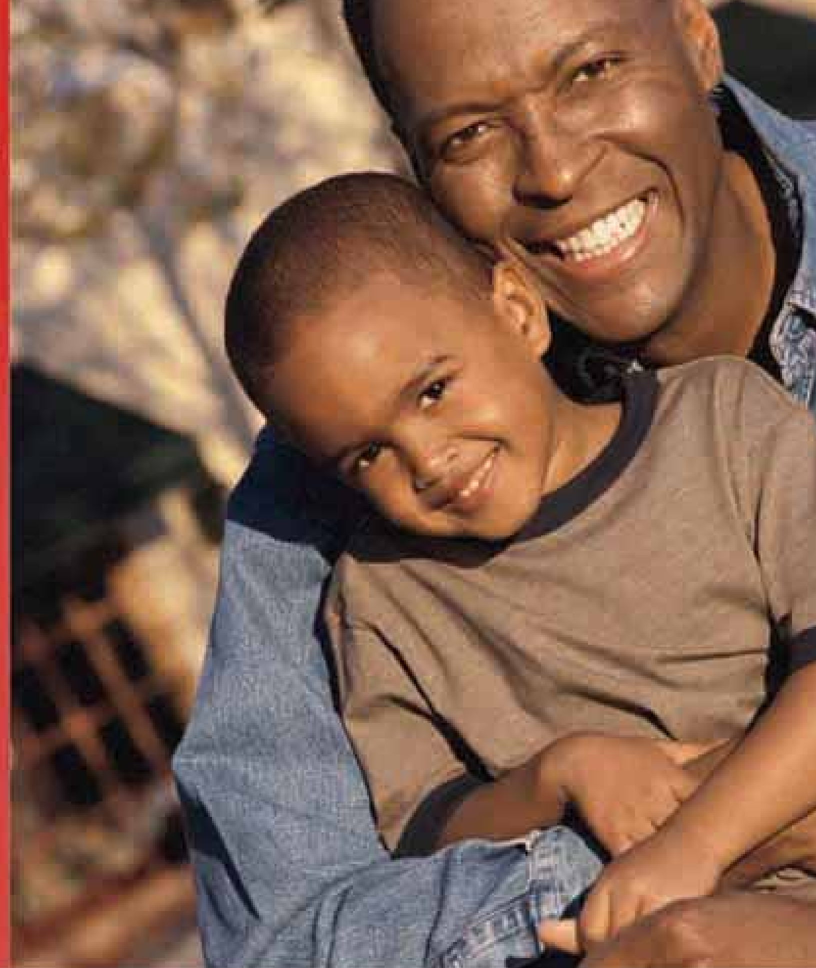


You’re Safe With Us

2006 Annual Report

Scotiabank*

We Live

Our Mission

We are committed to being the institution of choice in the financial sector, providing superior products and services and being a good corporate citizen to the benefit of our customers, shareholders and staff.

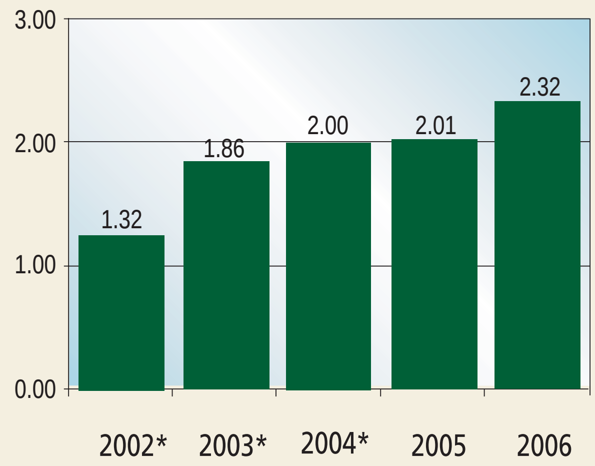
Table of Contents

Earnings Per Share (EPS)

Performance:

$2.32

EPS is the net income a company has generated per common share. It is calculated by dividing net income available to shareholders by the average number of common shares outstanding.



* Restated For Bonus issue

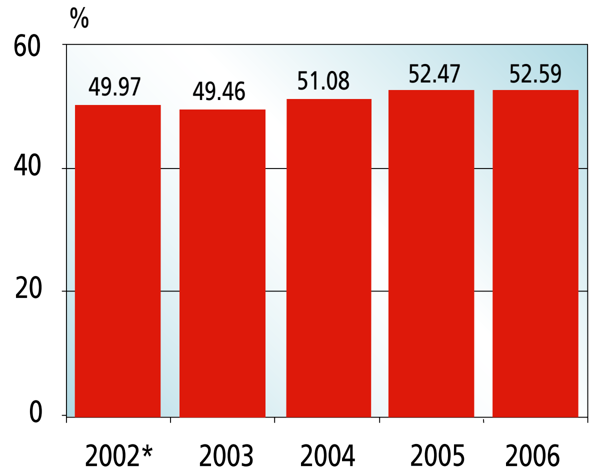
Scotiabank At A Glance

Productivity Ratio

Performance:

52.59%

The Productivity Ratio measures the overall efficiency of the Bank. It expresses non-interest expenses as a percentage of total revenue. A lower ratio indicates better productivity. By this measure, Scotiabank has historically been significantly better than the international Benchmark of 60%.



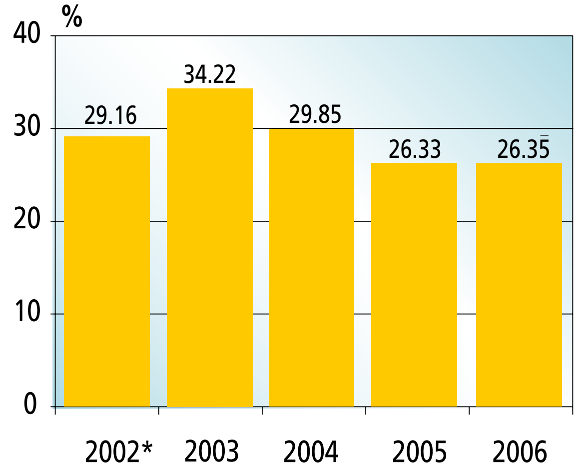
*Adoption year for IFRS

Return on Average Equity (ROE)

Performance:

26.35%

ROE measures how well the Bank is using common shareholders' invested money. It is calculated by dividing net income available to common shareholders by average common shareholders' equity.



* Adoption year for IFRS

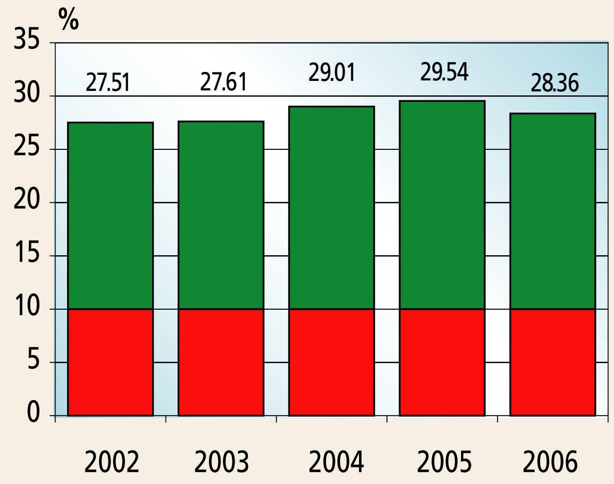
Scotiabank 2006 Performance

Risk Based Capital Adequacy

Performance:

28.36%

The Risk based Capital Adequacy ratio is a measure of the Bank's overall strength. It requires that the Bank maintain a ratio between its capital base and the aggregate of its risk weighted assets at no less than 10%. Scotiabank Jamaica has continued to maintain a strong capital adequacy ratio.

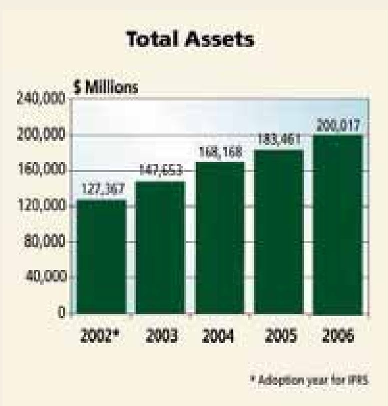


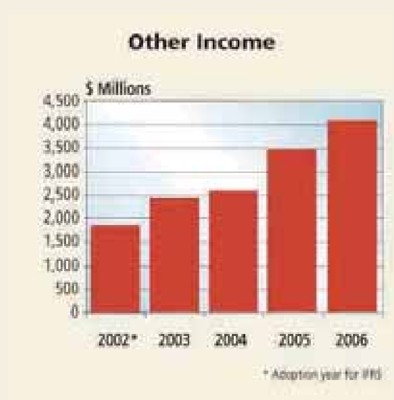
Financial & Other Highlights

Scotiabank

Financial Position ($ Millions)	2006	2005
Total Assets	200,017	183,461
Earning Assets		
Performing Loans, net of provisions	58,582	57,325
Repos	29,600	28,650
Non performing Loans	1,005	918
Investments & Others	90,133	78,877
Deposits by the public	113,280	107,547
Stockholders' Equity	27,390	23,525
Earnings and Dividends ($ Millions)		
Gross Operating revenue	27,047	25,008
Profit before Taxation	9,316	8,330
Profit after Taxation	6,799	5,886
Dividends paid and proposed	3,015	2,927
Financial Ratios		
Earnings per stock unit ($) *	2.32	2.01
Dividends per stock unit ($) *	1.07	1.00
Dividend payout ratio (%)	46.07	49.74
Return on average equity after tax (%)	26.35	26.33
Return on assets at year-end (%)	3.40	3.21
Net Interest Margin (%)	7.91	7.34
Risk based Capital Adequacy Ratio (%)	28.36	29.54
Other Statistics		
Number of stock units (ordinary shares)	2,927,232,000	2,927,232,000
Stock price at year-end ($)	22.06	21.14
Number of stockholders	14,352	14,105
Number of staff	1,895	1,843
Number of offices	47	47

Where necessary, comparative figures have been restated to conform with changes in presentation in the current year.





Highlights (continued)

Scotia Jamaica Investment Management Limited

- Total asset growth of 5.6% moved from $18,892 million in 2005 to $19,954 in 2006.
- ROE of 15.5% as compared to 16.84% in 2005
- Total client Repo portfolio (on and off Balance Sheet) increased from $30 billion in 2005 to $34.9 billion in 2006. Increase of 16.3% over 2005
- Revenues from repurchase agreements increased from $120.3 million in 2005 to $136.9 million in 2006
- SJIM's net profit after tax grew by 7.8%, increasing from $206 million in 2005 to $222 million in 2006
- Revenues from Mutual Funds increased by 89% from $14.2 million to $26.8 million
- Revenues from securities trading activities increased by 5.4%
- Pension and Asset Management unit increased assets under management by 13.26%, growing from $19.6 billion in 2005 to $22.2 billion in 2006

Scotia Jamaica Life Insurance Company Limited

- Total Asset Growth of 21% moved from $24 billion in 2005 to $29 billion in 2006
- ROE of 28% as compared to 32% in 2005.
- Inforce ScotiaMINT policies grew from 59,349 to 66,266.
- Creditor Life certificates increased by 8.6% from 40,978 to 46,104.
- Combined Gross Premium Income increased by 8% from $4.2 billion to $4.56 billion.
- Several Scotia Insurance agents again qualified for membership in the prestigious Million Dollar Round Table (MDRT) and attended the last annual conference held in San Diego, California.
- Net Profit after Tax increased by 17 percent from $1.09 billion in 2005 to $1.28 billion in 2006.

The Scotia Jamaica Building Society

- Total asset growth of 17.2% moved from $6,744 million in 2005 to $7,903 million in 2006
- ROE of 15.15% as compared to 14.99% in 2005
- Mortgage portfolio, net of provision, moved from $3,558 million in 2005 to $3,949 million in 2006 an increase of 11%
- Repo portfolio declined from $1,973 million in 2005 to $1,745 million in 2006
- Total investments increased by 98%, moving from $695 million in 2005 to $1,375 million in 2006
- Total deposits was $4,544 million in 2006 compared to $4,195 million in 2005 an increase of 8%
- Shareholders' Equity moved from $2,097 million in 2005 to $2,445 million in 2006
- Net profit after tax increased from $297 million in 2005 to $347 million in 2006

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fortieth Annual General Meeting of THE BANK OF NOVA SCOTIA JAMAICA LIMITED will be held on Wednesday the 28th February 2007 at 10:00 a.m. at the Jamaica Pegasus Hotel, 81 Knutsford Boulevard, Kingston 5, Jamaica for the following purposes, namely:-

1. To consider the Company's Accounts and the Reports of the Directors and the Auditors for the year ended October 31, 2006 and to consider and (if thought fit) pass the following resolution:

   Resolution No. 1
   "That the Directors' Report, the Auditors' Report and the Statements of Account of the Company for the year ended October 31, 2006 be approved and adopted."

2. To approve and ratify interim dividends: -

   To consider and (if thought fit) pass the following resolution:

   Resolution No. 2
   "That the interim dividends paid of 25 cents on March 31, 2006, 25 cents on July 7, 2006, 28 cents on October 5, 2006 and 29 cents on January 8, 2007 be and are hereby ratified."

3. To elect Directors and fix their remuneration. The Directors retiring from office by rotation pursuant to Article 90 of the Company's Articles of Association are Mr. Anthony Chang, Professor Celia Christie, Mr. William McConnell, and Mr. Richard Waugh who being eligible, offer themselves for re-election.

   To consider and (if thought fit) pass the following resolutions:

   Resolution No. 3

   a) "That retiring Director Anthony Chang be and is hereby re-elected a Director of the Company."
   b) "That retiring Director Celia Christie be and is hereby re-elected a Director of the Company."
   c) "That retiring Director William McConnell be and is hereby re-elected a Director of the company."
   d) "That retiring Director Richard Waugh be and is hereby re-elected a Director of the Company."

4. To appoint Auditors and authorise the Directors to fix the remuneration of the Auditors.
   To consider and (if thought fit) pass the following resolution:

   Resolution No. 4
   "That KPMG, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company."

6. Any other business for which due notice has been given.

BY ORDER OF THE BOARD

David Noël
Secretary
November 23, 2006

REGISTERED OFFICE
Scotiabank Centre
Duke & Port Royal Streets
Kingston

A member entitled to attend and vote at this meeting may appoint a Proxy to attend and vote in his/her stead. A Proxy need not also be a Member of the Company. Enclosed is a Proxy Form for your convenience, which must be lodged at the Company's Registered Office at least forty-eight hours before the time appointed for holding the meeting. The Proxy Form shall bear the stamp duty of $100.00 before being signed. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person executing the Proxy.

Directors' Report

The Directors submit herewith the Statement of Consolidated Revenue, Expenses, Unappropriated Profits, Assets and Liabilities of the Bank for the year ended October 31, 2006.

The Consolidated Statement of Revenue and Expenses shows pre-tax profit for the year of $9,316 Million from which there has been provided $2,517 Million for corporate income tax, leaving a balance of $6,799 Million.

The appropriation of earnings detailed in the financial statements includes:

i. An interim dividend of 29 cents per stock unit payable to stockholders on record as at December 13, 2006 payable on January 8, 2007. This brings the total distribution for the year to $1.07 per stock unit compared with $1.00 per stock unit for the previous year, after adjustment for the 1 for 1 bonus shares in 2005.

ii. A transfer of $750,000,000 to the Retained Earnings Reserve.

In view of the interim dividends paid, and to be paid, as mentioned above, the Directors do not recommend the declaration of a final dividend at the Annual General Meeting to be held on February 28, 2007.

Mr. Anthony Chang, Professor Celia Christie, Mr. William McConnell, and Mr. Richard Waugh retire from the Board by rotation in accordance with Article 90 and being eligible offer themselves for re-election.

The Auditors, KPMG, have signified their willingness to continue in office.

Your Directors wish to thank the Management and Staff of the Bank for their performance during the year under review.

On behalf of the Board

R.H. Pitfield
Chairman, Kingston, Jamaica
November 23, 2006

Ten-Year

Statistical Review

$'000	2006	Restated 2005	Restated 2004	2003
TOTAL ASSETS	200,016,602	183,460,578	168,167,649	147,653,177
PERFORMING LOANS	58,582,263	57,324,645	52,420,106	47,111,019
NON-PERFORMING LOANS	1,005,451	918,164	1,039,396	963,695
REPOS	29,599,537	28,649,718	25,046,360	17,593,444
INVESTMENTS & OTHER EARNING ASSETS	90,133,163	78,876,514	65,554,244	60,908,823
DEPOSITS BY THE PUBLIC	113,279,538	107,546,636	98,810,819	87,067,332
SECURITIES SOLD UNDER REPURCHASE AGREEMENT	18,234,105	17,319,240	18,546,429	15,292,996
STOCKHOLDERS' EQUITY	27,389,555	23,524,953	20,605,017	17,651,197
PROFIT BEFORE TAX	9,315,624	8,329,812	8,172,633	7,307,403
NET PROFIT AFTER TAX	6,798,908	5,885,586	5,856,057	5,456,670
DIVIDENDS PAID, GROSS	3,015,049	2,927,232	2,707,689	2,561,328
UNAPPROPRIATED PROFITS AT YEAR END	14,952,595	11,918,736	9,710,382	6,580,207
NUMBER OF STOCK UNITS AT YEAR END (1)	2,927,232	2,927,232	2,927,232	2,927,232
FINANCIAL RATIOS				
EARNINGS PER STOCK UNIT (1)	2.32	2.01	2.00	1.86
PRICE EARNINGS RATIO	9.51	10.51	12.62	4.80
DIVIDENDS PAID PER STOCK UNIT (1)	1.07	1.00	0.925	0.875
DIVIDEND YIELD (1)	4.00%	3.88%	4.41%	9.78%
DIVIDEND PAYOUT RATIO	46.07%	49.74%	46.24%	46.94%
RETURN ON AVERAGE EQUITY PRE-TAX	36.10%	37.26%	41.65%	45.83%
RETURN ON AVERAGE EQUITY	26.35%	26.33%	29.85%	34.22%
RETURN ON ASSETS AT YEAR END	3.40%	3.21%	3.48%	3.70%
OTHER DATA				
STOCK PRICE AT THE YEAR END (1)	22.06	21.14	25.26	8.95
PRICE CHANGE FROM LAST YEAR	4.35%	-16.31%	182.18%	14.30%
JSE INDEX AT YEAR END	85,956	102,445	104,001	60,304
CHANGE IN JSE INDEX FROM LAST YEAR	-16.10%	-1.50%	72.46%	46.93%
NUMBER OF STAFF	1,895	1,843	1,864	1,851
NUMBER OF OFFICES	47	47	48	47
NUMBER OF STOCKHOLDERS	14,352	14,105	10,982	9,401
EXCHANGE RATE J$1=US$	0.0151	0.0156	0.0162	0.0166
INFLATION RATE YEAR OVER YEAR	5.80%	15.90%	11.60%	14.13%
NET PROFIT IN US$	102,375	92,061	94,805	90,549
DIVIDEND PAID QUARTERLY				
QUARTER 1	731,808	731,808	585,446	446,403
QUARTER 2	731,808	731,808	658,627	446,403
QUARTER 3	731,808	731,808	731,808	526,902
QUARTER 4	819,625	731,808	731,808	1,141,620
TOTAL	3,015,049	2,927,232	2,707,689	2,561,328

(1) Amounts have been retroactively adjusted to reflect the one-for-one bonus issues on March 10, 2005 and October 6, 1997.
Where necessary, comparative figures have been restated to conform with changes in presentation in the current year.

Ten-Year

Statistical Review (continued)

Restated 2002	Restated 2001	2000	1999	1998	1997
127,367,433	102,563,972	88,430,400	77,719,597	65,615,624	54,926,384
38,513,658	25,244,790	20,357,184	16,669,180	17,196,178	19,081,755
906,857	911,345	1,217,056	1,324,321	1,237,930	720,465
14,120,663	14,715,189	9,171,222	9,933,153	7,908,520	7,547,662
52,326,933	46,653,347	44,585,417	39,149,800	36,599,592	17,132,218
76,947,608	67,809,259	60,384,105	54,537,781	46,222,803	41,677,670
11,566,632	8,392,202	8,701,050	8,016,576	6,072,443	4,257,049
14,065,776	11,880,802	8,353,262	6,996,243	5,916,542	4,942,448
5,308,735	4,418,438	3,484,976	2,946,473	2,577,282	2,262,128
3,869,782	3,214,178	2,557,184	2,031,051	1,764,447	1,584,559
1,683,158	1,463,616	1,200,165	951,350	790,353	731,808
4,265,864	2,829,240	1,038,755	635,886	338,959	201,223
2,927,232	2,927,232	2,927,232	2,927,232	2,927,232	2,927,232

1.32	1.10	0.87	0.69	0.60	0.54
5.92	6.96	7.38	4.83	5.56	9.05
0.575	0.50	0.41	0.33	0.27	0.25
7.34%	6.54%	6.35%	9.70%	8.06%	5.10%
43.49%	45.54%	46.93%	46.84%	44.79%	46.18%
40.00%	44.72%	44.05%	44.00%	46.32%	50.09%
29.16%	32.53%	32.32%	30.33%	31.71%	35.09%
3.04%	3.13%	2.89%	2.61%	2.69%	2.88%

7.83	7.64	6.46	3.35	3.35	4.90
2.49%	18.27%	92.84%	0.00%	-31.63%	31.54%
41,044	32,595	29,776	21,124	20,050	18,147
25.92%	9.47%	40.96%	5.36%	10.49%	18.43%
1,805	1,756	1,691	1,757	1,874	1,666
49	48	50	49	50	51
9,447	9,165	9,040	8,912	8,073	7,948
0.0203	0.0210	0.0224	0.0250	0.0271	0.0278
5.04%	7.56%	8.30%	6.44%	7.14%	9.98%
78,387	67,498	57,281	50,776	47,746	44,052

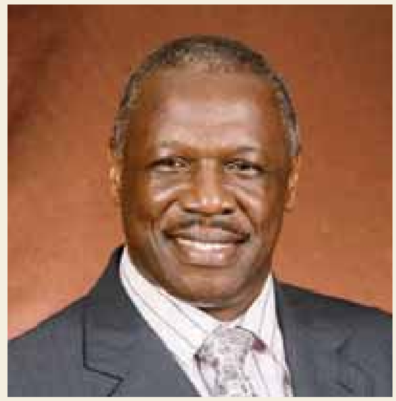
402,493	329,314	182,952	182,952	146,361	292,723
417,131	358,586	182,952	182,952	146,362	292,723
417,131	373,222	292,723	182,952	146,362	365,904
446,403	402,494	541,538	402,494	702,536	512,266

1,683,158	1,463,616	1,200,165	951,350	1,141,621	1,463,616

Report to Shareholders

You're Safe With Us

Robert H. Pitfield
Chairman



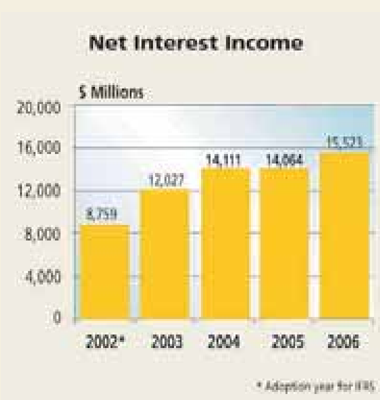
William E. Clarke, CD
President and CEO

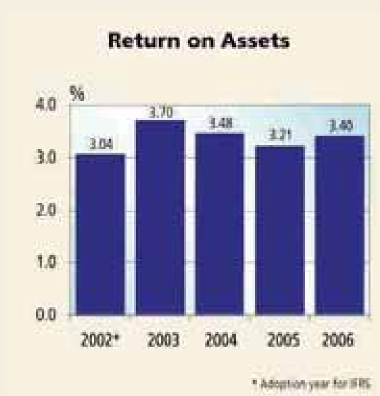
FINANCIAL REVIEW

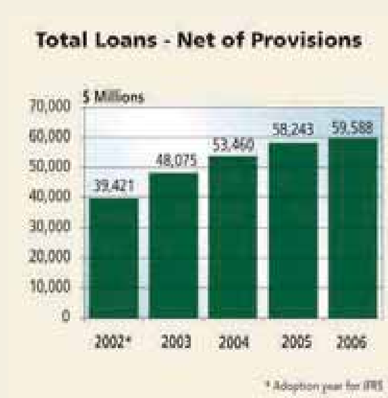
Strong Financial Performance

2006 was one of Scotiabank's most impressive years. It was a year in which we achieved record results and reported net profits of $6,799 million representing a 15.5% growth over last year. These results were achieved in spite of continued reductions in market interest rates, and reflect the strength of our well-diversified business lines. We accelerated growth by attracting, retaining and deepening customer relationships and launched a number of initiatives that added and created value for our customers, employees and shareholders.

As the most profitable financial services group in Jamaica in 2006, we paid more dividends to shareholders than any other financial institution in the country, while continuing to invest in our business. We remain focused on our core business







to achieve solid earnings and long-term sustainable growth. Strong growth in retail banking continues to be a major contributor to our solid performance, with volume growth in retail and credit card loans, and fee income being major contributors to retail banking profits.

Earnings per share was $2.32 up 15.5% from $2.01 last year, and total revenue rose 12.1% over the prior year with net interest income increasing by 10.3%, and other income increasing by 19.2%. This strong performance resulted in return on equity of 26.35% for this year.

Total Revenue
Total revenue was $19,650 million in 2006, an increase of $2,124 million from the prior year. This increase was due to growth in net interest revenue as well as other revenue, which was fuelled by strong growth in foreign exchange trading profit and commercial and retail banking fees.

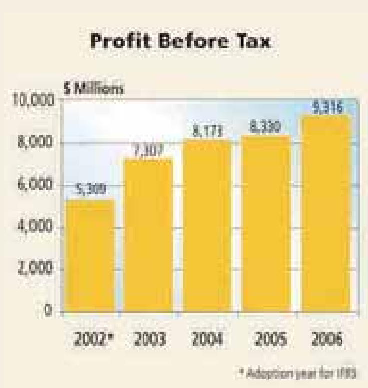
Net Interest Income
Net Interest income was $15,523 million in 2006, up $1,458 over last year, despite the continued reduction in market interest rates. We achieved growth in net interest income due to strong portfolio volume growth, particularly on the retail side.

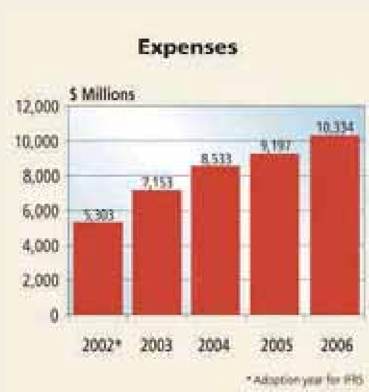
Premium Income
For the period under review, ScotiaMINT, the interest sensitive life insurance policy marketed by Scotia Jamaica Life Insurance Company Limited, as well as Creditor Life, made significant gains in insurance premium. Combined net premium income for both products increased by approximately $96 million when compared to the same period last year. Scotia Life reported gross premium income of $4.3 billion for the twelve month period.

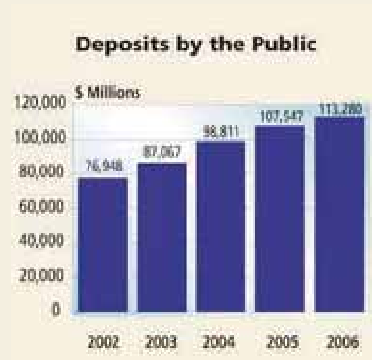
Other Income
Other income, defined as all income other than interest income and insurance premium income, increased by $568 million, this was driven by retail and commercial banking fees and foreign exchange trading profit.

Non-Interest Expenses and Productivity
Non-Interest expenses, excluding changes in policyholders' reserves and loan loss provision, were $7,863 million in 2006, an increase of $1,032 million or 15% from last year. Salaries and employee benefits is the major contributor to this expense category and was $4,651 million, up 16% from last year.

Our productivity ratio at 52.59% continues to lead the financial services industry in Jamaica, due to our focus on managing costs across the Group. We will continue our focus on finding new ways of improving operational efficiency by consolidating and streamlining processes and structures, eliminating duplication, and sharing best practices throughout our network.







Credit Quality

Scotiabank's credit quality continues to be outstanding both by international standards and when compared with our peers locally. Non-performing loans as at October 31, 2006 was $1,009 million, an increase of $91 million when compared to last year. The Group's non-performing loans now represent 1.69% of total loans and 0.5% of total assets compared to 1.59% and 0.5% respectively in the prior year.

Provision for loan losses on an IFRS basis was $478 million at year-end. However, the total provisions based on the BOJ's statutory requirements were $1,285 million. The difference between the statutory and the IFRS provision is reported in the Loan Loss Reserve, as a component of Shareholders' Equity. We continue to experience significant growth in the loan portfolio, however our loan loss provision has remained relatively stable. This is due to Scotiabank's strong credit policy and loan administration procedures, which has ensured the high quality of the loan portfolio. We are confident that with this level of provisioning, the Group is adequately protected should the economy suffer a short-term down turn.

Dividends

Our shareholders received increased dividends during 2006 in keeping with our policy to increase dividends in line with the trend in earnings, while ensuring that adequate levels of capital are kept for the purpose of protecting depositors and growing the business of the Bank.

Dividends per share totalled $1.07 in 2006 an increase of 7% from 2005. The gross dividends paid for 2006 was $3,132 million up $205 million from last year. The steady growth in dividends is a major contributor to the high long-term returns generated for shareholders. The dividend payout ratio for 2006 was 46.07% compared to 49.74% last year. Both ratios are within the target payout of range of 40% - 50%.

Shareholders' Equity

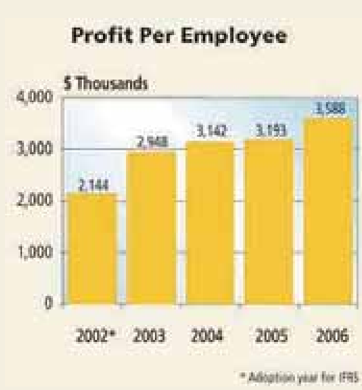
Total shareholders' equity rose by $3,865 million in 2006, fuelled by internally generated capital increase. Scotiabank maintains a strong capital base to support its diversified business activities. Our capital ratios remain among the highest in the financial services sector in Jamaica. This strength contributes to the Bank's safety, fosters shareholder confidence, and provides us with the potential to enhance shareholder return through increased dividends.

