

CONSOLIDATED FINANCIAL STATEMENTS

The Bank of Nova Scotia Jamaica Limited  
Consolidated Statement of Income

Unaudited (\$ millions)	For the three months ended			For the nine months ended	
	July 2005	April 2005	July 2004	July 2005	July 2004
<b>GROSS OPERATING INCOME</b>	<b>6,193</b>	<b>6,133</b>	<b>6,775</b>	<b>18,604</b>	<b>19,321</b>
<b>INTEREST INCOME</b>					
Loans and deposits with banks	3,151	2,877	4,098	9,385	10,295
Securities	2,217	2,450	2,049	6,714	7,093
	5,368	5,327	6,147	16,099	17,388
<b>INTEREST EXPENSE</b>					
Deposits and repurchase agreements	1,791	1,911	2,754	5,773	6,534
	3,577	3,416	3,393	10,326	10,854
Net interest income	3,577	3,416	3,393	10,326	10,854
Provision for credit losses	(58)	(73)	(97)	(217)	(167)
Net interest income after provision for credit losses	3,519	3,343	3,296	10,109	10,687
Net fee and commission income	542	550	405	1,678	1,307
Insurance premium income	78	82	61	237	198
Gains less losses from foreign currencies	191	173	161	571	419
Other operating income	14	1	1	19	10
	825	806	628	2,505	1,934
<b>TOTAL OPERATING INCOME</b>	<b>4,344</b>	<b>4,149</b>	<b>3,924</b>	<b>12,614</b>	<b>12,621</b>
<b>OPERATING EXPENSES</b>					
Staff costs	1,038	958	963	3,087	2,880
Premises and equipment, including depreciation	252	228	252	731	724
Changes in policyholders' reserves	572	576	552	1,527	1,583
Other operating expenses	460	378	340	1,271	1,079
	2,322	2,140	2,107	6,616	6,266
<b>PROFIT BEFORE TAXATION</b>	<b>2,022</b>	<b>2,009</b>	<b>1,817</b>	<b>5,998</b>	<b>6,355</b>
Taxation	(589)	(575)	(533)	(1,709)	(1,761)
<b>NET PROFIT</b>	<b>1,433</b>	<b>1,434</b>	<b>1,284</b>	<b>4,289</b>	<b>4,594</b>
Earnings per share based on 2,927,232,000 shares (cents) *	49	49	44	147	157
Dividend per share (cents) *	25.0	25.0	50.0	75.0	135.0
Dividend payout ratio	51.08%	51.04%	56.98%	51.19%	43.01%
Return on average equity	25.68%	26.55%	25.97%	26.44%	32.44%
Return on assets	3.33%	3.31%	3.12%	3.33%	3.72%
Book value per common shares *	7.63	7.38	6.45	7.39	6.45
P/E Multiple *	11.10	14.67	13.46	11.14	11.29
Productivity ratio	54.07%	52.42%	54.81%	53.26%	50.31%
Productivity ratio (excluding Life Insurance Business)	41.81%	39.53%	41.71%	42.13%	38.52%

Note:

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

\* Restated for comparative purposes, based on 2,927,232,000 stock units in issue after adjusting for the March 10, 2005, 1:1 Bonus Issue.

## Consolidated Balance Sheet

<i>Unaudited</i> (\$ millions)	Nine Months as at July 31	Year Ended as at October 31	Nine Months as at July 31
	2005	2004	2004
<b>ASSETS</b>			
<b>CASH RESOURCES</b>	38,892	40,450	37,095
<b>INVESTMENTS</b>			
Originated Securities	29,006	26,280	29,861
Securities available for sale	9,139	8,799	7,799
	38,145	35,079	37,660
<b>GOVERNMENT SECURITIES PURCHASED UNDER RESALE AGREEMENTS</b>	26,197	25,046	23,635
<b>LOANS, AFTER MAKING PROVISIONS FOR LOSSES</b>	55,269	53,460	51,730
<b>OTHER ASSETS</b>			
Customers' Liability under acceptances, guarantees and letters of credit	3,293	2,459	2,627
Real estate & equipment at cost, less depreciation	2,009	2,037	2,033
Deferred Taxation	86	87	89
Retirement Benefit Asset	3,573	3,339	3,191
Other assets	4,458	6,202	5,690
	13,419	14,124	13,630
<b>TOTAL ASSETS</b>	<b>171,922</b>	<b>168,159</b>	<b>163,750</b>
<b>LIABILITIES</b>			
<b>DEPOSITS</b>			
Deposits by public	100,469	98,811	96,978
Other deposits	4,648	4,843	4,802
	105,117	103,654	101,780
<b>OTHER LIABILITIES</b>			
Acceptances, guarantees & Letters of Credit	3,293	2,459	2,627
Liabilities under repurchase agreements	15,954	18,546	18,123
Deferred Taxation	1,410	1,406	1,165
Retirement Benefit Obligation	314	265	250
Other liabilities	4,104	5,128	4,743
	25,075	27,804	26,908
<b>POLICY HOLDER'S FUND</b>	19,035	16,101	14,991
<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	1,464	1,464
Reserve Fund	3,158	1,695	1,695
Retained Earnings Reserve	4,193	6,670	6,370
Loan Loss Reserve	807	807	807
Other Reserves	27	27	27
Investment Cumulative Remeasurement result from Available for Sale Financial Assets	229	227	229
Dividends Proposed	732	732	732
Unappropriated Profits	10,622	8,978	8,747
	22,695	20,600	20,071
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>171,922</b>	<b>168,159</b>	<b>163,750</b>

