

## CONSOLIDATED FINANCIAL STATEMENTS

### The Bank of Nova Scotia Jamaica Limited Consolidated Statement of Income

Unaudited (\$ millions)	For the three months ended			For the six months ended	
	April 2006	January 2006	April 2005	April 2006	April 2005
<b>GROSS OPERATING INCOME</b>	<b>6,536</b>	<b>6,522</b>	<b>6,133</b>	<b>13,058</b>	<b>12,411</b>
<b>INTEREST INCOME</b>					
Loans and deposits with banks	3,292	3,322	2,877	6,614	6,162
Securities	2,240	2,215	2,450	4,455	4,569
	5,532	5,537	5,327	11,069	10,731
<b>INTEREST EXPENSE</b>					
Deposits and repurchase agreements	1,771	1,750	1,911	3,521	3,982
	3,761	3,787	3,416	7,548	6,749
Net interest income	(85)	(7)	(73)	(92)	(159)
Provision for credit losses	3,676	3,780	3,343	7,456	6,590
Net interest income after provision for credit losses					
Net fee and commission income	690	630	550	1,320	1,136
Insurance premium income	103	99	82	202	159
Gains less losses from foreign currencies	211	255	173	466	380
Other operating income	0	1	1	1	5
	1,004	985	806	1,989	1,680
<b>TOTAL OPERATING INCOME</b>	<b>4,680</b>	<b>4,765</b>	<b>4,149</b>	<b>9,445</b>	<b>8,270</b>
<b>OPERATING EXPENSES</b>					
Staff costs	1,080	1,286	958	2,366	2,049
Premises and equipment, including depreciation	280	294	228	574	479
Changes in policyholders' reserves	498	551	576	1,049	955
Other operating expenses	456	482	378	938	811
	2,314	2,613	2,140	4,927	4,294
<b>PROFIT BEFORE TAXATION</b>	<b>2,366</b>	<b>2,152</b>	<b>2,009</b>	<b>4,518</b>	<b>3,976</b>
Taxation	(599)	(620)	(575)	(1,219)	(1,120)
<b>NET PROFIT</b>	<b>1,767</b>	<b>1,532</b>	<b>1,434</b>	<b>3,299</b>	<b>2,856</b>
Earnings per share based on 2,927,232,000 shares (cents)	60	52	49	113	98
Dividend per share (cents)	25.0	25.0	25.0	50.0	50.0
Dividend payout ratio	41.43%	47.76%	51.04%	44.37%	51.25%
Return on average equity (annualized)	28.50%	25.64%	26.55%	27.07%	26.86%
Return on assets (annualized)	3.65%	3.16%	3.31%	3.41%	3.29%
Book value per common shares	8.47	8.16	7.38	8.33	7.27
P/E Multiple	8.32	10.03	14.67	8.84	14.67
Productivity ratio	50.35%	54.90%	52.42%	52.63%	52.83%
Productivity ratio (excluding Life Insurance Business)	40.78%	44.28%	39.53%	42.53%	42.30%

Note:  
Where necessary, certain comparative amounts have been restated to conform to current year's presentation.