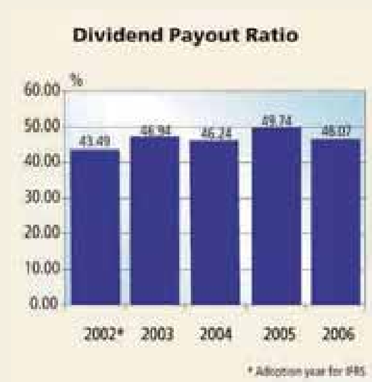
Assets and Liabilities

The Bank's total assets were $200 billion as at October 31, 2006 up $17 billion or 9% from last year. Growth was spread across most asset categories.

Performing Loans

Performing Loans as at October 31, 2006 were $59 billion, up $1.2 billion over the previous year. While private sector commercial loan demand remained soft, we achieved significant growth during 2006 in retail loans.





Cash Resources and Government of Jamaica Securities

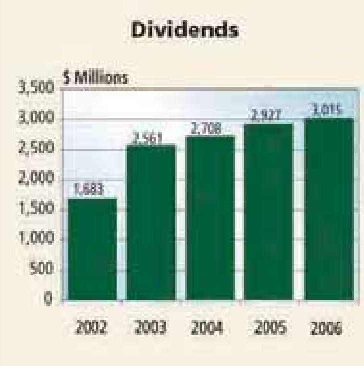
Our cash resources held to meet statutory reserves and the Bank's prudential liquidity targets stood at $46 billion at October 31, 2006, compared to $45 billion at the previous year-end. These assets are held in liquid form at levels and terms that enable us to respond effectively to swings in our cash flow, without severe adverse consequences. The amounts held exceed the statutory minimum for such assets in relation to our prescribed liabilities.

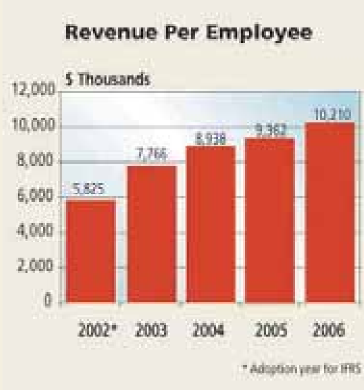
The Bank's portfolio of government securities (including repurchase agreements) grew from $70 billion at last year-end to $82 billion at October 31, 2006 as deposit and repo liability growth outpaced loan growth. The average yield on the portfolio decreased year-over-year in line with market trends.

Deposits

Our Bank continues to increase its deposits despite the noticeable market shift from traditional bank deposits to investments in a wide variety of market instruments, ranging from Government of Jamaica securities to money market products. The Bank's deposits grew by 5%, from $114 billion at last year-end to $120 billion at this year-end, as public confidence in the Bank remains very high.

The mix of the portfolio was dominated by retail savings accounts, however term deposits also continued to grow steadily.





Board of Directors of the Bank

Our Shareholders are Safe With Us

R. E. Waugh *(left)*
Mr. Richard E. Waugh is the President of The Bank of Nova Scotia, Canada. Mr. Waugh is a member of the Board of Directors of The Bank of Nova Scotia and several of the Bank's subsidiaries and affiliates. He was appointed to the Board of Directors of The Bank of Nova Scotia Jamaica Limited on February 20, 2003.

W. E. Clarke, C.D. *(centre)*
Mr. William Clarke, President and CEO of the Bank, was appointed to the Board on May 18, 1995. He is a member of the Executive and Pension Committees of the Board and is also a Director of Scotia Jamaica Investment Management Limited, The Scotia Jamaica Building Society, Scotia Jamaica Life Insurance Company Limited, Scotia Jamaica General Insurance Brokers Limited, Scotia Financial Services Limited and Scotiabank Jamaica Foundation.

Dr. H. J. Thompson *(right)*
Dr. Herbert Thompson is the President of The Northern Caribbean University. He was appointed to the Board of the Bank on August 19, 1998 and is a member of the Pension Committee of the Board. Dr. Thompson is also Deputy Chairman of the Board of The Scotia Jamaica Building Society.

Board & Committee Members

EXECUTIVE COMMITTEE OF THE BOARD

Hon. M. M. Matalon, O.J.
Chairman

Hon. W. A. McConnel, O.J.
Deputy Chairman

W. E. Clarke, C.D.
Dr. J. A. Dixon
C. H. Johnston
J. M. Matalon

AUDIT & CONDUCT REVIEW COMMITTEE

J. M. Matalon
Chairman

C. H. Johnston
Hon. W. A. McConnel, O.J.
Miss M. M. Issa
Prof. S. C. Vasciannie
A. V. Chang

HUMAN RESOURCES COMMITTEE

Dr. J. A. Dixon
Chairperson

W. A. McDonald
Miss M. M. Issa
Prof. C. D. C. Christie

PENSION COMMITTEE

Hon. W. A. McConnel, O.J.
Chairman

W. E. Clarke, C.D.
W. A. McDonald
Dr. H. J. Thompson
Miss S. A. Wright

Board of Directors of the Bank

R. H. Pitfield, *Chairman (left)*
Mr. Robert H. Pitfield is the Executive Vice President, International Banking, of the parent Company, The Bank of Nova Scotia, Canada and is responsible for all of the Bank's retail and commercial operations outside of Canada & USA. He was appointed a Director and Chairman of The Bank of Nova Scotia Jamaica Limited on May 22, 2003.

S. A. Wright *(centre)*
Miss Stacie-Ann Wright is the Executive Vice President and Chief Financial Officer of the Bank and was appointed to the Board on September 1, 2005 and is also a member of the Pension Committee. Miss Wright is also a Director of Scotia Jamaica Life Insurance Company Limited, The Scotia Jamaica Building Society, Scotia Jamaica Investment Management Limited, Scotia Jamaica Financial Services Limited and Scotiabank Jamaica Foundation.

Prof. S. C. Vasciannie *(right)*
Dr. Stephen Vasciannie is currently Professor of International Law at the University of the West Indies and Head of the International Division of the Attorney General's Chambers. Professor Vasciannie was appointed a Director on September 1, 2005. He is a member of the Audit & Conduct Review Committee of the Board and is also a Director of Scotia Jamaica Life Insurance Company Limited and Scotia Jamaica Investment Management Limited.

M. M. Issa, *(left)*
Miss Muna Issa is the Treasurer of SuperClubs. She has been a Director of the Bank since August 26, 1999 and is also a member of the Human Resources and Audit & Conduct Review Committees of the Board. Miss Issa is also the Chairperson of the Board of Scotia Jamaica Life Insurance Company Limited and a member of the Board of The Scotia Jamaica Building Society.

Hon. M. M. Matalon, O.J., *Deputy Chairman (centre)*
Mr. Mayer Matalon is the Deputy Chairman of the I.C.D. Group Limited. He is also the Deputy Chairman of the Board of the Bank and Chairman of the Executive Committee of the Board. Mr. Matalon has been a Director of the Bank since 1966.

Prof. C. D.C. Christie, *(right)*
Celia Christie is a Professor of Pediatrics and a specialist in Pediatric infectious diseases, epidemiology and Public Health at the University of the West Indies. Professor Christie has been a Director of the Bank since February 5, 2001 and is a member of the Human Resources Committee of the Board. She is also a Director of Scotia Jamaica Life Insurance Company Limited.

W. A. McDonald *(left)*
Mr. Warren McDonald is the Managing Director and Chief Executive Officer of Berger Paints Jamaica Limited. Mr. McDonald was appointed to the Board of the Bank on February 5, 2001 and is a member of the Human Resources and Pension Committees of the Board. He is also a Director of Scotia Jamaica Investment Management Limited.

Dr. J. A. Dixon, *(centre)*
Dr. Jean Dixon is the Permanent Secretary in the Ministry of Industry, Commerce and Technology. She has been a Director since February 19, 1998 and is a member of the Executive and Human Resources Committees of the Board. Dr. Dixon is also the Chairperson of the Board of Directors of The Scotia Jamaica Building Society and Scotiabank Jamaica Foundation.

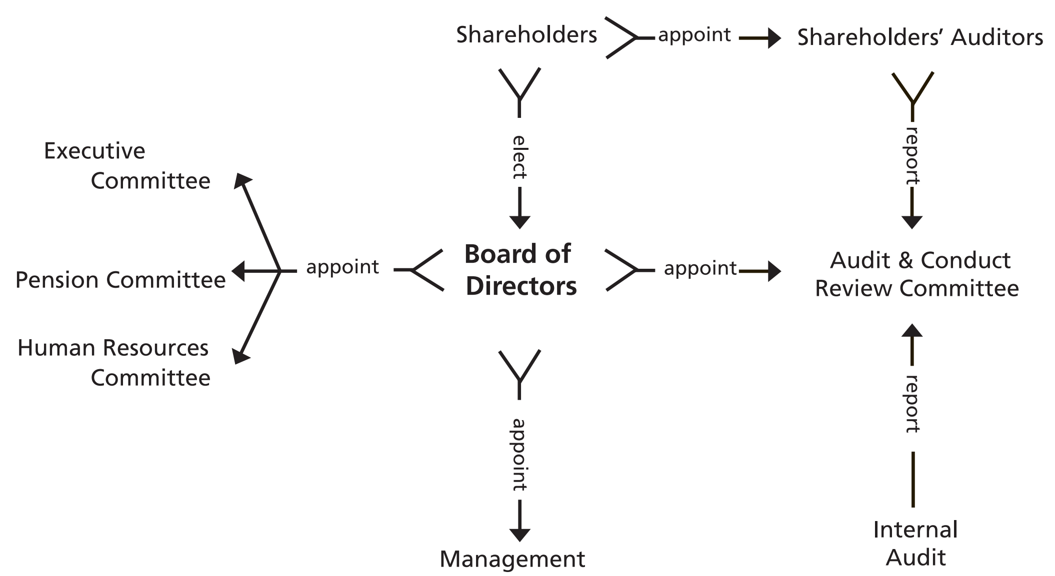
J. M. Matalon *(right)*
Mr. Joseph M. Matalon is the Chairman and Chief Executive Officer of the I.C.D. Group Limited. He was appointed a Director on September 1, 2005 and is a member of the Executive and Audit & Conduct Review Committees of the Board.

Hon. W. A. McConnell, O.J. *(left)*
Mr. William McConnell is the Managing Director of Lascelles DeMercado Company Limited. He has been a Director of the Bank since February 18, 1988. He is also a member of the Executive, Pension and Audit & Conduct Review Committees of the Board and Chairman of Scotia Jamaica Investment Management Limited.

A. V. Chang, *(centre)*
Mr. Anthony Chang is the Managing Director of T. Geddes Grant Limited. He was appointed to the Board of the Bank on February 5, 2001 and is a member of the Audit & Conduct Review Committee of the Board. Mr. Chang is also a Director of Scotia Jamaica Life Insurance Company Limited.

C. H. Johnston, *(right)*
Mr. Charles Johnston is the Chairman and Managing Director of Jamaica Fruit and Shipping Company Limited. He was appointed to the Board of the Bank on August 22, 2002 and is a member of the Executive and Audit & Conduct Review Committees of the Board.

Scotiabank's Corporate Governance Structure



Accountability, Openness and Integrity

Scotiabank believes that sound and effective corporate governance practices are essential to our long-term success. Our corporate governance practices are designed to ensure the independence of our Board of Directors and its ability to effectively supervise management's operation of the Bank. Good corporate governance practices are important to the creation of shareholder value and maintaining the confidence of depositors and investors.

Board independence ensures that the Bank is managed for the long-term benefit of all stakeholders – shareholders, employees, customers and the communities in which we operate. Our Bank therefore ensures that the majority of our directors are independent, with eleven of our fifteen current directors being independent of the Bank, its parent or its affiliates, and thirteen being non-executive directors. The composition of the Board therefore provides management with independent and objective oversight, and strategic guidance. The Board also ensures that key committees (such as the Audit & Conduct Review Committee and the Human Resources Committee) are comprised of independent directors who have the requisite skills to carry out the respective mandates.

The effectiveness of any Board of Directors will also be dependent on the quality of the individuals who serve as directors. Our Bank prides itself on having individuals serving as directors who are business and community leaders who have distinguished themselves in various fields of business and academia. Our directors have contributed significantly to the Bank's success over the years and we are confident that they will continue to do so in the future.

From time to time, new directors are appointed to the Board who are able to provide a different perspective to the Board's deliberations. The process of continually appointing new directors as others retire ensures that the Board continues to evolve in changing times.

The Scotiabank Group is committed to good corporate governance and will continue to comply with international best practices, the Jamaica Stock Exchange, the Bank of Jamaica and the Financial Services Commission.

The President's Council

Stacie-Ann Wright
Executive Vice President
& Chief Financial Officer

At Scotiabank, we are committed to providing our shareholders with an attractive long-term return on their investment by achieving superior financial performance while managing risk effectively. Over the past 10 years, we have consistently paid increased dividends to our shareholders every year.

H. Wayne Powell
Executive Vice President,
Branch Banking

We know and understand our customers and we provide our staff with the tools to enable them to focus on our customers' needs at every stage of life. We are dedicated to building long-lasting relationships with our customers.

Rosemarie Pilliner
Executive Vice President,
Operations

Our commitment to our customers transcends a purposeful, memorable and consistent experience. As we implement innovative technology to deliver cutting edge solutions, our daily mantra is to ensure that each customer experience will be exceptional across all touch points.

Audrey Tugwell Henry
Senior Vice President,
Retail & Electronic Banking

We have been able to keep pace with our customer's changing needs by delivering innovative products and services. This has kept us where we need to be – in step with the rest of the world and in tune with our customers' expectations.

Michael Jones
Senior Vice President,
Human Resources

We believe our people are at the heart of our business. As an Employer of Choice our investments in employee programmes have become industry standard. These partnerships have enabled the creation of a committed family of Scotiabankers.

Anya Schnoor
Senior Vice President, Wealth Management
General Manager, SJIM

We recognize that wealth creation and management are important to everyone. That's why we have developed a comprehensive strategy that considers a person's tangible and intangible assets, as we believe that true wealth lies in good health, family security, quality relationships, and sustainable lifestyles.

David Noël
Senior Vice President / Senior Legal Counsel & Corporate Secretary

Our strong compliance and risk management culture enables us to balance the need for careful observance of regulations while fulfilling our commitment to providing our customers with superior products and services.

Yvonne Pandohie
Vice President and Chief Auditor

We recognize that a sound internal control environment is the cornerstone of financial stability and growth. This has been Scotiabank's hallmark and an effective tool for protecting our stakeholders' interests.

Heather Shields
Vice President,
Marketing

Our stakeholders' confidence in us has made us one of the strongest brands in Jamaica. This brand equity gives us a real strategic advantage in an increasingly competitive industry.

Ronald Bourdeau
Vice President,
Risk Management

Our enviable position as the market leader in managing risk is as a result of our strong focus on maintaining our high standards of accountability throughout the years. This has consistently allowed us to achieve an acceptable level of exposure while maximizing shareholder value.

Joylene Griffiths Irving
Director - Public, Corporate
& Government Affairs,
Executive Director,
Scotiabank Jamaica Foundation

Our commitment to corporate philanthropy distinguishes Scotiabank from the rest of corporate Jamaica and each year we raise the bar. We are building and enhancing an image that all our stakeholders can continue to be proud of.

Wayne Hewitt
Vice President,
Corporate & Commercial Banking

Relationships are the cornerstone of our business. Our competitive edge as the strongest and most experienced commercial bank in Jamaica is testament to our ability to develop customized solutions to meet the needs of our corporate and commercial clients.

Rosemarie Voordouw
Director, Employee Communications
& Consultations

At Scotiabank we pride ourselves on cultivating an environment that is supportive and empowering. We are pioneers in providing an independent, confidential conflict resolution resource that is immediately accessible to our staff.

William Clarke (centre), President & CEO and members of the President's Council

Our Subsidiaries

Scotia Investments

From left to Right - **Nadine Hines**, Manager Trust and Registration Services, **Camille Whym-Stone**, Human Resources Relationship Manager, **Kevin Harris**, Senior Manager, Investments, **Anya Schnoor**, Senior Vice President, Wealth Management and General Manager, Scotia Investments Management Ltd., **Brian Frazer**, Manager, Securities Trading, **Pamela Douglas**, Investment Field Consultant, **Cheverton Wisdom**, Manager, Finance & Operations, **Monique Todd**, Senior Marketing Manager.

Scotia Insurance

From left to Right - **Jacqueline Sharp**, Vice President & General Manager, **Evette Hendricks**, Manager, Marketing & Communications, **Monique Anthony**, Manager, Finance & Compliance Officer, **Lois Heslop**, Senior Manager, Operations & Service Delivery, **Lorna Gordon Elliot,** Manager, Creditor Life Insurance.

The Scotia Jamaica Building Society

From left to Right - **Phillip Williams**, Manager Mortgage Services, **Janelle Brown**, Marketing Manager, **Gladstone Whitelocke**, General Manager, **Latoya Fuller**, Manager, Finance & Operations.


Scot
ATTENTION
You're Safe
with our people

Rosemarie Edwards, training facilitator speaks with credit officers and retail administrative clerks during a collateral securities training session held at our Training Centre.

When our Scotiabank customers interact with our staff, whether in person or on the telephone, there are high expectations of courtesy, professionalism, efficiency, respect, expertise, and accuracy from staff. Our customers deserve no less and our human resource policies and practices are geared to help us achieve this goal. Our core values: **integrity, respect, commitment, insight** and **spirit,** underscore our strong dedication to our core purpose, which is 'to be the best at helping customers become financially better off by finding relevant solutions to their unique needs.' Another way of saying this is 'you're safe with our people'.

The over 1,800 Scotiabankers who serve our customers in different capacities include some of the best people in their field and our human resource policies are geared towards continually improving both their expertise and their level of job satisfaction. That is because we recognise that satisfied, well-trained employees give better service. We have been seeing continual improvement in response to our efforts in this area. This year, 89 percent (versus 84 per cent in 2005) of our staff say that they feel that their branch/unit/department provides high quality service. Our customer service surveys indicate that our customers share this view, as they report improved customer satisfaction and loyalty scores. In addition, more and more employees (87 percent as against 82 percent in 2005) feel confident that their branches/units/departments have plans to effectively meet targets which will help the Bank to meet and achieve stakeholder objectives.

Moreover, in 2006, 82 percent of our employees said that Scotiabank is a great place to work and 86 percent said we respected individual diversity. Our placement among the top ten Employers of Choice in Jamaica, in the 2006 Jamaica Employer's Federation survey reinforced this view for the second consecutive year.

Recruitment Practices

At Scotiabank, we recognise that sometimes great customer service is a matter of having the right person for the job. That is why we have taken deliberate steps to ensure that the persons we select for particular jobs have both the technical and behavioural characteristics to perform their role. We utilise strong predictive tools to strengthen our recruitment processes and we are using these tools for key jobs throughout the organisation. Our customers can be assured that as a result of our focus on establishing job and organizational fit, our staff will have both the 'soft skills' and technical competencies to satisfy their requirements.

Training and Coaching

Once you have the right people, you have to ensure that they remain on the cutting edge in terms of their skills and knowledge base. If they do not, our customers will not be served at the standard they expect and deserve. At Scotiabank we take on-going training seriously and we provide access to internal and external training for our employees. In 2006 over 120 managerial and supervisory staff took time out from their regular schedule to learn about Peripheral Vision, as a part of a Management Retreat.

Developed by two University of Harvard professors, this concept emphasizes the importance of being aware of developments in the immediate industry and the wider society. Since the retreat, we have expanded training in this concept to the entire Bank, to ensure that all our team members are constantly on the lookout for ways to better serve our customers.

In 2006, 1,030 staff members participated in training programmes at our well-equipped Training Centre. The programmes covered technical and people skills and included topics such as computer software competency, supervisory skills, sales management, conflict management and career planning. In addition, this year we invested heavily in two key custom built competency based programs- 'Delivering the customer experience' and 'Managing the employee experience'. We also placed great emphasis on educational assistance and our staff continue to testify to the outstanding level of support we provide in this area. This programme helps them to achieve personal development goals as well as equip them to deliver more compelling customer service.

In addition to our formal training initiatives, Scotiabankers participate in a structured coaching programme under which each employee receives individual coaching at least once each month from his/her supervisor. This coaching helps our staff members to continually improve their performance.

At Scotiabank we recognise that to achieve seamless changes we must have effective succession planning. That is why we have become a learning organisation with a deliberate programme of continuous learning. This programme is aimed at creating a multi-skilled team and ensuring that even when we change our people, our customers continue to receive quality service.

Succession Planning

There is more to an effective training programme than performance in one's current job. The fact is, our customers expect to receive the same level of service even when there are personnel changes. At Scotiabank we recognise that to achieve seamless changes we must have effective succession planning. That is why we are a learning organisation with a deliberate programme of continuous learning. This programme is aimed at creating a multi-skilled team and ensuring that our customers receive quality service at all times.

It is this same thinking that convinced us that it is important to ensure continuity in our cadre of leaders and to nurture leaders who will be able to respond to our customers' needs and desires in this rapidly changing environment. Of course, we also recognise that leadership is a key competitive advantage in the building of our business. In the quest to maintain this advantage, we have identified key people from among our junior employees who show the promise of assuming leadership positions in the future and have initiated mentoring programmes to aid in their development.

Innovations

We recognise the value of efficient communication in maintaining a strong team and ensuring that all our people are focused on our core purpose. This year, Scotiabank Jamaica became the first country in the Scotiabank Group outside of Canada to gain its own portal on the Bank's Intranet – HR Passport. This has enabled more widespread dissemination of information, and plans are in place for audio feeds to supplement this service next year. Through our Employee Communications and Consultations (ECC) unit (itself a unique innovation), we re-launched our internal magazine, ScotiaVibes, which serves to reinforce corporate values and engender commitment to the Bank's goals. We also launched a new leadership journal from our HR Department to support our efforts at leadership development.

In addition, the ECC continued to provide assistance to teams and their leaders in practicing effective interpersonal communication and resolving conflict effectively.

This year we renewed our focus on wellness initiatives through certification of wellness facilitators, an innovative and new concept in the Jamaican workplace. We also invested in more recreational facilities and activities for our staff. This effort at work-life balance is yielding results: we are seeing increased employee satisfaction while our customers experience better service levels.

Customer Service

We know that our efforts at staff training and employee satisfaction have resulted in better service for our customers. But we are not taking anything for granted. Last year we made a deliberate effort to promote a customer centric culture amongst our staff so that persons using our facilities at any location would experience a consistently high standard of service. Our Scotia Way programme, launched during the year, helped Scotiabankers at all levels to live the service standards of attitude, appearance, communication, ownership, expertise, efficiency and communication. We are committed to pursuing our goal of exceeding our customers' expectations in all areas of the Bank.

In the coming year, our focus on improving the customer experience will see the Bank establishing several support initiatives in back office operations to enable our frontline staff to be more efficient in handling transactions. The most far-reaching of these is the Customer Service Charter, which provides team members with clear guidelines for delivering seamless customer service in every aspect of customer facing care, and outlines our promise of the best service to our customers. Our complaints management department will also be able to more efficiently log and resolve complaints using our new electronic Customer Complaint Tracking System. In short, we're using every avenue available to ensure that "you're safe with our people".


U R Safe
with
Scotia
Our children are
Safe With Us

Sergeant Andrea Clarke of the Police Road Safety Unit assisted by School Crossing Warden David Garriques, gives road safety instructions to students from Jessie Repoll Primary School. This programme is sponsored by Scotiabank.

At Scotiabank, we recognise that our nation's children hold the future in their hands. We also believe that it is our responsibility to play our part in nurturing their total growth and development. That is why it is important to us to make sure that 'our children are safe with us.'

Our commitment to our children is visible in the focus of our corporate social responsibility activities and the products and services we have designed specifically for them. Many of the projects that our Scotiabank Jamaica Foundation undertake, as well as our staff outreach efforts are aimed at improving the lives of our children. On the other hand, our range of accounts helps adults to secure our children's future and encourages children to develop a saving habit for themselves.

Saving for the future

Our youngest stakeholders: children from birth to eleven years have their very own product to introduce them to the discipline of saving. It is called ScotiaFirst and in addition to attractive interest rates, our young savers have the chance to win computers or bursaries. ScotiaFirst savers also have the opportunity to vie for one of our six Grade Six Achievement Test (GSAT) bursaries.

Once our children move into the teen years - between 12 and 21 - their goals change and we have tailored a product to help them achieve their objectives. This product is ScotiaWise, which also offers competitive interest rates and the chance to qualify for one of five bursaries each term and six university bursaries. More and more teens are finding ScotiaWise to be an excellent savings vehicle and the 2006 results reflect this trend with a 35% growth over 2005.

We also make it possible for adults to secure the educational future of their children using ScotiaMINT, which is offered through Scotia Insurance. This insurance policy is ideal as it allows our clients to invest an affordable amount each month in a tax-sheltered instrument providing they meet certain requirements. By laying a strong foundation in the early years, parents and guardians will find the cost of their children's tertiary education less burdensome.

Our Foundation and our children

At Scotiabank, corporate social responsibility is an important part of who we are and we focus our attention in the areas of health, education and community development through the Scotiabank Jamaica Foundation. Naturally, our nation's children are at the heart of many of these activities. For example, since we began our GSAT scholarship programme in 1998, 103 children have received financial assistance valued at $33.5 million. These scholarships recognise excellent performance and they also help to ease the pressure for parents who would otherwise find it difficult to send their children to high school.

The Foundation awards 15 GSAT scholarships each year; however we conferred three additional awards in 2006 to three girls who lost their homes to fire on the day of their primary school graduation. We are pleased that they are now enrolled in the high schools of their choice.

Schools all over the island have also benefited from the Foundation's support in upgrading infrastructure and providing equipment at their schools. One example is the Iris Gelly Primary School – located in one of the more 'challenging' areas of Central Kingston, which has already produced one Foundation scholar. The children show signs of great potential and in September of 2006 the Foundation boosted their chances of success with our contribution of a $5.5 million multimedia computer laboratory, boasting 17 computers and other multimedia equipment. The new facilities have sparked the enthusiasm of students and teachers alike.

The students at the Willowdene High School in Spanish Town were also happy to have classes return to normal, with the help of a $2.9 million contribution by the Foundation to repair damage to the walls and roof of a classroom block caused by Hurricane Ivan. Willowdene High is one of five schools which benefited from a $19 million fund that we set aside to help schools recover from the ravages of this hurricane.

Our Staff in the Community

Our involvement in the lives of our children is not restricted to the Foundation's projects or special products and services. Our employees' close engagement with their local communities brings many situations of need to our attention. One example is the Revival All Age School in Westmoreland, where a lack of resources meant that class work and examination papers could not be reproduced for the students' use. The staff of our Savanna-la-mar branch saw the need and obtained the Bank's support in providing a Risograph for producing the material.

Altogether, we have provided tuition, books, furniture and equipment, and repaired classroom facilities for students and teachers from 80 primary, secondary and tertiary institutions across Jamaica this year.

Scotiabank has always been concerned about our children's safety on our roads. That is why, in 2006, in the face of an alarming increase in the number of children killed on the road, we decided to give additional support to the Police Road Safety Programme. On Teachers' Day in May, our Scotiabank Volunteer Teachers spent over 266 hours in 153 schools speaking about Road Safety. This complemented our existing Road Safety programme, which provides all School Crossing Wardens islandwide with uniforms and crossing signs.

Scotiabank remains committed to uplifting the welfare of our nation's children, whether through providing products and services designed especially for them, or through our corporate social responsibility activities targeting their particular needs in the areas of health and education. We are constantly seeking more ways to ensure that 'our children are safe with us.'


Your Dreams are
Safe With Us

Scotiabank
29
Annual Report 2006

In 2006, Scotiabank loaned $734.6 million to finance new homes for families and individuals across Jamaica, helping our customers fulfil their dreams of owning a home.

Scotiabank believes that to have the best kind of life, it is essential to have dreams. We all have different kinds of dreams depending on our background, our age and the unique picture of the 'ideal' that we carry in our hearts. However, some dreams are common to all of us, even if different in the details: perhaps a new car (independence), a vacation (renewal), a home of our own (stability), or a plan to build wealth (security).

We readily recognize the importance of the dreams our customers share with us and treat them with care, as if they were our own. Our products and services reflect this approach and assure these dreams the place of importance they deserve. One fundamental commitment we keep in focus, is to deliver products and services that give our customers the best prospects for making those dreams a reality and keeping safe what they have gained.

Owning a Home

With this in mind, our Scotia Jamaica Building Society (SJBS) launched the Gold Key Mortgage in 2006, tailored for individuals 50 years and over. The Gold Key Mortgage is the only product of its kind in Jamaica and responds to the largely-ignored, later-in-life aspirations for home ownership.

We also sought ways to make the mortgage application process easier for our customers, and a joint arrangement with the National Housing Trust (NHT) was a good way to accomplish this. In January, after discussions with the NHT, we launched the Joint Financing Mortgage Programme which means that persons can now access NHT entitlements through SJBS when they apply for a mortgage, by simultaneously completing the NHT form. In the past, they would have had to go to the NHT to receive a referral letter before being able to complete the application process.

Our customers' dream of owning a home can often be frustrated simply because they do not know about the housing options in the real estate market or they are not sure about the legal requirements and the financing opportunities available to them. We understand the difficulty of working through the different elements of such an important decision and we constantly seek to ensure that our customers have the information and guidance they need.

This year, SJBS collaborated with a leading real estate developer to draw attention to model units we felt our customers would like and which we thought would meet their needs. The event was well-received and in the future we plan to extend our collaboration with more developers to further facilitate goals regarding home ownership.

These initiatives have helped tremendously, and we intend to continue into next year and beyond. Our Building Society plans to host a home improvement forum in 2007; we are formulating a home improvement product for existing SJBS clients, and we are developing a tiered mortgage product.

Our clients will be hearing more from us directly by mail, as we present our SJBS Mortgage solutions both current and new.

Other Dreams

Our range of *Scotia Plan Loans* remains the consumer loan product of choice, attesting to the winning elements of a good product coupled with the high level of customer service provided by our Personal Banking Officers. This year, we raised the bar even further when we were able to offer cash-secured Scotia Plan Loans at a lower interest rate. This was made possible by our ongoing evaluation of risk management.