Note:

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

\_\_\_\_\_  
Director

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Director



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

<i>Unaudited (\$ millions)</i>	Nine Months Ended July 31 2005	Nine Months Ended July 31 2004
<b>Cash flows provided by operating activities</b>		
Net Income	4,289	4,594
Adjustments to net income to determine Net Cash Flows:		
Depreciation	220	229
Policyholders reserve	2,934	3,516
Other, net	622	1,254
	<u>8,065</u>	<u>9,593</u>
<b>Cash flows provided by/ (used in) investing activities</b>		
Investment securities (net purchases and proceeds)	(3,065)	(6,323)
Loans	(1,955)	(3,747)
Government Securities Purchased Under Repurchase Agreement	(1,151)	(6,386)
Other, net	751	(1,939)
	<u>(5,420)</u>	<u>(18,395)</u>
<b>Cash flows provided by/ (used in) financing activities</b>		
Deposits	1,658	9,911
Dividends paid	(2,196)	(2,386)
Other, net	(2,801)	3,101
	<u>(3,339)</u>	<u>10,626</u>
Net change in cash	(694)	1,824
Cash at beginning of period	37,566	32,669
Cash at end of period	<u>36,872</u>	<u>34,493</u>
Represented by :		
Cash Resources	38,892	37,095
Cheques and other instruments in transit, net	(2,020)	(2,602)
<b>CASH AT END OF PERIOD</b>	<b><u>36,872</u></b>	<b><u>34,493</u></b>



Segment Reporting Information

Consolidated Statement of Income

Unaudited	(\$ millions)	For the nine months ended					For the six months ended												
		July 31, 2005					July 31, 2004					April 30, 2005							
		Financial Services	Investment Management Services	Insurance Services	Other	Consol. adj.	Group Total	Financial Services	Investment Management Services	Insurance Services	Other	Consol. adj.	Group Total	Financial Services	Investment Management Services	Insurance Services	Other	Consol. adj.	Group Total
External Revenues		9,454	325	2,814	21		12,614	9,372	377	2,803	69		12,621	6,174	209	1,869	18		8,270
Revenues from other segments		20	9			(29)	0	23	3	1		(27)	-	14	7			(21)	-
		9,474	334	2,814	21	(29)	12,614	9,395	380	2,804	69	(27)	12,621	6,188	216	1,869	18	(21)	8,270
Operating expenses		(4,688)	(119)	(1,808)	(30)	29	(6,616)	(4,314)	(97)	(1,822)	(60)	27	(6,266)	(3,054)	(82)	(1,152)	(27)	21	(4,294)
Profit before taxation		4,786	215	1,006	(9)	0	5,998	5,081	283	982	9	-	6,355	3,134	134	717	(9)	-	3,976
Taxation							(1,709)						(1,761)						(1,120)
Net profit							4,289						4,594						2,856

Consolidated Balance Sheet

Unaudited	(\$ millions)	As at					As at						
		July 31, 2005					July 31, 2004						
Financial Services	Investment Management Services	Insurance Services	Other	Consol. adj.	Group Total	Financial Services	Investment Management Services	Insurance Services	Other	Consol. adj.	Group Total		
Segment assets		131,671	17,895	22,880	164	(688)	171,922	127,953	21,365	18,013	259	(3,840)	163,750
Segment liabilities		113,860	16,648	19,141	145	(567)	149,227	111,699	20,314	15,157	148	(3,639)	143,679

## The Bank of Nova Scotia Jamaica Limited

### Notes to the Consolidated Financial Statements

#### 1. Basis of presentation

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards.

#### 2. Investment Securities

Investment securities are classified as originated or available for sale, and are initially recognised at cost. Management determines an appropriate classification at the time of purchase.

Originated investment securities are subsequently re-measured at amortised cost.

Available for sale investment securities are subsequently re-measured at fair value. On adoption, the difference between the original carrying amount and the fair value of these investments was credited to the Cumulative Re-measurement from AFS assets (see Consolidated Statement of Changes in Shareholders Equity). Gains and losses arising from the change in the fair value of these securities are recognised as changes in the Cumulative Re-measurement from AFS assets.

#### 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 reserve 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 recognise the liability is similar to that for the defined benefit pension plan.

#### 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. Provisions

A provision is made for the estimated liability for annual vacation leave as a result of services rendered by employees up to the balance sheet date.

#### 8. Share Capital

On March 10, 2005, the authorised share capital of the Bank was increased to \$2,927,232,000 by the creation of an additional 1,463,616,000 ordinary shares of \$1 each to rank pari passu with existing ordinary shares of the Bank in all respects. Shares totalling 1,463,616,000 units were then issued as fully paid up bonus shares by the capitalization of profits of \$1,463,616,000 on the basis of one ordinary share for every one ordinary share held.

#### 9. Reserve Fund

In accordance with the regulations, the Statutory Reserve Fund was also increased by \$1,463,616,000, which requires that the Reserve Fund be equal to the Paid up Capital.

#### 10. Cash and cash equivalents

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

#### 11. Segment reporting

The Group is organised into three main business segments:

- Financial services – This incorporates retail and corporate banking services
- Investment Management Services – This includes investment and pension funds management and administration of trust accounts
- Insurance services – This incorporates the provision of life insurance.

Other operations of the Group comprise general insurance brokering.