BANK OF NOVA SCOTIA
Form 424B2
October 30, 2017

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Registration Statement No. 333-215597
(To Prospectus dated February 1, 2017,
Prospectus Supplement dated February 13, 2017 and
Product Prospectus Supplement EQUITY INDICES
SUN-1 dated February 23, 2017)

1,788,864 Units
$10 principal amount per unit
CUSIP No. 064161771

Pricing Date October 26, 2017
Settlement Date November 2, 2017
Maturity Date October 25, 2019

Market-Linked Step Up Notes Linked to an International Equity Index Basket

- § Maturity of approximately two years
- § If the Basket is flat or increases up to the Step Up Value, a return of 20.75%
- § If the Basket increases above the Step Up Value, a return equal to the percentage increase in the Basket
- § 1-to-1 downside exposure to decreases in the Basket, with up to 100% of your principal at risk
- § The Basket is comprised of the EURO STOXX 50® Index, the MSCI Emerging Markets Index, and the JPX-Nikkei Index 400. The EURO

STOXX 50®
Index was given an initial weight of 60%, and each of the MSCI Emerging Markets Index and the JPX-Nikkei Index 400 was given an initial weight of 20%

- All payments occur at maturity and are subject to the credit risk of The Bank of Nova Scotia
- No periodic interest payments
- In addition to the underwriting discount set forth below, the notes include a hedging-related charge of $0.075 per unit. See "Structuring the Notes".
- Limited secondary market liquidity, with no exchange listing
- The notes are unsecured debt securities and are not savings accounts or insured deposits of a bank. The notes are not insured or guaranteed by the Canada Deposit Insurance Corporation (the "CDIC"), the U.S. Federal Deposit Insurance Corporation (the "FDIC"), or any other governmental agency of Canada, the United States or any other jurisdiction

The notes are being issued by The Bank of Nova Scotia ("BNS"). There are important differences between the notes and a conventional debt security, including different investment risks and certain additional costs. See "Risk Factors" and "Additional Risk Factors" beginning on page TS-6 of this term sheet and "Risk Factors" beginning on page PS-7 of

product prospectus supplement EQUITY INDICES SUN-1.
The initial estimated value of the notes as of the pricing date is $9.64 per unit, which is less than the public offering price listed below. See "Summary" on the following page, "Risk Factors" beginning on page TS-6 of this term sheet and "Structuring the Notes" on page TS-18 of this term sheet for additional information. The actual value of your notes at any time will reflect many factors and cannot be predicted with accuracy.

None of the U.S. Securities and Exchange Commission (the “SEC”), any state securities commission, or any other regulatory body has approved or disapproved of these securities or determined if this Note Prospectus (as defined below) is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Unit	Total
Public offering price	$10.00	$ 17,888,640.00
Underwriting discount	$ 0.20	$ 357,772.80
Proceeds, before expenses, to BNS	$ 9.80	$ 17,530,867.20

The notes:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value

Merrill Lynch & Co.
October 26, 2017

Summary

The Market-Linked Step Up Notes Linked to an International Equity Index Basket, due October 25, 2019 (the "notes") are our senior unsecured debt securities. The notes are not guaranteed or insured by the CDIC or the FDIC, and are not, either directly or indirectly, an obligation of any third party. The notes will rank equally with all of our other unsecured senior debt. Any payments due on the notes, including any repayment of principal, will be subject to the credit risk of BNS. The notes provide you with a Step Up Payment if the Ending Value of the Market Measure, which is the international equity index basket described below (the "Basket"), is equal to or greater than the Starting Value, but not greater than the Step Up Value. If the Ending Value is greater than the Step Up Value, you will participate on a 1-for-1 basis in the increase in the level of the Basket above the Starting Value. If the Ending Value is less than the Starting Value, you will lose all or a portion of the principal amount of your notes. Any payments on the notes will be calculated based on the $10 principal amount per unit and will depend on the performance of the Basket, subject to our credit risk. See "Terms of the Notes" below.

The Basket is comprised of the EURO STOXX 50® Index, the MSCI Emerging Markets Index, and the JPX-Nikkei Index 400 (each a “Basket Component”). On the pricing date, the EURO STOXX 50® Index was given an initial weight of 60%, and each of the MSCI Emerging Markets Index and the JPX-Nikkei Index 400 was given an initial weight of 20%.

The economic terms of the notes (including the Step Up Payment) are based on our internal funding rate, which is the rate we would pay to borrow funds through the issuance of market-linked notes, and the economic terms of certain related hedging arrangements. Our internal funding rate is typically lower than the rate we would pay when we issue conventional fixed rate debt securities. This difference in funding rate, as well as the underwriting discount and the hedging related charge described below, reduced the economic terms of the notes to you and the initial estimated value of the notes on the pricing date. Due to these factors, the public offering price you pay to purchase the notes is greater than the initial estimated value of the notes.

On the cover page of this term sheet, we have provided the initial estimated value for the notes. This estimated value was determined by reference to our internal pricing models, which take into consideration certain factors, such as our internal funding rate on the pricing date and our assumptions about market parameters. For more information about the initial estimated value and the structuring of the notes, see “Structuring the Notes” on page TS-18.

Terms of the Notes

Issuer:	The Bank of Nova Scotia (“BNS”)
Principal Amount:	$10.00 per unit
Term:	Approximately two years
Market Measure:	An international equity index basket comprised of the EURO STOXX 50® Index (Bloomberg symbol: "SX5E"), the MSCI Emerging Markets Index (Bloomberg symbol: "MXEF"), and the JPX-Nikkei Index 400 (Bloomberg symbol: "JPNK400"). Each Basket Component is a price return index.
Starting Value:	100.00
Ending Value:	The value of the Market Measure on the scheduled calculation day, as described under “The Basket” on page TS-8. The calculation day is subject to postponement in the event of Market Disruption Events, as described on page PS-25 of product prospectus supplement EQUITY INDICES SUN-1.
	120.75 (120.75% of the Starting Value)

Redemption Amount Determination

On the maturity date, you will receive a cash payment per unit determined as follows:

Step Up Value:	
Step Up Payment:	$2.075 per unit, which represents a return of 20.75% over the principal amount.
Threshold Value:	100.00 (100% of the Starting Value)
Calculation Day:	October 18, 2019
Fees and Charges:	The underwriting discount of $0.20 per unit listed on the cover page and the hedging related charge of $0.075 per unit described in "Structuring the Notes" on page TS-18.
Calculation Agent:	Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”).

Market-Linked Step Up Notes
Linked to an International Equity Index Basket, due October 25, 2019

The terms and risks of the notes are contained in this term sheet and in the following:

§ Product prospectus supplement EQUITY INDICES SUN-1 dated February 23, 2017: http://www.sec.gov/Archives/edgar/data/9631/000110465917011241/a17-4372_4424b5.htm

§ Prospectus supplement dated February 13, 2017: http://www.sec.gov/Archives/edgar/data/9631/000110465917008642/a17-4372_1424b3.htm

§ Prospectus dated February 1, 2017: http://www.sec.gov/Archives/edgar/data/9631/000119312517027656/d338678d424b3.htm

These documents (together, the "Note Prospectus") have been filed as part of a registration statement with the SEC, which may, without cost, be accessed on the SEC website as indicated above or obtained from MLPF&S by calling 1-800-294-1322. Before you invest, you should read the Note Prospectus, including this term sheet, for information about us and this offering. Any prior or contemporaneous oral statements and any other written materials you may have received are superseded by the Note Prospectus. Capitalized terms used but not defined in this term sheet have the meanings set forth in product prospectus supplement EQUITY INDICES SUN-1. Unless otherwise indicated or unless the context requires otherwise, all references in this document to "we," "us," "our," or similar references are to BNS.

Investor Considerations

You may wish to consider an investment in the notes if:

§ You anticipate that the value of the Basket will increase from the Starting Value to the Ending Value.
§ You are willing to risk a substantial or entire loss of principal if the value of the Basket decreases from the Starting Value to the Ending Value.
§ You are willing to forgo the interest payments that are paid on conventional interest bearing debt securities.
§ You are willing to forgo dividends or other benefits of owning the stocks included in the Basket Components.
§ You are willing to accept a limited or no market for sales prior to maturity, and understand that the market prices for the notes, if any, will be affected by various factors, including our actual and perceived creditworthiness, our internal funding rate and fees and charges on the notes.
§ You are willing to assume our credit risk, as issuer of the notes, for all payments under the notes, including the Redemption Amount.

The notes may not be an appropriate investment for you if:

§ You believe that the value of the Basket will decrease from the Starting Value to the Ending Value or that it will not increase sufficiently over the term of the notes to provide you with your desired return.
§ You seek principal repayment or preservation of capital.
§ You seek interest payments or other current income on your investment.
§ You want to receive dividends or other distributions paid on the stocks included in the Basket Components.
§ You seek an investment for which there will be a liquid secondary market.
§ You are unwilling or are unable to take market risk on the notes or to take our credit risk as issuer of the notes.

We urge you to consult your investment, legal, tax, accounting, and other advisors before you invest in the notes.

Market-Linked Step Up Notes
Linked to an International Equity Index Basket, due October 25, 2019

Hypothetical Payout Profile and Examples of Payments at Maturity

Market-Linked Step Up Notes

This graph reflects the returns on the notes, based on the Threshold Value of 100% of the Starting Value, the Step Up Payment of $2.075 per unit and the Step Up Value of 120.75% of the Starting Value. The green line reflects the returns on the notes, while the dotted gray line reflects the returns of a direct investment in the stocks included in the Basket Components, excluding dividends. This graph has been prepared for purposes of illustration only.

The following table and examples are for purposes of illustration only. They are based on hypothetical values and show hypothetical returns on the notes. They illustrate the calculation of the Redemption Amount and total rate of return based on the Starting Value of 100, the Threshold Value of 100, the Step Up Value of 120.75, the Step Up Payment of $2.075 per unit and a range of hypothetical Ending Values. The actual amount you receive and the resulting total rate of return will depend on the actual Ending Value and whether you hold the notes to maturity. The following examples do not take into account any tax consequences from investing in the notes.

For recent hypothetical values of the Basket, see "The Basket" section below. For recent actual levels of the Basket Components, see "The Basket Components" section below. Each Basket Component is a price return index and as such the Ending Value will not include any income generated by dividends paid on the stocks included in any of the Basket Components, which you would otherwise be entitled to receive if you invested in those stocks directly. In addition, all payments on the notes are subject to issuer credit risk.

Ending Value	Percentage Change from the Starting Value to the Ending Value	Redemption Amount per Unit	Total Rate of Return on the Notes
0.00	-100.00%	$0.000	-100.00%
50.00	-50.00%	$5.000	-50.00%
80.00	-20.00%	$8.000	-20.00%
90.00	-10.00%	$9.000	-10.00%
94.00	-6.00%	$9.400	-6.00%
97.00	-3.00%	$9.700	-3.00%
100.00(1)	0.00%	$12.075(2)	20.75%
102.00	2.00%	$12.075	20.75%
105.00	5.00%	$12.075	20.75%
110.00	10.00%	$12.075	20.75%
120.00	20.00%	$12.075	20.75%
120.75(3)	20.75%	$12.075	20.75%
130.00	30.00%	$13.000	30.00%
140.00	40.00%	$14.000	40.00%
143.00	43.00%	$14.300	43.00%
150.00	50.00%	$15.000	50.00%
160.00	60.00%	$16.000	60.00%

(1) The Starting Value and Threshold Value were set to 100.00 on the pricing date.
(2) This amount represents the sum of the principal amount and the Step Up Payment of $2.075.
(3) This is the Step Up Value.

Market-Linked Step Up Notes
Linked to an International Equity Index Basket, due October 25, 2019

Redemption Amount Calculation Examples

Example 1
The Ending Value is 90.00, or 90.00% of the Starting Value:

Starting Value:	100.00
Threshold Value:	100.00
Ending Value:	90.00
	Redemption Amount per unit

Example 2
The Ending Value is 110.00, or 110.00% of the Starting Value:

Starting Value:	100.00
Step Up Value:	120.75
Ending Value:	110.00
	Redemption Amount per unit, the principal amount plus the Step Up Payment, since the Ending Value is equal to or greater than the Starting Value, but less than the Step Up Value.

Example 3
The Ending Value is 143.00, or 143.00% of the Starting Value:

Starting Value:	100.00
Step Up Value:	120.75
Ending Value:	143.00
	Redemption Amount per unit

Market-Linked Step Up Notes
Linked to an International Equity Index Basket, due October 25, 2019

Risk Factors

There are important differences between the notes and a conventional debt security. An investment in the notes involves significant risks, including those listed below. You should carefully review the more detailed explanation of risks relating to the notes in the "Risk Factors" sections beginning on page PS-7 of product prospectus supplement EQUITY INDICES SUN-1, page S-2 of the prospectus supplement, and page 6 of the prospectus identified above. We also urge you to consult your investment, legal, tax, accounting, and other advisors before you invest in the notes.

§ Depending on the performance of the Basket as measured shortly before the maturity date, your investment may result in a loss; there is no guaranteed return of principal.

§ Your return on the notes may be less than the yield you could earn by owning a conventional fixed or floating rate debt security of comparable maturity.

§ Your investment return may be less than a comparable investment directly in the stocks included in the Basket Components.

§ Payments on the notes are subject to our credit risk, and actual or perceived changes in our creditworthiness are expected to affect the value of the notes. If we become insolvent or are unable to pay our obligations, you may lose your entire investment.

§ Our initial estimated value of the notes is lower than the public offering price of the notes. Our initial estimated value of the notes is only an estimate. The public offering price of the notes exceeds our initial estimated value because it includes costs associated with selling and structuring the notes, as well as hedging our obligations under the notes with a third party, which may include MLPF&S or one of its affiliates. These costs include the underwriting discount and an expected hedging related charge, as further described in "Structuring the Notes" on page TS-18.

