

## **ADDITIONAL INFORMATION CONCERNING MID-MARKET MARKS**

Pursuant to regulations issued by the Commodity Futures Trading Commission, we have provided you with a “mid-market mark” (the “Mark”) for one or more uncleared swap transactions (each a “swap”) between you and The Bank of Nova Scotia. The term 'swap' is used as per the CFTC's definition; which generally includes all OTC derivatives, subject to certain exceptions and exclusions. The Mark is intended as The Bank of Nova Scotia's good faith estimate of a “mid-market” value of the swap. The mid-market value of a swap is not readily observable in the market since an actual or active market for the swap may not exist and even if such a market does exist, swap transactions are quoted and executed by swap dealers at prices that include amounts to cover costs and risks of transacting and to provide a return to the swap dealer. In an illiquid market there will likely be a significant spread between the Mark and the level at which we or any other market participant may be willing to enter into, replace or terminate the swap. Determination of a mid-market value is therefore necessarily subjective and hypothetical and The Bank of Nova Scotia's opinions may differ from those of other dealers or market participants. The Mark (a) does not include amounts for profit, credit reserve, hedging, funding, liquidity or any other costs or adjustments, (b) may not necessarily be a price at which either you or we would agree to replace or terminate the swap, (c) may not necessarily be the value of the swap that is marked on The Bank of Nova Scotia's books and (d) may not reflect the price at which you could execute the swap with any other swap dealer or counterparty. Calls for margin under the swap or related master agreement may be based on considerations other than the Mark.

For certain non-standard or bespoke swaps, the Mark may be estimated based on the trader's view of the prevailing market for the swap. To the extent practicable, the trader's judgment will take into account observable market factors, such as bid and offer quotes (if available), trading inquiries and execution prices for similar transactions, market liquidity for the relevant swap and macroeconomic events affecting the market, with appropriate adjustments to reflect changes in the market since the time of such quotes or transactions, differences in size or terms between the proposed swap and the swaps reflected in such pricing inputs and other factors deemed relevant by the trader. The trader may also consider the output of pricing models used for comparable products. In some cases, the Mark is calculated by using a proprietary pricing model. The pricing model or models used to calculate the Mark for a particular swap depend on the type and terms of the swap. The pricing models include additional confidential and proprietary features, inputs and assumptions. The omitted information may be material to the operation of the pricing models and may cause the Mark generated by a pricing model to vary from the marks that would be estimated by other swap dealers and to fail to reflect actual market conditions.

To the extent permitted by law, we expressly disclaim any responsibility for or liability (including, without limitation liability for any direct, punitive, incidental or consequential loss or damage, negligence or breach of representation or warranty) relating to (i) the accuracy of any models, market data input into such models or estimates used to prepare the Mark, (ii) any errors or omissions in computing or disseminating the Mark, (iii) any changes in market factors or conditions or other circumstances beyond our control and (iv) any uses to which the Mark is put. The Mark is not intended as a valuation or appraisal of the swap and we do not assert that it is an appropriate basis for valuing the swap in your financial statements, for tax reporting purposes or otherwise. You should consult with your own auditors and other advisors before relying on or making use of the Mark for any purpose. We are not acting as your advisor, agent or fiduciary in providing the Mark.

The Mark has been prepared for your use only and you should treat it as proprietary and confidential information. This information may not be shared or reproduced in whole or in part under any circumstances.