

Scotiabank (Bahamas) Limited
(Incorporated under the laws of the Commonwealth of The Bahamas)

Balance Sheet

As of 31 October 2005

(Amounts expressed in thousands of Bahamian dollars)

	Notes	2005 \$	2004 \$ (Note 23)
ASSETS			
Cash and balances with the Central Bank of The Bahamas	4	86,643	71,353
Treasury bills		18,847	13,101
Loans and advances to banks	5	1,396,862	1,744,096
Investment securities	6	67,419	68,900
Loans and advances to customers, net	7 & 8	1,134,980	977,398
Property, plant and equipment	9	17,539	18,430
Receivables and other assets	10	<u>31,715</u>	<u>33,519</u>
TOTAL ASSETS		<u>2,754,005</u>	<u>2,926,797</u>
LIABILITIES AND EQUITY			
Liabilities			
Deposits	11	2,336,077	2,560,725
Payables and other liabilities	12	<u>41,312</u>	<u>52,780</u>
Total Liabilities		<u>2,377,389</u>	<u>2,613,505</u>
Equity			
Share capital	13	25,000	25,000
Share premium	14	40,000	40,000
Retained earnings		<u>311,616</u>	<u>248,292</u>
Total Equity		<u>376,616</u>	<u>313,292</u>
TOTAL LIABILITIES AND EQUITY		<u>2,754,005</u>	<u>2,926,797</u>

SIGNED ON BEHALF OF THE BOARD



Director



Director

February 22, 2006

Date

Notes to the Financial Statements
31 October 2005

1. Operations and Activities

Scotiabank (Bahamas) Limited (the Bank) is incorporated under The Companies Act, 1992 of the Commonwealth of The Bahamas and is licensed under the Bank and Trust Companies Regulation Act, 2000. The Bank is wholly owned by The Bank of Nova Scotia International Limited "the Parent", a Bahamian Company, also incorporated in the Commonwealth of The Bahamas, pursuant to the merger of Scotia Subsidiaries Limited and the Parent on 12 December 2003. The ultimate parent company is The Bank of Nova Scotia (BNS), a company incorporated in Canada.

The Bank provides commercial and retail banking services including the acceptance of deposits, granting of loans and the provision of foreign exchange services. The Bank's registered office is located on Bay Street and Rawson Square, Nassau, The Bahamas. The number of persons employed by the Bank as of 31 October 2005 was 629 (2004 – 591).

On 21 August 2003, the directors approved a Plan of Merger between the Bank and Scotia Realty Bahamas Limited (Realty), incorporated in the Commonwealth of The Bahamas, whereby Realty merged into and became a part of the Bank. Realty engaged in renting property to affiliated and non-affiliated companies. The Plan of Merger was approved by the Registrar of Companies of The Bahamas on 3 November 2003. Pursuant to the merger, all of the property of Realty was vested in the Bank, and Realty ceased to exist. As a result, the issued share capital of Realty is not represented by any assets. (See Note 3). This merger represents a transaction between entities under common control. This transaction is outside the scope of International Accounting Standard 22 and has been accounted for as a uniting of interests using the pooling interest method. The Bank's and Realty's assets and liabilities have been included in the financial statements at the amounts previously recorded in the financial statements of the respective entities. The difference acquired has been dealt with as an adjustment to equity. The financial statements for the year ended 31 October 2004 have been presented as if Realty had been owned by the Bank since incorporation.

2. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards. The preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

The significant accounting policies are:

(a) Investment securities

The Bank has classified its investment securities as held-to-maturity. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were management to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Interest calculated using the effective interest method is recognized in the statement of operations.

All regular way purchases and sales of investments are recognized on the trade date, which is the date the Bank commits to purchase or sell the asset. Cost of purchases includes transaction costs. Held-to-maturity investments are carried at amortized cost using the effective interest method, less any provision for impairment.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortized cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

(b) Loans and advances to customers

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans are stated at their principal amount net of unearned interest and allowance for credit losses. Advances to customers are carried at amortized cost and are due on demand.