§ Our initial estimated value of the notes does not represent future values of the notes and may differ from others' estimates. Our initial estimated value of the notes is determined by reference to our internal pricing models when the terms of the notes are set. These pricing models consider certain factors, such as our internal funding rate on the pricing date, the expected term of the notes, market conditions and other relevant factors existing at that time, and our assumptions about market parameters, which can include volatility, dividend rates, interest rates and other factors. Different pricing models and assumptions could provide valuations for the notes that are different from our initial estimated value. In addition, market conditions and other relevant factors in the future may change, and any of our assumptions may prove to be incorrect. On future dates, the market value of the notes could change significantly based on, among other things, the performance of the Basket, changes in market conditions, our creditworthiness, interest rate movements and other relevant factors. These factors, together with various credit, market and economic factors over the term of the notes, are expected to reduce the price at which you may be able to sell the notes in any secondary market and will affect the value of the notes in complex and unpredictable ways. Our initial estimated value does not represent a minimum price at which we or any agents would be willing to buy your notes in any secondary market (if any exists) at any time.

§ Our initial estimated value is not determined by reference to credit spreads or the borrowing rate we would pay for our conventional fixed-rate debt securities. The internal funding rate used in the determination of our initial estimated value of the notes generally represents a discount from the credit spreads for our conventional fixed-rate debt securities and the borrowing rate we would pay for our conventional fixed-rate debt securities. If we were to use the interest rate implied by the credit spreads for our conventional fixed-rate debt securities, or the borrowing rate we would pay for our conventional fixed-rate debt securities, we would expect the economic terms of the notes to be more favorable to you. Consequently, our use of an internal funding rate for the notes would have an adverse effect on the economic terms of the notes, the initial estimated value of the notes on the pricing date, and the price at which you may be able to sell the notes in any secondary market.

§ A trading market is not expected to develop for the notes. Neither we nor MLPF&S is obligated to make a market for, or to repurchase, the notes. There is no assurance that any party will be willing to purchase your notes at any price in any secondary market.

§ Our business, hedging and trading activities, and those of MLPF&S and our respective affiliates (including trades in shares of companies included in the Basket Components), and any hedging and trading activities we, MLPF&S or our respective affiliates engage in for our clients' accounts, may affect the market value and return of the notes and may create conflicts of interest with you.

§ Changes in the level of one of the Basket Components may be offset by changes in the levels of the other Basket Components. Due to the different Initial Component Weights (as defined in "The Basket" section below), changes in the level of the EURO STOXX 50® Index will have a more substantial impact on the value of the Basket than similar changes in the levels of the other Basket Components.

§ An index sponsor may adjust the relevant Basket Component in a way that may adversely affect its level and your interests, and has no obligation to consider your interests.

§ You will have no rights of a holder of the securities included in the Basket Components, and you will not be entitled to receive securities or dividends or other distributions by the issuers of those securities.

§ While we, MLPF&S or our respective affiliates may from time to time own securities of companies included in the Basket Components, we, MLPF&S and our respective affiliates do not control any company included in the Basket Components, and have not verified any disclosure made by any other company.

§ Your return on the notes and the value of the notes may be affected by relevant exchange rate movements and factors affecting the international securities markets, specifically changes in the countries represented by the Basket Components.

§ There may be potential conflicts of interest involving the calculation agent, which is MLPF&S. We have the right to appoint and remove the calculation agent.

§ The U.S. federal income tax consequences of the notes are uncertain, and may be adverse to a holder of the notes. See "Summary of U.S. Federal Income Tax Consequences" below.

§ The conclusion that no portion of the interest paid or credited or deemed to be paid or credited on a note will be "Participating Debt Interest" subject to Canadian withholding tax is based in part on the current published administrative position of the CRA. There cannot be any assurance that CRA's current published administrative practice will not be subject to change, including potential expansion in the current administrative interpretation of Participating Debt Interest subject to Canadian withholding tax. If, at any time, the interest paid or credited or deemed to be paid or credited on a note is subject to Canadian withholding tax, you will receive an amount that is less than the Redemption Amount. You should consult your own adviser as to the potential for such withholding and the potential for reduction or refund of part or all of such withholding, including under any bilateral Canadian tax treaty the benefits of which you may be entitled. For a discussion of the Canadian federal income tax consequences of investing in the notes, see "Summary of Canadian Federal Income Tax Consequences" below, "Canadian Taxation—Debt Securities" on page 50 of the prospectus dated February 1, 2017, and "Supplemental Discussion of Canadian Federal Income Tax Consequences" on page PS-29 of product prospectus supplement EQUITY INDICES SUN-1.

Additional Risk Factors

There are uncertainties regarding the JPNK400 because of its limited performance history.

The JPNK400 was first published in January 2014. Accordingly, there is limited trading history available for the JPNK400 upon which you can evaluate its prior performance, and it may perform in unexpected ways. Because the JPNK400's past historical performance is limited, your investment in the notes may involve a greater risk than investing in securities linked only to indices with an established record of performance. A longer history of actual performance may be helpful in providing more reliable information on which to assess the validity of the methodology that the JPNK400 uses to select its components, as described below under "The Basket Components—The JPX-Nikkei Index 400." The historical JPNK400 levels should not be taken as an indication of future performance, and no assurance can be given as to the JPNK400 closing level on any given date.

There is no assurance that the investment view implicit in the JPNK400 will be successful.

The JPNK400's index constituents will be selected from time to time during the term of the notes in the manner described in "The Basket Components—The JPX-Nikkei Index 400—Standards for Listing and Maintenance." The criteria used for selecting the JPNK400 stocks may not result in stocks that outperform Japanese stocks generally, or the stocks that may be included in other indices that track Japanese securities markets. Although the JPNK400 stocks may satisfy the quantitative and qualitative criteria of the JPNK400 at the time they are selected, there can be no assurance that they will continue to do so thereafter, which may reduce the level of the JPNK400. There can be no assurance that the future performance of the JPNK400 will result in your receiving an amount greater than or equal to the principal amount of your notes. The performance of the JPNK400 may be worse than the performance of the equity markets generally, and worse than the performance of specific sectors of the equity markets (including Japanese equities in particular), or other securities in which you may choose to invest.

Other Terms of the Notes

Market Measure Business Day

The following definition shall supersede and replace the definition of a "Market Measure Business Day" set forth in product prospectus supplement EQUITY INDICES SUN-1.

A "Market Measure Business Day" means a day on which:

(A) each of the Eurex (as to the EURO STOXX 50® Index), the London Stock Exchange, Hong Kong Stock Exchange, São Paulo Stock Exchange and Korea Stock Exchange (as to the MSCI Emerging Markets Index), and the Tokyo Stock Exchange (as to the JPX-Nikkei Index 400) (or any successor to the foregoing exchanges) are open for trading; and

(B) the Basket Components or any successors thereto are calculated and published.

Market-Linked Step Up Notes
Linked to an International Equity Index Basket, due October 25, 2019

The Basket

The Basket is designed to allow investors to participate in the percentage changes in the levels of the Basket Components from the Starting Value to the Ending Value of the Basket. The Basket Components are described in the section "The Basket Components" below. Each Basket Component was assigned an initial weight on the pricing date, as set forth in the table below.

For more information on the calculation of the value of the Basket, please see the section entitled “Description of the Notes—Basket Market Measures” beginning on page PS-23 of product prospectus supplement EQUITY INDICES SUN-1.

On the pricing date, for each Basket Component, the Initial Component Weight, the closing level, the Component Ratio and the initial contribution to the Basket value were as follows:

Basket Component	Bloomberg Symbol	Initial Component Weight	Closing Level(1)	Component Ratio(2)	Initial Basket Value Contribution
EURO STOXX 50® Index	SX5E	60.00	3,637.20	0.01649621	60.00
MSCI Emerging Markets Index	MXEF	20.00	1,108.17	0.01804777	20.00
JPX-Nikkei Index 400	JPNK400	20.00	15,533.24	0.00128756	20.00
				Starting Value	100.00

(1) These were the closing levels of the Basket Components on the pricing date.

(2) Each Component Ratio equals the Initial Component Weight of the relevant Basket Component (as a percentage) multiplied by 100, and then divided by the closing level of that Basket Component on the pricing date and rounded to eight decimal places.

The calculation agent will calculate the Ending Value of the Basket on the calculation day by summing the products of the closing level for each Basket Component on that day and the Component Ratio applicable to such Basket Component. If a Market Disruption Event occurs as to any Basket Component on the scheduled calculation day, the closing level of that Basket Component will be determined as more fully described in the section entitled “Description of the Notes—Basket Market Measures—Observation Level or Ending Value of the Basket” beginning on page PS-24 of product prospectus supplement EQUITY INDICES SUN-1.

While actual historical information on the Basket did not exist before the pricing date, the following graph sets forth the hypothetical historical performance of the Basket from January 6, 2014, the date when the JPNK400 was first published, through October 26, 2017. The graph is based upon actual daily historical levels of the Basket Components, hypothetical Component Ratios based on the closing levels of the Basket Components as of January 5, 2014, and a Basket value of 100.00 as of that date. This hypothetical historical data on the Basket is not necessarily indicative of the future performance of the Basket or what the value of the notes may be. Any hypothetical historical upward or downward trend in the value of the Basket during any period set forth below is not an indication that the value of the Basket is more or less likely to increase or decrease at any time over the term of the notes.

Hypothetical Historical Performance of the Basket

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The Basket Components

All disclosures contained in this term sheet regarding the Basket Components, including, without limitation, their make-up, method of calculation, and changes in their components, have been derived from publicly available sources. The information reflects the policies of, and is subject to change by each of STOXX Limited ("STOXX") with respect to the EURO STOXX 50® Index (the "SX5E"), MSCI Inc. ("MSCI") with respect to the MSCI Emerging Markets Index (the "MXEF"), and Japan Exchange Group, Inc. ("JPX"), Tokyo Stock Exchange, Inc. ("TSE," and together with JPX, the "JPX Group") and Nikkei Inc. (the "Nikkei") with respect to the JPX-Nikkei Index 400 (the "JPNK400") (STOXX, MSCI, the JPX Group and Nikkei, each, an "index sponsor"). The index sponsors have no obligation to continue to publish, and may discontinue or suspend the publication of any Basket Component at any time. The consequences of any index sponsor discontinuing publication of a Basket Component are discussed in the section entitled "Description of the Notes—Discontinuance of an Index" beginning on page PS-22 of product prospectus supplement EQUITY INDICES SUN-1. None of us, the calculation agent, or MLPF&S accepts any responsibility for the calculation, maintenance or publication of any Basket Component or any successor index.

The EURO STOXX 50® Index

The SX5E is a capitalization-weighted index of 50 European blue-chip stocks in 11 Eurozone countries. Publication of the SX5E began on February 26, 1998, based on an initial index value of 1,000 at December 31, 1991. The level of the SX5E is disseminated on, and additional information about the SX5E is published on, the STOXX website. Information contained in the STOXX website is not incorporated by reference in, and should not be considered a part of, this term sheet.

As of September 29, 2017, the top ten industry sectors which comprise the SX5E represent the following weights in the SX5E: Banks (16.1%), Industrial Goods & Services (10.5%), Chemicals (9.1%), Personal & Household Goods (9.0%), Health Care (7.4%), Technology (7.3%), Insurance (6.8%), Oil & Gas (6.1%), Utilities (5.1%) and Telecommunications (4.9%). As of September 29, 2017, the eight countries which comprise the SX5E represent the following weights therein: France (36.2%), Germany (32.9%), Spain (10.6%), Netherlands (10.1%), Italy (4.8%), Belgium (3.1%), Finland (1.2%) and Ireland (1.1%).

Index Composition and Maintenance

For each of the 19 EURO STOXX regional supersector indices, the stocks are ranked in terms of free-float market capitalization. The largest stocks are added to the selection list until the coverage is close to, but still less than, 60% of the free-float market capitalization of the corresponding supersector index. If the next highest-ranked stock brings the coverage closer to 60% in absolute terms, then it is also added to the selection list. All current stocks in the SX5E are then added to the selection list. All of the stocks on the selection list are then ranked in terms of free-float market capitalization to produce the final index selection list. The largest 40 stocks on the selection list are selected; the remaining 10 stocks are selected from the largest remaining current stocks ranked between 41 and 60; if the number of stocks selected is still below 50, then the largest remaining stocks are selected until there are 50 stocks. In exceptional cases, STOXX's management board can add stocks to and remove them from the selection list.

The SX5E components are subject to a capped maximum index weight of 10%, which is applied on a quarterly basis. The composition of the SX5E is reviewed annually, based on the closing stock data on the last trading day in August. Changes in the composition of the SX5E are made to ensure that the SX5E includes the 50 market sector leaders from within the SX5E.

The SX5E is subject to a "fast exit rule." The SX5E components are monitored for any changes based on the monthly selection list ranking. A stock is deleted from the SX5E if: (a) it ranks 75 or below on the monthly selection list and (b) it ranked 75 or below on the selection list of the previous month. The highest-ranked stock that is not an Index component will replace it. Changes will be implemented on the close of the fifth trading day of the month, and are effective the next trading day.

The SX5E is also subject to a "fast entry rule." All stocks on the latest selection lists and initial public offering (IPO) stocks are reviewed for a fast-track addition on a quarterly basis. A stock is added, if (a) it qualifies for the latest STOXX blue-chip selection list generated at the end of February, May, August or November and (b) it ranks within the "lower buffer" (ranks 1-25) on this selection list.

The SX5E is also reviewed on an ongoing basis. Corporate actions (including initial public offerings, mergers and takeovers, spin-offs, delistings, and bankruptcy) that affect the SX5E composition are immediately reviewed. Any changes are announced, implemented, and effective in line with the type of corporate action and the magnitude of the effect.