**The Bank of Nova Scotia Jamaica Limited**  
**Consolidated Balance Sheet**

	Six months ended April 30	Year ended October 31	Six months ended April 30
<b>Unaudited</b> (\$ millions)	<b>2006</b>	<b>2005</b>	<b>2005</b>
<b>ASSETS</b>			
<b>CASH RESOURCES</b>	47,735	44,408	44,338
<b>INVESTMENTS</b>			
Held To Maturity	29,399	30,007	26,202
Held For Trading	164	22	0
Securities available for sale	11,472	9,703	7,746
	41,035	39,732	33,948
<b>GOVERNMENT SECURITIES UNDER REPURCHASE AGREEMENT</b>	29,193	27,227	25,769
<b>LOANS, AFTER MAKING PROVISIONS FOR LOSSES</b>	59,360	57,649	54,645
<b>OTHER ASSETS</b>			
Customers' Liability under acceptances, guarantees and letters of credit	3,826	3,487	2,861
Real estate & equipment at cost, less depreciation	2,162	2,017	1,992
Deferred Taxation	110	110	86
Retirement Benefit Asset	4,006	3,764	3,495
Other assets	6,110	5,067	6,322
	16,214	14,445	14,756
<b>TOTAL ASSETS</b>	<b>193,537</b>	<b>183,461</b>	<b>173,456</b>
<b>LIABILITIES</b>			
<b>DEPOSITS</b>			
Deposits by public	110,256	107,280	101,285
Other deposits	7,108	6,268	4,706
	117,364	113,548	105,991
<b>OTHER LIABILITIES</b>			
Acceptances, guarantees & Letters of Credit	3,826	3,487	2,861
Liabilities under repurchase agreements	17,924	16,706	17,168
Deferred Taxation	1,500	1,497	1,388
Retirement Benefit Obligation	407	326	298
Other liabilities	5,364	4,417	5,755
	29,021	26,433	27,470
<b>POLICY HOLDER'S FUND</b>	21,825	19,955	18,044
<b>SHAREHOLDERS' EQUITY</b>			
Capital- Authorized, 3,000,000,000 ordinary shares			
Issued and fully paid, 2,927,232,000			
Ordinary stock units of \$1 each	2,927	2,927	2,927
Reserve Fund	3,158	3,158	3,158
Retained Earnings Reserve	4,793	4,493	4,043
Loan Loss Reserve	807	807	807
Other Reserves	27	27	27
Investment Cumulative Remeasurement result from Available for Sale Financial Assets	162	194	186
Unappropriated Profits	13,453	11,919	10,803
	25,327	23,525	21,951
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>193,537</b>	<b>183,461</b>	<b>173,456</b>

Note:

Where necessary, certain comparative amounts have been restated to conform to current year's presentation.

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Director

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Director

**The Bank of Nova Scotia Jamaica Limited**  
**Consolidated Statement of Changes in Shareholders' Equity**

<i>Unaudited</i>	Share Capital	Reserve Fund	Retained Earnings Reserve	Other Reserves	Loan Loss Reserve	Cumulative Remeasurement from AFS assets	Unappropriated Profits	Total
<i>(\$ millions)</i>								
<b>Balance at 31 October 2004</b>	<b>1,464</b>	<b>1,694</b>	<b>6,670</b>	<b>27</b>	<b>807</b>	<b>227</b>	<b>9,710</b>	<b>20,599</b>
Net profit	-	-	-	-	-	-	5,886	5,886
Retained earnings transfer	-	-	750	-	-	-	(750)	-
Dividends paid	-	-	-	-	-	-	(2,927)	(2,927)
Bonus Share Issue	1,463	1,464	(2,927)	-	-	-	-	-
Gains/(losses) from changes in fair value, net of tax	-	-	-	-	-	(33)	-	(33)
<b>Balance at 31 October 2005</b>	<b>2,927</b>	<b>3,158</b>	<b>4,493</b>	<b>27</b>	<b>807</b>	<b>194</b>	<b>11,919</b>	<b>23,525</b>
Net profit	-	-	-	-	-	-	3,299	3,299
Retained earnings transfer	-	-	300	-	-	-	(300)	-
Dividends paid	-	-	-	-	-	-	(1,464)	(1,464)
Bonus Share Issue	-	-	-	-	-	-	-	-
Gains/(losses) from changes in fair value, net of tax	-	-	-	-	-	(33)	-	(33)
<b>Balance as at 30 April 2006</b>	<b>2,927</b>	<b>3,158</b>	<b>4,793</b>	<b>27</b>	<b>807</b>	<b>161</b>	<b>13,454</b>	<b>25,327</b>