Our *Scotia Home Equity Loan*, which is a special type of the Scotia Plan Loan, was launched in January 2006, and has quickly become a popular avenue for our customers to finance their dreams. The rates are competitive and the new product allows homeowners to tap into the accumulated equity in their home, with a one-time lump sum advance that is paid off over a fixed period.

The multi-purpose Home Equity Loan product has also been quickly utilised for other financial purposes such as personal debt consolidation, education, travel and medical expenses, as well as motorcar purchases.

In 2005, the positive response to our *ScotiaWheels* financing programme – another Scotia Plan Loan option which provides loans to purchase new cars – convinced us that it was important to continue to provide this service in 2006. We were therefore pleased to continue our partnership with five of the island's leading new car dealers to provide premium motor vehicle financing.

We further lowered the rates for the 2006 ScotiaWheels programme, which started in March and offered reduced rates to persons who sought commercial or agricultural vehicle loans, and members of selected tour companies who were seeking loans for passenger transport.

Our *ScotiaLine Gold*, which is our most exclusive borrowing solution, also continues to provide our clients with an excellent line of credit for a range of purposes - home improvement, vacation, new car, debt consolidation, and investment opportunities - at an interest rate which is lower than most personal loans. Our customers access their ScotiaLine account via their Scotiabank Gold MasterCard and personalized ScotiaLine cheques.

Wealth Creation

In 2006, in addition to helping our customers to fulfil their dreams of acquiring a new car or home, taking a vacation or furthering their education, we continued to augment our range of products and services to help them to save, invest and generate wealth in a vigorous but stable fashion.

The Scotia Rate Booster Certificate of Deposit is one of our newest products, it was introduced in 2006 and has already shown promise. The Rate Booster is a competitively priced product designed to provide our customers with greater flexibility in investment choices, as well as attractive rates. This instrument is available for 18 months, with equal sub-terms of six months each. Interest rates increase in each successive sub-term as long as funds are left undisturbed through to maturity.

In 2006, we made every effort to ensure that our customers were fully aware of all the excellent wealth creation opportunities we have developed to make their lives better.

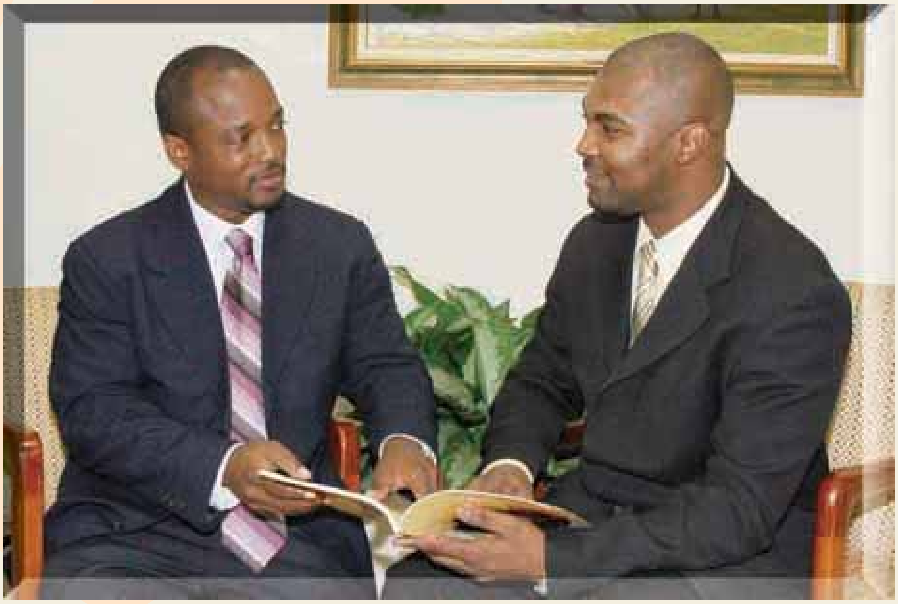
Scotiabank has been successfully providing wealth creation solutions to our customers for many years through our subsidiaries.

Over the next 18 months even more emphasis will be placed on the expansion of our wealth management division, and communicating the product and service offering to our customers.

Starting early in 2007, our Investment Management team will be hosting a number of workshops and discussion fora, to help equip existing and potential customers to make important decisions related to their individual wealth dreams, or plans for business endeavours. We will be increasing our communication channels through e-newsletters and face-to-face contact to guide and support them. Our support will include incisive market analysis, which will ensure that our customers make the right decisions at the right time. We are also taking steps to improve the turnaround time in our services. We are strengthening our internal referral mechanism, to ensure that our clients have access to team members who can assist them at each phase of their wealth creation journey.

We are committed to building strong and meaningful relationships with our clients, which will enable us to keep track of all their dreams and respond quickly with the products and services to help fulfil them. Our customers can dream with confidence, knowing that we are making sure 'their dreams are safe with us.'


Color Friendly
DiALTA Color
magicolor
Your Business is
Safe With Us



Good relationships are essential in providing the right financial solutions. Brian Frazer *(right)*, Manager of Securities Trading for Scotia Investments in discussion with Andrew Peart of Goodyear Jamaica Limited.

At Scotiabank Jamaica, business clients of every size are important members of the Scotiabank family. We have very deep roots in all the industries that drive Jamaica's economic performance with commercial clients that span the broad spectrum of Jamaican businesses: agriculture, tourism, distribution (retail and wholesale), construction, manufacturing (from concrete blocks to ice cream), health services, oil and gas, service industries and government.

We serve our corporate and commercial clients through our 42 branches, our Corporate and Commercial Banking Centre (CCBC) and our investment management subsidiary, Scotia Investments. Our mission is to add value to the operations of our clients by providing valuable, convenient financial solutions and facilitating their growth. All our efforts are aimed at living our promise: 'your business is safe with us.'

Our focus on relationship building ensures that we meet our clients' lending and non-lending needs, including improving their cash flow. We feel a sense of accomplishment when we can partner with them to expand their businesses through mergers and acquisitions or organic growth. We also provide financing for equipment purchases and improving their liquidity position.

Day-to day banking

All our commercial clients require similar services on a daily basis: deposit accounts, loans, lines of credit and guarantees. Some, depending on their line of business, also need access to Ex-Im Bank facilities. At Scotiabank, we are committed to providing these day-to-day banking products and services in a timely manner to help our clients to conduct their business efficiently, both through our branches and the CCBC. In 2006, our customers also began to enjoy the added convenience of Business Internet Banking, which replaced the Cash Management Solution and offers a broader, more user-friendly suite of electronic banking functions to assist them with their daily cash management.

Investment Products and Services

Our Scotia Investments subsidiary provides a number of products and services geared towards helping firms to increase their revenue through investments. Scotia Investments also offers efficient and secure escrow services. Currently, 250 corporate clients are enjoying the benefits of the Scotia Investments expertise and the subsidiary has $20 billion under management. Scotia Investments partner with our clients to:

- maximize their interest income on excess funds
- manage their pension funds and
- manage large specialized funds.

This is all possible through the Scotia Investments product range, which includes Jamaican dollar repos, treasury bills, bonds and local registered stock. Clients can also opt to purchase US dollar global bonds and mutual funds. The end result is that our corporate clients benefit from competitive rates and an improved customer service experience.

Structured Financing

The aim of all companies is to grow or expand. In these days of globalisation, our clients are demanding products and services to help them identify and exploit funding opportunities both locally and overseas. The commercial banking arm of Scotiabank is facilitating this growth strategy by providing relevant financing solutions. This includes expanding our suite of market products to offer more structured transactions. We have also stepped up our efforts at originating syndicated deals in the market.

So far the results have been encouraging: in 2006 we arranged a total of US$147 million in structured trade finance. We also engineered US$31.25 million in financing of cross-border mergers and acquisitions, in support of those of our clients who grew their businesses through acquisitions within the Caribbean and even as far a field as Europe. Our Corporate and Commercial Banking Centre (CCBC) acted as arrangers for these deals either by providing direct funding from Scotiabank or through our affiliates overseas. In addition, we won the mandate for a syndicated deal in the local market, an indication of our thrust to increase our transaction execution capabilities to better satisfy our customers.

Market Information

We also pay attention to our clients' non-financial requirements, like the need for up-to-date accurate market information. Our research team at Scotia Investments is equipped to provide clients with both local and global information on trends and developments in their particular sectors. Our branch managers make sure to keep abreast of happenings in their communities and our relationship managers at the CCBC can put our clients in touch with information on major global economic developments from the database of the Scotia Economics group. In 2006, our CCBC focussed on the education of our clients by arranging a seminar on derivatives. This provided guidance on ways of reducing/managing their business risk and their exposure to commodity, interest rate and foreign currency movements.

- *During 2006 we were very honoured when the Jamaica Exporters' Association conferred us with the Financial Services Award for "being the financial institution that was most supportive to the export community during 2005."*
- *Scotiabank's International Banking division also recognized us as the leading Bank in the Caribbean and Central America with respect to the origination and closing of structured Trade Finance Transactions*

Small and Medium Enterprises

Research suggests that small and medium businesses are the main vehicle of economic growth, both in Jamaica and globally. Scotiabank is responding to this trend by establishing a Small and Medium Enterprise (SME) unit to strengthen our ability to serve the special needs of these firms in the areas of financing and general support. We have already signalled our desire to partner with SMEs in their growth and development by sponsoring the launch of the Young Entrepreneurs Assoc -iation in 2006.

Making sure your business remains safe with us

As part of our broader commitment to building Jamaica, Scotiabank will continue to facilitate growth and development in the business community. We see exciting possibilities for us to facilitate intra-regional trade. Caricom is the fastest growing region for imports into Jamaica (at 15 percent per annum) and Scotiabank has a dominant footprint in the region. On the other hand, the fastest growing market for exports from Jamaica is Canada at six percent per year, and again we are able to leverage our extensive network in that country for the benefit of our corporate clients.

We are always enhancing the way we serve the business community. We are currently improving the after-sales service and turnaround times to our commercial customers through the introduction of a new approach to account management called Commercial Optimization.

This means that instead of a single relationship officer, a team of account managers will cater to the needs of each customer. This will play a pivotal role in boosting our ability to act as a financial arranger for our clients, which will yield better results for them.

Scotiabank Jamaica is poised to play an even more defining role in serving all sectors of the business community in the coming year, proving again to our clients 'Your business is safe with us.'


You're Safe
with us anytime

Excellent service means making contact with the right people at the right time, and Sharol Brown and her colleagues at the Contact Centre play a critical role in providing quality service to our customers.

Scotiabank customers can be found in every nook and cranny of the island: a testimony to our 117 years presence in Jamaica and our status as Jamaica's number one bank. Our customers come from all walks of life and are likely to have multiple demands on their time: work, family, continuing education, community involvement and other competing priorities. We recognise that our customers need convenient banking services that facilitate this hectic lifestyle. So we make it easy for them to do business with us while taking care of their other commitments through innovative products and services. That is why we can say to our customers: 'you're safe with us - anytime.'

We are constantly searching for new ways to provide banking that is flexible, relevant, cost-effective and convenient. In the past year, we improved our branch facilities as well as provided alternative methods of delivering a wide range of services. We undertook the renovation and expansion of our branch premises and enhanced our back office operational efficiencies to help produce a seamless in-branch experience. We introduced technology upgrades to our systems to support our electronic delivery channels and ensured that our branch staff received the requisite training to help our customers use these tools.

From Negril to Morant Bay, from Junction to Ocho Rios, the Scotia 'flying S' proclaims the far reaching presence of Scotiabank Jamaica. With 42 branches, and 170 ABMs (Automated Banking Machines) island wide, customers can do business with us seven days a week, 24 hours a day. To facilitate our clients, we have strategically located our ABMs in shopping malls, gas stations, hotels, grocery stores and throughout the Branch network. Our customers are making increasing use of the ABM network and in the past year over 10 million transactions were made at our machines. We have also ensured that our clients can access banking services at their convenience via Internet Banking - from the comfort of their homes, while on vacation or during business trips overseas. And when our customers need that personal touch to deal with their queries, our contact centre - which never closes - is there for them.

The 'Anytime' ScotiaCard

The 'passport' to accessing these services is the ScotiaCard and Scotiabank has led the way in paperless banking by the introduction of the

International Banking Platform, which allows our clients to access their accounts at any branch across our network by using their ScotiaCard. They can also use their card to perform transactions via our electronic channels - telephone banking (TeleScotia), Internet Banking, ABM network and debit Point of Sale system. Over 200,000 customers acquired ScotiaCards in 2006, bringing to approximately 500,000 the number of retail clients enjoying the convenience and flexibility the card offers. Customers performed over fourteen million automated transactions using our various electronic channels in 2006.

All our electronic channels provide customers with reliable, user-friendly alternatives to pay utility bills, transfer money between accounts, pay their credit card bills and check account balances anywhere, anytime. Customers can make payments to over 115 bill payment merchants (including utility companies). TeleScotia offers customers the convenience of conducting their banking transaction via telephone. Our Internet Banking service provided free of cost to our retail customers, offers similar functions with the additional benefit of customers being able to view up to one year of transaction history.

Customers of our Spanish Town branch were especially delighted by the establishment of a new state of the art facility in 2006. The new branch is spacious, with adequate parking and easy access from the Spanish Town bypass.

In 2006, we added a number of enhancements to our Internet Banking service. As a result, customers can now set up bill payments and transfers to occur at future dates; easily reconcile their account balances, organize their transactions into categories (for example, household payments) and produce reports on specific types of transactions. In the past year, usage of the facility increased by over 100 percent with customers making over 300,000 transactions.

Shop 'Anytime' with our credit cards

Credit cards are a feature of modern life. They allow us the flexibility to shop anywhere, anytime, without having to worry about carrying cash. They are also a means through which our customers can acquire a small unsecured revolving loan with a safe and convenient payment scheme. As the market leader in credit cards our portfolio offers our customers the widest choice of cards and the most rewards cards, including the very popular Magna MasterCard. Due to the market acceptance of our suite of credit card products, we were able to exceed our growth targets in outstanding balances by over 15 percent and our new account target by over 25 percent in fiscal 2006.

'Anytime' support and information

We established our Contact Centre in order to provide customer support 24 hours a day, seven days per week. Our highly trained customer service representatives handle customer queries about issues relating to accounts or products and services. Scotiabank customers made over 600,000 calls to this Centre in 2006. During the year we expanded the function of the Centre with the implementation of Customer Connect. This enhancement provides more efficient call handling for customers calling our branches. Since its introduction in June 2006, customers made over 160,000 calls to branches via Customer Connect and reported significant improvement of the system. Persons wanting general information about Scotiabank – including reports and news releases - can also visit our upgraded website anytime. The website (www.jamaica.scotiabank.com) contains links to all the Scotiabank franchises in our global network and is a popular resource for students seeking information on the Bank.

Scotia Insurance… 'Anytime'

Customers of our Scotia Insurance subsidiary are also finding it easier to do business with us because of a number of developments during 2006 such as our improved operational efficiency through automation and enhanced workflow.

We also boosted our customer relationship management strategy so that we could better understand and meet the needs of our policy holders, implementing a number of enhancements to our customer service delivery to satisfy the requirements of our clients' demanding lifestyles.

Scotia Insurance policy holders now have more flexible premium payment options via TeleScotia and Scotiabank Internet Banking. Customers can also get the information they need on products and services via the user-friendly, updated Scotia Insurance website. But we went one step further this year and established a new customer care centre and placed customer care representatives in select branches across the island. This complements our pool of insurance sales agents so our policy-holders have access to personalised service whenever they need it. Our customer care representatives are skilled and experienced professionals who are dedicated to providing expert advice on financial planning to our clients, and processing their transactions in a timely and efficient manner.

Running a Business ...'Anytime'

The demands on business people are many and varied and at Scotiabank, we continously look for ways to partner with our commercial customers to make it easier for them to complete their transactions. In 2006, these customers benefited from the launch of our Business Internet service which replaced our dial-up Cash Management Service (CMS) with a modern, web-based solution.

We have commercial clients of all sizes who needed an Internet banking solution to satisfy their requirements. We have converted 95 percent of our CMS customers and we're happy to offer an efficient and user friendly system to them.

This new service joins our Internet Merchant Acquiring Business Facility, which is offered in a very secure environment based on international standards. We are capable of processing electronic payments with all major credit cards in both Jamaican and US currencies. A number of large corporations have been successfully utilizing this facility for efficient collection of payments from their customers. For example, hundreds of Customs Brokers, importers, traffic violators, property and landowners can do their transactions online because the Government of Jamaica is one of our large e-payment customers.

At Scotiabank we aim to provide solutions where everyone wins and that is why in 2006 we launched our QuickPay Card, which is available for clients using Business Internet Banking. This is an electronic solution for small and medium enterprises with at least five employees and any employer who utilizes cheques to pay staff. Employers benefit from having a safe, automated way to process wages/salaries that saves on the cost of cheques and reduces the time spent on payroll activities. On the other hand, employees using the QuickPay Card avoid the risks attached to carrying around lots of cash, as they can use their card to shop at any merchant with debit Point of Sale, pay utility bills at bill payment companies and obtain cash back from participating merchants. In addition, they can withdraw cash at their convenience from any Scotiabank ATM or the MultiLink network.

Our 'Anytime' commitment

Scotiabank Jamaica remains committed to providing flexible reliable and convenient banking experiences for our clients by improving the efficiency of all our electronic delivery channels using up to date technology. Our ABM users will benefit from our expanded network of ABMs and an increase in the types of transactions that they may perform at these machines. We will also maintain our drive to improve the efficiency of our branch operations so that visitors to our locations can enjoy a pleasant, efficient experience. Commercial and youth customers can look forward to new credit cards especially designed to meet their needs, plus we plan to expand our merchant processing facility into the travel and entertainment sectors. In other words, we will continue to make good on our promise: 'you're safe with us - anytime'.


Your Future is
Safe With Us

Through our comprehensive range of services our customers are financially prepared and supported at every stage and phase of their lives – from education and marriage to home-ownership and retirement – and all the special moments in between.

Every Jamaican wants to have a comfortable retirement, and in this age of modern medical advancements, persons generally live up to 20 years after they stop working. In most cases, their pension is not enough to cover all their financial needs during this stage of life. Therefore, whether or not you have a pension, every worker needs to build a retirement fund. This takes careful planning and preparation. It is never too early to think about retirement; in fact, financial planners say that the best time to start saving for retirement is at the start of one's working life. However, the truth is many of us never start this kind of planning until later in our lives, in our 30s, 40s and for some, even 50s.

We are aware of the importance of a knowledgeable partner to assist with this essential process; trained experts to help with common questions like: "How much money will I need to pay my bills?" "What's the best savings/instrument to use?" "What will be the impact of inflation on my nest egg?" Our customers' future is safe with us because we have the experts to answer these questions and a number of exciting products and services to help our clients to plan for their financial future. We assess our customers' individual and distinctive needs and desires, and then assist them to customise a savings plan to meet their financial goals.

Choosing the retirement package

The approach you choose will depend on several factors such as your current financial situation, the number of years until retirement, the income available for saving towards retirement and your appetite for risk. In the world of investments, higher risks usually accompany higher returns and vice versa. No matter what your stage in life, everyone needs a portfolio that includes a diverse mix of savings, protection and investment instruments to maximize security and returns.

Customers can receive assistance in deciding on the components of their portfolio from the Investment Specialists at our Scotia Investments subsidiary, who interview clients to obtain information on their financial objectives, time horizon, risk profile and current financial situation. These highly qualified investment professionals are trained to use the Investment Selector, an important financial planning tool which augments their experience and expertise in advising clients in portfolio diversification.

Saving for a safe future

Financial advisors agree that savings are an important ingredient in any retirement portfolio, because they offer the ultimate in security. Our customers can choose from a wide range of savings accounts to include in their nest egg. Our subsidiary, Scotia Jamaica Building Society

(SJBS) provides a menu of savings accounts with something for everyone. One of the most popular is ScotiaGROW, a long- term savings account (LSA) which is tax-free as long as the principal is held for five years and the saver withdraws less than 75 per cent of the interest. Many of our customers find this an attractive option for their portfolio because of the tax-free benefit and the higher interest rates.

Customers can also take advantage of our Building Society term deposits which also offer higher interest rates but with more flexibility than the LSA because they have varied terms. These deposits allow savers to make decisions about where to place funds at different times and therefore take advantage of other wealth building options. To give our customers more investment options, we introduced the Rate Booster in 2006, a special 18 month Certificate of Deposit available through the commercial bank. The Rate Booster gives customers the flexibility of a short-term investment, while they enjoy the rates of a long term instrument.

On the other hand, aggressive savers will like the Scotia Optimum account, which grants higher interest rates as savings accumulate. And for those young people who want to develop a habit of thrift and start their nest egg early, the Scotia Achiever, with its competitive interest rates is the account of choice. Both the Optimum and the Achiever have the added advantages of annual educational grants and discount cards for selected merchants. At Scotiabank, we recognise that it's not only young people who need some help to develop a savings habit; many persons reach retirement without adequate savings because they did not make saving a regular activity. That is why we developed the PAC: a pre-authorised contribution that allows our customers to make the decision about saving and relax while we take care of the rest. In addition, we offer the ScotiaPlus 55 account which carries a number of extra benefits like fee and service charge waivers and discounts on selected services for these customers.

Protecting the future

One of our more popular products for general long-term savings is ScotiaMINT, which provides the dual benefit of savings and protection and is available through our insurance subsidiary, Scotia Insurance. ScotiaMINT policy holders enjoy tax advantaged long-term savings as well as guaranteed and optional life insurance coverage. Jamaicans have responded enthusiastically to these features, making Scotia Insurance the market leader in the interest-rate sensitive insurance market. Scotia Insurance's qualified and professional team of insurance sales agents is equipped with an invaluable tool: our Needs Analysis System (NAS) to help clients make the best choices for their particular needs. Through NAS we help our customers to determine their future nest egg goals as well as the amount they need to save regularly to achieve these goals. The NAS also helps our customers to understand the impact of inflation and taxation on their savings.

Our clients who wish to have their future needs taken care of in an exclusive setting can enjoy the convenience, comfort and confidentiality of our Scotia Private Client Services where relationship managers handle all of our clients' banking requirements - including retirement planning - seamlessly and efficiently.

Investing for the future

While savings are the traditional, safe means to building a nest egg, many of our customers want the option to invest in more risky instruments with potentially higher yields. We have leveraged our membership of an international organisation to offer our clients personalized portfolios which are diverse both geographically and by type of investment. For example, we are one of the few Jamaican companies providing US Dollar mutual funds: including the Money Market Funds, US Dollar Bond Funds, Global Growth Funds, US Growth Funds and Canadian Growth Funds. Our clients have found these to be valuable components of their overall investment strategy because they protect against devaluation of the Jamaican dollar and allow clients to choose funds according to their tolerance for risk. The numbers tell the story: in 2006 our Mutual Fund account holders increased by sixty percent over the previous year. Many of our customers also take advantage of our Jamaican dollar investment instruments, such as repos, Local Bonds, Treasury Bills and Local Registered Stocks.

More choices to help secure your financial future

At Scotiabank we recognize that Jamaicans are becoming more aware of the role of wealth creation in planning for retirement and they are demanding more options. In keeping with our promise: 'Your future is safe with us', we are diversifying our wealth management products and services under the umbrella of Scotia Wealth in the coming year. Scotia Wealth comprises our investment and insurance subsidiaries as well as our Private Client Services and will focus on developing and delivering a wide range of wealth management products and services. From the university graduate to the businessman, clients will have access to a wide array of investment, protection and wealth management vehicles. We are designing these products to satisfy our clients' age, life-stage and short, medium and long term needs. Our aim is to help fulfil the goals of our existing clients while attracting new ones.


Our Nation is
Safe With Us

Meet our Top Boy and Top Girl in the 2006 Grade Six Achievement Test, Kevin Robinson of Mount Alvernia Preparatory and Racquel Whyte of Immaculate Preparatory, recipients of the Scotiabank Jamaica Foundation Scholarships for Excellence, as they pose with Mr. William Clarke, President and CEO.

We believe our position as the leading bank in Jamaica carries with it responsibilities beyond nurturing the financial interests of our shareholders and customers. We understand that we have a particular role to play as corporate citizens and it is a responsibility we take seriously and bear willingly.

Certainly, there is no shortage of ways in which we can help to build our nation and help to ensure an improved life for all our citizens.

Health Care

Our awareness of the many unmet needs in our nation's life convinced us to establish the Scotiabank Jamaica Foundation (SJF) in 1996, the only one of its kind in the Scotiabank family worldwide. Since the inception of the Foundation, we have been actively supporting projects in the education and health sectors, as well as other projects relating to community development, to the tune of over $439 million.

The Scotiabank Centennial Accident and Emergency Unit, at the University Hospital of the West Indies (UHWI), is perhaps one of our better-known projects, and its establishment even pre-dates the beginning of the Scotiabank Jamaica Foundation. We funded construction of the Unit in 1989 - the centennial year of the Bank's presence in Jamaica – as we recognized that the provision of adequate facilities for such a Unit was one of the most critical health services for Jamaicans. At the time, the hospital, which is also the island's premier medical teaching institution, did not have an Accident and Emergency Unit.

By 2005, the staff had outgrown the facility and we readily responded to the need for the Unit's expansion. In May 2006, we officially handed over the $36 million extension to the hospital, and made arrangements for the provision of new equipment valued at $32 million, including a digital x-ray unit, an ultra-sound machine, and infusion pumps.

But the UHWI is only one hospital. Over the years, we became aware of other opportunities to help to strengthen the sector and improve the quality of health service in the nation. In response, we also established the Scotiabank Jamaica Foundation Haemodialysis Centre at the Cornwall Regional Hospital, and the Scotiabank Jamaica Foundation Accident and Emergency Unit at the Port Antonio Hospital. In addition, we funded the refurbishment of the Renal Unit of the Kingston Public Hospital and provided an annual maintenance. This year, we

The unique mix of services provided by the Micro Enterprise Financing Limited, MEFL, supports a fruitful partnership with its clients. Angella Graham-Stewart *(right)*, Field Co-ordinator and Field Loan Officer, Shevaun Hart examine the high quality produce sold by client, Ena Smith *(left)*.

provided an electrocardiogram machine, cardiac monitors, defibrillators, a portable resuscitator and suction machines for the Spanish Town and Port Antonio hospitals.

We also continued to strengthen our longstanding relationship with the Jamaica Cancer Society. Among the Society's many outreach programmes was a visit by the Mobile Mammography Unit to Port Antonio in Portland, where over 75 women who would otherwise not be able to access this service, were screened for breast cancer.

Our belief that the life-saving services of these health institutions should be provided on a sustained basis has meant a commitment which focuses beyond merely a 'one-off' donation; therefore, we continue to provide an annual disbursement to maintain the facilities in almost every project.

These projects mean a great deal to us because we know they contribute substantially to preserving and improving the quality of life of many Jamaicans.

Education and Community Projects

Our commitment to supporting education also rests on a conviction that there can be no real, long term development of our nation without an adequately funded education system. To help fulfill this goal, we committed to a number of new projects in 2006: the construction of a multi-purpose lecture theatre at the Montego Bay Community College at a cost of $25 million; sponsorship of a Scotiabank Jamaica Foundation/Mayer Matalon Scholarship for undergraduate studies in Management Studies at the University of the West Indies (UWI), and two full scholarships for primary school teachers to pursue a two-year degree programme at the UWI; as well as continued sponsorship of scholarships at the Montego Bay Community College, Northern Caribbean University, the University of Technology and the UWI.

Our community development projects form the third leg which supports our philanthropic contribution to the life of our nation. We continue to support initiatives that are geared towards nation building. In this context, we have increased our contribution to organisations with objectives focused on building better communities, such as Youth Opportunities Unlimited (YOU) – a voluntary organization that provides positive interventions for adolescents. We also continued with our provision of meals daily for the 45 elderly residents of Cluster F at the Golden Age Home.

Micro-financing

One of our most important initiatives to aid our nation's development is our involvement with the Micro Enterprise Financing Limited (MEFL), which was established in May 2002. The MEFL was the fruit of careful research to assess how Scotiabank could best help to bring fundamental change to vulnerable communities across Jamaica and is in partnership with the Canadian International Development Agency (CIDA) and the Kingston Restoration Company.

The MEFL is intended to be a catalyst for change specifically aimed at breaking the cycle of poverty in the targeted areas by assisting residents to gain access to collateral-free financing. The enterprise has already become a recognized leader in Jamaica's microfinance industry. Over the past four years, the MEFL has refined micro-financing and continues to far surpass initial estimates of its effectiveness in breaking the cycle of poverty in an efficient and sustainable way.

The MEFL provides loans ranging from $10,000 to $300,000 to persons who are already involved in some kind of revenue-generating activity, who need help to grow, but would not qualify for a bank loan either because of the small size of the venture, lack of collateral, insufficient equity, or lack of credit history and documentation. Loan repayment periods range between 3 and 14 months. In the targeted communities, typical ventures supported may include selling fruits, handbags or clothing on a very small scale, shoe making and repairs, and, more recently, farming.

Initially established in Kingston and St. Andrew, the MEFL now has branches in Santa Cruz in St. Elizabeth and Savanna-la-Mar in Westmoreland. In November 2006 it extended its outreach to the town of Linstead in St Catherine.

Growth in its outreach in urban Kingston, especially the inner city areas initially targeted, has slowed, mainly because of the violence which plagues such communities. However, the organisation is determined to not only continue, but to expand the project, particularly given the exceptionally positive effects of the programme.

MEFL isn't just about lending people money; it is in the business of transforming peoples' lives. The enterprise provides much broader support for its clients than merely financing; clients are trained and mentored to help them make the kind of lifestyle and mindset changes that ensure success not only in their business ventures but in their lives.

As at the end of June 2006, the enterprise had disbursed more than $209 million in loans, with the average size of loans being about $39,000. Even more exceptional is the fact that the MEFL has a 96% repayment rate on these loans – an excellent repayment rate in any loan financing business.

Loan holders with the MEFL – (currently just over 1,600) have a total of $18 million in savings in Scotiabank, thanks to the savings component which is a compulsory part of every loan agreement.

Good Corporate Citizenship

We are gratified by the expressions of appreciation for the work we have sought to do in the nation and honoured by the recognition we've received from a number of civic and trade associations, including the Montego Bay Chamber of Commerce, the Jamaica Cancer Society, Heart Foundation of Jamaica and the United Way of Jamaica.