Index Calculation

The SX5E is calculated with the "Laspeyres formula," which measures the aggregate price changes in the component stocks against a fixed base quantity weight. The formula for calculating the SX5E value can be expressed as follows:

$$\text{Index} = \frac{\text{free float market capitalization of the Index at the time}}{\text{divisor of the Index at the time}}$$

The "free float market capitalization of the index" is equal to the sum of the products of the closing price, number of shares, free float factor, and weighting cap factor for the component company as of the time that the SX5E is being calculated.

The SX5E is calculated using a divisor that helps to maintain the continuity of the SX5E's value so that corporate actions do not artificially increase or decrease the level of the SX5E. The divisor of the SX5E is adjusted to maintain the continuity of the SX5E's values across changes due to corporate actions, such as cash dividends, rights offerings, stock dividends from treasury shares, repurchases of shares and self-tender, and spin-offs.

Market-Linked Step Up Notes
Linked to an International Equity Index Basket, due October 25, 2019

The following graph shows the daily historical performance of the SX5E in the period from January 1, 2008 through October 26, 2017. We obtained this historical data from Bloomberg L.P. We have not independently verified the accuracy or completeness of the information obtained from Bloomberg L.P. On the pricing date, the closing level of the SX5E was 3,637.20.

Historical Performance of the EURO STOXX 50® Index

This historical data on the SX5E is not necessarily indicative of the future performance of the SX5E or what the value of the notes may be. Any historical upward or downward trend in the level of the SX5E during any period set forth above is not an indication that the level of the SX5E is more or less likely to increase or decrease at any time over the term of the notes.

Before investing in the notes, you should consult publicly available sources for the levels of the SX5E.

License Agreement

BNS has entered into a non-exclusive license agreement with STOXX, which grants BNS a license in exchange for a fee to use the SX5E in connection with the issuance of certain securities, including the notes.

STOXX has no relationship to BNS, other than the licensing of the SX5E and its service marks for use in connection with the notes.

STOXX does not:

- sponsor, endorse, sell or promote the notes;
- recommend that any person invest in the notes or any other financial products;
- have any responsibility or liability for or make any decisions about the timing, amount or pricing of the notes;
- have any responsibility or liability for the administration, management or marketing of the notes; and
- consider the needs of the notes or the owners of the notes in determining, composing or calculating the SX5E or have any obligation to do so.

STOXX will not have any liability in connection with the notes. Specifically, STOXX does not make any warranty, express or implied, and STOXX disclaims any warranty about:

- the results to be obtained by the notes, the owner of the notes or any other person in connection with the use of the SX5E and the data included in the SX5E;
- the accuracy or completeness of the SX5E or its data;
- the merchantability and the fitness for a particular purpose or use of the SX5E or its data;
- any errors, omissions or interruptions in the SX5E or its data; and
- any lost profits or indirect, punitive, special or consequential damages or losses, even if STOXX knows that they might occur.

The licensing relating to the use of the SX5E and trademark referred to above by BNS will be solely for the benefit of BNS and not for any other third parties.

The MSCI Emerging Markets Index

The MSCI indices were founded in 1969 by Capital International as the first international performance benchmarks constructed to facilitate accurate comparison of world markets. Morgan Stanley acquired the rights to license the MSCI indices in 1986. In November 1998, Morgan Stanley transferred all rights to the MSCI indices to MSCI, a Delaware corporation formed and operated jointly by Morgan Stanley and Capital International. In 2004, MSCI acquired Barra, Inc., a provider of risk analytics, and firm-wide investment risk management systems and services and merged this with MSCI. In 2007, MSCI completed an initial public offering and was listed on the New York Stock Exchange, with Morgan Stanley retaining a controlling interest. In 2009, MSCI and Morgan Stanley fully separated. The MSCI single country standard equity indices have covered the world's developed markets since 1969, and in 1988, MSCI commenced coverage of the emerging markets.

All information regarding the index reflects the policies of, and is subject to change by, MSCI.

The MXEF offers a representation of emerging markets based on the following countries: Brazil, Chile, China, Colombia, the Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, the Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates. With 839 constituents, the MXEF covers approximately 85% of the free float-adjusted market capitalization in each country. It is based on the Global Investable Market Indices methodology which emphasizes index liquidity, investibility and replicability. The MXEF has a base value of 100.00 and a base date of December 31, 1987.

The Country Indices

The components of each MSCI EM Constituent Country Index used to be selected by MSCI from among the universe of securities eligible for inclusion in the MSCI EM Constituent Country Index so as to target an 85% free float-adjusted market representation level within each of a number of industry groups, subject to adjustments to (i) provide for sufficient liquidity, (ii) reflect foreign investment restrictions (only those securities that can be held by non-residents of the country corresponding to the relevant MSCI EM Constituent Country Index are included) and (iii) meet certain other investibility criteria. Following a change in MSCI's methodology implemented in May 2008, the 85% target is now measured at the level of the country universe of eligible securities rather than the industry group level—so each MSCI EM Constituent Country Index will seek to include the securities that represent 85% of the free float-adjusted market capitalization of all securities eligible for inclusion—but will still be subject to liquidity, foreign investment restrictions and other investibility adjustments. MSCI defines "free float" as total shares excluding shares held by strategic investors such as governments, corporations, controlling shareholders and management, and shares subject to foreign ownership restrictions.

Calculation of the MSCI EM Constituent Country Indices

Each MSCI EM Constituent Country Index is a free float-adjusted market capitalization index that is designed to measure the market performance, including price performance, of the equity securities in that country. Each MSCI EM Constituent Country Index is calculated in the relevant local currency as well as in U.S. dollars, with price, gross and net returns.

Each component is included in the relevant MSCI EM Constituent Country Index at a weight that reflects the ratio of its free float-adjusted market capitalization (i.e., free public float multiplied by price) to the free float-adjusted market capitalization of all the components in that MSCI EM Constituent Country Index. MSCI defines the free float of a security as the proportion of shares outstanding that is deemed to be available for purchase in the public equity markets by international investors.

Calculation of the MXEF

The performance of the MXEF on any given day represents the weighted performance of all of the components included in all of the MSCI EM Constituent Country Indices. Each component in the MXEF is included at a weight that reflects the ratio of its free float-adjusted market capitalization (i.e., free public float multiplied by price) to the free float-adjusted market capitalization of all the components included in all of the MSCI EM Constituent Country Indices.

Maintenance of and Changes to the MXEF

MSCI maintains the MXEF with the objective of reflecting, on a timely basis, the evolution of the underlying equity markets and segments. In maintaining the MXEF, emphasis is also placed on continuity, continuous investibility of constituents, replicability, index stability and low turnover in the MXEF.

As part of the changes to MSCI's methodology which became effective in May 2008, maintenance of the indices falls into three broad categories:

- semi-annual reviews, which will occur each May and November and will involve a comprehensive reevaluation of the market, the universe of eligible securities and other factors involved in composing the MXEF;
- quarterly reviews, which will occur each February, May, August and November and will focus on significant changes in the market since the last semi-annual review and on including significant new eligible securities (such as IPOs, which were not eligible for earlier inclusion in the MXEF); and
- ongoing event-related changes, which will generally be reflected in the indices at the time of the event and will include changes resulting from mergers, acquisitions, spin-offs, bankruptcies, reorganizations and other similar corporate events.

Based on these reviews, additional components may be added, and current components may be removed, at any time. MSCI generally announces all changes resulting from semi-annual reviews, quarterly reviews and ongoing events in advance of their implementation, although in exceptional cases they may be announced during market hours for same or next day implementation.

Prices and Exchange Rates

Prices

The prices used to calculate the MXEF are the official exchange closing prices or those figures accepted as such. MSCI reserves the right to use an alternative pricing source on any given day.

Exchange Rates

MSCI uses the closing spot rates published by WM / Reuters at 4:00 p.m., London time. MSCI uses WM / Reuters rates for all countries for which it provides indices.

In case WM/Reuters does not provide rates for specific markets on given days (for example Christmas Day and New Year's Day), the previous business day's rates are normally used. MSCI independently monitors the exchange rates on all its indices and may, under exceptional circumstances, elect to use an alternative exchange rate if the WM / Reuters rates are not available, or if MSCI determines that the WM / Reuters rates are not reflective of market circumstances for a given currency on a particular day. In such circumstances, an announcement would be sent to clients with the related information. If appropriate, MSCI may conduct a consultation with the investment community to gather feedback on the most relevant exchange rate.

The following graph shows the daily historical performance of the MXEF in the period from January 1, 2008 through October 26, 2017. We obtained this historical data from Bloomberg L.P. We have not independently verified the accuracy or completeness of the information obtained from Bloomberg L.P. On the pricing date, the closing level of the MXEF was 1,108.17.

Historical Performance of the MSCI Emerging Markets Index

This historical data on the MXEF is not necessarily indicative of the future performance of the MXEF or what the value of the notes may be. Any historical upward or downward trend in the level of the MXEF during any period set forth above is not an indication that the level of the MXEF is more or less likely to increase or decrease at any time over the term of the notes.

Before investing in the notes, you should consult publicly available sources for the levels of the MXEF.

License Agreement
We expect to enter into a non-exclusive license agreement with MSCI providing for the license to us, in exchange for a fee, to use the index in connection with the issuance and marketing of securities, including the notes.
The sublicense agreement provides that the following language must be stated in this term sheet:
"THE NOTES ARE NOT SPONSORED, ENDORSED, SOLD OR PROMOTED BY MSCI INC. ("MSCI"), ANY AFFILIATE OF MSCI OR ANY OTHER PARTY INVOLVED IN, OR RELATED TO, MAKING OR COMPILING ANY MSCI INDEX. THE MSCI INDICES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES ARE SERVICE MARK(S) OF MSCI OR ITS AFFILIATES AND HAVE BEEN LICENSED FOR USE FOR CERTAIN PURPOSES BY BNS. NEITHER MSCI, ANY OF ITS AFFILIATES NOR ANY OTHER PARTY INVOLVED IN, OR RELATED TO, MAKING OR COMPILING ANY MSCI INDEX MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, TO THE OWNERS OF THE NOTES OR ANY MEMBER OF THE PUBLIC REGARDING THE ADVISABILITY OF INVESTING IN FINANCIAL SECURITIES GENERALLY OR IN THE NOTES PARTICULARLY OR THE ABILITY OF ANY MSCI INDEX TO TRACK CORRESPONDING STOCK MARKET PERFORMANCE. MSCI OR ITS AFFILIATES ARE THE LICENSORS OF CERTAIN TRADEMARKS, SERVICE MARKS AND TRADE NAMES AND OF THE MSCI INDICES WHICH ARE DETERMINED, COMPOSED AND CALCULATED BY MSCI WITHOUT REGARD TO THE NOTES OR THE ISSUER OR OWNER OF A NOTE. NEITHER MSCI, ANY OF ITS AFFILIATES NOR ANY OTHER PARTY INVOLVED IN, OR RELATED TO, MAKING OR COMPILING ANY MSCI INDEX HAS ANY OBLIGATION TO TAKE THE NEEDS OF THE ISSUERS OR OWNERS OF THE NOTES INTO CONSIDERATION IN DETERMINING, COMPOSING OR CALCULATING THE MSCI INDICES. NEITHER MSCI, ITS AFFILIATES NOR ANY OTHER PARTY INVOLVED IN, OR RELATED TO, MAKING OR COMPILING ANY MSCI INDEX IS RESPONSIBLE FOR OR HAS PARTICIPATED IN THE DETERMINATION OF THE TIMING OF, PRICES AT, OR QUANTITIES OF THE NOTES TO BE ISSUED OR IN THE DETERMINATION OR CALCULATION OF THE EQUATION BY WHICH THE NOTES ARE REDEEMABLE FOR CASH. NEITHER MSCI, ANY OF ITS AFFILIATES NOR ANY OTHER PARTY INVOLVED IN, OR RELATED TO, THE MAKING OR COMPILING ANY MSCI INDEX HAS ANY OBLIGATION OR LIABILITY TO THE OWNERS OF THE NOTES IN CONNECTION WITH THE ADMINISTRATION, MARKETING OR OFFERING OF THE NOTES.
ALTHOUGH MSCI SHALL OBTAIN INFORMATION FOR INCLUSION IN OR FOR USE IN THE CALCULATION OF THE MSCI INDICES FROM SOURCES WHICH MSCI CONSIDERS RELIABLE, NEITHER MSCI, ANY OF ITS AFFILIATES NOR ANY OTHER PARTY INVOLVED IN, OR RELATED TO MAKING OR COMPILING ANY MSCI INDEX WARRANTS OR GUARANTEES THE ORIGINALITY, ACCURACY AND/OR THE COMPLETENESS OF ANY MSCI INDEX OR ANY DATA INCLUDED THEREIN. NEITHER MSCI, ANY OF ITS AFFILIATES NOR ANY OTHER PARTY INVOLVED IN, OR RELATED TO, MAKING OR COMPILING ANY MSCI INDEX MAKES ANY WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY LICENSEE, LICENSEE'S CUSTOMERS OR COUNTERPARTIES, ISSUERS OF THE FINANCIAL SECURITIES, OWNERS OF THE FINANCIAL SECURITIES, OR ANY OTHER PERSON OR ENTITY, FROM THE USE OF ANY MSCI INDEX OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE RIGHTS LICENSED HEREUNDER OR FOR ANY OTHER USE. NEITHER MSCI, ANY OF ITS AFFILIATES NOR ANY OTHER PARTY INVOLVED IN, OR RELATED TO, MAKING OR COMPILING ANY MSCI INDEX SHALL HAVE ANY LIABILITY FOR ANY ERRORS, OMISSIONS OR INTERRUPTIONS OF OR IN CONNECTION WITH ANY MSCI INDEX OR ANY DATA INCLUDED THEREIN. FURTHER, NEITHER MSCI, ANY OF ITS AFFILIATES NOR ANY OTHER PARTY INVOLVED IN, OR RELATED TO, MAKING OR COMPILING ANY MSCI INDEX MAKES ANY EXPRESS OR IMPLIED WARRANTIES OF ANY KIND, AND MSCI, ANY OF ITS AFFILIATES AND ANY OTHER PARTY INVOLVED IN, OR RELATED TO MAKING OR COMPILING ANY MSCI INDEX HEREBY EXPRESSLY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO ANY MSCI INDEX AND ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY

OF THE FOREGOING, IN NO EVENT SHALL MSCI, ANY OF ITS AFFILIATES OR ANY OTHER PARTY INVOLVED IN, OR RELATED TO, MAKING OR COMPILING ANY MSCI INDEX HAVE ANY LIABILITY FOR ANY DIRECT, INDIRECT, SPECIAL, PUNITIVE, CONSEQUENTIAL OR ANY OTHER DAMAGES (INCLUDING LOST PROFITS) EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

No purchaser, seller, or holder of the Notes, or any other person or entity, should use or refer to any MSCI trade name, trademark, or service mark to sponsor, endorse, market, or promote the Notes without first contacting MSCI to determine whether MSCI's permission is required. Under no circumstances may any person or entity claim any affiliation with MSCI without the prior written permission of MSCI.

