] / \text{Bond Price}(t-1)$

$\text{BA}(t-1) = \text{One-month Bankers' Acceptance Rate at time } [t-1]$

$\text{Spread} = 0.25\%$

$\# \text{ days}(t,t-1) = \text{number of days between time } [t-1] \text{ and time } [t]$

$\text{Management Fees}(t,t-1) = \text{Management Fees accrued between time } [t-1] \text{ and time } [t]$

$\text{Trailer Fee}(t,t-1) = \text{Trailer Fee accrued between time } [t-1] \text{ and time } [t]$