Good corporate citizenship is at the heart of every great company. The Scotiabank Jamaica Foundation is committed to helping to ensure that Jamaica's health, education and community infrastructure is equipped to meet the needs of our people and fulfill the incredible potential of our people.

Our contribution to our country was highlighted internationally when the National Center for Black Philanthropy, Washington DC, presented its distinguished 2006 Philanthropist Award to our President and Chief Executive Officer, William Clarke. This award was made in May 2006 at the Conference on Caribbean Philanthropy held in Montego Bay. Mr. Clarke was credited as bringing international acclaim to Scotiabank, through his far-sightedness in utilizing philanthropy as a means of significantly contributing to nation building.

EUROMONEY
2006
Awards for
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Best Bank in Jamaica

Euromoney - The Journal of the world's capital and money markets

Recipient of the 2006 Philanthropy Award "Business Philanthropist of the Year" from the National Centre for Black Philanthropy Inc.

We honour William E. Clarke, CD of Kingston, Jamaica who has been highly successful in the banking industry and philanthropy.
– National Centre for Black Philanthropy, Inc

(From the left) The Honourable Dennis H. Lalor, recipient of the first Philanthropy Award 2005, awardee William Clarke, CD, President and CEO, Scotiabank Jamaica, and Rodney M. Jackson President and CEO, the National Centre for Black Philanthropy Inc

Our Mission

Scotiabank awarded Best Bank in Jamaica for 2006 by Latin Finance Magazine

LATINFINANCE

BANKER OF THE YEAR AWARD 2006

Scotia controls costs rigorously and enjoys the best productivity ratio in the country at 52.47% The Bank is also working to improve operational efficiency by consolidating and streamlining processes and structures, eliminating duplication and sharing best practices through its network

– Latin Finance Magazine

A leading magazine of finance and Investments in Latin America

Jamaica Stock Exchange Best Practices Awards

Best Practices Annual Report

1st Place (2004)

1st Place (2005)

Best Practices Corporate Disclosure & Investor Relations

1st Place (2004)

2nd Place (2005)

FINANCIAL RESULTS

Scotiabank achieved record results, with net income for the fiscal year of $6,799 million, an increase of $913 million or 15.5% when compared to the same period last year. We also delivered solid results for the fourth quarter, with net profit of $1,815 million, which was $218 million above the net profit for the fourth quarter of 2005.

- Earnings per share of $2.32, compared to $2.01 for last year
- Return on Average Equity 26.35%, compared to 26.33% for last year
- Productivity ratio of 52.59%, compared to 52.47% for last year
- Dividend of $1.07 per share, compared to $1.00 per share last year

This marks the tenth consecutive year of increased profits for Scotiabank and we exceeded our 2006 targets by remaining committed to our strategy of diversification across business lines. One of the major contributors to our success this year was significant growth in retail loans. Retail loans (Scotia Plan Loans, credit cards and mortgages) increased by $5.4 billion or 30%. These strong results reflect Scotiabank's core strengths in risk management and cost control and our continued focus on customer satisfaction. They are also a reflection of customer-focused execution by our talented and dedicated employees, contributing to exceptional performance in growing profits. We are proud to be recognized as an employer of choice in Jamaica, obtaining recognition from many international organizations.

Scotiabank's capital base continues to be very strong. Total shareholders equity rose to $27.4 billion, $1.2 billion more than the previous quarter and $3.9 billion higher than last year. Our risk based capital adequacy ratio is a measure of the Bank's overall strength, and at 28.32% stands way above the regulatory requirements, which requires that the Bank maintain a ratio between its capital base and the aggregate of its risk weighted assets at no less than 10%.

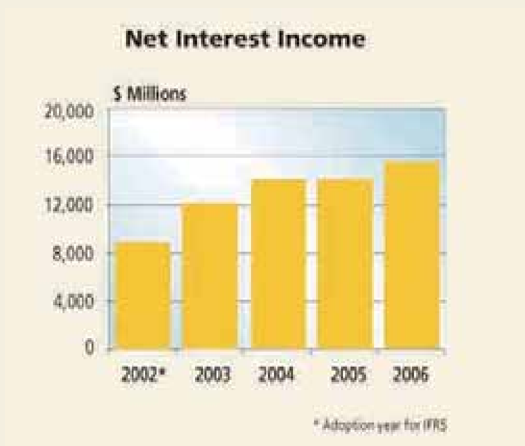
Our solid financial performance continues to drive strong shareholder returns. Shareholders received dividends of $1.07 per share, an increase of 7% over 2005.

Total Revenue

Total revenue was $19,650 million in 2006, an increase of $2,124 million from the prior year. This increase was due to growth in both net interest revenue as well as other revenue that was fuelled by strong growth in foreign exchange trading profit and commercial and retail banking fees.

Net Interest Income

Net Interest income was $15,523 million in 2006 up $1,458 over last year, despite continued reduction in market interest rates. We achieved growth in net interest



Total Shareholder Return

For the year ended October 31	2006	2005	2004	2003	2002	5-yr CAGR
Closing market price per common share ($)	22.06	21.14	25.26	8.95	7.83	23.0%
Dividend paid ($per share)	1.07	1.00	0.93	0.88	0.58	13.2%
Dividends paid (%)	5.06	3.96	10.34	11.17	7.53	
Changes in share price (%)	4.26	-17.81	103.76	13.37	2.46	
Total Annual Shareholder return (%)	9.41	-12.35	192.57	25.48	10.01	

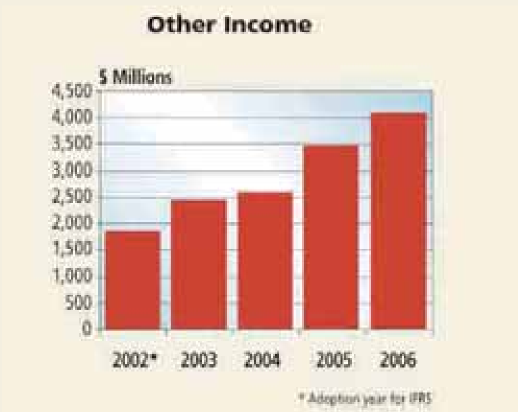
(1) Compound annual growth rate (CAGR)

(2) Total annual shareholder return assumes reinvestment of quarterly dividends, and therefore may not equal the sum of dividend and share price returns in the table.

income due to strong portfolio volume growth, particularly on the retail side, where we experienced growth in retail loans of 30%.

The Bank's net interest margin (net interest income as a percentage of average assets) was 7.91% in 2006, an increase of 57 basis points from the previous year. This was due primarily to an increase in USD net interest margin as a result of the increase in Federal Reserve Bank Funds rate, as our JMD net interest margin declined when compared with the prior year.

Other Income



Other income, defined as all income other than interest income and insurance premium income, increased by $569 million; this was driven by retail and commercial banking fees and foreign exchange trading profit.

Credit card revenues rose 24% to $578 million in 2006. This was due to strong growth in activity and volume on the credit card portfolio resulting from various promotional activities.

Revenue from Retail Banking fees grew by 24% to $856 million in 2006. This growth was from higher volume and pricing changes.

Foreign currency trading profit increased 11% to $880

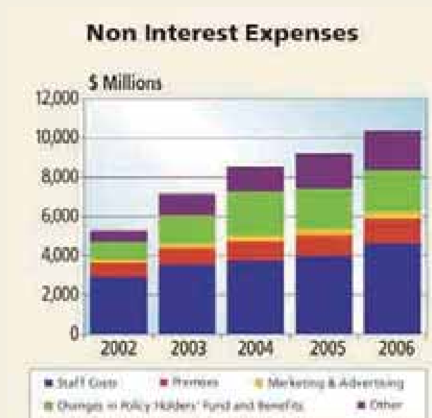
million. This was primarily driven by growth in volume, as margins declined due to increased competitive pressures in the foreign exchange market.

Credit fees increased by 15% to $1,145 million driven by increased loan volume as well as fees earned for arranging off shore loan facilities.

Scotia Jamaica Life Insurance Company had another successful year with total gross premium income of $4.6 billion. ScotiaMINT, the interest sensitive life insurance policy, as well as Creditor Life, made significant gains in Insurance Premium. Combined net premium income for both products increased by approximately $96 million, when compared to last year

Non-Interest Expenses

Non-Interest expenses excluding changes in policyholders reserves and loan loss provision were $7,863 million in 2006, an increase of $1,032 million or 15% from last year. Salaries and employee benefits is the major contributor to this expense category and was $4,651 million up 16% from last year. This is primarily due to a salary increase of approximately 12%, effective November 2005 to unionized staff in accordance with the Union Contract. Additionally, costs totalling $110 million was incurred to provide uniforms to the unionized group. Uniforms are provided bi-annually as per the Union Contract.



Property related expenses were $1.2 billion in 2006, an increase of 20% from last year. This was driven mainly by increases in security and utilities costs.

Advertising, public relations and business development costs remained relatively flat at $317 million. During the year we had a number of promotional campaigns for credit cards, home equity loans, and ScotiaWheels.

Productivity

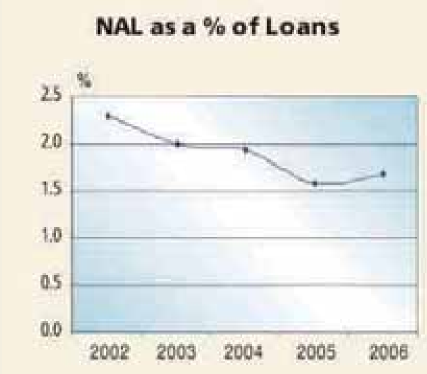
With strong revenue growth and our continued unwavering focus on managing costs across the group, our productivity ratio (non-interest expense as a percentage of total revenue and a key measure of cost efficiency) - was 52.59%. If insurance premium and related actuarial expenses were excluded, to recognize the significant dissimilarities between the revenue /expense pattern of the insurance business and the other financial services offered by the Scotiabank group, the productivity ratio for the period was 42.48%, which is significantly better than the international benchmark of 60%. Our productivity ratio continues to lead the financial services industry in Jamaica due to our focus on managing costs across the group. We will continue our focus on finding new ways of improving operational efficiency by consolidating and streamlining processes and structures, eliminating duplication, and sharing best practices throughout our network.

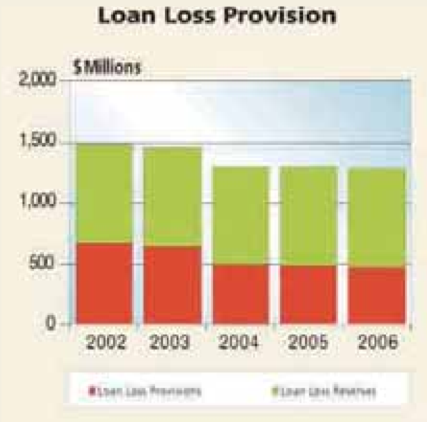
Credit Quality

Scotiabank's credit quality continues to be outstanding both by international standards and when compared with our peers locally. Non-performing Loans at October 31, 2006, were $1,009 million, an increase of $91 million when compared to $918 million a year ago, and $65 million above the previous quarter ended July 31, 2006. The Group's non-performing loans now represent 1.68% of total loans and 0.50% of total assets compared to 1.59% and 0.50% respectively in the prior year.

The IFRS Loan Loss Provisioning requirements are computed using a different methodology from the Regulatory requirement. The difference in the amount computed under the two methodologies is reported as Loan Loss Reserve in the equity component of the Balance Sheet. The loan loss provision as determined by IFRS is $478 million, of which $333 million is specific and $145 million is general.

The loan loss provision as determined by Regulatory Requirement is $1,285 million of which $794 million is specific and $491 million is general. The total provision of $1,285 million exceeds total non-performing loans by $276 million, and provides coverage of 127% of non-performing loans. Over the years, we continue to experience significant growth in the loan portfolio, however the loan loss provision has remained relatively stable, due to Scotiabank's strong credit policy and loan administration procedures, which has ensured the high quality of the loan portfolio.





ASSETS

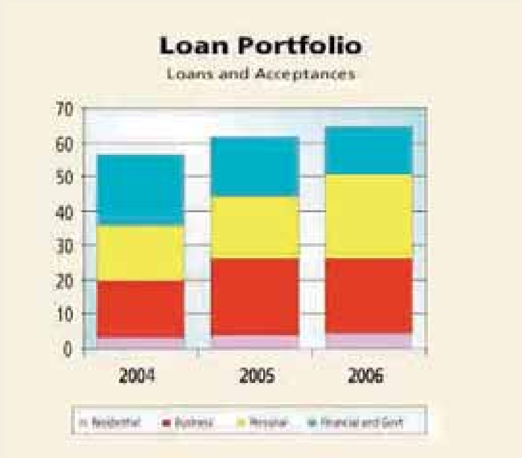
Total assets increased year over year by $17 billion or 9% to $200 billion as at October 31, 2006. Growth was spread across most assets categories, with Investment Securities and Loans, after allowing for credit losses showing appreciable improvements.

Government Securities purchased under resale agreements

Government Securities purchased under resale agreements rose to $29.6 billion in 2006. The increase of $1 billion is largely attributable to Scotia Insurance, as the number of policyholders and premium income continue to grow, and demonstrates the continued success of its flagship product, ScotiaMINT.

Loans

The Bank experienced solid growth in its loan portfolio this year, with loans, after allowance for impairment losses growing to $59.5 billion. The retail loans showed very good performance, with Scotia Plan loans and credit cards, increasing by 39.1% and 27.0% respectively. Residential Mortgages also increased by $393 million or 10.9% to $3.9 billion in 2006.



Due to our proven risk management practices, the quality of the loans booked continue to be high, and our non performing loans, and allowance for impairment losses continue to be stable despite the growth in the loan portfolio. As at October 31, 2006 our non-performing loans were $1.0 billion, an increase of 1% over the prior year, and our IFRS allowance for impairment losses declined to $478 million, from $495 million in prior year.

Investment Securities

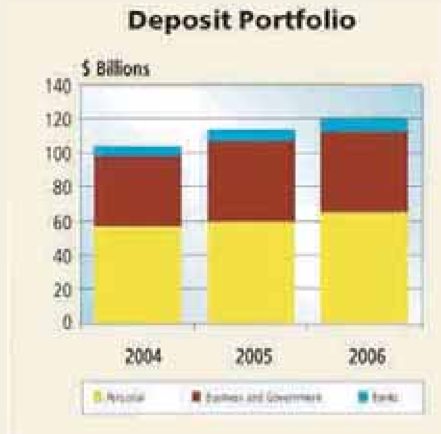
Investment Securities increased to $52.5 billion, an increase of $11.5 billion or 28% when compared to 2005. This consists wholly of fixed and variable rate Government of Jamaica JMD and USD securities. As at October 31, 2006, the surplus of the fair value over book value of the Bank's investment securities was $199 million.

LIABILITIES

The Bank's total liabilities increased by $12.6 billion to $172.6 billion as at October 31, 2006, with underlying growth in Deposits and Policyholders' Fund at SJLIC accounting for the changes.

Deposits

Deposits grew to $120.5 billion, up $6.6 billion from the previous year, reflecting continued confidence in Scotiabank. Personal deposits were up $5.5 billion or 9%. Our core suite of deposit products, which includes current accounts, savings accounts, and term deposits showed continued growth year over year, and our deposit portfolio remains very diversified.

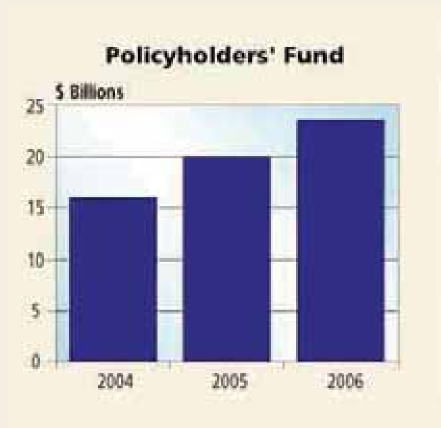


Securities sold under repurchase agreements

Securities sold under repurchase agreements represent a source of wholesale funding. The year-over-year increase was $915 million, or 5%.

Policyholders' Fund

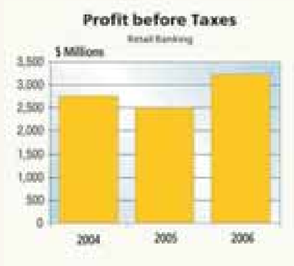
Scotia Insurance Policyholders' Fund increased to $23.7 billion, an increase of $3.7 billion or 18.8% over 2005. This was due to the net increase in gross premium income.



BUSINESS LINE OVERVIEW

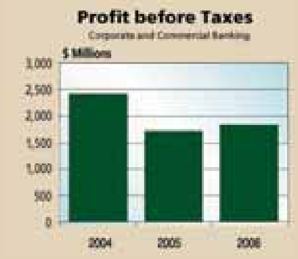
Retail Banking

Retail Banking had an exceptional year, with Gross External Revenues increasing by 24.4% to $8.0 billion. Strong growth within our Scotia Plan Loans, Credit Cards and Mortgages portfolios resulted from increased and focussed sales activities. Profit before taxes increased by 29.7% to $3.2 billion this year. Non-interest expenses and provisions for credit losses remained well controlled.



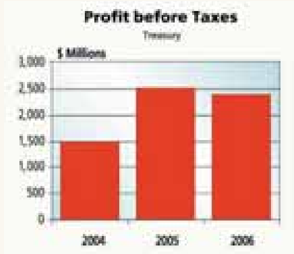
Corporate & Commercial Banking

Corporate and Commercial Banking had a good year, with profit before taxes of $1.8 billion, an increase of 6% from last year. This result was achieved despite the challenges of low loan demand in this market segment.



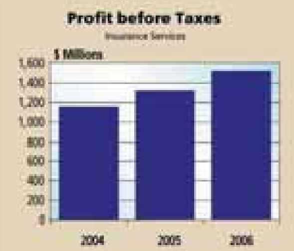
Treasury

The Treasury Unit experienced a decline in profit before taxes, from $2.5 billion in 2005 to $2.3 billion this year. This was due to the continued reduction in Jamaican Dollar interest rates, hence a reduction in Jamaican Dollar net interest margin. However, this was partially offset by the year over year increase in net foreign exchange trading income by 11% to $880 million.



Insurance

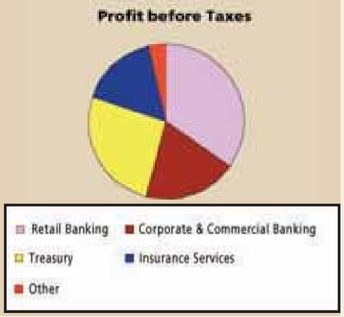
Scotia Insurance also had a good year as profit before taxes rose by 15.5% to $1.5 billion in 2006. ScotiaMINT continues to enjoy significant market share, in terms of gross premium income and number of policies issued.



Other

The Other category includes activities of Investment Management, and other corporate adjustments, that are not allocated to an operating segment.

($'000)	Treasury	Retail Banking	Corporate & Commercial Banking	Investment Management Services	Insurance Services
Total Revenue	2,496,045	10,833,115	7,094,470	2,656,681	4,085,319
Net Interest Income	1,890,433	6,100,449	3,585,780	304,097	3,625,181
Profit Before Taxation	2,395,716	3,229,155	1,828,549	318,753	1,521,626
Total Assets	76,724,912	34,050,567	36,565,984	19,953,653	29,143,957
Total Liabilities	923,918	68,296,243	59,323,166	18,413,940	23,912,070



Risk Management

OVERVIEW

The Scotiabank risk management framework has been developed to address the diversity of the Bank's business activities. We manage risk through a framework of risk principles, organizational structures and risk measurement and monitoring processes that are closely aligned with the activities of our business units. This framework is supported by a robust risk management culture and a strong commitment to active management of risks by both the Board of Directors and senior management. Scotiabank's primary risk management objectives are to protect and ensure the safety and stability of customers' funds that are placed in our fiduciary care, and to create and protect shareholder value by properly assessing the relationships between risks and rewards.

Through our various business activities we are exposed to specific banking risks and reputational risks, as well as risks arising from the general business environment. The four major types of specific banking risks are: credit risk, market risk, liquidity risk and operational risk.

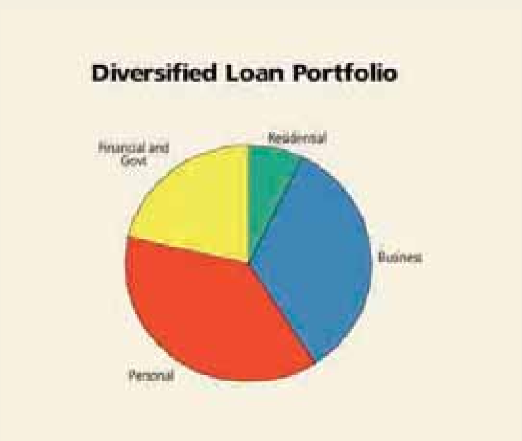
The risk management framework is driven by the principles set out below; these principles are applied to all businesses and risk types.

- Board oversight – Risk strategies, policies and limits are subject to Board review and approval. Policies provide guidance to the businesses and risk management units by setting the boundaries on the types of risks the Bank is prepared to assume. Limits are set to ensure risk taking activities will achieve predictable results within the tolerances established by the Board of Directors, as well as to establish accountability for key tasks in the risk-taking process, and establish the level or conditions under which transactions may be approved or executed. Risk strategies, policies and limits are designed with a view to ensuring that risks are well diversified.
- Assessment – Processes are designed to ensure that risks are properly assessed at the transaction, customer and portfolio levels. Processes are the activities associated with identifying, evaluating, documenting, reporting and controlling risk.
- Review and Reporting – Risk profiles of individual customers and portfolios are subject to ongoing review and reporting to senior management and the Board. Reporting tools are required to aggregate measures of risk across products and businesses for the purposes of ensuring compliance with policies, limits and guidelines and providing a mechanism for communicating the quantum, types and sensitivities of the various risks in the portfolio. This information is used by the Board and senior management to understand the Bank's risk profile and the performance of the portfolio against defined goals.
- Audit Review – Individual risks and portfolios are subject to comprehensive internal and external audit review, with independent reporting to the Audit Committee of the Board on the effectiveness of the risk management policies and the adherence to internal controls.

The various processes within the Bank's risk management framework are designed to ensure that risks in the various business activities are properly identified, measured, assessed and controlled. Risk management strategies, policies and limits are then designed to ensure that the Bank's risk taking is consistent with its business objectives and risk tolerance. The Asset and Liability Committee (ALCO) ensures that risks are managed within the limits established by the Board of Directors. The Committee meets at least once monthly to review risks, evaluate performance and provide strategic direction.

CREDIT RISK

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations to the Bank. Credit risk is created in the Bank's direct lending operations and its funding, investment and trading activities, where counterparties have repayment or other obligations to the Bank.



Risk Management (continued)

Scotiabank's credit risk is managed through strategies policies and limits that are approved by the Board of Directors. These strategies include centralized credit processes, portfolio diversification, enhanced credit analysis and strong Board oversight. The Bank's credit risk limits to counterparties in the financial and government sectors are also managed centrally to optimize the use of credit availability and to avoid excessive risk concentration.

Credit Processes

Scotiabank employs a highly centralized credit granting process that ensures all major lending decisions are referred to a Senior Credit Committee, or where appropriate, to a Loan Policy Committee. Client relationship officers in the business lines submit credit proposals on major corporate and commercial accounts directly to the Credit Department. Credit specialists, who are independent of the business line, analyse the proposal. A risk rating system is used to quantify and evaluate the risk, and determine whether the Bank is being adequately compensated, and the Board reviews and ratifies all major credits.

Once a credit proposal has been authorized, a company's financial condition is monitored by business line and Credit Department personnel for signs of deterioration, which could affect the borrower's ability to meet its obligations to the Bank. In addition, a full review and risk analysis of each client relationship is undertaken at least annually. Additional reviews are carried out more frequently in the case of higher risk credits.

Decisions on small and medium-sized commercial credits are made utilizing a centralized loan underwriting system, which uses a computerized scoring model. This process is significantly more efficient than the previous manual scoring system, thus the turnaround time is significantly improved.

Retail loan portfolios continue to be reviewed on a monthly basis for emerging trends in credit quality, in addition to regular analytical reviews to confirm the validity of the parameters used in the scoring models.

The Bank's credit adjudication and portfolio management methodologies are designed to ensure consistent underwriting and early identification of problem loans. Special attention is paid to the management of problem loans. Intensive management and control is exercised over problem loans, in order to maximize recoveries of doubtful debts.

MARKET RISK

Market risk is the risk of loss of value in the Bank's portfolios resulting from changes in interest rates and foreign exchange rates. The Bank assumes market risk in both its trading and non-trading (funding and investment) activities. Market risk exposures are managed through key policies, standards and limits established by the Board of Directors, which are formally reviewed and approved by the Board at least annually.

Within the policy and limit framework established by the Board, ALCO provides senior management oversight of the Bank's market risk exposure. The ALCO is primarily focused on asset liability management, which includes lending, funding, trading and investment activities. All market risk limits are reviewed at least annually. The key sources of market risk are described below.

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. The Bank's lending, funding and investment activities give rise to interest rate risk. For these activities, the impact of changes in interest rates is reflected in net interest income.

Scotiabank's Asset Liability Management (ALM) Programme focuses on measuring, managing and controlling the risks arising in the Bank's lending, funding and investing activities. Scotiabank's ALM process is designed to maintain a balance between enhancing interest revenue and maintaining strong liquidity within a framework of sound and prudent practices.

The ALCO evaluates interest rate risk exposure arising from the Bank's funding and investment activities at least monthly. This supervisory role is supported by risk management processes, which include gap and sensitivity analysis. Under gap analysis, interest rate sensitive assets and liabilities are assigned to predefined time periods on the basis of expected re-pricing dates. A liability gap occurs when more liabilities than assets are subject to interest rate changes during a given time period. Conversely, an asset sensitive position arises when more assets than liabilities are subject to rate changes. Interest rate exposures in individual currencies are controlled by gap limits. Sensitivity analysis assesses the effect of changes in interest rates on current earnings and on the economic value of assets and liabilities.

Risk Management (continued)

Foreign Exchange Risk

Foreign exchange risk arises from trading activities and foreign currency operations. In its trading activities, the Bank buys and sells currencies in the spot market for its customers. Foreign exchange gains and losses from these activities are included in other income. The Bank mitigates the effect of foreign currency exposures by financing its net investments in its operations with borrowings in the same currencies, as the functional currency involved.

Foreign currency risk arising from the Bank's foreign currency trading is subject to Board approved limits. The ALCO reviews and manages these exposures.

LIQUIDITY RISK

Liquidity risk is the risk that the Bank is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to depositors, settlement of securities borrowing and repurchase transactions, and lending and investment commitments.

Liquidity management includes estimating and satisfying the liquidity requirements of the Bank in the most cost effective way.

The Board of Directors approves the Bank's liquidity and funding management policies and establishes limits to control the risk. The Bank assesses the adequacy of its liquidity position by analyzing its current liquidity position, present and anticipated funding requirements, and alternative sources of funds. This process includes:

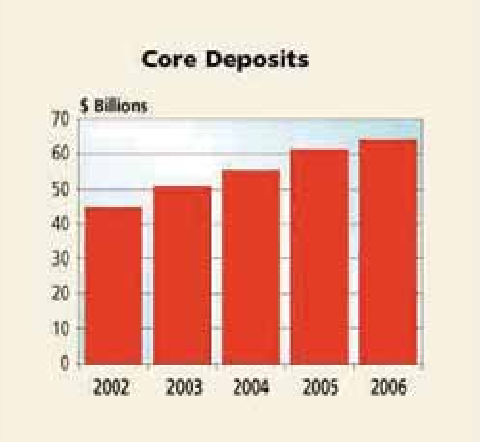
- Projecting cash flows for each major currency;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements;
- Monitoring of depositor concentration both in terms of the overall funding mix and to avoid undue reliance on large individual depositors; and
- Maintenance of liquidity and funding contingency plans

The Bank maintains large holdings of liquid assets to support its operations. These liquid assets can be sold or pledged to meet the Bank's obligations. As at October 31, 2006, liquid assets stood at $78 billion, which represents 39% of total assets.

The objectives of the liquidity management processes are to ensure that the Bank honors all of its financial commitments as they fall due. To fulfill this objective, the Bank measures and forecasts its cash commitments, maintains diversified sources of funding, sets prudent limits, and ensures immediate access to liquid assets. Our strong performance and solid reputation also ensure timely access to borrowing at favorable rates and terms. The ALCO evaluates the Bank's liquidity profile on a monthly basis or more frequently as required.

Funding

Scotiabank relies on a broad range of funding sources and applies prudent limits to avoid undue concentration. The principal sources of funding are capital, core deposits from retail and commercial customers, and wholesale deposits raised in the interbank and commercial markets. Scotiabank's extensive branch network provides a strong foundation for diversifying its funding and raising the level of core deposits. Considerable importance is attached to this core deposit base, which, over the years, has been stable and predictable. In 2006, core savings deposits continued to grow, reaching $64 billion as at October 31, 2006, representing 57% of total funding.



OPERATIONAL RISK

Operational risk is the risk of loss, whether direct or indirect, to which the Bank is exposed due to external events, human error, or the inadequacy or failure of processes, procedures, systems or controls. Operational risk, in some form, exits in each of the Bank's business and support activities, and can result in financial loss, regulatory sanctions and damage to the Bank's reputation.

The Bank has developed policies, standards and assessment methodologies to ensure that operational

Risk Management (continued)

risk is appropriately identified, managed and controlled. The Bank's risk control self-assessment program, entails a formal review to identify and assess operational risks. This program provides a basis for management to ensure that appropriate and effective controls and processes are in place on an ongoing basis to mitigate operational risk and, if not, that appropriate corrective action is being taken.

Operational risks are managed and controlled within the individual business lines and a wide variety of checks and balances to address operational risks have been developed as an important part of our risk management culture. They include the establishment of risk management policies, a rigorous planning process, regular organizational review, thorough enforcement of the Bank's Guidelines for Business Conduct, and clearly defined and documented approval authorities.

Regular audits conducted by an experienced independent internal audit department include comprehensive reviews of the design and operation of internal control systems in all business and support groups, new products and systems and the reliability and integrity of Data Processing operations.