Market-Linked Step Up Notes
Linked to an International Equity Index Basket, due October 25, 2019

The JPX-Nikkei Index 400

The JPNK400 is composed of stocks listed on the TSE's First Section (large companies), Second Section (mid-size companies), Mothers (Market Of The High-growth and Emerging Stocks) and NASDAQ market. Stocks included in the JPNK400 are selected based on market capitalization, trading value, return on equity and other factors, as described in more detail below. The JPNK400 was first calculated and published on January 6, 2014. The inception value of the JPNK400 was 10,000 on August 30, 2013 (the calculation base date). The JPNK400 is calculated every one second during the trading hours of the TSE.

Ten main groups of companies are included in the JPNK400, with the approximate percentage of the market capitalization of the JPNK400 included in each group as of December 30, 2016 indicated in parentheses: Commercial & Wholesale Trade (4.69%); Machinery (5.21%); Pharmaceutical (5.91%); Transportation & Logistics (5.98%); Financials (excluding banks) (6.52%); Raw Materials & Chemicals (7.66%); Banks (8.38%); Automobiles & Transportation Equipment (9.96%); IT & Services (10.40%); Electric Appliances & Precision Instruments (15.02%) and Others (20.27%). As of that date, 395 of the securities included in the JPNK400 were listed on the TSE's First Section.

The notes are linked to the price return version of the JPNK400 and is calculated in yen, which means (as noted above) that the Ending Value will not include any income generated by dividends paid on the stocks included in the JPNK400.

Additional information relating to the composition and calculation of the JPNK400 is available on the JPNK400 sponsor's website: http://www.jpx.co.jp/english/markets/indices/jpx-nikkei400/. However, information included in that website shall not be deemed to be included or incorporated by reference in this document.

Standards for Listing and Maintenance

The JPNK400 components are reviewed annually based on the selection criteria applied as of the final business day of June (the base selection date). The calculation of the JPNK400 using the new constituents will begin from the last business day of August. The selection process and criteria are as follows:

(1) 1,000 stocks are selected based on their trading value over the past three years and the market value on the base selection date. Stocks are excluded from selection if they fall under any of the following criteria:

- listed for less than three years;
- the company's liabilities are in excess of its assets during any of the past three fiscal years;
- the company has an operating loss in each of the past three fiscal years;
- the company has a net loss in each of the past three fiscal years;
- the company's financials have disclosed doubt regarding its ability to continue as a going concern;
- disclosure of insufficient financials controls;
- the stock has been designated as a security to be delisted or security on alert; or
- certain listing violations have occurred over the past year.

(2) Each stock is scored by (a) three-year average return on equity (weighted 40%), (b) three-year cumulative operating profit (weighted 40%) and (c) market capitalization on the base selection date (weighted 20%), determined as follows:

Three-year average return on equity is calculated as follows:

Three-year cumulative operating profit is the sum of reported operating profit over the past three years.

The market capitalization of a stock is calculated based on the number of listed shares multiplied by its closing share price as of the annual base selection date.

(3) 400 stocks are selected by the final ranking with the scores calculated above in (2) and qualitative factors from the perspectives of corporate governance and disclosure. These factors are applied as of the base selection date and include the appointment of at least two independent outside directors, releasing the most recent earnings report according to international financial reporting standards and the release of English language earnings information via

TDnet (Timely Disclosure Network). The final score for each stock equals the sum of the score calculated above in (2) plus the score from the qualitative factors. Stocks are ranked from highest to lowest based on their final scores, with the exception that stocks with negative three-year average return on equity and most recent return on equity are negative or that have negative three-year cumulative operating profit are moved to the bottom of the ranking. In the event of a tie in final scores, the stock with the higher market capitalization is ranked higher.

Calculation of the JPNK400

The JPNK400 is calculated using free-float adjusted market value weighting and is calculated to two decimal places. The level of the JPNK400 equals the current total free float adjusted market value divided by the base market value. The market value is the sum of the number of shares of each constituent stock multiplied by its stock price. The base market value is adjusted to maintain continuity in the JPNK400 when the market value of constituents changes for non-market reasons. The weight of each index component is capped at 1.5% of the JPNK400, and if any stock included in the JPNK400 exceeds that weight, it is adjusted downwards at the time of the annual review. In case of delisting of the components due to a merger, bankruptcy, or other corporate event, new stocks are not added until the next annual review.

The free-float adjustment market value is determined by excluding the estimated number of listed shares that are deemed not to be available for trading in the market, using publicly available documents. Among the shares that are not treated as available are, among others, shares held by specified types of major shareholders, and shares held by board members and other representatives. The free-float weights are reviewed annually for each stock included in the JPNK400, with the announcement and effective date for each stock included in the JPNK400 occurring on a quarterly basis, depending upon the relevant company's earnings release schedule. In addition to this annual review, the JPNK400 sponsor may also adjust a company's free-float weight to reflect extraordinary events.

The stocks included in the JPNK400 can be updated from time to time to reflect, for example, the establishment of a new company as a result of a corporate consolidation, or the delisting of a company. A variety of corporate events will result in the change of the number of shares used to calculate the JPNK400, including securities offerings, exercises of warrants and share dividends.

The following graph shows the daily historical performance of the JPNK400 in the period from January 6, 2014 through October 26, 2017. This index was first published on January 6, 2014, thus only limited historical information exists with respect to it. We obtained this historical data from Bloomberg L.P. We have not independently verified the accuracy or completeness of the information obtained from Bloomberg L.P. On the pricing date, the closing level of the JPNK400 was 15,533.24.

Historical Performance of the JPX-Nikkei Index 400

This historical data on the JPNK400 is not necessarily indicative of the future performance of the JPNK400 or what the value of the notes may be. Any historical upward or downward trend in the level of the JPNK400 during any period set forth above is not an indication that the level of the JPNK400 is more or less likely to increase or decrease at any time over the term of the notes.

Before investing in the notes, you should consult publicly available sources for the levels of the JPNK400.

License Agreement

We expect to enter into a non-exclusive license agreement with the JPNK400 sponsors providing for the license to us, in exchange for a fee, of the right to use the JPNK400, the proprietary data therein contained (the "JPNK400 Index Value") and the trademarks "Nikkei Inc.," "Nikkei" and the "JPX-Nikkei Index 400" (collectively, the "JPNK400 Marks") in connection with certain securities, including the notes.

The JPNK400 Index Value and the JPNK400 Marks are subject to the proprietary rights owned by the JPNK400 sponsors and the JPNK400 sponsors own all rights and know-how relating to the JPNK400 such as calculation, publication and use of the JPNK400 Index Value and relating to the JPNK400 Marks. The JPNK400 sponsors shall reserve the rights to change the methods of calculation or publication, to cease the calculation or publication of the JPNK400 Index Value or to change the JPNK400 Marks or cease the use thereof. The JPNK400 sponsors make no warranty or representation whatsoever, either as to the results stemmed from the use of the JPNK400 Index Value and the JPNK400 Marks or as to the figure at which JPNK400 Index Value stands on any particular day. The JPNK400 sponsors give no assurance regarding accuracy or completeness of the JPNK400 Index Value and data contained therein. Further, the JPNK400 sponsors shall not be liable for the miscalculation, incorrect publication, delayed or interrupted publication of the JPNK400 Index Value. No securities are in no way sponsored, endorsed or promoted by the JPNK400 sponsors. The JPNK400 sponsors shall not bear any obligation to give an explanation of the notes or any advice on investments to any purchaser of the notes or to the public. The JPNK400 sponsors neither select specific stocks or groups thereof nor take into account any needs of the issuing company or any purchaser of the securities, for calculation of the JPNK400 Index Value. Including but not limited to the foregoing, the JPNK400 sponsors shall not be responsible for any damage resulting from the issue and sale of the notes.

Information from outside sources is not incorporated by reference in, and should not be considered part of, this document or any accompanying prospectus.

Market-Linked Step Up Notes
Linked to an International Equity Index Basket, due October 25, 2019

Supplement to the Plan of Distribution

Under our distribution agreement with MLPF&S, MLPF&S will purchase the notes from us as principal at the public offering price indicated on the cover of this term sheet, less the indicated underwriting discount.

We will deliver the notes against payment therefor in New York, New York on a date that is greater than two business days following the pricing date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes more than two business days prior to the original issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

The notes will not be listed on any securities exchange. In the original offering of the notes, the notes will be sold in minimum investment amounts of 100 units. If you place an order to purchase the notes, you are consenting to MLPF&S acting as a principal in effecting the transaction for your account.

MLPF&S may repurchase and resell the notes, with repurchases and resales being made at prices related to then-prevailing market prices or at negotiated prices, and these prices will include MLPF&S's trading commissions and mark-ups. MLPF&S may act as principal or agent in these market-making transactions; however, it is not obligated to engage in any such transactions. At MLPF&S's discretion, for a short, undetermined initial period after the issuance of the notes, MLPF&S may offer to buy the notes in the secondary market at a price that may exceed the initial estimated value of the notes. Any price offered by MLPF&S for the notes will be based on then-prevailing market conditions and other considerations, including the performance of the Basket and the remaining term of the notes. However, none of us, MLPF&S, or any of our respective affiliates is obligated to purchase your notes at any price or at any time, and we cannot assure you that we, MLPF&S or any of our respective affiliates will purchase your notes at a price that equals or exceeds the initial estimated value of the notes.

The value of the notes shown on your account statement produced by MLPF&S will be based on MLPF&S's estimate of the value of the notes if MLPF&S or another of its affiliates were to make a market in the notes, which it is not obligated to do. That estimate will be based upon the price that MLPF&S may pay for the notes in light of then-prevailing market conditions, and other considerations, as mentioned above, and will include transaction costs. At certain times, this price may be higher than or lower than the initial estimated value of the notes.

The distribution of the Note Prospectus in connection with these offers or sales will be solely for the purpose of providing investors with the description of the terms of the notes that was made available to investors in connection with their initial offering. Secondary market investors should not, and will not be authorized to, rely on the Note Prospectus for information regarding BNS or for any purpose other than that described in the immediately preceding sentence.

Structuring the Notes

The notes are our unsecured senior debt securities, the return on which is linked to the performance of the Basket. As is the case for all of our debt securities, including our market-linked notes, the economic terms of the notes reflect our actual or perceived creditworthiness at the time of pricing. The internal funding rate we use in pricing the market-linked note is typically lower than the rate we would pay when we issue conventional fixed-rate debt securities of comparable maturity. This generally relatively lower internal funding rate, which is reflected in the economic terms of the notes, along with the fees and charges associated with market-linked notes, resulted in the initial estimated value of the notes on the pricing date being less than their public offering price.

At maturity, we are required to pay the Redemption Amount to holders of the notes, which will be calculated based on the performance of the Basket and the $10 per unit principal amount. In order to meet these payment obligations, at the time we issue the notes, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) with MLPF&S or one of its affiliates. The terms of these hedging arrangements are determined by seeking bids from market participants, including MLPF&S and its affiliates, and take into account a number of factors, including our creditworthiness, interest rate movements, the volatility of the Basket Components, the tenor of the notes and the tenor of the hedging arrangements. The economic terms of the notes and their initial estimated value depend in part on the terms of these hedging arrangements.

MLPF&S has advised us that the hedging arrangements will include a hedging related charge of approximately $0.075 per unit, reflecting an estimated profit to be credited to MLPF&S from these transactions. Since hedging entails risk and may be influenced by unpredictable market forces, additional profits and losses from these hedging arrangements may be realized by MLPF&S or any third party hedge providers.

For further information, see "Risk Factors—General Risks Relating to the Notes" beginning on page PS-7 and "Use of Proceeds and Hedging" on page PS-17 of product prospectus supplement EQUITY INDICES SUN-1.

Market-Linked Step Up Notes
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Summary of Canadian Federal Income Tax Consequences

An investor should read carefully the description of principal Canadian federal income tax considerations under "Canadian Taxation" in the accompanying prospectus relevant to a holder (as defined on page 19 of the prospectus) owning debt securities, and the description of principal Canadian federal income tax considerations under "Supplemental Discussion of Canadian Federal Income Tax Consequences" in the applicable product prospectus supplement.

Summary of U.S. Federal Income Tax Consequences

The following is a general description of certain U.S. federal tax considerations relating to the notes. Prospective purchasers of the notes should consult their tax advisors as to the consequences under the tax laws of the country of which they are residents for tax purposes and the tax laws of the U.S. of acquiring, holding and disposing of the notes and receiving payments under the notes. This summary is based upon the law as in effect on the date of this pricing supplement and is subject to any change in law that may take effect after such date. We urge you to read the more detailed discussion in the "Supplemental Discussion of U.S. Federal Income Tax Consequences" section beginning on page PS-30 of product prospectus supplement EQUITY INDICES SUN-1.