A loan is classified as non-accrual when in management's opinion there is no longer reasonable assurance of timely collection of the full amount of principal and interest. If payment on a loan is contractually 90 days in arrears, the loan is classified as non-accrual unless it is fully secured and collection efforts in progress are reasonably expected to result in repayment of the loan or restoration to current status.

A loan that is contractually 180 days in arrears is classified as non-accrual in all situations. When a loan is classified as non-accrual, recognition of interest in accordance with the terms of the original loan ceases. Loans are generally returned to accrual status when the timely collection of both principal and interest is reasonably assured and all delinquent principal and interest payments are brought current.

(c) Allowance for credit losses

The Bank's management conducts on-going credit assessments of the portfolio on an account-by-account basis and establishes specific provisions. Specific provisions reflect the amounts required to reduce the carrying value of the loan to its estimated realizable amount. The loan loss provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate and is classified as a provision for inherent risk.

When a loan is uncollectible, it is written off against the related provision for impairments; subsequent recoveries are credited to the bad and doubtful debt expense in the statement of operations. Charges in respect of credit losses are recorded as a component of net income in "Provision for credit losses, net of recoveries".

(d) Property, plant and equipment

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

Depreciation is computed on the straight-line basis at rates considered adequate to write-off the cost of depreciable fixed assets, over their useful lives. The annual rates used are:

Land	- Nil
Buildings	- 2.5%
Leasehold improvements	- Term of lease plus one renewal option period
Equipment	- 3 to 10 years

Repairs and maintenance are expensed as incurred and major renovation costs are capitalized.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount.

(e) Income and expenditure

Income and expenditure are accounted for on an accrual basis.

(f) Loan origination and associated fees

Loan fees that are material to the Bank are recognized in income over the appropriate lending or commitment period.

(g) Translation of foreign currencies

The financial statements are expressed in thousands of Bahamian dollars. Assets and liabilities that are denominated in foreign currencies have been translated at the mid-market rates of exchange prevailing at the balance sheet date.

(h) Derivative financial instruments

Derivative instruments are financial contracts whose value is derived from interest rates, foreign exchange rates or other financial or commodity indices. Most derivative instruments can be characterized as interest rate contracts, foreign exchange contracts, commodity contracts or equity contracts. Derivative instruments are either exchange-traded or negotiated over-the-counter contracts. Exchange-traded derivatives include futures and option contracts. Negotiated over-the-counter derivatives include swaps, forwards and options. These transactions are primarily facilitated through Scotia Capital Market (USA) Inc. ("SCM"). The Derivative Products Group of SCM also provides internal hedges in the form of swaps or options to ensure that the Bank has no net market risk.

The Bank enters into these derivative instruments to accommodate the risk management needs of its customers and for asset/liability management purposes. Derivative instruments are initially recognized in the balance sheet at cost (including transaction costs) and are subsequently remeasured at their fair value. Fair values are based on quoted market prices, counterparty quotes, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Derivative instruments designated as "asset/liability management" are those used to manage the Bank's interest rate and foreign currency exposures. Income and expense on these derivatives are recognized over the life of the related position as an adjustment to net interest income.

(i) Leases

The leases entered into by the Bank are operating leases. The total payments under operating leases are charged to the statement of operations on a straight-line basis over the period of the lease.

3. Merger

As disclosed in Note 1, Realty merged with the Bank on 3 November 2003. This transaction was accounted for as a pooling of interests and the assets, liabilities, and equity of Realty was combined with the Bank effective 1 November 2003:

	\$ ('000s)
Cash	1,946
Fixed assets	5,685
Other assets	<u>140</u>
Total assets	<u>7,771</u>
Other liabilities	<u>178</u>
Retained earnings	<u>7,593</u>

4. Cash and Balances with the Central Bank of The Bahamas

	2005 \$ ('000s)	2004 \$ ('000s)
Cash	18,803	17,122
Balances with the Central Bank of The Bahamas		
- unrestricted	41,102	28,763
- restricted	<u>26,738</u>	<u>25,468</u>
	<u>86,643</u>	<u>71,353</u>