**The Bank of Nova Scotia Jamaica Limited**  
**Consolidated Statement of Cash Flows**

	Six Months ended April 30 2006	Six Months ended April 30 2005
<i>Unaudited (\$ millions)</i>		
<b>Cash flows provided by operating activities</b>		
Net Income	3,299	2,856
Adjustments to net income to determine Net Cash Flows:		
Depreciation	148	144
Policyholders reserve	1,871	1,943
Other, net	214	397
	<u>5,532</u>	<u>5,340</u>
<b>Cash flows provided by/ (used in) investing activities</b>		
Investment securities (net purchases and proceeds)	(1,336)	1,090
Loans	(1,731)	(1,296)
Government Securities Purchased Under Repurchase Agreement	(1,966)	(723)
Other, net	(2,113)	(916)
	<u>(7,146)</u>	<u>(1,845)</u>
<b>Cash flows provided by/ (used in) financing activities</b>		
Deposits	2,975	2,474
Dividends paid	(1,464)	(1,464)
Other, net	2,016	(1,490)
	<u>3,527</u>	<u>(480)</u>
Net change in cash	1,913	3,015
Cash at beginning of period	42,502	37,565
Cash at end of period	<u>44,415</u>	<u>40,580</u>
Represented by :		
Cash Resources	47,735	44,338
Cheques and other instruments in transit, net	(3,320)	(3,758)
<b>CASH AT END OF PERIOD</b>	<b><u>44,415</u></b>	<b><u>40,580</u></b>



## Segment Reporting Information

### Consolidated Statement of Income

Unaudited	For the period ended April 30, 2006						
	Treasury	Retail Banking	Corporate Banking	Investment		Other	Group Total
				Management Services	Insurance Services		
Gross External Revenues	3,098,630	3,592,979	3,103,260	1,282,603	1,979,751	992	13,058,215
Revenues from other segments	(2,477,540)	2,082,852	531,690	35,590	3,482	8,298	(184,372)
<b>Total Revenues</b>							
Expenses	621,090	5,675,831	3,634,950	1,318,193	1,983,233	9,290	13,058,215
Unallocated expenses	(42,262)	(3,632,541)	(2,619,366)	(1,180,817)	(1,256,045)	5,887	(8,540,772)
Profit before taxation	578,828	2,043,290	1,015,584	137,376	727,188	15,177	4,517,443
Income tax expense							(1,218,758)
<b>Net profit</b>							<b>3,298,685</b>

### Consolidated Balance Sheet

Unaudited	As at April 30, 2006						
	Treasury	Retail Banking	Corporate Banking	Investment		Other	Group Total
				Management Services	Insurance Services		
Segment assets	72,806,446	30,155,197	40,077,639	20,101,161	26,542,596	172,234	187,886,993
Unallocated assets							5,649,638
<b>Total Assets</b>							<b>193,536,631</b>
Segment liabilities	2,863,099	67,893,263	55,661,829	18,707,603	21,971,610	58,456	165,387,870
Unallocated liabilities							2,821,561
<b>Total liabilities</b>							<b>168,209,431</b>
<b>Other Segment items:</b>							
Capital Expenditure	19,901	255,466	62,526	118	568	-	338,579
Impairment losses on loans	-	95,537	(4,280)	545	-	-	91,802
Depreciation	4,156	123,796	16,358	1,313	1,961	339	147,923



## Segment Reporting Information

### Consolidated Statement of Income

Unaudited	For the period ended April 30, 2005					
	Investment					Group Total
	Treasury	Retail Banking	Corporate Banking	Management Services	Insurance Services	
(\$'000s)						
Gross External Revenues	2,833,067	3,017,593	3,168,351	1,521,966	1,859,561	12,411,151
Revenues from other segments	(2,361,796)	2,173,257	270,049	22,973	9,284	-
<b>Total Revenues</b>	471,271	5,190,850	3,438,400	1,544,939	1,868,845	12,411,151
Expenses	(113,442)	(3,603,675)	(2,249,736)	(1,410,825)	(1,151,923)	(8,434,977)
Unallocated expenses						
Profit before taxation	357,829	1,587,175	1,188,664	134,114	716,922	3,976,174
Income tax expense						(1,120,320)
<b>Net profit</b>						<b>2,855,854</b>