No statutory, judicial or administrative authority directly discusses how the notes should be treated for U.S. federal income tax purposes. As a result, the U.S. federal income tax consequences of your investment in the notes are uncertain. Accordingly, we urge you to consult your tax advisor as to the tax consequences of your investment in the notes (and of having agreed to the required tax treatment of your notes described below) and as to the application of state, local or other tax laws to your investment in your notes and the possible effects of changes in federal or other tax laws.

We will not attempt to ascertain whether any entity the stock of which is included in the index would be treated as a "passive foreign investment company" (a "PFIC") within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"). If any such entity were so treated, certain adverse U.S. federal income tax consequences might apply to U.S. holders upon the taxable disposition (including cash settlement) of the notes. You should refer to information filed with the SEC or an equivalent governmental authority by such entities and consult your tax advisor regarding the possible consequences to you if such entity is or becomes a PFIC.

Pursuant to the terms of the notes, BNS and you agree, in the absence of a statutory, regulatory, administrative or judicial ruling to the contrary, to characterize your notes as a pre-paid derivative contract with respect to the Basket. If your notes are so treated, you should generally recognize long-term capital gain or loss if you hold your notes for more than one year (and otherwise, short-term capital gain or loss) upon the sale, exchange, redemption or maturity of your notes in an amount equal to the difference between the amount you receive at such time and the amount you paid for your notes. The deductibility of capital losses is subject to limitations.

In the opinion of our counsel, Cadwalader, Wickersham & Taft LLP, it would be reasonable to treat your notes in the manner described above. However, because there is no authority that specifically addresses the tax treatment of the notes, it is possible that your notes could alternatively be treated for tax purposes as a single contingent payment debt instrument or pursuant to some other characterization, such that the timing and character of your income from the notes could differ materially from the treatment described above.

Possible Change in Law. In 2007, the Internal Revenue Service ("the IRS") released a notice that may affect the taxation of holders of the notes. According to Notice 2008-2, the IRS and the U.S. Treasury Department are actively considering whether a holder of an instrument such as the notes should be required to accrue ordinary income on a current basis, and they are seeking taxpayer comments on the subject. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, holders of the notes will ultimately be required to accrue income currently and this could be applied on a retroactive basis. The IRS and the U.S. Treasury Department are also considering other relevant issues, including whether additional gain or loss from such instruments should be treated as ordinary or capital, whether foreign holders of such instruments should be subject to withholding tax on any deemed income accruals, and whether the special "constructive ownership rules" of Section 1260 of the Code should be applied to such instruments.

Medicare Tax on Net Investment Income. U.S. holders that are individuals or estates and certain trusts are subject to an additional 3.8% tax on all or a portion of their "net investment income," or "undistributed net investment income" in the case of an estate or trust, which may include any income or gain with respect to the notes, to the extent of their net investment income or undistributed net investment income (as the case may be) that, when added to their other modified adjusted gross income, exceeds $200,000 for an unmarried individual, $250,000 for a married taxpayer filing a joint return (or a surviving spouse), $125,000 for a married individual filing a separate return, or the dollar amount at which the highest tax bracket begins for an estate or trust (which, in 2017, is $12,500). The 3.8% Medicare tax is determined in a different manner than the regular income tax. U.S. holders should consult their advisors with respect to the 3.8% Medicare tax.

Specified Foreign Financial Assets. U.S. holders may be subject to reporting obligations with respect to their notes if they do not hold their notes in an account maintained by a financial institution and the aggregate value of their notes and certain other "specified foreign financial assets" (applying certain attribution rules) exceeds $50,000. Significant penalties can apply if a U.S. holder is required to disclose its notes and fails to do so.

Backup Withholding and Information Reporting. The proceeds received from a sale, exchange, redemption or maturity of the notes will be subject to information reporting unless you are an "exempt recipient" and may also be subject to backup withholding at the rate specified in the Code if you fail to provide certain identifying information (such as an accurate taxpayer number, if you are a U.S. holder) or meet certain other conditions.

Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is furnished to the IRS.

Non-U.S. Holders. This section applies only if you are a non-U.S. holder. For these purposes, you are a non-U.S. holder if you are the beneficial owner of the notes and are, for U.S. federal income tax purposes:

- a non-resident alien individual;
- a foreign corporation; or
- an estate or trust that, in either case, is not subject to U.S. federal income tax on a net income basis on income or gain from the notes.

If you are a non-U.S. holder, subject to Section 871(m) discussed below, you should generally not be subject to generally applicable information reporting and backup withholding requirements with respect to payments on your notes if you comply with certain certification and identification requirements as to your foreign status including providing us (and/or the applicable withholding agent) a properly executed and fully completed applicable IRS Form W-8. Subject to Section 871(m), discussed below, gain from the sale, exchange or redemption of the notes or settlement at maturity generally will not be subject to U.S. tax unless such gain is effectively connected with a trade or business conducted by you in the U.S. or unless you are a non-resident alien individual and are present in the U.S. for 183 days or more during the taxable year of such sale, exchange or settlement and certain other conditions are satisfied.

Section 871(m). A 30% withholding tax (which may be reduced by an applicable income tax treaty) is imposed under Section 871(m) of the Code on certain "dividend equivalents" paid or deemed paid to a non-U.S. holder with respect to a "specified equity-linked instrument" that references one or more dividend-paying U.S. equity securities or indices containing U.S. equity securities. The withholding tax can apply even if the instrument does not provide for payments that reference dividends. Treasury regulations provide that the withholding tax applies to all dividend equivalents paid or deemed paid on specified equity-linked instruments that have a delta of one ("delta one specified equity-linked instruments") issued after 2016 and to all dividend equivalents paid or deemed paid on all other specified equity-linked instruments issued after 2018.

In light of the nature of the notes and the Basket, our counsel is of the opinion that the notes should not be subject to withholding on dividend equivalents. Our determination is not binding on the IRS, and the IRS may disagree with this determination. Furthermore, the application of Section 871(m) of the Code will depend on our determinations made upon issuance of the notes. If withholding is required, we will not make payments of any additional amounts.

Nevertheless, after issuance, it is possible that your notes could be deemed to be reissued for tax purposes upon the occurrence of certain events affecting the Basket Components or stocks comprising any Basket Component or your notes, and following such occurrence your notes could be treated as delta one specified equity-linked instruments that are subject to withholding on dividend equivalents. It is also possible that withholding tax or other tax under Section 871(m) of the Code could apply to the notes under these rules if a non-U.S. holder enters, or has entered, into certain other transactions in respect of the Basket Components or stocks comprising any Basket Component or the notes. A non-U.S. holder that enters, or has entered, into other transactions in respect of the Basket Components or stocks comprising any Basket Component or the notes should consult its own tax advisor regarding the application of Section 871(m) of the Code to its notes in the context of its other transactions.

Because of the uncertainty regarding the application of the 30% withholding tax on dividend equivalents to the notes, you are urged to consult your tax advisor regarding the potential application of Section 871(m) of the Code and the 30% withholding tax to an investment in the notes.

U.S. Federal Estate Tax Treatment of Non-U.S. Holders. A note may be subject to U.S. federal estate tax if an individual non-U.S. holder holds the note at the time of his or her death. The gross estate of a non-U.S. holder domiciled outside the U.S. includes only property situated in the U.S. Individual non-U.S. holders should consult their tax advisors regarding the U.S. federal estate tax consequences of holding the notes at death.

FATCA. The Foreign Account Tax Compliance Act ("FATCA") was enacted on March 18, 2010, and imposes a 30% U.S. withholding tax on "withholdable payments" (i.e., certain U.S.-source payments, including interest (and original issue discount), dividends, other fixed or determinable annual or periodical gain, profits, and income, and on the gross proceeds from a disposition of property of a type which can produce U.S.-source interest or dividends) and "passthru payments" (i.e., certain payments attributable to withholdable payments) made to certain foreign financial institutions (and certain of their affiliates) unless the payee foreign financial institution agrees (or is required), among other things, to disclose the identity of any U.S. individual with an account at the institution (or the relevant affiliate) and to annually report certain information about such account. FATCA also requires withholding agents making withholdable payments to certain foreign entities that do not disclose the name, address, and taxpayer identification number of any substantial U.S. owners (or do not certify that they do not have any substantial U.S. owners) to withhold tax at a rate of 30%. Under certain circumstances, a holder may be eligible for refunds or credits of such taxes.

Pursuant to final and temporary Treasury regulations and other IRS guidance, the withholding and reporting requirements under FATCA will generally apply to certain "withholdable payments" made on or after July 1, 2014, certain gross proceeds on a sale or disposition occurring after December 31, 2018, and certain foreign passthru payments made after December 31, 2018 (or, if later, the date that final regulations defining the term "foreign passthru payment" are published). If withholding is required, we (or the applicable paying agent) will not be required to pay additional amounts with respect to the amounts so withheld. Foreign financial institutions and nonfinancial foreign entities located in jurisdictions that have an intergovernmental agreement with the U.S. governing FATCA may be subject to different rules.

Investors should consult their own advisors about the application of FATCA, in particular if they may be classified as financial institutions (or if they hold their notes through a non-U.S. entity) under the FATCA rules.

Both U.S. and non-U.S. holders should consult their tax advisors regarding the U.S. federal income tax consequences of an investment in the notes, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction (including that of the issuers of stocks included in the Basket Components and BNS).

Validity of the Notes

In the opinion of Cadwalader, Wickersham & Taft LLP, as special counsel to the issuer, when the notes offered by this term sheet have been executed and issued by the issuer and authenticated by the trustee pursuant to the indenture and delivered, paid for and sold as contemplated herein, the notes will be valid and binding obligations of the issuer, enforceable against the issuer in accordance with their terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, receivership or other laws relating to or affecting creditors' rights generally, and to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). This opinion is given as of the date hereof and is limited to the laws of the State of New York. Insofar as this opinion involves matters governed by Canadian law, Cadwalader, Wickersham & Taft LLP has assumed, without independent inquiry or investigation, the validity of the matters opined on by Osler, Hoskin & Harcourt LLP, Canadian legal counsel for the issuer, in its opinion expressed below. In addition, this opinion is subject to customary assumptions about the trustee's authorization, execution and delivery of the indenture and, with respect to the Securities, authentication of the Securities and the genuineness of signatures and certain factual matters, all as stated in the opinion of Cadwalader, Wickersham & Taft LLP dated January 18, 2017 filed with the Securities and Exchange Commission as Exhibit 5.3 to the Registration Statement on Form F-3 on January 18, 2017.

In the opinion of Osler, Hoskin & Harcourt LLP, the issue and sale of the notes has been duly authorized by all necessary corporate action of BNS in conformity with the Indenture, and when the notes have been duly executed, authenticated and issued in accordance with the Indenture, the notes will be validly issued and, to the extent validity of the notes is a matter governed by the laws of the Province of Ontario, or the laws of Canada applicable therein, and will be valid obligations of BNS, subject to the following limitations (i) the enforceability of the Indenture may be limited by the Canada Deposit Insurance Corporation Act (Canada), the Winding-up and Restructuring Act (Canada) and bankruptcy, insolvency, reorganization, receivership, moratorium, arrangement or winding-up laws or other similar laws affecting the enforcement of creditors' rights generally; (ii) the enforceability of the Indenture may be limited by equitable principles, including the principle that equitable remedies such as specific performance and injunction may only be granted in the discretion of a court of competent jurisdiction; (iii) pursuant to the Currency Act (Canada) a judgment by a Canadian court must be awarded in Canadian currency and that such judgment may be based on a rate of exchange in existence on a day other than the day of payment; and (iv) the enforceability of the Indenture will be subject to the limitations contained in the Limitations Act, 2002 (Ontario), and such counsel expresses no opinion as to whether a court may find any provision of the Indenture to be unenforceable as an attempt to vary or exclude a limitation period under that Act. This opinion is given as of the date hereof and is limited to the laws of the Province of Ontario and the federal laws of Canada applicable thereto. In addition, this opinion is subject to customary assumptions about the Trustees' authorization, execution and delivery of the Indenture and the genuineness of signatures and certain factual matters, all as stated in the letter of such counsel dated January 18, 2017, which has been filed as Exhibit 5.2 to BNS's Form F-3 filed with the SEC on January 18, 2017.

Where You Can Find More Information

We have filed a registration statement (including a product prospectus supplement, a prospectus supplement, and a prospectus) with the SEC for the offering to which this term sheet relates. Before you invest, you should read the Note Prospectus, including this term sheet, and the other documents that we have filed with the SEC, for more complete information about us and this offering. You may get these documents without cost by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, we, any agent, or any dealer participating in this offering will arrange to send you these documents if you so request by calling MLPF&S toll-free at 1-800-294-1322.

Market-Linked Investments Classification

MLPF&S classifies certain market-linked investments (the "Market-Linked Investments") into categories, each with different investment characteristics. The following description is meant solely for informational purposes and is not intended to represent any particular Enhanced Return Market-Linked Investment or guarantee any performance.

Enhanced Return Market-Linked Investments are short- to medium-term investments that offer you a way to enhance exposure to a particular market view without taking on a similarly enhanced level of market downside risk. They can be especially effective in a flat to moderately positive market (or, in the case of bearish investments, a flat to moderately negative market). In exchange for the potential to receive better-than market returns on the linked asset, you must generally accept market downside risk and capped upside potential. As these investments are not market downside protected, and do not assure full repayment of principal at maturity, you need to be prepared for the possibility that you may lose all or part of your investment.

150; albeit imperfect but the interesting thing is that the common factor in the environments I cited is that the economy was in transition from recovery, in which people were taking risks, to a more stable, steady growth environment. So, when people say it s time for large caps to catch up, I say it s not until the world slows down and catches its breath that people appreciate the benefits that higher quality, large cap companies can offer.

Through time and regardless of the stock market environment for instance, positive in the first quarter but nervous during the second what is the core strength in William Blair s investment process?