5. Loans and Advances to Banks

	2005 \$ (‘000s)	2004 \$ (‘000s) (Note 23)
Placements with other banks	332,954	965,991
Loans and advances to banks		
- affiliates	1,051,893	776,519
- other	<u>12,015</u>	<u>1,586</u>
	<u>1,396,862</u>	<u>1,744,096</u>

6. Investment in Securities

The following are securities issued or guaranteed by the Government of The Bahamas:

	2005 \$ (‘000s)	2004 \$ (‘000s)
Bahamas Government Bonds	1,044	4,177
Bahamas Government Registered Stock	<u>66,375</u>	<u>64,723</u>
	<u>67,419</u>	<u>68,900</u>

7. Loans and Advances to Customers, net

	2005 \$ (‘000s)	2004 \$ (‘000s) (Note 26)
Mortgages	384,352	314,653
Personal loans	265,046	274,521
Business loans	<u>487,986</u>	<u>394,780</u>
	1,137,384	983,954
Add: Accrued interest receivable	7,845	4,915
Less: Allowance for credit losses (Note 8)	<u>(10,249)</u>	<u>(11,471)</u>
	<u>1,134,980</u>	<u>977,398</u>

The effective interest rate earned on the loan portfolio for the current year was 8.46% (2004: 8.2%).

8. Provision for Credit Losses

	Specific Credit risk provisions \$ (‘000s)	Inherent risk provisions \$ (‘000s)	Total \$ (‘000s)	2004 \$ (‘000s)
Balance, beginning of year	2,980	8,491	11,471	8,733
Doubtful debt expense	358	6,883	7,241	13,184
Recoveries of bad debts	(488)	(3,429)	(3,917)	(3,003)
Writeoffs	<u>(10)</u>	<u>(4,536)</u>	<u>(4,546)</u>	<u>(7,443)</u>
Balance, end of year	<u>2,840</u>	<u>7,409</u>	<u>10,249</u>	<u>11,471</u>

The aggregate amount of non-performing loans on which interest was not being accrued amounted to approximately \$26,166 thousand (2004: \$24,759 thousand). For the year ended 31 October 2005 amounts totaling \$3,677 thousand (2004: \$3,009 thousand), which represent recoveries on loan balances written-off in prior years, were included in “Provision for credit losses, net of recoveries” in the statement of operations.

9. Property, Plant and Equipment

	Land \$ ('000s)	Buildings \$ ('000s)	Leasehold Improvements \$ ('000s)	Furniture and Equipment \$ ('000s)	Total \$ ('000s)
Cost					
At 31 October 2004	2,411	8,722	12,658	9,919	33,710
Additions	-	373	657	1,259	2,289
Disposals	(255)	(874)	(86)	(253)	(1,468)
At 31 October 2005	2,156	8,221	13,229	10,925	34,531
Accumulated Depreciation					
At 31 October 2004	-	4,330	6,737	4,213	15,280
Charge for the period	-	244	516	1,387	2,147
Disposals	-	(198)	(6)	(231)	(435)
As of 31 October 2005	-	4,376	7,247	5,369	16,992
Net book value as of 31 October 2005	2,156	3,845	5,982	5,556	17,539
Net book value as of 31 October 2004	2,411	4,392	5,921	5,706	18,430

The Bank owns and occupies eight buildings in The Bahamas. Notional rent, based on prevailing market rates, is charged for the use of two of these buildings and is included as other income with a corresponding amount in rent and property tax. For the year-ended 31 October 2005, such notional rent totaled \$1,644 thousand (2004: \$1,743 thousand).

10. Receivables and other assets

	2005 \$ ('000s)	2004 \$ ('000s) (Note 23)
Accrued interest receivable	1,153	1,250
Cheques and other items in transit	23,149	29,600
Other	7,413	2,669
	<u>31,715</u>	<u>33,519</u>

11. Deposits

	2005 \$ ('000s)	2004 \$ ('000s)
Customers	1,128,039	1,212,024
Deposits from affiliates	1,064,409	1,223,065
Deposits from other banks	143,629	125,636
	<u>2,336,077</u>	<u>2,560,725</u>

The effective interest rate accrued on deposits for the current year was 2.12% (2004: 2.0%).