As part of our strong internal control culture, units are also subject to a standard, documented compliance program. The elements of which are regulatory awareness, regulatory risk assessment, compliance monitoring, non-compliance and problem resolution and compliance reporting. Compliance matrices, which outline the various legislative and regulatory requirements for each unit, have been developed. The Bank's Compliance Officer manages the Compliance programme.

The Bank maintains and tests contingency facilities to support operations in the event of disasters, to ensure efficient operational recovery in the shortest possible time frame.

Reputational Risk

Within our risk management processes, we define Reputational Risk as the risk that negative publicity regarding the Bank's business practices, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures.

Negative publicity and attendant reputational risk usually arise as a by-product of some other kind of risk management control failure. Reputational risk is managed and controlled throughout the Bank by codes of conduct, governance practices and risk management programs, policies, procedures and training.

Shareholdings

Shareholdings of Directors and Connected Persons in The Bank of Nova Scotia Jamaica Limited as at October 31, 2006*

	Units
Robert Pitfield	9,270
William E. Clarke, CD	367,980
Anthony Chang	3,274
Professor Celia D. C. Christie	20,000
Dr. Jean A. Dixon	90,102
Muna M. Issa	29,986
Charles Johnston	2,328
- Marine Management Services	64,472
Warren McDonald	10,000
Joseph M. Matalon	NIL
Hon. Mayer M. Matalon, OJ	100,000
Hon. William A. McConnell, OJ	10,000
Dr. Herbert J. Thompson	29,640
Professor Stephen Vasciannie	24,579
Richard E. Waugh	100,000
Stacie-Ann Wright	58,501

*Inclusive of shares in Jamaica Central Securities Depository

Shareholders Holding the Ten Largest Blocks of Shares in The Bank of Nova Scotia Jamaica Limited as at October 31, 2006

	Units
1. The Bank of Nova Scotia, Toronto, Canada	2,049,062,400
2. Scotia Jamaica Investment Management Limited	
- A/C 3119	70,699,347
3. Life of Jamaica Pooled Equity Fund No. 1	47,068,744
4. Scotia Jamaica Investment Management Limited	
- A/C 560	37,212,695
5. Capital & Credit Merchant Bank Limited	26,979,271
6. National Insurance Fund	26,541,440
7. Investment Nominees Limited - AC Lascelles	
Henriques S/A Fund	15,153,996
8. Guardian Life Limited Pension Fund	13,549,451
9. Manchester Pension Trust Fund	13,017,444
10. West Indies Trust Co. Ltd. A/C WT89	12,983,520

Shareholdings of Senior Management Officers of The Bank of Nova Scotia Jamaica Limited as at October 31, 2006*

	Units
William E. Clarke, CD	367,980
Egerton Anderson	102,270
- Joan Anderson	19,598
Ronald Bourdeau	NIL
Keri-Gaye Brown	NIL
Bevan Callam	1,072,158
Roger Cogle	154,860
Sharon Colquhoun	8,790
Joylene Griffiths Irving	52,694
Wayne Hewitt	2,000
Michael Jones	247,142
Bridget Lewis	113,800
Marcette Mcleggon	64,860
Hugh Miller	NIL
- Sheila McDonald	5.172
Suzette McLeod	160,000
David Noël	150,745
Yvonne Pandohie	120,640
Rosemarie Pilliner	294,538
H. Wayne Powell	1,224,686
- Yanissa Investments	144,448
Shirley Ramsaran and	
- Reginald Ramsaran	60,229
Anya Schnoor	237,000
Jacqueline Sharp	98,000
Heather Shields	NIL
Michael Thompson	50,000
Audrey Tugwell Henry	12,446
Maroya E. Villafana-Sylvester	NIL
Rosemarie Voordouw	13,520
Gladstone Whitelocke	60,000
- Elaine Whitelocke	65,000
- Justin Whitelocke	1,200
- Renee Whitelocke	1,320
David M. Williams	157,482
Frederick Williams	NIL
Stacie-Ann Wright	58,501

*Inclusive of shares in Jamaica Central Securities Depository

KPMG
Chartered Accountants
The Victoria Mutual Building
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Kingston
Jamaica, W. I.

P.O. Box 76
Kingston
Jamaica
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

To the Members of
THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Auditors' Report

We have audited the financial statements of The Bank of Nova Scotia Jamaica Limited ("the Bank") and the consolidated financial statements of the Bank and its subsidiaries ("the Group") as of and for the year ended October 31, 2006, set out on pages 59 to 132, and have obtained all the information and explanations which we required. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on the financial statements 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 financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and proper returns adequate for the purpose of our audit have been received from branches not visited by us. The financial statements, which are in agreement therewith and have been prepared in accordance with International Financial Reporting Standards, give a true and fair view of the state of affairs of the Group and the Bank as at October 31, 2006, and of the results of operations, changes in equity and cash flows of the Group and the Bank for the year then ended and comply with the provisions of the Companies Act, as far as concerns members of the Bank.

The previous year's financial statements were audited by another firm of chartered accountants who issued an unqualified reported dated November 24, 2005.

KPMG

November 23, 2006

Statement of Consolidated Revenue and Expenses

(expressed in thousands of Jamaican dollars unless otherwise stated)

Year Ended 31 October 2006

	Note	2006	2005
Net interest income and other revenue			
Interest from loans and deposits with banks		13,505,512	12,419,622
Interest from securities		9,413,548	9,125,456
Total interest income	6	22,919,060	21,545,078
Interest expense	6	(7,396,558)	(7,481,246)
Net interest income		15,522,502	14,063,832
Impairment losses on loans	23	(301,994)	(272,575)
Net interest income after impairment losses on loans		15,220,508	13,791,257
Fee and commission income	7	3,429,024	2,803,498
Fee and commission expense	7	(646,506)	(475,033)
Net fee and commission income		2,782,518	2,328,465
Net foreign exchange trading income	8	879,862	793,919
Insurance premium income		429,672	333,963
Other revenue		35,415	6,276
		465,087	340,239
		19,347,975	17,253,880
Expenses			
Salaries, pension contributions and other staff benefits	9	4,650,893	4,003,588
Property expenses, including depreciation		1,235,536	1,029,859
Change in policyholders' fund	10	2,168,939	2,092,742
Other operating expenses		1,976,983	1,797,879
	11	10,032,351	8,924,068
Profit before taxation	12	9,315,624	8,329,812
Taxation	13	(2,516,716)	(2,444,226)
Net profit for the year	14	6,798,908	5,885,586
EARNINGS PER STOCK UNIT (expressed in $ per share)	15	$ 2.32	2.01

Consolidated Balance Sheet

(expressed in thousands of Jamaican dollars unless otherwise stated)

31 October 2006

	Note	2006	2005
ASSETS			
Cash resources			
Notes and coins of, deposit with, and money at call at, Bank of Jamaica	16	27,726,572	26,318,551
Government and bank notes other than Jamaica		236,320	240,438
Amounts due from other banks	17	13,633,530	18,320,586
Accounts with parent and fellow subsidiaries	18	4,333,588	489,135
		45,930,010	45,368,710
Financial assets at fair value through statement of revenue and expenses	20	238,269	22,322
Government securities purchased under resale agreements	21	29,599,537	28,649,718
Loans, after allowance for impairment losses	22	59,587,715	58,242,374
Lease receivables	24	-	435
Investment securities	25		
Available-for-sale		15,849,009	10,002,266
Held-to-maturity		36,715,149	31,043,909
		52,564,158	41,046,175
Other assets			
Customers' liabilities under acceptances, guarantees and letters of credit		3,960,652	3,486,501
Taxation recoverable		675,000	473,207
Sundry assets	26	647,646	279,672
Property, plant and equipment	27	2,349,718	2,017,153
Deferred tax assets	28	176,487	109,939
Retirement benefit asset	29	4,287,410	3,764,372
		12,096,913	10,130,844
		200,016,602	183,460,578

Consolidated Balance Sheet (continued)
(expressed in thousands of Jamaican dollars unless otherwise stated)

31 October 2006

	Note	2006	2005
LIABILITIES			
Deposits			
Deposits by the public	30	113,279,538	107,546,636
Amounts due to other banks and financial institutions	31	1,872,853	1,656,421
Amounts due to parent company	32	5,334,611	4,636,664
Amounts due to fellow subsidiaries		3,085	3,989
		120,490,087	113,843,710
Other liabilities			
Cheques and other instruments in transit		2,882,736	1,906,302
Acceptances, guarantees and letters of credit		3,960,652	3,486,501
Securities sold under repurchase agreements		18,234,105	17,319,240
Other liabilities	34	770,166	696,218
Taxation payable		355,974	905,542
Deferred tax liabilities	28	1,737,818	1,497,437
Retirement benefit obligations	29	486,678	326,062
		28,428,129	26,137,302
Policyholders' fund	10	23,708,831	19,954,613
STOCKHOLDERS' EQUITY			
Share capital	36	2,927,232	2,927,232
Reserve fund	37	3,158,481	3,158,481
Retained earnings reserve	38	5,242,902	4,492,902
Cumulative remeasurement result from available-for-sale financial assets	39	275,107	194,364
Loan loss reserve	40	806,524	806,524
Other reserves	41	26,714	26,714
Unappropriated profits		14,952,595	11,918,736
		27,389,555	23,524,953
		200,016,602	183,460,578

The financial statements on pages 59 to 132 were approved for issue by the Board of Directors on November 23, 2006 and signed on its behalf by:

Robert H. Pitfield — Director

William E. Clarke — Director

Stacie-Ann S. Wright — Director

David A. Noël — Secretary

Statement of Consolidated Changes in Stockholders' Equity

(expressed in thousands of Jamaican dollars unless otherwise stated)

Year ended 31 October 2006

	Note	Share capital	Reserve fund	Retained earnings reserve	Cumulative remeasurement result from available for sale financial assets	Loan loss reserve	Other reserve	Unappropriated profits	Total
Balances at October 31, 2004		1,463,616	1,694,865	6,670,134	232,783	806,524	26,714	9,710,381	20,605,017
Unrealised gains on available-for-sale investments, net of taxes					7,061				7,061*
Realised gains on available-for-sale securities transferred to statement of revenue and expenses		-	-	-	(45,480)	-	-	-	(45,480)
Net profit for the year		-	-	-	-	-	-	5,885,586	5,885,586*
Dividends paid	49	-	-	-	-	-	-	(2,927,231)	(2,927,231)
Bonus issue of ordinary shares	36	1,463,616	-	(1,463,616)	-	-	-	-	-
Transfer to reserve fund	37	-	1,463,616	(1,463,616)	-	-	-	-	-
Transfer to retained earnings reserve		-	-	750,000	-	-	-	(750,000)	-
Movement for the year		1,463,616	1,463,616	(2,177,232)	(38,419)	-	-	2,208,355	2,919,936
Balances at October 31, 2005		2,927,232	3,158,481	4,492,902	194,364	806,524	26,714	11,918,736	23,524,953
Unrealised gains on available-for-sale investments, net of taxes		-	-	-	151,362	-	-	-	151,362*
Realised gains on available-for-sale securities transferred to statement of revenue and expenses		-	-	-	(70,619)	-	-	-	(70,619)
Net profit for the year		-	-	-	-	-	-	6,798,908	6,798,908*
Dividends paid	49	-	-	-	-	-	-	(3,015,049)	(3,015,049)
Transfer to retained earnings reserve		-	-	750,000	-	-	-	(750,000)	-
Movement for the year		-	-	750,000	80,743	-	-	3,033,859	3,864,602
Balances at October 31, 2006		**2,927,232**	**3,158,481**	**5,242,902**	**275,107**	**806,524**	**26,714**	**14,952,595**	**27,389,555**

* Total recognised income and expenses for the year $6,950,270 (2005: $5,892,647)

Statement of Consolidated Cash Flows
(expressed in thousands of Jamaican dollars unless otherwise stated)

Year ended 31 October 2006

	Note	2006	2005
Cash flows from operating activities			
Net profit for the year		6,798,908	5,885,586
Items not affecting cash:			
Interest income	6	(22,919,060)	(21,545,078)
Interest expense	6	7,396,558	7,481,246
Taxation charge		2,516,716	2,444,226
Depreciation	27	323,686	309,165
Impairment losses on loans	23	301,994	272,575
Gain on sale of property, plant and equipment		(1,760)	(1,847)
Write-offs of property, plant and equipment	27	2,517	4,075
		(5,580,441)	(5,150,052)
Changes in operating assets and liabilities			
Loans		(1,632,973)	(4,461,670)
Retirement benefits		(362,422)	(364,117)
Deposits by public		5,709,591	8,469,327
Policyholders' fund		3,754,218	3,853,907
Other assets, net		(367,970)	770,948
Other liabilities, net		46,168	145,164
Due to parent company and fellow subsidiaries		695,648	1,542,385
Amounts due from other banks		1,375,970	(2,715,108)
Accounts with parent and fellow subsidiaries		(2,711,821)	617,698
Financial assets at fair value through statement of revenue and expenses		(212,959)	21,990
Taxation recoverable		(201,793)	493,411
Amounts due to other banks and financial institutions		216,432	(117,528)
Statutory reserves at Bank of Jamaica		(530,303)	2,331,647
		197,345	5,438,002
Interest received		23,147,732	21,363,087
Interest paid		(7,470,450)	(7,890,991)
Taxation paid		(2,940,243)	(1,826,284)
Net cash provided by operating activities		12,934,384	17,083,814

Statement of Consolidated Cash Flows (continued)

(expressed in thousands of Jamaican dollars unless otherwise stated)

Year ended 31 October 2006

	Note	2006	2005
Cash Flow from operating activities (page 63)		12,934,384	17,083,814
Cash flows from investing activities			
Investment securities		(11,274,498)	(4,673,123)
Government securities purchased under resale agreements		(1,143,231)	(2,180,895)
Proceeds from the sale of property, plant and equipment		5,658	8,340
Purchase of property, plant and equipment	27	(662,667)	(300,345)
Securities sold under repurchase agreements		1,041,243	(1,840,540)
Net cash used in investing activities		(12,033,495)	(8,986,563)
Cash flows from operating and investing activities		900,889	8,097,251
Cash flows from financing activities			
Dividends paid		(3,015,049)	(2,927,231)
Effect of exchange rate changes on cash and amounts due to banks and other financial institutions		719,467	562,672
Net (decrease)/increase in cash and cash equivalents		(1,394,693)	5,732,692
Cash and cash equivalents at beginning of year		30,238,760	24,506,068
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	28,844,067	30,238,760

Statement of Revenue and Expenses
(expressed in thousands of Jamaican dollars unless otherwise stated)

Year ended 31 October 2006

	Note	2006	2005
Net interest income and other revenue			
Interest from loans and deposits with banks		12,866,595	11,859,945
Income from securities		3,044,529	2,774,181
Total interest income	6	15,911,124	14,634,126
Interest expense	6	(4,917,774)	(4,804,170)
Net interest income		10,993,350	9,829,956
Impairment losses on loans	23	(300,732)	(272,426)
Net interest income after impairment losses on loans		10,692,618	9,557,530
Fee and commission income	7	3,236,150	2,637,548
Fee and commission expense	7	(646,506)	(475,033)
Net fee and commission income		2,589,644	2,162,515
Net foreign exchange trading income	8	874,667	794,422
Other revenue		30,374	6,818
		905,041	801,240
		14,187,303	12,521,285
Expenses			
Salaries, pension contributions and other staff benefits	9	4,251,577	3,631,696
Property expenses, including depreciation		1,199,331	994,557
Other operating expenses		1,778,991	1,595,182
	11	7,229,899	6,221,435
Profit before taxation	12	6,957,404	6,299,850
Taxation	13	(2,023,106)	(2,001,575)
Net profit for the year	14	4,934,298	4,298,275

Balance Sheet

(expressed in thousands of Jamaican dollars unless otherwise stated)

31 October 2006

	Note	2006	2005
ASSETS			
Cash resources			
Notes and coins of, deposit with, and money at call at, Bank of Jamaica	16	27,682,707	26,276,803
Government and bank notes other than Jamaica		236,320	240,438
Amounts due from other banks	17	13,539,254	18,285,965
Accounts with parent and fellow subsidiaries	18	4,333,588	489,135
		45,791,869	45,292,341
Government securities purchased under resale agreements	21	602,211	102,665
Loans, after allowance for impairment losses	22	55,640,560	54,539,822
Investment securities	25		
Available-for-sale		10,183,819	7,008,984
Held-to-maturity		21,317,268	17,821,509
		31,501,087	24,830,493
Investment in subsidiaries		258,238	258,238
Other assets			
Customers' liabilities under acceptances, guarantees and letters of credit		3,358,618	3,127,349
Sundry assets	26	618,157	250,641
Property, plant and equipment	27	2,285,893	1,950,830
Deferred tax assets	28	175,565	108,687
Retirement benefit asset	29	4,287,410	3,764,372
		10,725,643	9,201,879
		144,519,608	134,225,438

31 October 2006

	Note	2006	2005
LIABILITIES			
Deposits			
Deposits by the public	30	108,735,888	103,324,212
Amounts due to other banks and financial institutions	31	1,615,031	1,577,800
Amounts due to parent company	32	5,334,611	4,636,664
Amounts due to subsidiaries	33	116,835	148,026
Amounts due to fellow subsidiaries		3,085	3,989
		115,805,450	109,690,691
Other liabilities			
Cheques and other instruments in transit		2,997,025	1,856,867
Acceptances, guarantees and letters of credit		3,358,618	3,127,349
Securities sold under repurchase agreements		923,918	-
Other liabilities	34	659,839	623,006
Taxation payable		311,667	891,293
Deferred tax liabilities	28	1,717,916	1,470,903
Retirement benefit obligations	29	486,678	326,062
		10,455,661	8,295,480
STOCKHOLDERS' EQUITY			
Share capital	36	2,927,232	2,927,232
Reserve fund	37	2,930,616	2,930,616
Retained earnings reserve	38	4,842,152	4,092,152
Cumulative remeasurement result from available-for-sale financial assets	39	242,253	142,272
Loan loss reserve	40	765,292	765,292
Unappropriated profits		6,550,952	5,381,703
		18,258,497	16,239,267
		144,519,608	134,225,438

The financial statements on pages 59 to 132 were approved for issue by the Board of Directors on November 23, 2006 and signed on its behalf by:

Robert H. Pitfield — Director

William E. Clarke — Director

Stacie-Ann S. Wright — Director

David A. Noël — Secretary

Statement of Changes in Stockholders' Equity

(expressed in thousands of Jamaican dollars unless otherwise stated)

Year ended 31 October 2006

	Note	Share capital	Reserve fund	Retained earnings reserve	Cumulative remeasurement result from available for sale financial assets	Loan loss reserve	Unappropriated profits	Total
Balances at October 31, 2004		1,463,616	1,467,000	6,269,384	153,424	765,292	4,760,659	14,879,375
Unrealised gains on available-for-sale investments, net of taxes		-	-	-	24,216	-	-	24,216*
Realised gains on available-for-sale securities, transferred to statement of revenue and expenses		-	-	-	(35,368)	-	-	(35,368)
Net profit for the year		-	-	-	-	-	4,298,275	4,298,275*
Dividends paid	49	-	-	-	-	-	(2,927,231)	(2,927,231)
Bonus issue of ordinary shares	36	1,463,616	-	(1,463,616)	-	-	-	-
Transfer to reserve fund	37	-	1,463,616	(1,463,616)	-	-	-	-
Transfer to retained earnings reserve		-	-	750,000	-	-	(750,000)	-
Movement for the year		1,463,616	1,463,616	(2,177,232)	(11,152)	-	621,044	1,359,892
Balances at October 31, 2005		2,927,232	2,930,616	4,092,152	142,272	765,292	5,381,703	16,239,267
Unrealised gains on available-for-sale investments, net of taxes		-	-	-	156,957	-	-	156,957*
Realised gains on available-for-sale securities, transferred to statement of revenue and expenses		-	-	-	(56,976)	-	-	(56,976)
Net profit for the year		-	-	-	-	-	4,934,298	4,934,298*
Dividends paid	49	-	-	-	-	-	(3,015,049)	(3,015,049)
Transfer to retained earnings reserve		-	-	750,000	-	-	(750,000)	-
Movement for the year		-	-	750,000	99,981	-	1,169,249	2,019,230
Balances at October 31, 2006		**2,927,232**	**2,930,616**	**4,842,152**	**242,253**	**765,292**	**6,550,952**	**18,258,497**

* Total recognised income and expenses for the year $5,091,255 (2005: $4,322,491)

Statement of Cash Flows
(expressed in thousands of Jamaican dollars unless otherwise stated)

Year ended 31 October 2006

	Note	2006	2005
Cash flows from operating activities			
Net profit for the year		4,934,298	4,298,275
Items not affecting cash:			
Interest income	6	(15,911,124)	(14,634,126)
Interest expense	6	4,917,774	4,804,170
Taxation charge		2,023,106	2,001,575
Depreciation	27	313,778	297,617
Impairment losses on loans	23	300,732	272,426
Gain on sale of property, plant and equipment		(1,738)	(4,487)
Write-offs of property, plant and equipment	27	2,517	4,075
		(3,420,657)	(2,960,475)
Changes in operating assets and liabilities			
Loans		(1,388,164)	(3,975,754)
Retirement benefits		(362,422)	(364,118)
Deposits by public		5,385,035	7,998,494
Statutory reserves at Bank of Jamaica		(528,267)	2,337,045
Other liabilities, net		36,832	(9,122)
Due to parent company and fellow subsidiaries		640,177	1,464,267
Amounts due from other banks		1,366,380	(2,142,845)
Amounts with parents and fellow subsidiaries		(2,707,528)	617,698
Amounts due to other banks and financial institutions		37,231	(93,738)
Other assets, net		(367,517)	827,144
		(1,308,900)	3,698,596
Interest received		16,041,448	14,234,748
Interest paid		(4,861,382)	(4,797,648)
Taxation paid		(2,472,587)	(1,211,641)
Net cash provided by operating activities		7,398,579	11,924,055
Cash flows from investing activities			
Investment securities		(6,494,814)	(2,089,910)
Government securities purchased under resale agreements		(501,400)	(29,600)
Purchase of property, plant and equipment	27	(655,184)	(285,863)
Proceeds from the sale of property, plant and equipment		5,564	5,809
Securities sold under repurchase agreements		919,844	(1,471,653)
Net cash used in investing activities		(6,725,990)	(3,871,217)
Cash flows from operating and investing activities		672,589	8,052,838

Statement of Cash Flows (continued)
(expressed in thousands of Jamaican dollars unless otherwise stated)

Year ended 31 October 2006

	Note	2006	2005
Cash flows from operating and investing activities (page 69)		672,589	8,052,838
Cash flows from financing activities			
Dividends paid		(3,015,049)	(2,927,231)
Effect of exchange rate changes on cash and amounts due to banks and other financial institutions		715,173	544,145
Net (decrease)/increase in cash and cash equivalents		(1,627,287)	5,669,752
Cash and cash equivalents at beginning of year		30,263,083	24,593,331
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	28,635,796	30,263,083

(expressed in thousands of Jamaican dollars unless otherwise stated)

1. Identification, Regulation and Licence

The Bank of Nova Scotia Jamaica Limited ("the Bank") is incorporated and domiciled in Jamaica. It is a 70% subsidiary of The Bank of Nova Scotia, which is incorporated and domiciled in Canada and is the ultimate parent. The registered office of the Bank is located at the Scotiabank Centre, Corner of Duke and Port Royal Streets, Kingston.

The Bank is licensed under, and these financial statements have been prepared in accordance with the provisions of, the Banking Act, 1992.

The Bank is listed on the Jamaica Stock Exchange.

The Bank's subsidiaries, which, together with the Bank are referred to as "the Group", are as follows:

Subsidiaries	Principal Activities	Holding	Financial Year End
Scotia Jamaica Investment Management Limited	Investment and Pension Fund Management	100%	October 31
The Scotia Jamaica Building Society	Mortgage financing	100%	October 31
Scotia Jamaica Life Insurance Company Limited	Life insurance	100%	December 31
Scotia Jamaica General Insurance Brokers Limited	Non Trading	100%	October 31
Scotia Jamaica Financial Services Limited	Non-trading	100%	October 31
Brighton Holdings Limited	Non-trading	100%	October 31

All of the Bank's subsidiaries are incorporated and domiciled in Jamaica.

During 2005, one of the Bank's subsidiaries, Scotia Jamaica General Insurance Brokers Limited, ceased trading and surrendered its insurance broker's licence to the Regulator in 2006.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied by the Group entities for all the years presented, unless otherwise stated.

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act (the Act).

New standards, and interpretations of and amendments to existing standards, that are effective for 2006:

Certain new standards, and interpretations of and amendments to existing standards, were published and came into effect during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has adopted the following IFRS which are relevant to its operations.

IAS 2 (revised 2003)	Inventories
IAS 21 (revised 2003)	The Effects of Changes in Foreign Exchange Rates
IAS 27 (revised 2003)	Consolidated and Separate Financial Statements
IAS 33 (revised 2003)	Earnings per Share
IAS 40 (revised 2003)	Investment Property
IAS 36 (revised 2004)	Impairment of Assets
IAS 38 (revised 2004)	Intangible Assets
IFRS 2 (issued 2004)	Share-based Payment
IFRS 3 (issued 2004)	Business Combinations
IFRS 4 (issued 2004)	Insurance Contracts
IAS 39 (revised 2003/2004)	Financial Instruments: Recognition and Measurement

The adoption of the amendments to IAS 2, 21, 27, 33, 40, 36 and 38 and IFRS 2 and 3 had no material effect on the Group's accounting policies.

The adoption of the amendments to IAS 39 and IFRS 4 resulted in a substantial change to the Group's accounting policies.

IFRS 4 has affected the disclosures and classification with respect to insurance contracts issued.

IAS 39 (revised 2005), *The Fair Value Option*, changed the definition of financial instruments classified at fair value through profit and loss (trading securities) and restricts the ability to designate financial instruments as part of this category. The Group has adopted and complied with this amendment.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. There was no impact on opening retained earnings as at November 1, 2005, from the adoption of any of the above-mentioned standards.

2. **Summary of significant accounting policies (continued)**

(a) **Basis of preparation (continued)**

(i) Statement of compliance (continued)

New standards, and interpretations of and amendments to existing standards, that are not yet effective:

Certain new standards, and amendments to and interpretations of existing standards, have been published that are mandatory for the Group's accounting periods beginning on or after January 1, 2006 and which the Group has not early-adopted. The Group has assessed the relevance of all such new standards, amendments and interpretations with respect to the Group's operations and has determined that the following may be relevant to its operations and has concluded as follows:-

IAS 19 (Amendment), Employee Benefits (effective from January 1, 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements.

IFRS 7, Financial Instruments: Disclosures and a Complementary Amendment to *IAS 1, Presentation of Financial Statements – Capital Disclosures* (effective from January 1, 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure of risks arising from financial instruments including specified minimum disclosures about credit risk, liquidity risk and market risk including sensitivity analysis to market risk. It replaces IAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and some of the requirements in IAS 32, *Financial Instruments: Disclosure and Presentation*. The Amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group is currently assessing what impact IFRS 7 and the amendment to IAS 1 will have on disclosures in the financial statements.

IFRIC 4, Determining whether an Arrangement contains a Lease (effective from January 1, 2006), requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. The Group is currently assessing the impact of IFRIC 4.

IFRIC 7, Applying the Restatement Approach under IAS 29 *Financial Reporting in Hyperinflationary Economies,* addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax. IFRIC 7, which becomes mandatory for the Group's 2007 financial statements, is not expected to have any impact on the financial statements.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

IAS 39 and IFRS 4 *(Amendment), Financial Guarantee Contracts* (effective from January 1, 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognized at their fair value, and subsequently measured at the higher of (a) the unamortized balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management is currently assessing the impact on the Group's operations.

IFRIC 8, Scope of IFRS 2 Shared-based Payment, addresses the accounting for share-based payment transactions in which some or all goods or services received cannot be specially identified. IFRIC 8 will become mandatory for the Group's 2007 financial statements, with retrospective application required. It is not expected to have any material impact on the financial statements.

IFRIC 9, Reassessment of Embedded Derivatives, requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, which becomes mandatory for the Group's 2007 financial statements, is not expected to have any impact on the financial statements.

IFRIC 10, Interim Financial Reporting and Impairment, prohibits the reversal of an impairment loss recognized in a previous interim period in respect of goodwill, an investment in an equity instrument classified as available-for-sale, or a financial asset carried at cost. IFRIC 10 will become mandatory for the Group's 2007 financial statements, and is not expected to have any impact on the financial statements.

IFRIC 11, IFRS 2 – Group and Treasury Share Transactions, requires that a share based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. It also provides guidance on whether share–based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. This is not expected to have a material impact on the financial statements.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis as modified for the revaluation of available-for-sale financial assets and financial assets at fair value through statement of revenue and expenses.

(expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS and the Companies Act requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(iv) Functional and presentation currency

These financial statements are presented in Jamaican dollars, which is the Group's functional currency. Except where indicated to be otherwise, financial information presented in Jamaican dollars has been rounded to the nearest thousand.

(v) Comparative information

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Interest receivable and interest payable were previously included in other assets and other liabilities respectively. In the current year they are included as part of the financial assets and financial liabilities, respectively, to which they relate.

The amounts involved are as follows:

	The Group		The Bank	
	2006	2005	2006	2005
Interest receivable	4,084,055	4,313,091	2,319,073	2,449,397
Interest payable	819,110	881,160	269,127	212,735

(b) Basis of consolidation

Subsidiaries are all entities over which the Group has control. Control exists when the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting shares rights.

The consolidated financial statements include the assets, liabilities and results of operations of the Bank and its subsidiaries presented as a single economic entity. Intra-group transactions, balances and unrealised gains and losses are eliminated in preparing the consolidated financial statements.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

2. Summary of significant accounting policies (continued)

(d) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the exchange rates prevailing at the balance sheet date, being the mid-point between the Bank of Jamaica's (the Central Bank) weighted average buying and selling rates at that date.

Transactions in foreign currencies are translated at the rates of exchange ruling at the dates of those transactions.

(e) Interest and fees

(i) Income and expense

Interest income and expense are recognised in the statement of revenue and expenses for all interest bearing instruments on the accrual basis using the effective interest method based on the actual purchase price. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently. Interest income includes coupons earned on fixed income investments and accrued discount on treasury bills and other discounted instruments.