We consistently seek out companies whose longer-term growth rates are believable. We have a skill set that enables us to evaluate the factors that generate confidence in a sustainable growth rate. In other words, we are skilled at finding companies that will be growing at a rate that s very believable two to three years into the future and maybe two to three years beyond that.

Many investment managers focus on the current quarter, and insights based on the current quarter get priced into stocks very quickly. As you extend out the next few quarters to a year or maybe a year and a half, there s moderate efficiency in pricing. Beyond that, there s considerably less efficiency. We think we are able to find companies that can continue to grow over the coming 18 months and longer with some reasonable precision. And, it stands to reason, if you can do that you should be pretty good at deciding what their stocks are worth.

So, determining sustainability and durability is our core strength, and a related strength is knowing what to pay, which ups the odds that we can earn an above-average return. Stocks go in and out of favor, of course sometimes people take a lot of risk and they pay too much for companies that are doing well in the present but are not able to sustain it. We know the failure rate in small caps can be fairly high, less so in mid-caps and even less so for the quality companies that we invest in. Consistency, high returns on equity, proven business models, customer loyalty, repeat transactions, recurring revenues, stable management, solid track records those are the sorts of things that make companies performance durable and sustainable.

Tell us about a stock you recently added to the portion of the Liberty All-Star Growth Fund that you manage and your rationale for buying it and the same thing from the sell side.

We recently bought shares of Rockwell Collins. This company has two businesses, a commercial systems business and a government systems business. The commercial systems business supplies aircraft manufacturers of all sizes with electronic systems, avionics, navigation and guidance systems, radio and communications systems, electronics and displays. The thing we like is the presence of many of the elements of sustainability and durability that I just discussed. Right now we especially like the fact that the company is gaining market share across all segments of its commercial systems business, particularly with Boeing. And we like the fact that for the first time Boeing has decided to outsource virtually the entire avionics system for its 787 Dreamliner. That means that, on average, Rockwell Collins per-plane content is going to be more than twice what it was on prior Boeing aircraft.

It s not until the world slows down and catches its breath that people appreciate the benefits that higher quality, large cap companies can offer.

The government systems business is equally interesting. Rockwell Collins has entered into contracts with the government for radios that are sold across all the military services, the most important being the JTRS, or Joint Tactical Radio System. It s a satellite-based radio system that could potentially integrate all the services. Think about the Air Force providing close air ground support to troops in the field, who can be in direct contact with the pilots overhead whereas now you have many hops to the back lines, changing over to the other service and then back out to the air support. This is an example of the kind of technology that Rockwell Collins is developing that s allowing this concept of jointness that is being propagated in the military now. The interesting thing about Rockwell Collins is the profitability that the U.S. Department of Defense (DoD) allows it because it has been able to convince the government rightly so, I think that it has the ability to develop and manufacture the JTRS more cheaply than if the DoD were to go outside and bid it separately.

So, we really think we ve got four to five years of very good visibility on above-average growth with Rockwell Collins. And we like the fact that as managers Rockwell Collins people are extremely methodical. You expect that out of a company doing something in which so many lives depend on a high quality product, but deep down they are just very solid engineers and very careful and extremely proud of the products that they put together.

Determining sustainability and durability is our core strength, and a related strength is knowing what to pay, which ups the odds that we can earn an above-average return.

Lastly, Rockwell Collins has a business development group that has been able to make selective acquisitions. They ve not done any big deals and we would be surprised and concerned if they did. But, the company has the knack for small to medium-sized acquisitions, either technology or product, that are adjacent to its core skills and that has given Rockwell Collins growth rate a nice boost.

How about on the sell side?

Rather than a specific decision as we might normally talk about, let me address something we did in April that has worked pretty well for us. We didn t predict the downside volatility that hit the market in May and June, but we did recognize that there was too much risk in the market and there were companies that needed to perform at extraordinarily good levels for extraordinarily long periods of time to justify then-current prices. Some of these were in areas that are traditionally a little more volatile, like semiconductors. So, we trimmed back some of those stocks as a group. Taiwan Semiconductor was one. We know that company very well and it s got good long-term prospects, but the valuation was a little frothy so we reduced our position. We also sold Dell and SAP, and trimmed our Qualcomm position.

They sound like timely moves and thank you for your time today.

Schedule of Investments as of June 30, 2006 (Unaudited)

	SHARES	MARKET VALUE
COMMON STOCKS (97.4%)		
CONSUMER DISCRETIONARY (13.9%)		
Auto Components (1.4%)		
Johnson Controls, Inc.	13,645	$ 1,121,892
LKQ Corp. (a)	53,554	1,017,526
		2,139,418
Automobiles (1.1%)		
Thor Industries, Inc.	36,029	1,745,605
Diversified Consumer Services (1.5%)		
Bright Horizons Family Solutions, Inc. (a)	45,963	1,732,345
Strayer Education, Inc.	5,300	514,736
		2,247,081
Hotels, Restaurants & Leisure (3.4%)		
The Cheesecake Factory, Inc. (a)	22,110	595,864
Life Time Fitness, Inc. (a)	18,311	847,250
Marriott International, Inc., Class A	45,682	1,741,398
P.F. Chang s China Bistro, Inc. (a)	14,785	562,126
Texas Roadhouse, Inc., Class A (a)	35,040	473,741
Wynn Resorts Ltd. (a)	13,700	1,004,210
		5,224,589
Internet & Catalog Retail (1.8%)		
eBay, Inc. (a)	62,600	1,833,554
Netflix, Inc. (a)	34,800	946,908
		2,780,462
Media (0.3%)		
Carmike Cinemas, Inc.	12,936	272,691
Westwood One, Inc.	18,178	136,335
		409,026
Multi-line Retail (1.3%)		
Dollar Tree Stores, Inc. (a)	27,002	715,553
Kohl s Corp. (a)	22,992	1,359,287
		2,074,840

See Notes to Schedule of Investments and Financial Statements.

	SHARES		MARKET VALUE
COMMON STOCKS (CONTINUED)			
Specialty Retail (1.9%)			
Bed Bath & Beyond, Inc. (a)	34,800	$	1,154,316
Guitar Center, Inc. (a)	14,619		650,107
J. Crew Group, Inc. (a)	1,800		49,410
Staples, Inc.	43,480		1,057,434
			2,911,267
Textiles, Apparel & Luxury Goods (1.2%)			
NIKE, Inc., Class B	23,400		1,895,400
CONSUMER STAPLES (1.2%)			
Beverages (1.2%)			
PepsiCo, Inc.	31,865		1,913,175
ENERGY (8.2%)			
Energy Equipment & Services (5.6%)			
Atwood Oceanics, Inc. (a)	12,102		600,259
CARBO Ceramics, Inc.	17,347		852,258
FMC Technologies, Inc. (a)	19,300		1,301,978
Hydril (a)	11,947		938,078
National-Oilwell Varco, Inc. (a)	11,000		696,520
Patterson-UTI Energy, Inc.	34,357		972,647
Schlumberger Ltd.	19,770		1,287,225
Smith International, Inc.	28,000		1,245,160
Veritas DGC, Inc. (a)	14,500		747,910
			8,642,035
Oil, Gas & Consumable Fuels (2.6%)			
Frontier Oil Corp.	18,200		589,680
Golar LNG Ltd. (a)	44,998		599,823
Suncor Energy, Inc.	15,395		1,247,149
Ultra Petroleum Corp. (a)	14,300		847,561
Whiting Petroleum Corp. (a)	18,900		791,343
			4,075,556

See Notes to Schedule of Investments and Financial Statements.

	SHARES		MARKET VALUE
COMMON STOCKS (CONTINUED)			
FINANCIALS (9.6%)			
Capital Markets (4.8%)			
Affiliated Managers Group, Inc. (a)	19,946	$	1,733,108
The Charles Schwab Corp.	47,840		764,483
Franklin Resources, Inc.	5,890		511,311
GFI Group, Inc. (a)	18,900		1,019,655
The Goldman Sachs Group, Inc.	10,800		1,624,644
optionsXpress Holdings, Inc.	4,066		94,779
SEI Investments Co.	23,700		1,158,456
T. Rowe Price Group, Inc.	12,200		461,282
			7,367,718
Commercial Banks (0.7%)			
Hancock Holding Co.	13,000		728,000
Signature Bank (a)	9,945		322,019
			1,050,019
Consumer Finance (1.8%)			
Capital One Financial Corp.	18,165		1,552,199
SLM Corp.	23,335		1,234,888
			2,787,087
Diversified Financial Services (0.9%)			
Financial Federal Corp.	52,431		1,458,106
Insurance (1.4%)			
Brown & Brown, Inc.	36,088		1,054,491
National Interstate Corp.	39,800		1,079,376
			2,133,867
HEALTH CARE (19.1%)			
Biotechnology (4.2%)			
Amgen, Inc. (a)	23,280		1,518,554
Cubist Pharmaceuticals, Inc. (a)	21,600		543,888

See Notes to Schedule of Investments and Financial Statements.

	SHARES		MARKET VALUE
COMMON STOCKS (CONTINUED)			
Biotechnology (continued)			
CV Therapeutics, Inc. (a)	27,300	$	381,381
Enzon Pharmaceuticals, Inc. (a)	39,257		295,998
Genentech, Inc. (a)	15,800		1,292,440
Martek Biosciences Corp. (a)	32,443		939,225
MedImmune, Inc. (a)	19,275		522,352
Nuvelo, Inc. (a)	15,500		258,075
Onyx Pharmaceuticals, Inc. (a)	13,100		220,473
Vertex Pharmaceuticals, Inc. (a)	13,400		491,914
			6,464,300
Health Care Equipment & Supplies (7.2%)			
Abaxis, Inc. (a)	23,200		518,984
Adeza Biomedical Corp. (a)	16,273		228,148
C.R. Bard, Inc.	7,140		523,076
Foxhollow Technologies, Inc. (a)	19,300		527,276
IntraLase Corp. (a)	35,100		587,574
Intuitive Surgical, Inc. (a)	9,300		1,097,121
Medtronic, Inc.	51,725		2,426,937
Palomar Medical Technologies, Inc. (a)	10,900		497,367
PolyMedica Corp.	40,207		1,445,844
ResMed, Inc. (a)	57,098		2,680,751
SurModics, Inc. (a)	16,092		581,082
			11,114,160
Health Care Providers & Services (5.5%)			
The Advisory Board Co. (a)	13,400		644,406
Caremark Rx, Inc.	31,595		1,575,643
Chemed Corp.	17,009		927,501
Express Scripts, Inc., Class A (a)	12,100		868,054
Lincare Holdings, Inc. (a)	32,355		1,224,313
Nighthawk Radiology Holdings, Inc. (a)	22,982		412,297

See Notes to Schedule of Investments and Financial Statements.

	SHARES		MARKET VALUE
COMMON STOCKS (CONTINUED)			
Health Care Providers & Services (continued)			
PSS World Medical, Inc. (a)	31,897	$	562,982
UnitedHealth Group, Inc.	21,260		952,023
VCA Antech, Inc. (a)	43,199		1,379,344
			8,546,563
Health Care Technology (0.6%)			
Cerner Corp. (a)	11,800		437,898
Computer Programs and Systems, Inc.	12,325		492,507
			930,405
Pharmaceuticals (1.6%)			
Allergan, Inc.	6,280		673,593
Eli Lilly and Co.	11,500		635,605
Salix Pharmaceuticals Ltd. (a)	32,600		400,980
Sanofi-Aventis (b)	16,960		825,952
			2,536,130
INDUSTRIALS (18.1%)			
Aerospace & Defense (1.0%)			
Rockwell Collins, Inc.	27,590		1,541,453
Air Freight & Logistics (1.2%)			
UTI Worldwide, Inc.	72,831		1,837,526
Commercial Services & Supplies (7.8%)			
Alliance Data Systems Corp. (a)	27,200		1,599,904
The Corporate Executive Board Co.	28,506		2,856,301
CRA International, Inc. (a)	9,172		414,024
Monster Worldwide, Inc. (a)	17,800		759,348
Resources Connection, Inc. (a)	75,040		1,877,501
Robert Half International, Inc.	22,600		949,200
Stericycle, Inc. (a)	16,125		1,049,738
VistaPrint Ltd. (a)	19,753		528,195
Waste Connections, Inc. (a)	23,960		872,144
West Corp. (a)	22,935		1,098,816
			12,005,171

See Notes to Schedule of Investments and Financial Statements.

	SHARES		MARKET VALUE
COMMON STOCKS (CONTINUED)			
Construction & Engineering (0.3%)			
Foster Wheeler Ltd. (a)	11,400	$	492,480
Electrical Equipment (1.0%)			
Energy Conversion Devices, Inc. (a)	17,700		644,811
Rockwell Automation, Inc.	12,080		869,881
			1,514,692
Industrial Conglomerates (0.7%)			
3M Co.	12,890		1,041,125
Machinery (3.1%)			
Danaher Corp.	43,270		2,783,127
Joy Global, Inc.	22,000		1,145,980
Wabtec Corp.	24,158		903,509
			4,832,616
Trading Companies & Distributors (3.0%)			
Fastenal Co.	63,478		2,557,529
GATX Corp.	19,809		841,882
Interline Brands, Inc. (a)	18,207		425,680
TransDigm Group, Inc. (a)	15,513		371,536
Williams Scotsman International, Inc. (a)	22,237		485,656
			4,682,283
INFORMATION TECHNOLOGY (25.4%)			
Communications Equipment (4.1%)			
Avocent Corp. (a)	18,827		494,209
Cisco Systems, Inc. (a)	62,518		1,220,976
Corning, Inc. (a)	58,030		1,403,746
Polycom, Inc. (a)	38,561		845,257
QUALCOMM, Inc.	24,285		973,100
Research In Motion Ltd. (a)	19,600		1,367,492
			6,304,780

See Notes to Schedule of Investments and Financial Statements.