12. Payables and other liabilities

	2005 \$ ('000s)	2004 \$ ('000s)
Accrued interest payable – affiliate banks	6,061	2,778
Accrued interest – other	4,854	4,879
Cheques and other items in transit	22,221	39,119
Other	8,176	6,004
	<u>41,312</u>	<u>52,780</u>

13. Share Capital

	2005 \$ (‘000s)	2004 \$ (‘000s)
Authorized, issued and fully paid 25,000,000 ordinary shares of par value \$1.00 each	<u>25,000</u>	<u>25,000</u>

14. Share Premium

	2005 \$ (‘000s)	2004 \$ (‘000s)
25,000,000 shares issued at a premium of \$1.60 each	<u>40,000</u>	<u>40,000</u>

15. Geographical Analysis of Assets and Liabilities

Significant assets and liabilities at 31 October may be analyzed by geographical area, based on the residence of the counterpart, as follows:

	The Bahamas \$ (‘000s)	Europe \$ (‘000s)	North America \$ (‘000s)	Other \$ (‘000s)	Total \$ (‘000s)
31 October 2005					
Cash and balances with the Central Bank of The Bahamas	86,643	-	-	-	86,643
Loans and advances to banks	63,238	195,638	137,316	1,000,670	1,396,862
Investment securities	67,419	-	-	-	67,419
Loans and advances to customers, net	1,115,823	1,188	9,386	8,583	1,134,980
Deposits	1,106,076	1,931	223,739	1,004,331	2,336,077
Undrawn commitments	291,738	1,200	7,441	-	300,379
31 October 2004 (Note 23)					
Cash and balances with the Central Bank of The Bahamas	71,353	-	-	-	71,353
Loans and advances to banks	44,638	111,639	857,405	730,414	1,744,096
Loans and advances to customers, net	945,671	-	31,727	-	977,398
Investment securities	68,900	-	-	-	68,900
Deposits	1,312,806	119,264	190,034	938,621	2,560,725
Undrawn commitments	99,045	-	2,198	-	101,243

16. Lease Commitments

The Bank has obligations under long-term operating leases for buildings. Future minimum lease payments for such commitments are as follows:

	2005 \$ (‘000s)
1 year or less	1,774
Over 1 year to 5 years	<u>3,030</u>
	<u>4,804</u>

17. Guarantees and Lines of Credit

In the normal course of business various credit related arrangements are entered into to meet the needs of customers and earn income. These financial instruments are subject to the Bank's standard credit policies and procedures.

As of 31 October, these credit related arrangements were as follows:

	2005	2004
	\$	\$
	('000s)	('000s)
Undrawn lines of credit and loan commitments	227,475	81,282
Guarantees and letters of credit	<u>72,904</u>	<u>19,961</u>
	<u>300,379</u>	<u>101,243</u>

18. Pension Plan

Substantially all of the Bank's employees are members of BNS' defined benefit pension plan. The plan provides pension based on length of service and final earnings with contributions being made by BNS on an ongoing basis to keep the plan fully funded. All rights and obligations of the defined benefit pension plan are borne by BNS. The last actuarial valuation of the plan was as of 1 November 2003 and based on that independent valuation, the plan was fully funded. All actuarial information relating to this scheme can be found in the consolidated financial statements of BNS.

The Bank also participates in a contributory plan established by BNS covering some employees. As of 31 October 2005, this plan is also fully funded.

19. Global Employee Share Ownership Plan

The Bank participates in the Global Employee Share Ownership Plan (GESOP) of BNS, which allows employees of the Company to contribute between 1% and 6% of their annual salary. The contributions are used to purchase shares in the ultimate parent Company, on the Toronto Stock Exchange, at the prevailing market prices on a semi-monthly basis. The Bank matches fifty percent (50%) of the employees' contributions and this vests with the employees after two years of participation in GESOP.

20. Financial Risk Management

Credit risk

The Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Credit disciplines are based on a division of authority, a centralized credit review system, a committee system for dealing with all major exposures, and periodic independent review by BNS.

The Bank uses a risk rating system to quantify and evaluate proposed credits in order to assist officers in understanding the risks inherent in credit proposals and, if they are acceptable, to ensure appropriate returns. In this analytical process, the Bank is particularly sensitive to risks posed to credit quality by environmental exposures.