Where collection of interest income is considered doubtful, or payment is outstanding for more than 90 days, the banking regulations stipulate that interest should be taken into account on the cash basis. IFRS requires that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. However, such amounts as would have been determined under IFRS are considered to be immaterial.

(ii) Fees and commission

Fee and commission income are recognised on the accrual basis when service has been provided. Origination fees, for loans which are probable of being drawn down, are recognised in the statement of revenue and expenses immediately, as they are not considered material for deferral.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees are apportioned over the period the service is provided. The same principle is applied for financial planning and custody services that are continuously provided over an extended period of time.

Fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

2. Summary of significant accounting policies (continued)

(f) Premium income

Premiums are recognised as earned when due.

(g) Claims

Death claims are recorded in the statement of operations net of reinsurance recoverable.

(h) Reinsurance contracts held

The Group enters into contracts with reinsurers under which it is compensated for losses on contracts it issues and which meet the classification requirements for insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. Reinsurance does not relieve the originating insurer of its liability.

(i) Taxation

Taxation on the profit or loss for the year comprises current and deferred taxes. Current and deferred taxes are recognised as tax expense or benefit in the statement of revenue and expenses except where they relate to items recorded in stockholders' equity, in which case they are charged or credited to stockholders' equity.

(i) Current taxation

Current tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable and tax losses in respect of previous years.

(ii) Deferred tax

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised. Deferred tax assets are reviewed at each reporting date to determine whether it is probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

Current and deferred tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same Tax Authority and when the legal right of offset exists.

2. Summary of significant accounting policies (continued)

(j) Insurance – recognition and measurement

Insurance contracts

These contracts insure human life events (for example death or permanent disability) over a long duration. The accounting treatment differs according to whether the contract bears investment options or not. Under contracts that do not bear investment options, premiums are recognised as income when they become payable by the contract holder and benefits are recorded as an expense when they are incurred.

Under contracts that bear an investment option, insurance premiums received are initially recognised directly as liabilities. These liabilities are increased by credited interest and are decreased by policy administration fees, mortality and surrender charges and any withdrawals; the resulting liability is called the Life Assurance Fund. Income consists of fees deducted for mortality, policy administration and surrenders.

Insurance contract liabilities are determined by an independent actuary using the Policy Premium Method of valuation as discussed in Note 3(iv). These liabilities are, on valuation, adjusted through the income statement to reflect the valuation determined under the Policy Premium Method.

(k) Policyholders' fund

The policyholders' fund has been calculated using the Policy Premium Method (PPM) of valuation. Under this method explicit allowance is made for all future benefits and expenses under the policies. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves.

The process of calculating policy reserves necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provisions for adverse deviations from the estimates.

An actuarial valuation is prepared annually. Any adjustment to the reserves is reflected in the year to which it relates.

(l) Financial assets and liabilities

(i) Recognition

The Group initially recognises loans and advances and deposits on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the settlement date, at which the Group becomes a party to the contractual provisions of the instrument.

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

(ii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or have expired.

The Group enters into transactions whereby it transfers assets recognized on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

(m) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through statement of revenue and expenses; loans and receivables; held-to-maturity; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through the statement of revenue and expenses

This category includes financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

(ii) 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 or services directly to a debtor with no intention of trading the receivable.

(iii) 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. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale.

2. Summary of significant accounting policies (continued)

(m) Financial assets (continued)

(iv) Available-for-sale

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

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised at the settlement date - the date on which an asset is delivered to or by the Group. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Subsequent to initial recognition at cost, available-for-sale financial assets and financial assets at fair value through statement of revenue and expenses are carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of revenue and expenses in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial assets are derecognised or impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in profit or loss. However, interest, which is calculated using the effective interest method, is recognised in the statement of revenue and expenses.

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of revenue and expenses. The amount of the impairment loss for an asset carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

(n) Investment in subsidiaries

Investments by the Bank in subsidiaries are stated at cost.

(o) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

2. **Summary of significant accounting policies (continued)**

(p) Insurance and investment contracts - classification

The Group issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits, at the occurrence of an insured event, that is at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

(q) Loans and advances and allowance for impairment losses

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans are stated net of unearned income and allowance for credit losses.

Loans are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan, including any transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the impaired loans.

A loan is classified as impaired when, in management's opinion, there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. As required by statutory regulations, if a payment on a loan is contractually 90 days in arrears, the loan will be classified as impaired, if not already classified as such. Any credit card loan that has a payment that is contractually 90 days in arrears is written-off.

When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on the cash basis. Interest income on impaired loans has not been recognised, as it is not considered material.

2. Summary of significant accounting policies (continued)

(q) Loans and advances and allowance for impairment losses (continued)

Statutory and other regulatory loan loss reserve requirements that exceed the amounts required under IFRS are dealt with in a non-distributable loan loss reserve as an appropriation of profits.

(r) Acceptances and guarantees

The Bank's potential liability under acceptances and guarantees is reported as a liability in the balance sheet. The Bank has equal and offsetting claims against its customers in the event of a call on these commitments, which are reported as an asset.

(s) Intangible assets

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with acquiring identifiable and unique software products which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. However, such costs have been expensed as they are considered to be immaterial.

(t) Leases

(i) As lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised at the inception of the lease at the lower of the fair value of the leased asset and the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged as an expense and included in the statement of revenue and expenses over the lease period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the statement of revenue and expenses on the straight-line basis over the period of the lease.

(ii) As lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

2. Summary of significant accounting policies (continued)

(t) Leases (continued)

(ii) As lessor (continued)

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on the straight-line basis over the lease term.

(u) Property, plant and equipment

Land is stated at historical cost. All other property, plant and equipment are stated at historical cost less accumulated depreciation and, if any, impairment losses.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditure is classified as repairs and renewals and charged as expenses in the statement of revenue and expenses during the financial period in which it is incurred.

Depreciation and amortisation are calculated on the straight-line method at rates estimated to write off the depreciable amount of the assets over their expected useful lives, as follows:

Buildings	40 years
Furniture, fixtures and equipment	10 years
Computer equipment	4 years
Motor vehicles	5 years
Leasehold improvements	Period of lease

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining the profit for the year.

2. Summary of significant accounting policies (continued)

(v) Employee benefits

(i) Pension obligations

The Group has established a defined benefit pension plan.

The asset or liability in respect of defined benefit plans is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service cost. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The pension costs are assessed using the Projected Unit Credit Method. Under this method, the cost of providing pensions is charged to the statement of revenue and expenses so as to spread the regular cost over the service lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plan every year in accordance with IAS 19. The pension obligation is measured at the present value of the estimated future cash outflows using estimated discount rates based on market yields on Government securities which have terms to maturity approximating the terms of the related liability.

A portion of actuarial gains and losses is recognised in the statement of revenue and expenses if the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceeded 10 percent of the greater of the present value of the gross defined benefit obligation and the fair value of plan assets at that date. Any excess actuarial gains or losses are deferred and recognised in the statement of revenue and expenses over the average remaining service lives of the participating employees.

(ii) Termination obligations

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after the balance sheet date are discounted to present value.

(iii) Other post-retirement obligations

The Group also provides supplementary health, dental and life insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the completion of a minimum service period and the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by qualified independent actuaries.

2. Summary of significant accounting policies (continued)

(v) Employee benefits (continued)

(iv) Equity compensation benefits

The Bank has an Employee Share Ownership Plan (ESOP) for eligible employees. The Bank provides a fixed benefit to each participant, which is linked to the number of years of service. This benefit is recorded in salaries and staff benefits expense in the statement of revenue and expenses.

The amount contributed to the ESOP trust (note 50) by the Group for acquiring shares and allocating them to employees is recognised as an employee expense at the time of making the contribution, as the effect of recognising it over the two-year period in which the employees become unconditionally entitled to the shares, is not considered material. Further, the effect of forfeitures is not considered material.

The special purpose entity that operates the Plan has not been consolidated as the effect of doing so is not considered material.

(w) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the statement of revenue and expenses immediately, as they are not considered material for deferral.

(x) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

(y) Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the Board of Directors.

(z) Financial instruments

Financial instruments carried on the balance sheet include cash resources, investments, securities purchased under resale agreements, loans and leases and other assets, deposits, other liabilities and policyholders' funds.

The fair values of the Group's and the Bank's financial instruments are discussed in note 43.

2. Summary of significant accounting policies (continued)

(aa) Fiduciary activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets, and income arising thereon, are excluded from these financial statements, as they are not assets of the Group.

(ab) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bank of Jamaica, amounts due from other banks, and highly liquid financial assets with original maturities of less than three months, which are readily convertible to known amounts of cash, are subject to insignificant risk of changes in their fair value.

Cash and cash equivalents are carried at amortised cost in the balance sheet.

3. Critical accounting estimates, and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of revenue and expenses, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5 percent, the provision would be an estimated $272,577 (2005: $525,514) higher or $330,685 (2005: $475,465) lower.

3. **Critical accounting estimates, and judgements in applying accounting policies (continued)**

(ii) Held-to-maturity investments

The Group follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances - for example, selling other than an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value, not amortised cost. If the entire class of held-to-maturity investments is compromised, the fair value would increase by $199,108 (2005:$433,520) with a corresponding entry in the fair value reserve in stockholders' equity.

(iii) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Were the actual final outcome (on the judgement areas) to differ by 10% from management's estimates, the Group would need to:

- increase the income tax liability by $1,217 and the deferred tax liability by $9,921, if unfavourable; or

- decrease the income tax liability by $1,217 and the deferred tax liability by $9,921, if favourable.

(iv) Estimate of future payments and premiums arising from long-term insurance contracts

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and international mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS, and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk.

(expressed in thousands of Jamaican dollars unless otherwise stated)

3. **Critical accounting estimates, and judgements in applying accounting policies (continued)**

(iv) Estimate of future payments and premiums arising from long-term insurance contracts (continued)

However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

The following shows the sensitivity of the liabilities to changes in assumptions:

	2006	2005
Interest rates decrease by 1%	150,569	161,111
Interest rates increase by 1%	(187,290)	(195,986)
Mortality increases by 10%	59,476	23,536
Mortality decreases by 10%	(60,705)	(23,914)
Expenses increase by 10%	79,162	74,045
Expenses decrease by 10%	(78,050)	(73,229)
Lapses and withdrawals increase 10%	65,359	29,120
Lapses and withdrawals decrease 10%	(71,029)	(30,330)

For contracts without fixed terms, it is assumed that the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. The average estimated rate of investment return is 13.58%. Were the average future investment returns to differ by 1% from management's estimates the insurance liability would increase by $150,569 or decrease by $187,290.

For long-term contracts with fixed and guaranteed terms, estimates are made in two stages. Estimates of future deaths, voluntary terminations and partial withdrawal of policy funds, investment returns and administration expenses are made at the inception of the contract and form the assumptions used for calculating the liabilities at the inception of the contract. A margin of risk and uncertainty is added to these assumptions. New estimates are made each subsequent year based on updated company and intercompany experience studies and updated economic forecasts. The valuation assumptions are altered to reflect these revised best-estimate assumptions. The margins for risk and uncertainty may also be altered if the underlying level of uncertainty in the updated assumption has changed. The financial impact of revisions to best-estimate assumptions or the related margins is recognised in the accounting period in which the change is made.

3. Critical accounting estimates, and judgements in applying accounting policies (continued)

(v) Pension and other post-retirement benefits

The cost of these benefits and the present value of the pension and the other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (income) for pension and other post-retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investments returns. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-retirement benefit obligations. In determining the appropriate discount rate, the Group considered interest rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. The expected rate of increase of medical costs has been determined by comparing the historical relationship of the actual medical cost increases with the rate of inflation in the respective economies. Past experience has shown that the actual medical costs have increased on average by one time the rate of inflation. Other key assumptions for the pension and other post retirement benefits cost and credits are based, in part, on current market conditions.

Were the actual expected return on plan assets to differ by 1% from management's estimates, there would be no impact on the consolidated net income. Were the actual discount rate used to differ by 1% from management's estimates, the consolidated net income would be an estimated $717,024 (2005:$271,846) higher or $1,158,268 (2005: $551,209) lower.

4. Responsibilities of the appointed actuary and external auditors

The Board of Directors, pursuant to the Insurance Act, appoints the Actuary. His responsibility is to carry out an annual valuation of the Group's policy liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and stockholders. In performing the valuation, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Group and the insurance policies in force.

The shareholders, pursuant to the Companies Act, appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the stockholders. In carrying out their audit, the auditors also make use of the work of the appointed Actuary and his report on the policyholders' liabilities.

5. Segmental financial information

The Group is organised into five main business segments:

(a) Retail Banking - incorporating personal banking services, personal customer current accounts, savings, deposits, custody, credit and debit cards, consumer loans and mortgages;

(b) Corporate and Commercial Banking - incorporating non-personal direct debit facilities, current accounts, deposits, overdrafts, loans and other credit facilities, and foreign currency transactions;

(c) Treasury - incorporating the Bank's liquidity and investment management function, management of correspondent bank relationships, as well as foreign currency trading;

(d) Investment Management Services — incorporating investments and pension fund management and the administration of trust accounts;

(e) Insurance Services - incorporating the provision of life insurance; and

(f) Other operations of the Group – comprising non-trading subsidiaries

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

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet, but exclude items such as taxation, retirement benefit assets and obligations and borrowings.

The Group's operations are located solely in Jamaica.

(expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental financial information (continued)

	2006							
	Banking							
	Retail	Corporate and Commercial	Treasury	Investment Management Services	Insurance Services	Other	Eliminations	Group
Gross external revenues	8,006,068	5,984,621	6,404,275	2,575,019	4,069,182	7,362	-	27,046,527
Revenue/(expenses) from other segments	2,827,047	1,109,849	(3,908,230)	81,662	16,137	16,541	(143,006)	-
Total gross revenues	10,833,115	7,094,470	2,496,045	2,656,681	4,085,319	23,903	(143,006)	27,046,527
Total expenses	(7,603,960)	(5,265,921)	(100,329)	(2,337,928)	(2,563,693)	(2,078)	143,006	(17,730,903)
Profit before tax	3,229,155	1,828,549	2,395,716	318,753	1,521,626	21,825	-	9,315,624
Income tax expenses								(2,516,716)
Net profit								6,798,908
Segment assets	34,050,567	36,565,984	76,724,912	19,953,653	29,143,957	176,139	(1,679,742)	194,935,470
Unallocated assets								5,081,132
Total assets								**200,016,602**
Segment liabilities	68,296,243	59,323,166	923,918	18,413,940	23,912,070	61,061	(1,479,451)	169,450,947
Unallocated liabilities								3,176,100
Total liabilities								**172,627,047**
Other segment items:								
Capital expenditure	351,882	304,473	-	450	5,862	-		662,667
Impairment losses on loans	290,575	11,998	-	(579)	-	-		301,994
Depreciation	177,957	137,990	-	2,722	4,337	680	-	323,686

(expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental financial information (continued)

	2005							
	Banking							
	Retail	Corporate and Commercial	Treasury	Investment Management Services	Insurance Services	Other	Eliminations	Group
Gross external revenues	6,434,033	6,199,012	5,799,797	2,796,198	3,771,192	7,469	-	25,007,701
Revenue/(expenses) from other segments	3,073,056	154,613	(3,137,649)	51,937	11,622	19,160	(172,739)	-
Total gross revenues	9,507,089	6,353,625	2,662,148	2,848,135	3,782,814	26,629	(172,739)	25,007,701
Total expenses	(7,017,211)	(4,628,799)	(154,120)	(2,552,221)	(2,466,811)	(31,466)	172,739	(16,677,889)
Profit before tax	2,489,878	1,724,826	2,508,028	295,914	1,316,003	(4,837)	-	8,329,812
Income tax expenses								(2,444,226)
Net profit								5,885,586
Segment assets	27,291,586	40,070,319	69,483,937	18,891,769	24,029,675	166,284	(596,691)	179,336,879
Unallocated assets								4,123,699
Total assets								183,460,578
Segment liabilities	61,761,164	57,560,488	-	17,581,765	20,052,579	64,764	(396,400)	156,624,360
Unallocated liabilities								3,311,265
Total liabilities								159,935,625
Other segment items:								
Capital expenditure	142,751	143,111	-	4,360	8,383	1,740	-	300,345
Impairment losses on loans	192,436	79,989	-	150	-	-	-	272,575
Depreciation	166,888	131,788	-	5,074	4,325	1,090	-	309,165

Capital expenditure comprises additions to property, plant and equipment (note 27).

(expressed in thousands of Jamaican dollars unless otherwise stated)

6. Net interest income

	The Group		The Bank	
	2006	2005	2006	2005
Interest income:				
Deposits with banks and other financial institutions	2,839,415	2,488,944	2,837,518	2,517,941
Investment securities	5,587,579	5,209,959	2,978,001	2,757,160
Reverse repurchase agreements	3,825,969	3,915,497	66,528	17,020
Loans and advances	10,659,791	9,911,251	10,028,161	9,339,586
Other	6,306	19,427	916	2,419
	22,919,060	21,545,078	15,911,124	14,634,126
Interest expense:				
Banks and customers	5,263,971	5,086,362	4,858,698	4,675,374
Repurchase agreements	2,131,364	2,378,453	57,853	122,209
Other	1,223	16,431	1,223	6,587
	7,396,558	7,481,246	4,917,774	4,804,170
Net interest income	15,522,502	14,063,832	10,993,350	9,829,956

7. Net fee and commission income

	The Group		The Bank	
	2006	2005	2006	2005
Fee and commission income:				
Retail banking fees	1,674,235	1,023,536	1,674,235	1,023,398
Credit related fees	608,886	469,629	606,527	467,259
Commercial and depository fees	1,145,903	1,310,333	955,388	1,146,891
	3,429,024	2,803,498	3,236,150	2,637,548
Fee and commission expenses	(646,506)	(475,033)	(646,506)	(475,033)
	2,782,518	2,328,465	2,589,644	2,162,515

8. Net foreign exchange trading income

Net foreign exchange trading income includes gains and losses arising from foreign currency trading activities.

(expressed in thousands of Jamaican dollars unless otherwise stated)

9. Salaries, pension contributions and other staff benefits

	The Group		The Bank	
	2006	2005	2006	2005
Wages and salaries	3,663,805	3,186,949	3,320,417	2,880,024
Payroll taxes	322,267	286,154	297,654	261,596
Pension costs, net (note 29)	(471,925)	(331,768)	(471,925)	(331,768)
Other post retirement benefits (note 29)	182,521	80,004	182,521	80,004
Other staff benefits	954,225	782,249	922,910	741,840
	4,650,893	4,003,588	4,251,577	3,631,696

10. Change in policyholders' fund

(a) Composition by line of business is as follows:

	2006		
	Ordinary Life	Creditor Life	Total
Gross reserves	25,097,203	100,963	25,198,166
Negative reserves	(1,489,335)	-	(1,489,335)
Balance at end of year	23,607,868	100,963	23,708,831

	2005		
	Ordinary Life	Creditor Life	Total
Gross reserves	20,988,256	84,796	21,073,052
Negative reserves	(1,118,439)	-	(1,118,439)
Balance at end of year	19,869,817	84,796	19,954,613

(b) Change in policyholders' reserve:

	The Group	
	2006	2005
Policyholders' benefit payments	37,872	20,851
Interest expense	2,469,861	2,360,941
Transfer from actuarial reserves	(338,794)	(289,050)
	2,168,939	2,092,742

10. Change in policyholders' fund (continued)

(c) Policy assumptions

Policy liabilities have two major assumptions, namely, best estimate assumptions and provisions for adverse deviation assumptions.

(1) Best estimate assumptions:

Assumptions cover the lifetime of the policies and are made for many variables including mortality, morbidity, investment yields, rates of policy termination, operating expenses and certain taxes.

(i) Mortality and morbidity

The assumptions are based on industry experience. See note 3(iv) for further details.

(ii) Investment yields

The Group matches assets and liabilities by line of business. The Group does not project asset and liability cash flows under reinvestment assumptions but have used a projected portfolio rate with a conservative bias.

The Group has assumed a portfolio rate of 13.58% beginning November 2006, decreasing monthly to 10% in the year 2014, and then decreasing yearly to 6% in the year 2026 and later.

Assumed interest rates are net of Investment Income Tax.

The main source of the uncertainty is the fluctuation in the economy; lower yields would result in higher reserves and reduced income.

(iii) Persistency

Persistency assumptions are made in relation to the time since inception that a policy exists before it lapses or is surrendered. Lapses relate to termination of policies due to non-payment of premiums. Surrenders relate to voluntary termination of policies by the policyholders. Policy terminations are based on the Group's own experience adjusted for expected future conditions. A statistical study was performed in a prior year in order to determine an appropriate persistency rate and best estimates of future rates were determined by examining any trends in the data. The main source of uncertainty derives from changes in policyholder behaviour as it relates to changes in conditions. The expected lapse rates are 2% in the first year, 8% in the second year, 7% in the third year and 6% thereafter. A margin for adverse deviation is added by increasing or decreasing the lapse rates, whichever is adverse, by 20%.

10. Change in policyholders' fund (continued)

(c) Policy assumptions (continued)

(1) Best estimate assumptions (continued):

(iv) Policy expenses and inflation

Policy maintenance expenses are derived from the Group's own internal cost studies projected into the future with an allowance for inflation. Inflation is assumed to be 7.81% beginning November 2006, decreasing monthly to 6% in the year 2014, and then decreasing to 3% in year 2026 and later.

(v) Partial withdrawal of policy funds

The Group's contracts allow policyholders to withdraw a portion of the funds accumulated under the contract without surrendering the entire contract. Partial withdrawal rates are derived from the Group's own experience. A margin for adverse deviation is added by increasing the partial withdrawal rates by 10% of the best-estimate assumption.

(vi) Taxation

It is assumed that current tax legislation and rates continue unaltered.

(2) Provision for adverse deviation assumptions

The basic assumptions made in establishing policy liabilities are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the appointed actuary is required to include a margin in each assumption.

The impact of these margins is to increase reserves and so decrease the income that would be recognised on inception of the policy. The Canadian Institute of Actuaries prescribes a range of allowable margins. The Group uses assumptions at the conservative end of the range, taking into account the risk profiles of the business.

(expressed in thousands of Jamaican dollars unless otherwise stated)

11. Expenses by nature

	The Group		The Bank	
	2006	2005	2006	2005
Salaries, pension contributions and other staff benefits (note 9)	4,650,893	4,003,588	4,251,577	3,631,696
Property expenses, including depreciation	1,235,536	1,029,859	1,199,331	994,557
Changes in policyholders' reserves	2,168,939	2,092,742	-	-
Transportation and communication	552,831	548,653	537,405	518,647
Marketing and advertising	317,254	316,548	270,792	268,352
Management and consultancy fees	255,281	204,541	250,114	196,711
Deposit insurance	164,173	145,637	157,602	139,872
Stationery	177,503	182,075	170,196	175,066
Other operating expenses	509,941	400,425	392,882	296,534
	10,032,351	8,924,068	7,229,899	6,221,435

12. Profit before taxation

In arriving at the profit before taxation, the following are among the items that have been charged/(credited):

	The Group		The Bank	
	2006	2005	2006	2005
Auditors' remuneration	10,342	12,430	6,087	7,600
Depreciation	323,686	309,165	313,778	297,617
Directors' emoluments-				
Fees	16,681	13,657	9,994	7,586
Other	37,706	34,684	37,706	34,684
Gain on sale of property, plant and equipment	(1,760)	(1,847)	(1,738)	(4,487)
Operating lease rentals	42,239	36,873	40,335	35,469

(expressed in thousands of Jamaican dollars unless otherwise stated)

13. Taxation

(a) Taxation charge

Income tax is computed on the profit for the year as adjusted for tax purposes; other taxes are computed at rates and on items shown below:

	The Group		The Bank	
	2006	2005	2006	2005
Current income tax:				
Income tax at 33⅓%	2,109,615	2,015,107	2,008,722	1,924,682
Income tax at 30%	152,066	119,396	-	-
Premium income tax at 3%	78,066	76,434	-	-
Investment income tax at 15%	161,838	148,293	-	-
Adjustment for (over)/under-provision of prior year's charges	(110,910)	8,313	(115,761)	36
Deferred income tax (note 28)	126,041	76,683	130,145	76,857
	2,516,716	2,444,226	2,023,106	2,001,575

(b) Reconciliation of applicable tax charge to effective tax charge:

	The Group		The Bank	
	2006	2005	2006	2005
Profit before taxation	9,315,624	8,329,812	6,957,404	6,299,850
Tax calculated at 33⅓%	3,105,208	2,776,604	2,319,135	2,099,950
Adjusted for the effects of:				
Effect of different tax regime applicable to life insurance and mortgage financing subsidiaries	(284,163)	(213,990)	-	-
Income not subject to tax – tax free investments	(198,301)	(163,358)	(187,898)	(154,583)
Expenses not deductible for tax purposes	2,856	2,048	2,748	1,358
Other charges and allowances	(108,884)	42,922	(110,879)	54,850
Taxation expense	2,516,716	2,444,226	2,023,106	2,001,575

Tax on the life insurance business is charged on investment income, less expenses allowable in earning that income, at the rate of 15%, and on premium income less reinsurance premiums, at 3%.

(expressed in thousands of Jamaican dollars unless otherwise stated)

14. Net profit and unappropriated profits attributable to stockholders

	2006	2005
(a) The net profit is dealt with in the financial statements of Group entities as follows:		
The Bank	4,934,298	4,298,275
The Subsidiaries	1,864,610	1,587,311
	6,798,908	5,885,586
(b) The unappropriated profits are dealt with in the financial statements of Group entities as follows:		
The Bank	6,550,952	5,381,703
The Subsidiaries	8,401,643	6,537,033
	14,952,595	11,918,736

15. Earnings per stock unit

Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue during the year

	2006	2005
Net profit attributable to stockholders	6,798,908	5,885,586
Weighted average number of ordinary stock units in issue ('000)	2,927,232	2,927,232
Basic earnings per stock unit (expressed in $ per share)	$ 2.32	$ 2.01

16. Cash and balances at Bank of Jamaica

	The Group		The Bank	
	2006	2005	2006	2005
Special reserves held with the Bank of Jamaica	-	582,060	-	582,060
Statutory reserves with Bank of Jamaica – interest-bearing	3,386,190	2,926,528	3,385,460	2,926,123
Statutory reserves with Bank of Jamaica – non interest-bearing	5,932,299	5,279,597	5,889,529	5,238,539
	9,318,489	8,788,185	9,274,989	8,746,722
Cash in hand and at bank (note 19)	18,408,083	17,530,366	18,407,718	17,530,081
	27,726,572	26,318,551	27,682,707	26,276,803

(expressed in thousands of Jamaican dollars unless otherwise stated)

16. Cash and balances at Bank of Jamaica (continued)

Statutory reserves with the Bank of Jamaica under Section 14 (i) of the Banking Act, 1992, and the Building Societies Regulations represent the required ratio of 9% (2005: 9%) of the Bank's and 1% (2005: 1%) of the Society's prescribed liabilities, respectively. They are not available for investment, lending or other use by the Group and the Bank.

Effective January 15, 2003, the Bank was required by the Bank of Jamaica (BOJ) under Section 28A of the Bank of Jamaica Act, to maintain, with the BOJ, a special deposit wholly in the form of cash representing Nil% (2005: 1%) of the prescribed liabilities. This special deposit is no longer required.

17. Amounts due from other banks

	The Group		The Bank	
	2006	2005	2006	2005
Items in course of collection from other banks	1,244,305	978,589	1,244,305	978,589
Placements with other banks	12,389,225	16,883,997	12,294,949	16,849,376
	13,633,530	17,862,586	13,539,254	17,827,965
Loans and advances to other banks	-	458,000	-	458,000
	13,633,530	18,320,586	13,539,254	18,285,965

18. Accounts with parent and fellow subsidiaries

These represent inter-company accounts held with the parent company and fellow subsidiaries in the normal course of business.

19. Cash and cash equivalents

	The Group		The Bank	
	2006	2005	2006	2005
Cash and balances with Bank of Jamaica	27,726,572	26,318,551	27,682,707	26,276,803
Less: statutory reserves (note 16)	(9,318,489)	(8,788,185)	(9,274,989)	(8,746,722)
	18,408,083	17,530,366	18,407,718	17,530,081
Government and bank notes other than Jamaica	236,320	240,438	236,320	240,438
Amounts due from other banks	11,534,370	14,845,456	11,440,095	14,820,426
Accounts with parent and fellow subsidiaries	2,341,234	489,135	2,341,234	489,135
Cheques and other instruments in transit	(2,882,736)	(1,906,302)	(2,997,025)	(1,856,867)
	29,637,271	31,199,093	29,428,342	31,223,213
Less accrued interest receivable on Bank of Jamaica Certificates of Deposit and Deposits with Banks	(793,204)	(960,333)	(792,546)	(960,130)
	28,844,067	30,238,760	28,635,796	30,263,083

(expressed in thousands of Jamaican dollars unless otherwise stated)

20. Financial assets at fair value through statement of revenue and expenses

These represent investments in Government of Jamaica securities.

21. Government securities purchased under resale agreements

The Group and the Bank enter into reverse repurchase agreements collateralised by Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligations.

The fair value of collateral held pursuant to reverse repurchase agreements is $15,878,128 (2005: $17,386,731) for the Group and $942,280 (2005:$98,600) for the Bank.

22. Loans, after allowance for impairment losses

	The Group		The Bank	
	2006	2005	2006	2005
Business and Government	31,701,145	36,506,862	31,689,522	36,348,820
Personal and credit cards	23,833,638	18,103,489	23,833,638	18,103,489
Residential mortgages	3,923,053	3,532,846	-	-
Interest receivable	608,139	594,211	560,878	547,572
Total	60,065,975	58,737,408	56,084,038	54,999,881
Less: allowance for impairment losses (note 23)	(478,260)	(495,034)	(443,478)	(460,059)
	59,587,715	58,242,374	55,640,560	54,539,822

23. Impairment losses on loans

	The Group		The Bank	
	2006	2005	2006	2005
Total non-performing loans	1,009,003	918,164	913,988	818,491
Provision at beginning of year	495,034	500,121	460,059	465,148
Charged against revenue during the year	301,994	272,575	300,732	272,426
Bad debts written off	(475,718)	(461,583)	(474,240)	(461,435)
Recoveries of bad debts	156,950	183,921	156,927	183,920
At end of year	478,260	495,034	443,478	460,059
This comprises:				
Specific provisions	332,977	347,255	301,631	317,079
General provisions	145,283	147,779	141,847	142,980
	478,260	495,034	443,478	460,059

(expressed in thousands of Jamaican dollars unless otherwise stated)

23. Impairment losses on loans (continued)

Allowance for impairment losses

A loan is classified as impaired if its book value exceeds the present value of the cash flows actually expected in future periods - interest payments, principal repayments, and proceeds of liquidation of collateral. Provisions for credit losses are made on all impaired loans. Uncollected interest not accrued in these financial statements on impaired loans, was estimated at $73,942 as at October 31, 2006 (2005: $79,571) for the Bank and $80,278 as at October 31, 2006 (2005: $84,103) for the Group.