	SHARES		MARKET VALUE
COMMON STOCKS (CONTINUED)			
Computers & Peripherals (2.1%)			
EMC Corp. (a)	99,230	$	1,088,553
Network Appliance, Inc. (a)	61,285		2,163,361
			3,251,914
Electronic Equipment & Instruments (2.8%)			
Cognex Corp.	32,653		849,958
Daktronics, Inc.	21,746		627,807
FLIR Systems, Inc. (a)	21,473		473,695
Hittite Microwave Corp. (a)	35,377		1,279,232
National Instruments Corp.	39,808		1,090,739
			4,321,431
Internet Software & Services (3.9%)			
Baidu.com, Inc. (a)(b)	5,800		478,674
Ctrip.com International Ltd. (b)	18,210		929,621
SINA Corp. (a)	19,900		497,102
WebEx Communications, Inc. (a)	27,512		977,776
Yahoo!, Inc. (a)	97,250		3,209,250
			6,092,423
IT Services (4.1%)			
CheckFree Corp. (a)	15,200		753,312
Cognizant Technology Solutions Corp., Class A (a)	19,800		1,333,926
Forrester Research, Inc. (a)	29,109		814,470
IHS, Inc., Class A (a)	28,066		831,596
Infosys Technologies Ltd. (b)	8,290		633,439
Paychex, Inc.	41,250		1,607,925
SRA International, Inc., Class A (a)	15,631		416,253
			6,390,921
Office Electronics (0.4%)			
Zebra Technologies Corp., Class A (a)	19,177		655,086

See Notes to Schedule of Investments and Financial Statements.

	SHARES	MARKET VALUE
COMMON STOCKS (CONTINUED)		
Semiconductors & Semiconductor Equipment (4.4%)		
Broadcom Corp., Class A (a)	31,700	$952,585
Linear Technology Corp.	32,915	1,102,323
Marvell Technology Group Ltd. (a)	17,800	789,074
Microchip Technology, Inc.	50,403	1,691,021
Silicon Laboratories, Inc. (a)	27,300	959,595
Taiwan Semiconductor Manufacturing Co., Ltd. (b)	132,782	1,218,940
		6,713,538
Software (3.6%)		
Adobe Systems, Inc. (a)	43,765	1,328,705
American Reprographics Co. (a)	43,427	1,574,229
ANSYS, Inc. (a)	20,500	980,310
Opsware, Inc. (a)	100,200	825,648
Salesforce.com, Inc. (a)	30,800	821,128
		5,530,020
MATERIALS (1.2%)		
Chemicals (1.2%)		
Praxair, Inc.	34,605	1,868,670
TELECOMMUNICATION SERVICES (0.7%)		
Diversified Telecommunication Services (0.7%)		
NeuStar, Inc., Class A (a)	30,160	1,017,900
TOTAL COMMON STOCKS (COST OF $125,626,286)		150,540,838

See Notes to Schedule of Investments and Financial Statements.

	PAR VALUE	MARKET VALUE
SHORT-TERM INVESTMENT (1.9%)		
REPURCHASE AGREEMENT (1.9%)		
Repurchase agreement with State Street Bank & Trust Co., dated 06/30/06, due 07/03/06 at 4.40%, collateralized by U.S. Treasury Bonds with various maturities to 02/15/21, market value of $2,983,473 (repurchase proceeds $2,919,070) (Cost of $2,918,000)	$ 2,918,000	$ 2,918,000
TOTAL INVESTMENTS (99.3%) (COST OF $128,544,286)(c)		153,458,838
OTHER ASSETS & LIABILITIES, NET (0.7%)		1,026,171
NET ASSETS (100.0%)		$ 154,485,009
NET ASSET VALUE PER SHARE (27,250,328 SHARES OUTSTANDING)		$ 5.67

NOTES TO SCHEDULE OF INVESTMENTS:

(a) Non-income producing security.

(b) Represents an American Depositary Receipt.

(c) Cost of investments for federal income tax purposes is $128,544,286.

Gross unrealized appreciation and depreciation of investments at June 30, 2006 is as follows:	
Gross unrealized appreciation	$ 31,758,302
Gross unrealized depreciation	(6,843,750)
Net unrealized appreciation	$ 24,914,552

See Notes to Financial Statements.

STATEMENT OF ASSETS AND LIABILITIES JUNE 30, 2006 (UNAUDITED)

ASSETS:		
Investments at market value (identified cost $128,544,286)	$	153,458,838
Cash		155,681
Receivable for investments sold		2,396,369
Dividends and interest receivable		87,925
Foreign tax reclaim		4,044
TOTAL ASSETS		156,102,857
LIABILITIES:		
Payable for investments purchased		1,145,082
Investment advisory, administrative and bookkeeping/pricing fees payable		414,501
Accrued expenses		58,265
TOTAL LIABILITIES		1,617,848
NET ASSETS	$	154,485,009
NET ASSETS REPRESENTED BY:		
Paid-in capital (authorized 60,000,000 shares at $0.10 Par; 27,250,328 shares outstanding)	$	136,744,497
Accumulated net investment loss		(619,622)
Accumulated net realized loss on investments		(6,554,418)
Net unrealized appreciation on investments		24,914,552
TOTAL NET ASSETS APPLICABLE TO OUTSTANDING SHARES OF COMMON STOCK ($5.67 PER SHARE)	$	154,485,009

See Notes to Financial Statements.

STATEMENT OF OPERATIONS SIX MONTHS ENDED JUNE 30, 2006 (UNAUDITED)

INVESTMENT INCOME:		
Dividends		$ 408,830
Interest		77,437
TOTAL INVESTMENT INCOME (NET OF FOREIGN TAXES WITHHELD AT SOURCE WHICH AMOUNTED TO $12,820)		486,267
EXPENSES:		
Investment advisory fee	$ 653,700	
Administrative fee	163,056	
Bookkeeping and pricing fees	42,887	
Custodian fees	13,625	
Transfer agent fees	48,399	
Shareholder communication expenses	67,679	
Directors fees and expenses	30,410	
NYSE fee	15,157	
Miscellaneous expenses	71,499	
TOTAL EXPENSES		1,106,412
CUSTODY EARNINGS CREDIT		(523)
NET EXPENSES		1,105,889
NET INVESTMENT LOSS		(619,622)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized gain on investment transactions:		
Proceeds from sales	54,606,580	
Cost of investments sold	47,383,563	
Net realized gain on investment transactions		7,223,017
Net unrealized appreciation on investments:		
Beginning of period	31,167,704	
End of period	24,914,552	
Chage in unrealized appreciation-net		(6,253,152)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		$ 350,243

See Notes to Financial Statements.

	SIX MONTHS ENDED JUNE 30, 2006 (UNAUDITED)	YEAR ENDED DECEMBER 31, 2005
STATEMENT OF CHANGES IN NET ASSETS		
OPERATIONS:		
Net investment loss	$ (619,622)	$ (1,213,731)
Net realized gain on investment transactions	7,223,017	3,153,352
Change in unrealized appreciation net	(6,253,152)	5,095,728
Net increase in net assets resulting from operations	350,243	7,035,349
DISTRIBUTIONS DECLARED FROM:		
Paid-in capital	(1,224,584)	(12,448,359)
Net realized gain on investments	(7,223,017)	(2,965,536)
Total distributions	(8,447,601)	(15,413,895)
CAPITAL TRANSACTIONS:		
Dividend reinvestments		6,316,229
Total decrease in net assets	(8,097,358)	(2,062,317)
NET ASSETS:		
Beginning of period	162,582,367	164,644,684
End of period (including accumulated net investment loss of $(619,622) and $0, respectively)	$ 154,485,009	$ 162,582,367

See Notes to Financial Statements.

	SIX MONTHS ENDED JUNE 30, 2006 (UNAUDITED)	YEAR ENDED DECEMBER 31, 2005	2004	2003
PER SHARE OPERATING PERFORMANCE:				
Net asset value at beginning of period	$ 5.97	$ 6.29	$ 6.51	$ 5.44
Income from Investment Operations:				
Net investment income (loss)	(0.02)	(0.04)	(0.05)	(0.06)
Net realized and unrealized gain (loss) on investments	0.03	0.30	0.46	1.79
Total from Investment Operations	0.01	0.26	0.41	1.73
Less Distributions from:				
Net investment income				
Paid-in capital	(0.04)	(0.47)	(0.29)	(0.26)
Realized capital gain	(0.27)	(0.11)	(0.34)	(0.32)
In excess of realized capital gain				
Total Distributions	(0.31)	(0.58)	(0.63)	(0.58)
Change due to rights offering (a)				(0.08)
Impact of shares issued in dividend reinvestment (b)				
Total Distributions, Reinvestments and Rights Offering	(0.31)	(0.58)	(0.63)	(0.66)
Net asset value at end of period	$ 5.67	$ 5.97	$ 6.29	$ 6.51
Market price at end of period	$ 5.16	$ 5.44	$ 6.61	$ 6.83
TOTAL INVESTMENT RETURN FOR SHAREHOLDERS: (c)				
Based on net asset value	0.5%(d)	4.6%	6.7%	33.7%
Based on market price	0.4%(d)	(9.3)%	6.9%	51.1%
RATIOS AND SUPPLEMENTAL DATA:				
Net assets at end of period (millions)	$ 154	$ 163	$ 165	$ 163
Ratio of expenses to average net assets (e)	1.35%(f)	1.35%	1.31%	1.34%
Ratio of net investment income (loss) to average net assets (e)	(0.75)%(f)	(0.78)%	(0.82)%	(0.94)%
Portfolio turnover rate	27%(d)	46%	28%	37%

(a) Effect of Fund s rights offerings for shares at a price below net asset value.

(b) Effect of payment of a portion of distributions in newly issued shares at a discount from net asset value.

(c) Calculated assuming all distributions reinvested at actual reinvestment price and all rights offerings were fully subscribed under the terms of each offering.

See Notes to Financial Statements.

	YEAR ENDED DECEMBER 31, 2002	2001	2000	1999	1998	1997	1996
PER SHARE OPERATING PERFORMANCE:							
Net asset value at beginning of period	$ 8.31	$ 10.86	$ 13.44	$ 13.03	$ 12.89	$ 11.27	$ 10.55
Income from Investment Operations:							
Net investment income (loss)	(0.07)	(0.09)	(0.09)	(0.05)	(0.03)	(0.02)	0.01
Net realized and unrealized gain (loss) on investments	(2.13)	(1.50)	(1.15)	1.83	1.73	2.88	1.86
Total from Investment Operations	(2.20)	(1.59)	(1.24)	1.78	1.70	2.86	1.87
Less Distributions from:							
Net investment income							(0.01)
Paid-in capital	(0.67)	(0.92)	(0.05)		(0.83)		
Realized capital gain			(1.22)	(1.23)	(0.52)	(1.24)	(1.01)
In excess of realized capital gain			(0.07)				
Total Distributions	(0.67)	(0.92)	(1.34)	(1.23)	(1.35)	(1.24)	(1.02)
Change due to rights offering (a)		(0.04)			(0.21)		
Impact of shares issued in dividend reinvestment (b)				(0.14)			(0.13)
Total Distributions, Reinvestments and Rights Offering	(0.67)	(0.96)	(1.34)	(1.37)	(1.56)	(1.24)	(1.15)
Net asset value at end of period	$ 5.44	$ 8.31	$ 10.86	$ 13.44	$ 13.03	$ 12.89	$ 11.27
Market price at end of period	$ 5.05	$ 8.33	$ 9.438	$ 10.813	$ 11.438	$ 11.938	$ 9.250
TOTAL INVESTMENT RETURN FOR SHAREHOLDERS: (c)							
Based on net asset value	(27.2)%	(13.7)%	(9.1)%	15.9%	15.3%	27.3%	18.3%
Based on market price	(32.6)%	(0.5)%	(1.8)%	6.2%	9.3%	43.6%	9.3%
RATIOS AND SUPPLEMENTAL DATA:							
Net assets at end of period (millions)	$ 112	$ 163	$ 180	$ 219	$ 199	$ 167	$ 137
Ratio of expenses to average net assets (e)	1.38%	1.41%	1.21%	1.20%	1.22%	1.20%	1.35%
Ratio of net investment income (loss) to average net assets (e)	(1.07)%	(1.12)%	(0.71)%	(0.37)%	(0.22)%	(0.18)%	0.06%
Portfolio turnover rate	25%	41%	62%	71%	33%	57%	51%

(d) Not annualized.

(e) The benefits derived from custody credits and directed brokerage arrangements, if applicable, had an impact of less than 0.01%.

(f) Annualized.

See Notes to Financial Statements.

Notes to Financial Statements June 30, 2006 (Unaudited)

NOTE 1. ORGANIZATION

Liberty All-Star Growth Fund, Inc. (the Fund), is a Maryland corporation registered under the Investment Company Act of 1940, as amended (the Act), as a diversified, closed-end management investment company.

Investment Goal

The Fund seeks long-term capital appreciation.

Fund Shares

The Fund may issue 60,000,000 shares of common stock at $0.10 par.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Security Valuation

Equity securities are valued at the last sale price at the close of the principal exchange on which they trade. Unlisted securities or listed securities for which there were no sales during the day are valued at the closing bid price on such exchanges or over-the-counter markets.

Short-term debt obligations maturing in more than 60 days for which market quotations are readily available are valued at current market value. Short-term debt obligations maturing within 60 days are valued at amortized cost, which approximates market value.

Investments for which market quotations are not readily available are valued at fair value as determined in good faith under consistently applied procedures approved by and under the general supervision of the Board of Directors.

Security Transactions

Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

Repurchase Agreements

The Fund may engage in repurchase agreement transactions with institutions that the Fund s investment advisor has determined are creditworthy. The Fund, through its custodian, receives delivery of underlying securities collateralizing a repurchase agreement. Collateral is at least equal, at all times, to the value of the repurchase obligation including interest. A repurchase agreement transaction involves certain risks in the event of default or insolvency of the counterparty. These risks include possible delays or restrictions upon a Fund s ability to dispose of the underlying securities and a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights.