Retail credits are assessed and authorized daily in branches within lending criteria established by the Bank. Computer driven scoring systems ensure credit policies are applied consistently and objectively. Consumer credit portfolios are reviewed monthly using statistical techniques. Credit lines for off-balance sheet instruments such as foreign exchange contracts, letters of credit and guarantees are managed as an integral part of this same process.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.

Interest rate risk

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. Exposure is generally managed locally by currency and regularly reviewed on a consolidated basis by executive management.

For the year ended 31 October 2005, the rates of interest, which approximate the effective yields of these balance sheet assets and liabilities, were as follows:

Assets

Cash and balances with the Central Bank of The Bahamas		0%
Treasury bills	0.08%	- 0.30%
Loans and advances to banks	1.68%	- 4.50%
Investment securities	5.97%	- 6.43%
Loans and advances to customers, net	4.69%	- 17.23%

Liabilities

Customers deposits		0%	- 3.93%
Deposits from affiliates	1.77%	- 3.83%	
Deposits from other banks	2.12%	- 3.64%	

For the year ended 31 October 2004, the rates of interest, which approximate the effective yields of these balance sheet assets and liabilities, were as follows:

Assets

Cash and balances with the Central Bank of The Bahamas		0%
Treasury bills	0.20%	- 0.35%
Loans and advances to banks	1.57%	- 4.54%
Investment securities	6.18%	- 6.47%
Loans and advances to customers, net	4.72%	- 17.81%

Liabilities

Customers deposits		0%	- 4.42%
Deposits from affiliates	3.51%	- 4.06%	
Deposits from other banks	1.82%	- 3.17%	

Liquidity risk

Liquidity risk arises from fluctuation in cash flows. The liquidity risk management process ensures that the Bank is able to honour all of its financial commitments as they fall due. The Bank manages liquidity using policies, which include:

- measuring and forecasting cash commitments;
- building a large stable base of core deposits from retail and commercial customers;
- ensuring immediate availability of large pools of liquid assets to meet unforeseen events;
- maintaining a strong credit rating to ensure timely access to borrowing on favourable rates and terms;
- diversifying funding sources; and
- maintaining the ability to securitize the Bank's assets.

At 31 October 2005	Up to 1 Month (\$'000s)	1 - 3 Months (\$'000s)	3 - 12 Months (\$'000s)	1-5 Years (\$'000s)	5 Years Over (\$'000s)	Total (\$'000s)
Assets						
Cash and balances with the Central Bank of The Bahamas	86,643	-	-	-	-	86,643
Treasury bills	10,447	8,400	-	-	-	18,847
Loans and advances to banks	690,087	197,495	168,466	340,814	-	1,396,862
Investment securities	-	-	302	11,169	55,948	67,419
Loans and advances to customers, net	220,960	16,589	81,829	358,150	457,452	1,134,980
Property, plant and equipment	-	-	-	1,874	15,665	17,539
Other assets	25,516	1,553	3,188	1,458	-	31,715
Total assets	1,033,653	224,037	253,785	713,465	529,065	2,754,005
Liabilities						
Deposits	1,526,493	410,802	214,120	184,662	-	2,336,077
Other liabilities	33,754	2,114	3,730	1,714	-	41,312
Total Liabilities	1,560,247	412,916	217,850	186,376	-	2,377,389
Net liquidity gap	(526,594)	(188,879)	35,935	527,089	529,065	376,616
At 31 October 2004						
Total assets	1,181,746	299,913	353,341	592,365	499,432	2,926,797
Total liabilities	1,198,307	872,613	342,492	200,093	-	2,613,505
Net liquidity gap	(16,561)	(572,700)	10,849	392,272	499,432	313,292

Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored on a daily basis. The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 October. Included in the table below are the Bank's assets and liabilities at carrying amounts, categorized by currency.