The total allowance for loan losses is made up as follows:

	The Group		The Bank	
	2006	2005	2006	2005
Allowance based on accounting standard - IAS 39 [see (a) below]	478,260	495,034	443,478	460,059
Additional allowance based on BOJ regulations [see (b) below]	806,524	806,524	765,292	765,292
	1,284,784	1,301,558	1,208,770	1,225,351

(a) This is the allowance based on the requirements of IAS 39, *Financial Instruments: Recognition and Measurement*, and is the amount included in the table above (on page 101).

(b) This is the allowance based on regulations issued by the banking regulator, Bank of Jamaica (BOJ). It represents the additional allowance required to meet the Bank of Jamaica loan loss provisioning requirement. A non-distributable loan loss reserve was established to represent the excess of the Bank's provision over the IAS 39 requirements.

24. Lease receivables

	The Group	
	2006	2005
Gross investment in finance leases		
Not later than one year	-	497
Later than one year and not later than five years	-	-
	-	497
Less: unearned income	-	(62)
Net investment in finance leases	-	435
Net investment in finance leases may be classified as follows:		
Not later than one year	-	435
Later than one year and not later than five years	-	-
	-	435

(expressed in thousands of Jamaican dollars unless otherwise stated)

25. Investment securities

	The Group		The Bank	
	2006	2005	2006	2005
Available-for-sale				
Government of Jamaica	15,849,009	10,002,266	10,183,819	7,008,984
Held-to-maturity				
Government of Jamaica	36,709,360	31,038,669	21,311,614	17,816,404
Other	5,789	5,240	5,654	5,105
	36,715,149	31,043,909	21,317,268	17,821,509
Total investment securities	52,564,158	41,046,175	31,501,087	24,830,493

The Bank of Jamaica holds as security, Government of Jamaica Local Registered Stocks and Bank of Jamaica Certificates of Deposit valued at $840,000 (2005 - $900,000) for the Group and $800,000 (2005 - $900,000) for the Bank against possible shortfalls in the operating account.

Included in investment securities are Government of Jamaica Local Registered Stocks valued at $90,000 (2005 - $90,000) which have been deposited by one of the Bank's subsidiaries, Scotia Jamaica Life Insurance Company Limited, with the insurance regulator, Financial Services Commission, pursuant to Section 8(1)(a) of the Insurance Regulations 2001.

Other financial institutions hold as security, Government of Jamaica Local Registered Stocks valued at $1,040,000 (2005 - $1,170,000) for the Bank in the normal course of inter bank transactions.

The Group has not reclassified any financial asset measured at amortised cost to securites carried at fair value during the year.

26. Sundry assets

	The Group		The Bank	
	2006	2005	2006	2005
Accounts receivable and prepayments	265,258	188,226	235,771	159,195
Other	382,388	91,446	382,386	91,446
	647,646	279,672	618,157	250,641

(expressed in thousands of Jamaican dollars unless otherwise stated)

27. Property, plant and equipment

	The Group				
	Freehold Land and Buildings	Leasehold improvements	Furniture, Fixtures, Motor vehicles & Equipment	Capital Work-in Progress	Total
Cost:					
November 1, 2004	1,278,294	98,435	2,366,583	53,293	3,796,605
Additions	7,944	6,351	80,840	205,210	300,345
Disposals	(27)	(172)	(23,862)	(942)	(25,003)
Transfers	51,494	16,469	111,478	(179,441)	-
Write-offs	-	-	-	(4,075)	(4,075)
October 31, 2005	1,337,705	121,083	2,535,039	74,045	4,067,872
Additions	182,044	707	112,636	367,280	662,667
Disposals	-	-	(32,977)	-	(32,977)
Transfers	93,024	52,882	194,861	(340,767)	-
Write-offs	-	-	-	(2,517)	(2,517)
October 31, 2006	1,612,773	174,672	2,809,559	98,041	4,695,045
Accumulated depreciation:					
November 1, 2004	171,888	66,183	1,521,993	-	1,760,064
Charge for the year	27,558	11,956	269,651		309,165
On disposals	-	(90)	(18,420)	-	(18,510)
October 31, 2005	199,446	78,049	1,773,224	-	2,050,719
Charge for the year	29,963	20,755	272,968	-	323,686
On disposals	-	-	(29,078)	-	(29,078)
October 31, 2006	229,409	98,804	2,017,114	-	2,345,327
Net book values					
October 31, 2006	1,383,364	75,868	792,445	98,041	2,349,718
October 31, 2005	1,138,259	43,034	761,815	74,045	2,017,153
October 31, 2004	1,106,406	32,252	844,590	53,293	2,036,541

(expressed in thousands of Jamaican dollars unless otherwise stated)

27. Property, plant and equipment (continued)

	The Bank				
	Freehold Land and Buildings	Leasehold improvements	Furniture, Fixtures, Motor vehicles & Equipment	Capital Work-in Progress	Total
Cost:					
November 1, 2004	1,225,329	97,878	2,286,859	52,554	3,662,620
Additions	7,944	5,313	71,309	201,297	285,863
Disposals	(27)	-	(10,661)	-	(10,688)
Transfers	51,494	16,469	111,478	(179,441)	-
Write-offs	-	-	-	(4,075)	(4,075)
October 31, 2005	1,284,740	119,660	2,458,985	70,335	3,933,720
Additions	182,044	707	107,483	364,950	655,184
Disposals	-	-	(31,429)	-	(31,429)
Transfers	93,024	52,882	191,890	(337,796)	-
Write-offs	-	-	-	(2,517)	(2,517)
October 31, 2006	1,559,808	173,249	2,726,929	94,972	4,554,958
Accumulated depreciation:					
November 1, 2004	160,685	65,821	1,468,132	-	1,694,638
Charge for the year	26,352	11,109	260,156	-	297,617
On disposals	-	-	(9,365)	-	(9,365)
October 31, 2005	187,037	76,930	1,718,923	-	1,982,890
Charge for the year	28,757	20,489	264,532	-	313,778
On disposals	-	-	(27,603)	-	(27,603)
At October 31, 2006	215,794	97,419	1,955,852	-	2,269,065
Net book values					
October 31, 2006	1,344,014	75,830	771,077	94,972	2,285,893
October 31, 2005	1,097,703	42,730	740,062	70,335	1,950,830
October 31,2004	1,064,644	32,057	818,727	52,554	1,967,982

(expressed in thousands of Jamaican dollars unless otherwise stated)

28. Deferred tax assets and liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of:

- 30% for The Scotia Jamaica Building Society;
- 15% for Scotia Jamaica Life Insurance Company Limited and
- 33⅓ for the Bank and all other subsidiaries.

The movement on the deferred income tax account is as follows:

	The Group 2006	The Group 2005	The Bank 2006	The Bank 2005
Balance as at November 1	(1,387,498)	(1,318,392)	(1,362,216)	(1,290,935)
Recognised in the statement of revenue and expenses (note 13)	(126,041)	(76,683)	(130,145)	(76,857)
Recognised in equity:				
Available-for-sale investments				
- fair value re-measurement	(69,618)	(5,748)	(68,982)	(6,213)
- transfer to net profit	21,826	13,325	18,992	11,789
Balances as at October 31	(1,561,331)	(1,387,498)	(1,542,351)	(1,362,216)

Deferred income tax assets and liabilities are attributable to the following items:

	The Group 2006	The Group 2005	The Bank 2006	The Bank 2005
Deferred income tax assets:				
Other post retirement benefits	162,226	108,687	162,226	108,687
Interest receivable	3	1,252	-	-
Vacation accrued	14,258	-	13,339	-
	176,487	109,939	175,565	108,687
Deferred income tax liabilities:				
Pension benefits	1,429,137	1,254,791	1,429,137	1,254,791
Accelerated tax depreciation	74,991	79,734	73,530	71,599
Available-for-sale investments	132,926	78,589	121,126	71,136
Impairment losses on loans	100,734	84,323	94,123	73,377
Other temporary differences	30	-	-	-
	1,737,818	1,497,437	1,717,916	1,470,903

(expressed in thousands of Jamaican dollars unless otherwise stated)

28. Deferred tax assets and liabilities (continued)

The deferred tax charge in the statement of revenue and expenses comprises the following temporary differences:

	The Group		The Bank	
	2006	2005	2006	2005
Accelerated tax depreciation	1,801	(9,810)	1,931	(4,963)
Pensions and other post retirement benefits	120,807	119,350	120,807	119,350
Allowance for loan impairment	16,240	(31,670)	20,746	(37,530)
Vacation accrued	(14,259)	-	(13,339)	-
Interest receivable	1,452	(1,187)	-	-
	126,041	76,683	130,145	76,857

Deferred income tax liabilities excludes withholding tax and other taxes that would be payable on distribution of the unappropriated profits of subsidiaries as such amounts are permanently reinvested; such unappropriated profits totaled $8,401,643 at October 31, 2006 (2005: $6,537,033).

29. Retirement benefit asset/obligation

Amounts recognised in the balance sheet:

	The Group and The Bank	
	2006	2005
Pension plan	4,287,410	3,764,372
Other post retirement benefits	(486,678)	(326,062)
	3,800,732	3,438,310

(a) Pension plan

The Group has established a pension plan covering all permanent employees. The pension plan is a final salary (the average of the best three consecutive years' remuneration, with no salary cap) defined benefit plan and is fully funded. The assets of the plan are held independently of the Group's assets in a separate trustee-administered fund. The fund established under the plan is valued by independent actuaries annually using the Projected Unit Credit Method. The latest actuarial valuation was carried out as at October 31, 2006.

(expressed in thousands of Jamaican dollars unless otherwise stated)

29. Retirement benefit asset/obligation (continued)

(a) Pension plan (continued)

The amounts recognised in the balance sheet are determined as follows:

	The Group and The Bank 2006	2005
Present value of funded obligations	5,872,871	5,124,428
Fair value of plan assets	(18,483,277)	(16,377,620)
Unrecognised actuarial gains	4,350,008	4,165,675
	(8,260,398)	(7,087,517)
Limitation on recognition of surplus due to uncertainty of obtaining future benefits	3,972,988	3,323,145
Asset in the balance sheet	(4,287,410)	(3,764,372)
Pension plan assets consist of the following:		
The Bank's ordinary stock units at fair value	1,556,093	1,616,530
Resale agreements with a related company	1,791	261,107

The movement in fair value of plan assets of the year is as follows:

	The Group and The Bank 2006	2005
At November 1	(16,377,620)	(14,458,261)
Expected return on plan assets	(1,721,342)	(1,522,823)
Actuarial loss on Plan Assets	(352,091)	(306,914)
Contributions	(239,809)	(258,758)
Benefits paid	207,585	169,136
At October 31	(18,483,277)	(16,377,620)

The amounts recognised in the statement of revenue and expenses are as follows:

	The Group and The Bank 2006	2005
Current service cost, net of employee contributions	55,652	59,317
Interest cost	658,123	553,757
Expected return on plan assets	(1,721,342)	(1,522,823)
Net actuarial gain recognised in year	(114,200)	(122,600)
Losses on curtailment	-	395,838
Income not recognised due to limit	649,842	304,743
Included in staff costs (note 9)	(471,925)	(331,768)

The actual return on plan assets was $ 2,073,433 (2005: $1,829,737).

(expressed in thousands of Jamaican dollars unless otherwise stated)

29. Retirement benefit asset/obligation (continued)

(a) Pension plan (continued)

Movement in the asset recognised in the balance sheet:

	The Group and The Bank 2006	2005
At November 1	(3,764,372)	(3,338,827)
Total income	(471,925)	(331,768)
Contributions paid	(51,113)	(93,777)
At October 31	(4,287,410)	(3,764,372)

The principal actuarial assumptions used were as follows:

	The Group and The Bank 2006	2005
Discount rate	12.0%	12.5%
Expected return on plan assets	10.5%	10.5%
Future salary increases	9.5%	9.5%
Future pension increases	3.5%	3.5%
Average expected remaining working lives (years)	26.6	27.2

(b) Other post retirement benefits

In addition to pension benefits, the Bank offers retiree medical and group life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for the defined benefit pension plan.

In addition to the assumptions used for the pension plan, the main actuarial assumption is a long-term increase in health costs of 10.5% per year (2005: 10.5%).

The amounts recognised in the balance sheet are as follows:

	The Group and The Bank 2006	2005
Present value of unfunded obligations	1,195,379	877,965
Unrecognised actuarial losses	(708,701)	(551,903)
Liability in the balance sheet	486,678	326,062

(expressed in thousands of Jamaican dollars unless otherwise stated)

29. Retirement benefit asset/obligation (continued)

(b) Other post retirement benefits (continued)

The amounts recognised in the statement of revenue and expenses are as follows:

	The Group and The Bank	
	2006	2005
Current service cost	50,092	25,374
Interest cost	114,582	51,489
Net actuarial losses recognised in year	17,847	3,141
Total included in staff costs (Note 9)	182,521	80,004
Movements in the amounts recognised in the balance sheet:		
Liability at beginning of year	326,062	264,634
Total expense, as above	182,521	80,004
Contributions paid	(21,905)	(18,576)
Liability at end of year	486,678	326,062

30. Deposits by the public

	The Group		The Bank	
	2006	2005	2006	2005
Personal	65,344,894	59,812,474	61,375,619	56,057,151
Other	47,672,622	47,495,453	47,149,113	47,082,547
Interest payable	262,022	238,709	211,156	184,514
	113,279,538	107,546,636	108,735,888	103,324,212

Deposits include $6,963,717 (2005 - $7,857,259) held as collateral for irrevocable commitments under letters of credit.

31. Amounts due to other banks and financial institutions

These represent deposits by other banks and financial institutions in the normal course of business.

(expressed in thousands of Jamaican dollars unless otherwise stated)

32. Due to parent company

	The Group and The Bank	
	2006	2005
Facility I	-	12,055
Facility II	2,502,025	2,678,443
Facility III	2,778,689	1,917,945
	5,280,714	4,608,443
Interest receivable	53,897	28,221
	5,334,611	4,636,664

(i) Facility I is a US$ denominated ten year non-revolving term loan from the parent company, for on-lending. The principal is repayable in ten installments which commenced December 31, 1998 was repaid during the year. Interest on the loan was at 30 day LIBOR + 1% per annum.

(ii) Facility II is a US$ denominated fifteen (15) year non-revolving loan from the parent company, for on-lending. The repayment of the principal commenced June 30, 2003 and is subject to an interest rate of LIBOR + 1% per annum.

(iii) Facility III is a US$ denominated five (5) year non-revolving loan from the parent company, for on-lending. The repayment of the principal commenced June 1, 2006 and is subject to an interest rate of LIBOR + 1% per annum.

The above loan facilities are unsecured.

33. Amounts due to subsidiaries

These represent accounts held by subsidiaries in the normal course of business.

34. Other liabilities

	The Group		The Bank	
	2006	2005	2006	2005
Provisions (Note 35)	49,012	60,044	44,884	54,009
Accrued liabilities	407,244	376,510	441,405	399,070
Prepaid letters of credit	34,847	28,170	34,847	28,644
Other	279,063	231,494	138,703	141,283
	770,166	696,218	659,839	623,006

35. Provisions

	The Group		The Bank	
	2006	2005	2006	2005
At beginning of year	60,044	69,482	54,009	64,975
Provided during the year	49,012	60,044	44,884	54,009
Utilised during the year	(60,044)	(69,482)	(54,009)	(64,975)
At end of year	49,012	60,044	44,884	54,009

The above provisions mainly relate to accrued vacation and redundancy.

(expressed in thousands of Jamaican dollars unless otherwise stated)

36. Share capital

	Number of Units		Total	
	2006	2005	2006	2005
Authorised –				
Ordinary shares of no par value	3,000,000,000	3,000,000,000	3,000,000	3,000,000
Issued and fully paid –				
At beginning of year:				
Ordinary stock units	2,927,232,000	1,463,616,000	2,927,232	1,463,616
Movement during the year:				
Bonus issue of ordinary stock units	-	1,463,616,000	-	1,463,616
At end of year:				
Ordinary stock units of no par value	2,927,232,000	2,927,232,000	2,927,232	2,927,232

The total number of authorised ordinary shares at year end was 3,000,000,000 shares (2005: 3,000,000,000 shares) at no par value. All issued shares are fully paid.

In February 2005, the authorised ordinary share capital of the Bank was increased to $3,000,000 by the creation of an additional 1,500,000,000 ordinary shares to rank pari passu in all respects with the existing ordinary stocks in the capital of the Bank. Shares totalling 1,463,616,000 units were then issued as fully paid as bonus shares by the capitalisation of profits of $1,463,616 on the basis of one ordinary share for every one ordinary stock unit held.

Under the provisions of the Companies Act 2004, which became effective February 1, 2005, the shares have no par value.

37. Reserve fund

	The Group		The Bank	
	2006	2005	2006	2005
Opening balance	3,158,481	1,694,865	2,930,616	1,467,000
Transfer from retained earnings reserve	-	1,463,616	-	1,463,616
Closing balance	3,158,481	3,158,481	2,930,616	2,930,616

In accordance with the regulations under which they operate, certain companies in the Group are required to make transfers of a minimum of 15% or 10% of net profit, depending on the circumstances, to the reserve fund until required statutory levels are attained.

(expressed in thousands of Jamaican dollars unless otherwise stated)

38. Retained earnings reserve

Transfers to the retained earnings reserve are made at the discretion of the Board of Directors. Such transfers must be notified to the Bank of Jamaica and any re-transfer must be approved by the Bank of Jamaica.

39. Cumulative remeasurement result from available-for-sale financial assets

This represents the unrealised surplus or deficit on the revaluation of available-for-sale investments.

40. Loan loss reserve

This is a non-distributable loan loss reserve which represents the excess of the loan loss provision over IAS 39 requirements.

41. Other reserves

	The Group	
	2006	2005
Opening and closing balance:		
Capital reserve arising on consolidation, net	67	67
Reserves of subsidiary capitalised through issue of bonus shares	16,548	16,548
General reserve	10,099	10,099
	26,714	26,714

42. Financial risk management

By their nature, the Group's activities are principally related to the use of financial instruments. The Group accepts deposits from customers at both fixed and floating rates and for various periods, and actively manages its interest rate exposures with the objective of enhancing net interest income within prudent risk tolerances.

The Group also seeks to raise its interest margins by obtaining competitive margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just loans and advances; the Group also enters into guarantees and other commitments such as letters of credit.

The Group also trades in financial instruments where it takes positions to take advantage of short-term market movements in securities prices and in foreign exchange and interest rates. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

42. Financial risk management (continued)

(a) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following tables summarise carrying amounts of balance sheet assets, liabilities and equity in order to arrive at the Group's and the Bank's interest rate gap based on the earlier of contractual repricing and maturity dates.

(expressed in thousands of Jamaican dollars unless otherwise stated)

42. Financial risk management (continued)

(a) Cash flow and fair value interest rate risk (continued)

	The Group						
	2006						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	9,141,198	17,084,727	7,098,810	-	-	12,605,275	45,930,010
Securities purchased under resale agreements	-	13,819,269	14,551,469	-	-	1,228,799	29,599,537
Loans (3)	16,207,691	20,634,698	4,648,507	13,989,893	2,954,392	1,152,534	59,587,715
Investment securities (2)							
- Available-for-sale	-	2,975,193	3,897,384	8,476,994	40,000	459,438	15,849,009
- Held to maturity	-	25,022,722	9,508,301	1,063,542	124,022	996,562	36,715,149
- Financial assets at fair value through statement of revenue and expenses	-	234,949	-	-	-	3,320	238,269
Other assets	-	-	-	-	-	12,096,913	12,096,913
Total assets	25,348,889	79,771,558	39,704,471	23,530,429	3,118,414	28,542,841	200,016,602
Deposits	91,699,643	15,784,298	5,652,559	5,920,490	1,117,178	315,919	120,490,087
Securities sold under repurchase agreements	-	13,022,750	4,716,335	-	-	495,020	18,234,105
Other liabilities	-	-	-	-	-	10,194,024	10,194,024
Policyholders' fund	12,770,600	2,032,617	10,293,985	-	-	(1,388,371)	23,708,831
Stockholders' equity	-	-	-	-	-	27,389,555	27,389,555
Total liabilities and stockholders' equity	104,470,243	30,839,665	20,662,879	5,920,490	1,117,178	37,006,147	200,016,602
Total interest rate sensitivity gap	(79,121,354)	48,931,893	19,041,592	17,609,939	2,001,236	(8,463,306)	-
Cumulative gap	(79,121,354)	(30,189,461)	(11,147,869)	6,462,070	8,463,306	-	-
	2005						
Total assets	24,795,159	61,668,858	44,746,477	18,160,358	6,498,467	27,591,259	183,460,578
Total liabilities and stockholders' equity	96,500,987	25,937,913	21,489,203	5,770,995	1,543,533	32,217,947	183,460,578
Total interest rate sensitivity gap	(71,705,828)	35,730,945	23,257,274	12,389,363	4,954,934	(4,626,688)	-
Cumulative gap	(71,705,828)	(35,974,883)	(12,717,609)	(328,246)	4,626,688	-	-

(expressed in thousands of Jamaican dollars unless otherwise stated)

42. Financial risk management (continued)

(a) Cash flow and fair value interest rate risk (continued)

	The Bank						
	2006						
	Immediately rate sensitive (1)	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	9,140,104	16,991,108	7,098,810	-	-	12,561,847	45,791,869
Securities purchased under resale agreements	-	600,000	-	-	-	2,211	602,211
Loans (3)	16,200,396	17,462,158	4,507,682	13,902,067	2,544,006	1,024,251	55,640,560
Investment securities (2)							
- Available-for-sale	-	201,450	2,179,223	7,474,739	-	328,407	10,183,819
- Held to maturity	-	16,024,769	4,411,856	134,363	106,143	640,137	21,317,268
Investment in subsidiaries	-	-	-	-	-	258,238	258,238
Other assets (4)	-	-	-	-	-	10,725,643	10,725,643
Total assets	25,340,500	51,279,485	18,197,571	21,511,169	2,650,149	25,540,734	144,519,608
Deposits	90,048,755	13,683,536	4,963,668	5,920,490	923,948	265,053	115,805,450
Securities sold under repurchase agreements	-	919,844	-	-	-	4,074	923,918
Other liabilities	-	-	-	-	-	9,531,743	9,531,743
Stockholders' equity	-	-	-	-	-	18,258,497	18,258,497
Total liabilities and stockholders' equity	90,048,755	14,603,380	4,963,668	5,920,490	923,948	28,059,367	144,519,608
Total interest rate sensitivity gap	(64,708,255)	36,676,105	13,233,903	15,590,679	1,726,201	(2,518,633)	-
Cumulative gap	(64,708,255)	(28,032,150)	(14,798,247)	792,432	2,518,633	-	-
	2005						
Total assets	24,782,201	43,345,681	19,487,945	15,636,123	6,010,812	24,962,676	134,225,438
Total liabilities and stockholders' equity	85,434,596	12,827,332	3,974,503	5,749,605	1,491,919	24,747,483	134,225,438
Total interest rate sensitivity gap	(60,652,395)	30,518,349	15,513,442	9,886,518	4,518,893	215,193	-
Cumulative gap	(60,652,395)	(30,134,046)	(14,620,604)	(4,734,086)	(215,193)	-	-

(1) This represents those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis, for example, base rate loans.

(2) This includes financial instruments such as equity investments.

(3) This includes impaired loans.

(expressed in thousands of Jamaican dollars unless otherwise stated)

42. Financial risk management (continued)

(a) Cash flow and fair value interest rate risk (continued)

Average effective yields by the earlier of the contractual repricing and maturity dates:

	The Group 2006					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Average %
Cash resources (4)	6.20	9.13	10.44	-	-	8.60
Investment securities (1)						
Available-for-sale	-	13.99	10.28	8.34	14.84	9.94
Held to maturity	-	13.67	12.33	15.73	14.51	13.37
Financial assets at fair value through statement of revenue and expenses	-	13.30	-	-	-	13.30
Securities purchased under resale agreements	-	12.54	12.97	-	-	12.76
Loans (2)	16.08	24.53	17.87	16.85	10.29	19.10
Deposits (3)	4.28	7.68	7.17	7.14	7.95	5.04
Securities sold under repurchase agreements	-	11.78	12.23	-	-	11.90
Policyholders fund	10.06	11.50	11.22	-	-	10.65

	2005					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Total %
Cash resources (4)	3.97	9.67	11.88	-	-	7.33
Investment securities (1)						
Available-for-sale	-	13.96	15.53	10.51	-	10.85
Held to maturity	-	13.46	15.01	13.36	18.20	14.10
Financial assets at fair value through statement of revenue and expenses	-	8.76	-	-	-	8.76
Securities purchased under resale agreements	-	13.33	14.04	-	-	13.77
Loans (2)	17.29	22.50	13.99	19.06	9.03	18.71
Lease receivable	28.26	-	-	-	-	28.26
Deposits (3)	4.54	7.38	8.52	6.46	7.33	5.21
Securities sold under repurchase agreements	-	12.32	13.35	-	-	12.79
Policyholders fund	11.45	14.00	12.30	-	-	12.05

(expressed in thousands of Jamaican dollars unless otherwise stated)

42. Financial risk management (continued)

(a) Cash flow and fair value interest rate risk (continued)

The Bank

2006	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Total %
Cash resources (4)	6.20	9.15	10.44	-	-	8.61
Investment securities (1)						
Available-for-sale	-	15.75	7.72	7.58	-	7.78
Held to maturity	-	13.66	10.07	5.50	14.12	12.84
Securities purchased under resale agreements	-	12.28	-	-	-	12.28
Loans (2)	16.08	25.95	17.99	16.89	10.15	19.32
Deposits (3)	4.21	7.45	6.65	7.14	7.75	4.88

2005	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Total %
Cash resources (4)	3.97	9.68	11.89	-	-	7.34
Investment securities (1)						
Available-for-sale	-	7.72	11.06	9.30	6.60	8.04
Held to maturity	-	13.02	12.93	10.97	18.00	12.94
Securities purchased under resale agreements	-	14.06	13.02	-	-	13.60
Loans (2)	17.29	23.19	13.90	19.18	8.64	18.85
Deposits (3)	4.47	6.96	8.07	6.45	7.28	5.04

Average effective yields by the earlier of the contractual repricing or maturity dates:

(1) Yields are based on book values and contractual interest adjusted for amortisation of premiums and discounts. Yields on tax-exempt investments have not been computed on a taxable equivalent basis.

(2) Yields are based on book values, net of allowance for credit losses and contractual interest rates.

(3) Yields are based on contractual interest rates.

(4) The calculation of the average yields includes statutory reserves at Bank of Jamaica at 0%.

42. Financial risk management (continued)

(b) Credit risk

The Group and the Bank take on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are made for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk. Positions in tradeable assets such as bonds also carry credit risk.

The Group and the Bank manage the levels of credit risk they undertake by placing limits on the amount of risk accepted in relation to any one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product and industry sector are approved quarterly by the Board of Directors.

The exposure to any one borrower, including banks and brokers, is further restricted by sub-limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored daily.

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. Other than exposure on Government of Jamaica securities, there is no significant concentration of credit risk.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parities, carry the same credit risk as loans. Commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(expressed in thousands of Jamaican dollars unless otherwise stated)

42. **Financial risk management (continued)**

(b) Credit risk (continued)

The following tables summarise the credit exposure of the Group and the Bank to individuals, businesses and Government by sector:

	The Group			
	Loans and Leases	Acceptances, Guarantees and Letters of Credit	Total 2006	Total 2005
Agriculture, fishing and mining	878,430	76,993	955,423	1,060,530
Construction and real estate	1,068,366	172,968	1,241,334	1,228,564
Distribution	2,646,963	807,605	3,454,568	3,047,365
Financial institutions	3,971	735,258	739,229	63,019
Government and public entities	12,559,571	315,612	12,875,183	17,262,377
Manufacturing	2,420,337	649,197	3,069,534	3,940,187
Personal	27,738,289	1,023,050	28,761,339	22,257,610
Professional and other services	2,620,998	108,326	2,729,324	2,836,486
Tourism and entertainment	9,520,911	71,643	9,592,554	9,933,995
Interest receivable	608,139	-	608,139	594,211
Total	60,065,975	3,960,652	64,026,627	62,224,344
Total impairment provision			(478,260)	(495,034)
			63,548,367	61,729,310

	The Bank			
	Loans and Leases	Acceptances, Guarantees and Letters of Credit	Total 2006	Total 2005
Agriculture, fishing and mining	878,430	76,993	955,423	1,060,529
Construction and real estate	1,061,072	172,968	1,234,040	1,216,612
Distribution	2,646,963	807,605	3,454,568	3,046,932
Financial institutions	3,971	735,258	739,229	73,953
Government and public entities	12,556,970	315,612	12,872,582	17,259,165
Manufacturing	2,420,337	649,197	3,069,534	3,795,187
Personal	23,817,837	421,016	24,238,853	18,368,824
Professional and other services	2,610,377	108,326	2,718,703	2,824,463
Tourism and entertainment	9,527,203	71,643	9,598,846	9,933,993
Interest receivable	560,878	-	560,878	547,572
Total	56,084,038	3,358,618	59,442,656	58,127,230
Total impairment provision			(443,478)	(460,059)
			58,999,178	57,667,171

(expressed in thousands of Jamaican dollars unless otherwise stated)

42. Financial risk management (continued)

(c) Currency risk

The Group and the Bank take 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 daily. The main currencies giving rise to this risk are the United States dollar, Canadian dollar and the British pound. The Group ensures that the net exposure is kept to an acceptable level by matching foreign assets with liabilities as far as possible.

The table below summarizes the Group's and the Bank's exposure to foreign currency exchange risk at October 31.