### Consolidated Balance Sheet

As at April 30, 2005						
(\$'000s)	Investment					Group Total
	Treasury	Retail Banking	Corporate Banking	Management Services	Insurance Services	
Segment assets	64,867,390	25,163,800	38,401,230	18,294,636	21,635,560	167,418,141
Unallocated assets					170,494	(1,114,970)
<b>Total Assets</b>						<u>6,037,746</u>
						<u>173,455,887</u>
Segment liabilities	2,706,995	62,733,537	49,103,560	17,104,120	18,124,625	148,933,577
Unallocated liabilities					75,421	(914,680)
<b>Total liabilities</b>						<u>2,572,104</u>
						<u>151,505,681</u>
<b>Other Segment items:</b>						
Capital Expenditure	6,601	106,747	24,234	932	3,156	141,670
Impairment losses on loans	-	133,890	27,325	(1,734)	-	159,481
Depreciation	5,896	112,335	22,106	1,417	1,671	144,166

## Notes to the Consolidated Financial Statements

### April 30, 2006

#### 1. Basis of presentation

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards. In 2005, the Group early adopted the following IFRS, which are relevant to its operations.

- IAS 1- Presentation of Financial Statements
- IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.
- IAS 10 - Events after the Balance Sheet Date.
- IAS 16 - Property, Plant and Equipment
- IAS 17 - Leases
- IAS 24 - Related Party Disclosures
- IAS 32 - Financial Instruments: Disclosure and Presentation.
- IAS 36 - Impairment of Assets
- IAS 38 - Intangible Assets
- IAS 39 - Financial Instruments: Recognition and Measurement.

#### 2. Financial Assets

The Group classifies its financial assets in the following categories: financial assets held for trading; loans and receivables; held-to-maturity; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

##### Held For Trading

This category includes a financial asset acquired principally for the purpose of selling in the short term or if so designated by management.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

##### Held-to-Maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

##### Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or equity prices.

Available-for-sale held for trading financial assets are carried at fair value. Loans and receivables investment is carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the held for trading category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity. Interest calculated using the effective method is recognized in the statement of revenue and expenses.

#### 3. Loan loss provision

A provision is established on the difference between the carrying amount and the recoverable amount of loans. The recoverable amount being the present value of expected future cash flows, discounted based on the interest rate at inception or last repriced date of the loan.

Regulatory loan loss provisioning requirements that exceed these amounts are maintained within a loan loss reserve in the equity component of the Balance Sheet.

#### 4. Employee benefits

**Pension asset** – The group participates in a defined benefit pension plan. The pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement, and the net of the present value of the pension obligation and the fair value of the plan assets, is reflected as an asset on the balance sheet.

**Other post-retirement obligations** – The Group provides post retirement healthcare and group life insurance benefits to retirees. The method of accounting used to recognize the liability is similar to that for the defined benefit pension plan.

## Notes to the Consolidated Financial Statements

### April 30, 2006

#### 5. Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

#### 6. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation.

#### 7. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash resources and cheques in transit.

#### 8. Segment reporting

The Group is organized into five main business segments:

- Retail Banking – incorporating personal banking services, personal customer current accounts, saving deposits, custody, credit and debit cards, customer loans and mortgages;

- Corporate and Commercial Banking – incorporating non-personal direct debit facilities, current accounts, deposits, overdrafts, loans and other credit facilities and foreign currency transactions;
- Treasury – incorporating the Bank's liquidity and investment management function, management of correspondent bank relationships, as well as foreign currency trading;
- Investment Management Services – incorporating investments and pension fund management and the administration of trust accounts;
- Insurance Services – incorporating the provision of life insurance and
- Other operations of the Group comprise General Insurance Brokerage and property rental.

Transactions between the business segments are on normal commercial terms and conditions.