	BSD ('000s)	USD ('000s)	Other ('000s)	Total ('000s)
At 31 October 2005				
Assets				
Cash and balances with the Central Bank of The Bahamas	80,821	5,724	98	86,643
Treasury bills	18,847	-	-	18,847
Loans and advances to banks	16,794	1,357,048	23,020	1,396,862
Investment securities	67,419	-	-	67,419
Loans and advances to customers, net	756,268	363,486	15,226	1,134,980
Property, plant and equipment	17,539	-	-	17,539
Other assets	21,253	10,181	281	31,715
Total Assets	978,941	1,736,439	38,625	2,754,005
Liabilities				
Deposits	672,308	1,629,008	34,761	2,336,077
Other liabilities	21,159	16,553	3,600	41,312
Total Liabilities	693,467	1,645,561	38,361	2,377,389
Net balance sheet position	285,474	90,878	264	376,616
Credit Commitments	87,977	212,253	149	300,379
At 31 October 2004				
Total assets	897,396	2,000,967	28,434	2,926,797
Total liabilities	679,677	1,899,781	34,047	2,613,505
Net balance sheet position	217,719	101,186	(5,613)	313,292
Credit Commitments	47,166	53,930	147	101,243

21. Derivative Instruments

Interest rate swaps

Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates. No exchange of principal takes place. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a portion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

Currency forwards

Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or buy or sell foreign currency or a financial instrument on a future date at a specified price established in an organised financial market. Since futures contracts are collateralized by cash or marketable securities and changes in the futures contract value are settled daily with the exchange, the credit risk is negligible. Forward rate agreements are individually negotiated interest futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and currency market rate, based on a notional principal amount.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms.

The following table provides the aggregate notional and fair value amounts of derivative financial instruments outstanding as of 31 October 2005.

	Notional Amount \$ (’000s)	Fair Values	
		Assets	Liabilities
		\$ (’000s)	\$ (’000s)
Interest rate swaps	39,608,667	726	-

As of 31 October 2005, the interest rate swap contracts noted in the table above were matched against a fixed rate loan with an outstanding principal amount of \$39,608 million (2004: \$Nil).

As of 31 October 2005, the currency forwards (futures) noted above were matched against gap exposures, with an outstanding principal amount of \$100 million (2004: \$Nil).

22. Fair Value of Financial Instruments

Fair value amounts represent estimates of the consideration that would be agreed upon between knowledgeable willing parties who are under no compulsion to act and is best evidenced by a quoted market price if one exists. The majority of the Bank's financial instruments, are carried at historical cost and are not adjusted to reflect increases or decreases in fair value due to market fluctuations including those due to interest rate changes.

The following methods and assumptions were used to estimate the fair value of on-balance sheet financial instruments:

(a) Cash and cash equivalents

The carrying amount of these financial instruments are assumed to approximate their fair values due to their short term nature.

(b) Investment securities

The cost of investment securities approximate fair values.

(c) Loans and advances

The rates of interest in the portfolio reflect market conditions and the carrying amounts, net of allowance for credit losses (as applicable), approximate the fair values of the loans and advances.

(d) Deposits

The carrying amounts of deposit liabilities payable on demand, and deposits payable after notice or on a fixed date are assumed to approximate their fair values due to their relatively short term nature.

(e) Derivative instruments

Fair values of derivatives are determined using pricing models, which take into account current market and contractual prices of underlying instruments, as well as time value and yield curve or volatility factors underlying the positions.

23. Corresponding Figures

Accrued interest receivables in the prior year have been reclassified to conform with the current year's presentation.

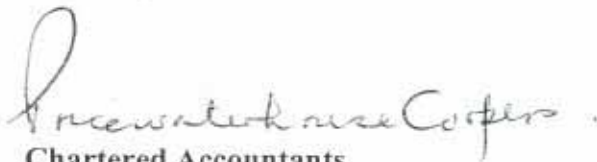
Independent Auditors' Report

To the Directors and Shareholders of Scotiabank (Bahamas) Limited

We have audited the accompanying balance sheet of Scotiabank (Bahamas) Limited (the Bank) as of 31 October 2005. This balance sheet is the responsibility of the Bank's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the accompanying balance sheet presents fairly, in all material respects, the financial position of the Bank as of 31 October 2005 in accordance with International Financial Reporting Standards.



Chartered Accountants
22 February 2006