Income Recognition

Interest income is recorded on the accrual basis. Corporate actions and dividend income are recorded on the ex-date.

Federal Income Tax Status

Consistent with the Fund s policy to qualify as a regulated investment company and to distribute all of its taxable income to shareholders, no federal income tax has been accrued.

Distributions to Shareholders

The Fund currently has a policy of paying distributions on its common shares totaling approximately 10% of its net asset value per year. The distributions are payable in four

quarterly distributions of 2.5% of the Fund s net asset value at the close of the New York Stock Exchange on the Friday prior to each quarterly declaration date. Distributions to shareholders are recorded on ex-date.

NOTE 3. FEDERAL TAX INFORMATION

The tax character of distributions paid during the year ended December 31, 2005 was as follows:

Distributions paid from:		
Ordinary income	$	2,965,536
Long-term capital gain		
		2,965,536
Return of capital		12,554,577
	$	15,520,113

The following capital loss carryforwards, determined as of December 31, 2005, are available to reduce taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code:

Year of Expiration		**Capital Loss Carryforward**
2010	$	5,291,070

Future realized gains offset by the loss carryforwards are not required to be distributed to shareholders. However, under the Fund s distribution policy, as described above, such gains may be distributed to shareholders in the year gains are realized. Any gains distributed may be taxable to shareholders as ordinary income.

NOTE 4. FEES AND COMPENSATION PAID TO AFFILIATES

Investment Advisory Fee

Banc of America Investment Advisors, Inc. (BAIA), an indirect, wholly owned subsidiary of Bank of America Corporation (BOA), is the investment advisor to the Fund. BAIA receives a quarterly investment advisory fee based on the Fund s average weekly net assets at the following annual rates:

Average Weekly Net Assets	Annual Fee Rate
First $300 million	0.80%
Over $300 million	0.72%

Under Portfolio Manager Agreements, BAIA pays each Portfolio Manager a portfolio management fee based on the assets of the investment portfolio that they manage. The portfolio management fee is paid from the investment advisory fees collected by BAIA and is based on the Fund s average weekly net assets at the following annual rates:

Average Weekly Net Assets	Annual Fee Rate
First $300 million	0.40%
Over $300 million	0.36%

Administration Fee

BAIA provides administrative and other services to the Fund for a quarterly administration fee based on the Fund s average weekly net assets at the following annual rates:

Average Weekly Net Assets	Annual Fee Rate
First $300 million	0.20%
Over $300 million	0.18%

Pricing and Bookkeeping Fees

Columbia Management Advisors, LLC (Columbia), an indirect, wholly owned subsidiary of BOA and an affiliate of BAIA, is responsible for providing pricing and bookkeeping services to the Fund under a pricing and bookkeeping agreement. Under a separate agreement (the Outsourcing Agreement), Columbia has delegated those functions to State Street Corporation (State Street). As a result, Columbia pays State Street the total fees collected under the pricing and bookkeeping agreement.

Under its pricing and bookkeeping agreement with the Fund, Columbia receives an annual fee consisting of: (i) $38,000 paid monthly plus an additional monthly fee based on the level of average daily net assets for the month; and (ii) a multi-manager fee based on the number of portfolio managers; provided that during any 12-month period, the aggregate amount of (i) shall not exceed $140,000 (exclusive of out-of-pocket expenses and charges).

The Fund also reimburses Columbia and State Street for out-of-pocket expenses and charges, including fees payable to third parties for pricing the Fund s portfolio securities and direct internal costs incurred by Columbia in connection with providing fund accounting oversight and monitoring and certain other services. For the six months ended June 30, 2006, the Fund s annualized effective pricing and bookkeeping fee rate, inclusive of out-of-pocket expenses, was 0.052% of the Fund s average daily net assets. BAIA has appointed Columbia as sub-administrator.

Custody Credits

The Fund has an agreement with its custodian bank under which custody fees may be reduced by balance credits. These credits are recorded as a reduction of total expenses on the Statement of Operations. The Fund could have invested a portion of the assets utilized in connection with the expense offset arrangement in an income-producing asset if it had not entered into such an agreement.

Fees Paid to Officers

All officers of the Fund, with the exception of the Fund s Chief Compliance Officer, are employees of BAIA or its affiliates and receive no compensation from the Fund. The Board of Directors has appointed a Chief Compliance Officer to the Fund in accordance with federal securities regulations. The Fund, along with other affiliated funds, pays its pro-rata share of the expenses associated with the Chief Compliance Officer position. The Fund s expenses for the Chief Compliance Officer will not exceed $15,000 per year.

Other

Columbia provides certain services to the Fund related to Sarbanes-Oxley compliance. For the six months ended June 30, 2006, the Fund paid $1,233 to Columbia for such services. This amount is included in Miscellaneous expenses on the Statement of Operations.

NOTE 5. PORTFOLIO INFORMATION

Purchases and Sales of Securities

For the six months ended June 30, 2006, the cost of purchases and proceeds from sales of securities, excluding short-term obligations, were $44,048,305 and $54,606,580, respectively.

NOTE 6. OTHER RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2006, the Fund used Banc of America Securities LLC, a wholly owned subsidiary of BOA, as a broker. Total commissions paid to Banc of America Securities LLC during the period were $837.

NOTE 7. CAPITAL TRANSACTIONS

During the year ended December 31, 2005, distributions in the amount of $6,316,229 were paid in newly issued shares valued at market value or net asset value, but not less than 95% of market value. Such distributions resulted in the issuance of 1,076,351 shares.

Board Consideration and Re-approval of the Investment Advisory Contracts

The Investment Company Act of 1940 requires that the Board of Directors of the Fund (the Board), including the Directors who are not interested persons of the Fund (Independent Directors), annually review the Fund s investment advisory agreements and consider whether or not to continue them for an additional year. At its meeting on May 10, 2006, the Board, including all of the Independent Directors, conducted such a review and approved the continuation of the Fund Management Agreement between the Fund and Banc of America Investment Advisors, Inc. (BAIA) and the three separate Portfolio Management Agreements, each among the Fund, BAIA and a Portfolio Manager (each, an Agreement). Prior to the Board action, the Independent Directors met to consider management s recommendations as to the renewal of each Agreement. As part of the process to consider these matters, legal counsel to the Independent Directors requested certain information from BAIA and each Portfolio Manager. In response to those requests, the Independent Directors received extensive reports and other information from BAIA and each Portfolio Manager that addressed specific factors designed to inform the Board s consideration of the Agreements. Counsel also provided the Independent Directors and the Board with a memorandum detailing their responsibilities pertaining to the renewal of each Agreement. Based on its evaluation of all material factors, the Board unanimously concluded that the terms of each Agreement were reasonable and fair and that the renewal of each Agreement was in the best interests of the Fund and its shareholders.

In voting to approve the continuation of each Agreement, the Board did not identify any single factor as all-important or controlling. The following summary does not detail all the matters considered by the Board, but provides a summary of the material matters it considered. The Board considered whether each Agreement would be in the best interests of the Fund and its shareholders, an evaluation based on: (1) the nature, extent and quality of the services to be provided under each Agreement; (2) the investment performance of the Fund; (3) the expenses borne by the Fund (including management fees and other expenses), the fees charged by BAIA and the Portfolio Managers to the Fund and to their other clients and profits realized by BAIA and its affiliates from their relationships with the Fund; (4) the fact that economies of scale may be realized as the Fund grows and whether fee levels will reflect economies of scale for the benefit of shareholders; (5) potential fall-out benefits to BAIA and each Portfolio Manager from their relationships with the Fund; and (6) other general information about BAIA and each Portfolio Manager. The following is a summary of the Board s discussion and conclusions regarding these matters.

Nature, Extent and Quality of the Services Provided

The Directors considered the nature, extent and quality of the services provided by BAIA, including portfolio manager selection, evaluation and monitoring, and the portfolio management services provided by each Portfolio Manager, in light of the investment objective of the Fund. In connection with its review, the Board considered BAIA s long-term history of care and conscientiousness in the management of the Fund and the administrative services provided to the Fund by BAIA and its affiliates. The Board also considered each Portfolio Manager s demonstrated consistency in investment approach. It reviewed the background and experience of the personnel at BAIA responsible for portfolio manager selection, evaluation and monitoring for the Fund and the Portfolio Manager personnel responsible for managing the Fund s portfolio.

The Board also considered the compliance records of BAIA and each Portfolio Manager. The Board concluded that the nature, extent and quality of the services provided by BAIA and the respective continuing Portfolio Managers to the Fund were appropriate and consistent with the terms of the respective Agreements and that the Fund was likely to continue to benefit from services provided under the Agreements. The Board also concluded that the quality of those services had been consistent with or superior to quality norms in the industry and that BAIA and the respective Portfolio Managers had sufficient personnel, with the appropriate education and experience, to serve the Fund effectively and had demonstrated their continuing ability to attract and retain well-qualified personnel. Finally, the Board concluded that the financial condition of BAIA and of each Portfolio Manager was sound.

Investment Performance

The Board reviewed the long-term and short-term investment performance of the Fund and other investment companies and other accounts managed by the Portfolio Managers. The performance information provided demonstrated to the Directors a generally consistent pattern of favorable long-term performance.

Costs of the Services Provided to the Fund and the Profits Realized by BAIA from its Relationship with the Fund

Costs of Services to the Fund: Fees and Expenses. The Board reviewed the fees paid by the Fund to BAIA and the fees paid by BAIA to the Portfolio Managers as well as information provided by BAIA about the rates of compensation paid to investment advisers, and overall expense ratios, for funds comparable in size, character and investment strategy to the Fund. The Board also compared the Fund s management fees to the fees charged by BAIA and the Portfolio Managers to their other accounts, including fees for institutional accounts where applicable. The Board considered that the Portfolio Managers were paid by BAIA, not the Fund. The Board also considered the differences in the level of services provided and the differences in responsibility of BAIA and the Portfolio Managers to the Fund and to their other accounts. The Board noted that the Fund fee schedule has breakpoints at which the advisory fee rate declines as the Fund s assets increase above the breakpoints. The Board concluded that the management fees payable by the Fund to BAIA and the fees payable by BAIA to the Portfolio Managers were reasonable in relation to the nature and quality of the services provided, taking into account the fees charged by other advisers for managing comparable funds with similar strategies and the fees BAIA and the Portfolio Managers charge to other clients.

Profitability and Costs of Services to BAIA

The Board reviewed reports of the financial position of each of BAIA and the Portfolio Managers. The Board determined that the profitability of BAIA was reasonable in relation to the services provided and to the costs of providing fund management services to the Fund. The Directors also considered the potential fall-out benefits (including the receipt of research products and services from unaffiliated brokers) that BAIA or the Portfolio Managers might receive in connection with their association with the Fund, and acknowledged BAIA s and each Portfolio Manager s well-established stand-alone management relationships independent of the Fund and the regulatory risks each assumed in connection with the management of the Fund.

Extent of Economies of Scale as the Fund Grows and Whether Fee Levels Reflect Economies of Scale

The Board reviewed the Fund s management fee schedule and the breakpoints in the schedule and concluded that the fee schedule reflects certain economies of scale that may be realized by BAIA as Fund assets increase.

The Board also considered its long association with BAIA and BAIA s relationships with the Portfolio Managers and their personnel, and the Board s familiarity with BAIA s ability to evaluate the services to be provided. The Board normally meets at least four times per year in order to oversee the operations of the Fund. At such meetings, BAIA and the Portfolio Managers submit and/or make presentations and discuss performance, compliance and other relevant issues.

Dividend Reinvestment Plan

Each registered shareholder of the Fund will automatically be a participant in the Fund s Automatic Dividend Reinvestment and Cash Purchase Plan unless the shareholder specifically elects otherwise by writing to the Plan Agent, Computershare Trust Company, N.A., P.O. Box 43010, Providence, RI 02940-3010 or by calling 1-800-LIB-FUND (1-800-542-3863).

If your shares are held for you by a broker, bank or other nominee, you should contact the institution holding your shares as to whether or not you wish to participate in the Plan. Participants in the Plan have their dividends automatically reinvested in additional shares of the Fund, and are kept apprised of the status of their account through quarterly statements.

Results of Annual Meeting of Shareholders

On April 28, 2006, the Annual Meeting of Shareholders of the Fund was held to elect two (2) Directors. On March 1, 2006, the record date for the Meeting, the Fund had outstanding 27,250,328 shares of common stock. The votes cast at the Meeting were as follows:

1. Proposal to elect two (2) Directors:

	For	Withheld
Thomas W. Brock	23,685,197	614,533
John J. Neuhauser	23,715,935	583,795

The Board of Directors is divided into the following three classes, each with a term expiring in the indicated year:

2007	2008	2009
Richard W. Lowry	John A. Benning	Thomas W. Brock
		John J. Neuhauser

Description of Lipper Benchmark and Market Indices

Lipper Multi-Cap Growth Mutual Fund Average The average of funds that, by portfolio practice, invest in a variety of market capitalization ranges without concentrating 75% of their equity assets in any one market capitalization range over an extended period of time. Multi-Cap funds typically have between 25% to 75% of their assets invested in companies with market capitalizations (on a three-year weighted basis) above 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index. Multi-Cap growth funds typically have an above-average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P SuperComposite 1500 Index.

NASDAQ Composite Index Measures all NASDAQ domestic and international based common type stocks listed on the NASDAQ Stock Market.

Russell 3000 Growth Index Measures the performance of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

Russell 3000 Value Index Measures the performance of those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 1000 Growth Index (Largecap) Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index.

Russell Midcap Growth Index Measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index.

Russell 2000 Growth Index (Smallcap) Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

S&P 500 Index A representative sample of 500 leading companies in leading industries of the U.S. economy. Focuses on the large-cap segment of the market with over 80% coverage of U.S. equities.

Notes

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