	The Group		The Bank	
	2006	2005	2006	2005
United States dollar ($ thousands)	17,888	11,627	15,109	10,503
Canadian dollar ($ thousands)	314	484	314	484
Pound Sterling (£ thousands)	649	539	609	537

(d) Liquidity risk

The Group and the Bank are exposed to daily calls on their available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The tables below analyse assets and liabilities of the Group and the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity dates.

(expressed in thousands of Jamaican dollars unless otherwise stated)

42. Financial risk management (continued)

(d) Liquidity risk

	The Group					
	2006					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Total
Cash resources	38,617,054	7,269,822	-	-	43,134	45,930,010
Securities purchased under resale agreements	14,343,446	15,256,091	-	-	-	29,599,537
Loans	16,538,761	10,642,127	25,604,258	6,805,717	(3,148)	59,587,715
Investment securities						
- Available-for-sale	543,504	3,142,520	11,184,759	978,226	-	15,849,009
- Held to maturity	5,438,648	4,550,745	17,388,141	9,331,826	5,789	36,715,149
- Financial assets at fair value through statement of revenue and expenses	-	-	30,762	207,507	-	238,269
Other assets	2,472,061	1,287,533	460,569	479,200	7,397,550	12,096,913
Total assets	77,953,474	42,148,838	54,668,489	17,802,476	7,443,325	200,016,602
Deposits	104,006,652	5,932,175	9,434,081	1,117,179	-	120,490,087
Securities sold under repurchase agreements	13,328,032	4,906,073	-	-	-	18,234,105
Other liabilities	4,802,843	1,279,484	805,761	479,200	2,826,736	10,194,024
Policyholders' fund	23,708,831	-	-	-	-	23,708,831
Stockholders' equity	-	-	-	-	27,389,555	27,389,555
Total liabilities and stockholders' equity	145,846,358	12,117,732	10,239,842	1,596,379	30,216,291	200,016,602
Total liquidity gap	(67,892,884)	30,031,106	44,428,647	16,206,097	(22,772,966)	-
Cumulative gap	(67,892,884)	(37,861,778)	6,566,869	22,772,966	-	-
	2005					
Total assets	74,903,765	51,649,478	38,149,215	12,868,842	5,889,278	183,460,578
Total liabilities and stockholders' equity	130,310,290	16,343,870	9,564,262	1,893,984	25,348,172	183,460,578
Total liquidity gap	(55,406,525)	35,305,608	28,584,953	10,974,858	(19,458,894)	-
Cumulative gap	(55,406,525)	(20,100,917)	8,484,036	19,458,894	-	-

(expressed in thousands of Jamaican dollars unless otherwise stated)

42. **Financial risk management (continued)**

(d) Liquidity risk (continued)

	The Bank					
	2006					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Total
Cash resources	38,522,047	7,269,822	-	-	-	45,791,869
Securities purchased under resale agreements	602,211	-	-	-	-	602,211
Loans	16,442,281	10,455,256	24,813,385	3,929,638	-	55,640,560
Investment securities						
- Available-for-sale	481,737	2,227,342	7,474,740	-	-	10,183,819
- Held to maturity	4,014,322	2,657,336	9,134,363	5,505,593	5,654	21,317,268
Subsidiary companies	-	-	-	-	258,238	258,238
Other assets	1,791,688	1,264,571	460,568	479,200	6,729,616	10,725,643
Total assets	61,854,286	23,874,327	41,883,056	9,914,431	6,993,508	144,519,608
Deposits	100,204,239	5,243,182	9,434,081	923,948	-	115,805,450
Other liabilities	4,777,658	1,264,571	805,720	479,200	2,204,594	9,531,743
Stockholders' equity	-	-	-	-	18,258,497	18,258,497
Securities sold under repurchase agreements	923,918	-	-	-	-	923,918
Total liabilities and stockholders' equity	105,905,815	6,507,753	10,239,801	1,403,148	20,463,091	144,519,608
Total liquidity gap	(44,051,529)	17,366,574	31,643,255	8,511,283	(13,469,583)	-
Cumulative gap	(44,051,529)	(26,684,955)	4,958,300	13,469,583	-	-
	2005					
Total assets	57,596,195	25,473,796	34,804,886	10,269,582	6,080,979	134,225,438
Total liabilities and stockholders' equity	(97,100,281)	(7,703,742)	(9,542,813)	(1,842,370)	(18,036,232)	(134,225,438)
Total liquidity gap	(39,504,086)	17,770,054	25,262,073	8,427,212	(11,955,253)	-
Cumulative gap	(39,504,086)	(21,734,032)	3,528,041	11,955,253	-	-

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group and the Bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

42. Financial risk management (continued)

(e) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security, its issuer or factors affecting all securities traded in the market. The Group manages its risk through the Asset and Liability Committee, which carries out extensive research and monitors the price movement of securities on the local and international markets.

(f) Insurance risk

The Group issues contracts that transfer insurance risk or financial risk or both.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits resulting in earlier or more claims than expected.

The Group charges for mortality risks on a monthly basis for all insurance contracts and has the right to alter these charges based on mortality experience and hence to minimize its exposure to mortality risk, delays in implementing increases in charges and market or regulatory restraints over the extent of any increases may reduce this mitigating effect.

The Group has developed its insurance underwriting strategy and reinsurance arrangements to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The Group's underwriting strategy includes medical selection with benefits limited to reflect the health condition of applicants and retention limits on any single life insured.

(expressed in thousands of Jamaican dollars unless otherwise stated)

42. Financial risk management (continued)

The table below indicates the concentration of insured benefits across bands of insured benefits per individual life assured:

	Total Benefits Assured			
	2006		2005	
	Individual	Group	Individual	Group
Benefits assured per life assured				
0 to 250,000	3,801,352	1,196,956	3,554,491	1,932,317
250,001 to 500,000	1,352,913	2,567,898	161,483	1,604,156
500,001 to 750,000	1,755,467	1,197,254	241,890	964,858
750,001 to 1,000,000	870,171	972,048	119,728	702,617
1,000,001 to 1,500,000	2,823,185	1,211,569	462,534	750,586
1,500,001 to 2,000,000	491,497	953,051	37,739	598,914
Over 2,000,000	2,724,466	3,275,518	326,240	1,430,478
	13,819,051	11,374,294	4,904,105	7,983,926

Insurance risk for contracts disclosed in this note is also affected by the contract holder's right to pay reduced or no future premiums, or to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holder's behaviour. The Bank has factored the impact of contract holders behaviour into the assumptions used to measure these liabilities.

43. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the balance sheet dates.

(expressed in thousands of Jamaican dollars unless otherwise stated)

43. Fair value of financial instruments (continued)

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) financial investments classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;

(ii) the fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and liabilities;

(iii) the fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the balance sheet date;

(iv) the fair value of variable rate financial instruments is assumed to approximate their carrying amounts; and

(v) the fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values.

The following tables present the fair value of financial instruments based on the above-mentioned valuation methods and assumptions. The following financial assets and liabilities are not carried at fair value.

	The Group			
	Carrying Value 2006	Fair Value 2006	Carrying Value 2005	Fair Value 2005
Financial assets				
Loans	59,587,715	59,133,940	58,242,374	57,836,669
Investment securities: held-to-maturity	36,715,149	36,914,257	31,043,909	31,472,311
Financial liability				
Deposits	120,490,087	120,410,898	113,843,710	113,742,971

(expressed in thousands of Jamaican dollars unless otherwise stated)

43. Fair value of financial instruments (continued)

	The Bank			
	Carrying Value 2006	Fair Value 2006	Carrying Value 2005	Fair Value 2005
Financial assets				
Loans	55,640,560	55,214,284	54,539,822	54,168,648
Investment securities:				
Held-to-maturity	21,317,268	21,371,846	17,821,509	18,078,278
Financial liability				
Deposits	115,805,450	115,785,117	109,690,691	109,673,614

44. Commitments

	The Group 2006	The Group 2005	The Bank 2006	The Bank 2005
(a) Capital expenditure:				
Authorised and contracted	-	60,792	-	60,792
(b) Commitments to extend credit:				
Originated term to maturity of more than one year	19,756,683	10,373,099	19,154,649	9,735,199

(c) Operating lease commitments:

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	The Group 2006	The Group 2005
Not later than one year	114,896	114,094
Later than one year and not later than five years	390,402	342,336
Later than five years	1,447,465	843,231
	1,952,763	1,299,661

(expressed in thousands of Jamaican dollars unless otherwise stated)

45. Pledged assets

Assets are pledged as collateral under repurchase agreements with counterparties. Mandatory reserve deposits are also held with The Bank of Jamaica under Section 14 (i) of the Banking Act, 1992, viz:

	The Group			
	Asset		Related Liability	
	2006	2005	2006	2005
Securities with regulators	930,000	990,000	-	-
Securities sold under repurchase agreements	17,865,552	17,861,165	18,906,936	16,705,889
Investment securities (note 25)	1,040,000	1,170,000	-	-
	19,835,552	20,021,165	18,906,936	16,705,889

	The Bank			
	Asset		Related Liability	
	2006	2005	2006	2005
Securities with Bank of Jamaica	800,000	900,000	-	-
Securities sold under repurchase agreements	-	-	919,843	-
Investment securities (note 25)	1,040,000	1,170,000	-	-
	1,840,000	2,070,000	919,843	-

46. Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties; this involves the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the balance sheet date, the Group had investment custody accounts amounting to approximately $36,336,624 (2005-$34,163,056).

47. Related party transactions and balances

The Group is controlled by The Bank of Nova Scotia, a Bank incorporated and domiciled in Canada, which owns 70% of the ordinary stock units. The remaining 30% of the stock units are widely held.

A number of banking transactions are entered into with related parties. These include loans, deposits, investment management and foreign currency transactions. The volumes of related party transactions, outstanding balances at the year end, and related expenses and income for the year are as follows:

47. Related party transactions and balances (continued)

	Directors and key management personnel 2006	2005
Loans		
Loans outstanding at November 1	188,545	146,311
Net loans issued/(repaid) during the year	20,883	42,234
Loans outstanding at October 31	209,428	188,545
Interest income earned	17,334	15,643
Average repayment term (Years)	9	13
Average interest rate (%)	8.78	8.84
Deposits		
Deposits outstanding at November 1	88,053	116,030
Net deposits received/(repaid) during the year	(21,059)	(27,977)
Deposits outstanding at October 31	66,994	88,053
Interest expense on deposits	2,032	6,236

	Directors and key management personnel		Associated companies	
	2006	2005	2006	2005
Insurance products	7,655	7,296	-	-
Securities sold under repurchase agreements	62,763	83,586	-	-
Interest paid on repurchase agreements	6,256	12,658	-	-
Due from banks and other financial institutions	-	-	4,333,588	489,135
Due to banks and other financial institutions	-	-	-	3,990
Interest earned from banks and other financial institutions	-	-	210,475	51,099

	The Group		The Bank	
	2006	2005	2006	2005
Key management compensation				
Salaries and other short term benefits	268,683	236,874	205,204	178,135
Termination costs	-	597	-	-
Post-employment benefits	276,567	295,816	226,875	263,490

(expressed in thousands of Jamaican dollars unless otherwise stated)

47. Related party transactions and balances (continued)

	The Group		The Bank	
	2006	2005	2006	2005
Other-				
Management fees paid to parent company	293,222	227,753	233,936	178,422
Guarantee fees paid to parent company	16,171	18,289	16,171	18,289
Deposit accounts	-	-	224,044	147,954
Interest paid on deposit accounts	-	-	17,913	13,152
Securities purchased under resale agreements	-	-	919,843	98,600
Interest earned on resale agreements	-	-	57,853	11,875

There were no related party transactions with the parent company other than the payment of dividends, management fees, guarantee fees, and the amount due to parent company (Note 33).

A number of banking transactions are entered into with related parties, including companies connected by virtue of common directorship in the normal course of business. These include loans, deposits, investment management and foreign currency transactions. Information on related party transactions, outstanding balances at the year end, and relating expenses and income for the year are as follows:

	Connected companies	
	2006	2005
Loans		
Loans outstanding at November 1	4,892,598	5,376,149
Net loans issued/(repaid) during the year	1,047,445	(483,551)
Loans outstanding at October 31	5,940,043	4,892,598
Interest income earned	624,496	490,333
Average repayment term (Years)	4	5
Average interest rate (%)	10.37	10.26
Deposits		
Deposits outstanding at November 1	5,411,668	5,566,310
Net deposits received/(repaid) during the year	(767,563)	(154,642)
Deposits outstanding at October 31	4,644,105	5,411,668
Interest expense on deposits	227,100	260,793

(expressed in thousands of Jamaican dollars unless otherwise stated)

47. Related party transactions and balances (continued)

No provisions have been recognised in respect of loans given to related parties.

Pursuant to Section 13 (1), (d) and (i) of the Banking Act, 1992, connected companies include companies with common directors of the Bank and/or its subsidiaries.

Related credit facilities in excess of the limits of Section 13(1), (d) and (i), subject to the maximum of the limits in Section 13(1)(e) of the Banking Act are supported by guarantees issued by the parent company.

48. Litigation and contingent liabilities

(a) The Bank and its subsidiaries are subject to various claims, disputes and legal proceedings, in the normal course of business. Provision is made for such matters when, in the opinion of management and its legal counsel, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both the financial position and results of operations.

(b) On April 7, 1999, a writ was filed by National Commercial Bank Jamaica Limited ("NCB") in which they set out a claim for payment of the sum of US$13,286,000 in connection with an alleged undertaking given to NCB by Scotia Jamaica Investment Management Limited (formerly Scotiabank Jamaica Trust and Merchant Bank Limited). Legal opinion has been obtained which states that the subsidiary has a strong defence to the claim. Consequently, no provision has been made for this amount in these financial statements.

49. Dividends

(a) Paid

	The Group and the Bank	
	2006	2005
In respect of 2004	-	731,808
In respect of 2005	731,808	2,195,423
In respect of 2006	2,283,241	-
	3,015,049	2,927,231

(b) Proposed

At the Board of Directors meeting on November 23, 2006, a dividend in respect of 2006 of $0.29 per share (2005 - actual dividend $0.25 per share) amounting to a total of $848,897 (2005 - $731,808) is to be proposed. The financial statements for the year ended October 31, 2006 do not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the year ending October 31, 2007.

(expressed in thousands of Jamaican dollars unless otherwise stated)

50. Employee Share Ownership Plan

The Bank has an Employee Share Ownership Plan ("ESOP" or "Plan"), the purpose of which is to encourage eligible employees of the Group to steadily increase their ownership of the Bank's shares. Participation in the Plan is voluntary; any employee who has completed at least one year's service with any Group entity is eligible to participate.

The operation of the ESOP is facilitated by a Trust. The employer and employees make contributions to the trust fund and these contributions are used to fund the acquisition of shares for the employees. Employees' contributions are determined by reference to the length of their employment and their basic annual remuneration. The employer contributions are as prescribed by a formula in the rules of the Plan.

The contributions are used by the trustees to acquire the Bank's shares, at market value. The shares purchased with the employees contributions vest immediately, although they are subject to the restriction that they may not be sold within two years of acquisition. Out of shares purchased with the Bank's contributions, allocations are made to participating employees, but are held by the trust for a two-year period, at the end of which they vest with the employees; if an employee leaves the employer within the two-year period, the right to these shares are forfeited; such shares then become available to be granted by the employer to other participants in accordance with the formula referred to previously.

The amount contributed by the Group to employee share purchase during the year, included in employee compensation amounted to $29,340 (2005: $32,820).

At the balance sheet date, the shares acquired with the employer's contributions and held in trust pending allocation to employees and/or vesting were:

	2006	2005
Number of shares	3,734,203	2,796,140
Fair value of shares	82,190	58,719

51. Joint bid for Dehring Bunting and Golding (DB&G) Limited

On October 23, 2006, The Bank of Nova Scotia (BNS) and The Bank of Nova Scotia Jamaica Limited, made a joint bid to acquire not less than 75%, on a fully diluted basis, and not more than 80% of the issued and outstanding ordinary stock units of DB&G Limited. The bid was still open as at November 23, 2006, the date these financial statements were approved.

Economic Review

Review (Nov 2005 – Oct 2006)

Jamaica's economic performance in the past fiscal year (Nov 05 – Oct 06) has been one where the country has continued to rebound from the various internal and external shocks of 2005. In the fourth quarter of 2005, Jamaica had returned to the pre-Hurricane Ivan GDP growth levels of just below 3%, which has been maintained in the 2006 calendar year to date. The economy has been helped by a relatively uneventful hurricane season in Jamaica, strong growth in the services sector (tourism, transport, storage, & communication and mining & quarrying sub-sectors) and rebounding of the agriculture sector.

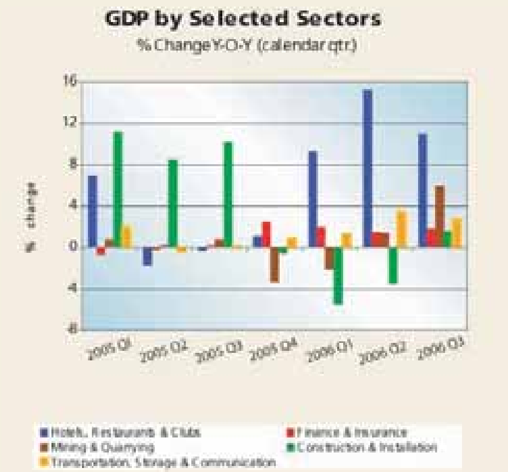

Figure 1: Source: PIOJ

The tourism sector was buoyed by the fallout in the Mexican tourism industry as a result of a particularly devastating hurricane season in 2005 as well as the planned capacity expansion of 10,000 hotel rooms mainly from the Spanish hotel chains over the next five years, close to 4,000 of which will be completed by the end of the 2006 calendar year.

Mining and Quarrying continued its growth path from the previous year and has been fairly resilient to the inflationary effects of the hurricane season as well the oil price escalation during the period.

Air and sea transportation increased over the period under review and this accounted for most of the growth in this sub-sector.

All these activities have more than offset the fallout in the construction and installation sector since the latter part of 2005. This was due to a chronic shortage of cement resulting from a breakdown in the manufacturing processes at the monopoly cement producer, insufficient manufacturing capacity and a global cement shortage caused by disaster rebuilding efforts globally, as well as economic expansion in China.

Over the fiscal year in review, inflation has steadily trended downwards in the absence of natural disasters or other economic shocks. Inflation, as at September 2006, stood at 6.5% and has been fuelled by increases in food & drink, and housing sections of the index that have been driven by increases in imported food supplies as a result of the gradual but steady devaluation of the Jamaican dollar and the increase in cement prices as a result of the shortage.

Figure 2: Source – BOJ

Over the year in review, the Jamaican dollar declined against its US counterpart by $2.45 or 3.69%. This relative stability has been reinforced by central bank operations backed by buoyant net international reserves of US$2.34 billion at the end of September.

The stable environment as well as the government's commitment to the medium-term fiscal targets, has also allowed the Central Bank to systematically reduce interest rates during the fiscal year. In September 2006, BOJ reduced interest rates by 30 basis points on the entire spectrum of instruments and on all tenors (30 –180 days). Tax adjusted real rates of return have been negative and are expected to remain negative.

While the government continues to surpass its expenditure targets through aggressive capital expenditure cuts ($4.5 billion less than projected to date), tax revenues for the April – August period[1] was $0.86 billion were less than projected (compared to a $7.3 billion under-collections at the same time last year). The net effect on the fiscal accounts at the end of August was a fiscal deficit of $16.7 billion, which is $5.8 billion less than projected.

The index of business confidence rose by 13% when compared to last year and by 15% over the preceding quarter this year. The index reflects perceptions of improved prospects (profit margins) for businesses despite a decline in expectations for the rate of economic growth. However, businesses also reported that they were less likely to make additional investments in expanding their businesses at this time due to reduced expectations about

[1] *Provisional data - Ministry of Finance*

cost recovery within the economic climate

Figure 3: Source Conference Board, JCC

Continuing the trend since the start of the period under review, consumer confidence has outpaced business confidence as consumers register higher expectations for economic growth, job availability and future income including income from remittances. Nonetheless, spending plans have been depressed since the first quarter of the year with vehicle, home buying and vacations purchase plans down by an average of 20% since the early part of the year.

The Financial Sector

The Central Bank during the year, removed the Special Deposit Reserve Requirement for Commercial Banks and FIA institutions. This development, led to declines in average lending rates over the majority of the period.

The low interest rate environment has fuelled a growth in loans and advances from commercial banks to $140.6 billion representing an increase in outstandings of 11% since the start of the period under review.

Deposits lodged with Building Societies grew by 9.2% since the start of the review period (November 2005) to $68.7

Figure 4: Source – BOJ

billion at the end of July 2006. Loans and advances made at Building Societies at the end of July 2006 stood at $40.6 billion, representing an increase of 16% since the start of the review period.

Merchant Banks and other Finance houses posted deposit gains of 10.7% over the previous year to balances of $13 billion at the end of July 2006.

The Jamaica Stock Exchange Index as at the end of October, decreased by 15.86% over the previous year and is reflective of the performance of the stock market over the year in review.

Figure 5: Source – Ja. Stock Exchange

Outlook

Overall, the economic and financial indicators are expected to remain stable over the next year. Continued expansion in agriculture, mining, construction, basic services and miscellaneous services which includes tourism, are expected to be the drivers for overall growth. Expansion in real sector activities should be enhanced by a relatively stable exchange rate supported by continued strong inflows associated with tourism and remittances, declining inflation and low interest rates. These developments, as well as continued fiscal prudence should sustain investor confidence. Against this background, growth for the fiscal year is projected in the range of 3.0 - 4.0%.

Crime and violence will continue to have an adverse impact on the growth potential for the economy and the level of FDI that is attracted, despite recent positive trends in this regard.

Finally, the government's major challenge over the next fiscal year continues to be to manage the fiscal deficit and contain the debt burden, while encouraging local and foreign investment through a stable exchange rate, a sustained low interest rate environment and moderate inflation. Achieving the budget objective will hinge on the authorities' tax administration efforts geared at widening the tax base and implementing aggressive collection policies.

Glossary

Assets held in Trust
Assets administered by the Bank and its subsidiaries, which are beneficially owned by customers and are therefore not reported on the consolidated balance sheet. Services provided in respect of these assets are administrative in nature, such as security custody, trusteeship, stock transfer and personal trust services.

Bankers' Acceptances (BAs)
A type of negotiable, short-term debt security, generally issued by a non-financial entity and guaranteed for a fee, by the issuer's bank.

Basis Point
A unit of measure defined as one-hundredth of one per cent.

Capital
Consists of common shareholders' equity and preferred shareholders' equity. Capital funds support asset growth, provide against loan losses, and protect the Bank's depositors.

General Provision
Established against the loan portfolio in the Bank's business lines when the Bank's assessment of economic trends suggests that losses may occur, but that such losses cannot yet be determined on an item-by-item basis.

Guarantees & Letters of Credit
Assurances given by the Bank that it will make payments on behalf of customers to third parties in the event that the customers default. The Bank normally has recourse against its customers for funds advanced under such arrangements.

Net Interest Margin
Net interest income, expressed as a percentage of average total assets.

Non-Performing Loans
Loans on which the Bank no longer has reasonable assurance as to the timely collection of interest and principal, or where a contractual payment is past due a prescribed period. Interest is not accrued on non-performing loans.

Off-Balance Sheet Instruments
These instruments are comprised of indirect credit commitments, which include the Bank's commitments to extend credit facilities to its customers which are not yet drawn.

Productivity Ratio
Productivity ratio measures the efficiency with which the Bank incurs expenses to generate revenue. It expresses non-interest expenses as a percentage of the sum of net interest income and other income. A lower ratio indicates improved productivity.

Provisions for Loan Losses
An allowance set aside from income, which, in management's opinion, is adequate to absorb all credit-related losses in its portfolio of both on and off-balance sheet items. It is decreased by write-offs, realized losses and recoveries, and increased by new provisions for loan losses. The provisions for loan losses is deducted from the related asset category on the balance sheet.

Repos
Repos is the short form for "obligations related to assets sold under repurchase agreements" - a short-term transaction whereby the Bank sells securities to a customer and simultaneously agrees to repurchase the securities on a specified date and at a specified price. It is a form of short-term funding.

Return on Equity (ROE)
Net income, less preferred share dividends, expressed as a percentage of average common shareholders equity.

Reverse Repos
Reverse Repos is the short form for "assets purchased under resale agreements" -a short-term transaction whereby the Bank purchases securities from a customer and simultaneously agrees to resell the securities on a specified date and at a specified price. It is a form of short-term collateralized lending.

Risk-Adjusted Assets
Calculated using weights based on the degree of credit risk for each class of counterparty. Off-balance sheet instruments are converted to balance sheet equivalents, using specified conversion factors, before the appropriate risk weights are applied.

Tier 1, Tier 2 Capital Ratios
These are ratios of capital to risk-adjusted assets, as stipulated by the Bank of Jamaica, based on guidelines developed under the auspices of the Bank for International Settlements (BIS). Tier 1 capital, the more permanent, consists primarily of common shareholders' equity plus non-cumulative preferred shares, and certain designated retained earnings which by statute may not be distributed or reduced without permission from the Bank of Jamaica. Tier 2 is mainly the general provision.

Subsidiaries, Board Members and Senior Officers

Wholly-Owned Subsidiaries and Scotiabank Jamaica Foundation

SCOTIA JAMAICA INVESTMENT MANAGEMENT LIMITED

4th Floor, Scotiabank Centre
Cnr. Duke & Port Royal Streets
P.O. Box 627
Kingston, Jamaica

Board of Directors
Hon. W. A. McConnell, O.J. - Chairman
W. E. Clarke, C.D.
Ms. E. M. Brown
Mrs. A. M. Tugwell Henry
C. H. Johnston
W. A. McDonald
R. U. Patrick
H. W. Powell
Prof. S. C. Vasciannie
Miss S. A. Wright

Senior Officers:
Miss A. Schoor
Senior Vice President
Wealth Management
& General Manager, SJIM

K. Harris
Senior Manager Investments

Miss N. K. Hines
Manager, Trust & Registration Services

C. M. Wisdom
Manager, Finance & Operations

B. O. Frazer
Manager, Securities, Trading

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

5th Floor, Scotiabank Centre
Cnr. Duke & Port Royal Streets
Kingston, Jamaica

Board of Directors
Miss M. M. Issa - Chairperson
W. E. Clarke, C.D.
A. V. Chang
Prof. C. D. C. Christie
Ms. E. Leung
H. W. Powell
H. A. Reid
Dr. A. E. Samuels
P. B. Scott
Prof. S. C. Vascianie
Miss S. A. Wright

Senior Officers:
Mrs. J. T. Sharp
Vice President & General Manager

Mrs. M. Anthony
Senior Manager, Finance & Investments

Mrs. E. A. Hendricks
Manager, Marketing & Communications

Ms. L. S. Heslop
Manager, Operations & Customer Service

THE SCOTIA JAMAICA BUILDING SOCIETY

95 Harbour Street
P.O. Box 8463
Kingston, Jamaica

Board of Directors
Dr. J. A. Dixon - Chairperson
Dr. H. J. Thompson - Deputy Chairman
Dr. C. D. Archer
W. E. Clarke, C.D.
Miss M. M. Issa
H. W. Powell
Miss J. A. Thompson
Miss S. A. Wright

Senior Officers:
G. F. Whitelocke
General Manager

Ms. L. Fuller
Manager, Finance & Operations

P. F. Williams
Manager, Mortgage Services

SCOTIA JAMAICA FINANCIAL SERVICES LIMITED

Scotiabank Centre
Cnr. Duke & Port Royal Streets
P.O. Box 709
Kingston, Jamaica

Board of Directors
W. E. Clarke, C.D.- Chairman
Mrs. A. M. Tugwell Henry
H. W. Powell
Miss S. A. Wright

SCOTIABANK JAMAICA FOUNDATION

Scotiabank Centre
Cnr. Duke & Port Royal Streets
P.O. Box 709
Kingston, Jamaica

Board of Directors
Dr. J. A. Dixon - Chairperson
E. H. Anderson
Ms. E. M. Brown
W. E. Clarke, C.D., Deputy Chairman
Mrs. J. A. Griffiths Irving
M. Jones
Mrs. R. A. Pilliner
H. W. Powell
Mrs. R. Voordouw
Miss S. A. Wright

Senior Officer:
Mrs. J. A. Griffiths Irving
Executive Director

SCOTIA JAMAICA GENERAL INSURANCE BROKERS LIMITED

5th Floor, Scotiabank Centre
Cnr. Duke & Port Royal Streets
Kingston, Jamaica

Board of Directors
W. E. Clarke, C.D. - Chairman
H. W. Powell
Mrs. R. A. Pilliner

BRIGHTON HOLDINGS LIMITED

Scotiabank Centre
Cnr. Duke & Port Royal Streets
Kingston, Jamaica

Board of Directors
W.E. Clarke, C.D. - Chairman
E. H. Anderson
H. W. Powell
Miss S. A. Wright

SECRETARY

David A. Noël
Senior Vice President/Senior Legal Counsel
& Corporate Secretary

The Bank of Nova Scotia Jamaica Limited
Executive Offices
Scotiabank Centre
Cnr. Duke & Port Royal Streets
P.O. Box 709
Kingston, Jamaica

AUDITORS

KPMG
6 Duke Street
Kingston, Jamaica

Telephone: (876) 922.6640
Fax: (876) 922.7198
922.4500

REGISTERED OFFICE

Scotiabank Centre
Cnr. Duke & Port Royal Streets
P.O. Box 709
Kingston, Jamaica

Telephone: (876) 922.1000
Fax: (876) 922.6548
Website: www.jamaica.scotiabank.com
Telex: 2297
SWIFT Bic Code: NOSCJMKN

REGISTRAR & TRANSFER AGENT

Scotia Jamaica Investment
Management Limited
4th Floor, Scotiabank Centre
Cnr. Duke & Port Royal Streets
P.O. Box 627
Kingston, Jamaica

Telephone: (876) 922.1810
Fax: (876) 922.3378

Senior
Management Officers

EXECUTIVE OFFICERS

William E. Clarke
President & CEO

Miss Stacie-Ann Wright
Executive Vice President
& Chief Financial Officer

Mrs. Rosemarie A. Pilliner
Executive Vice President,
Operations & Service Delivery

H. Wayne Powell
Executive Vice President,
Branch Banking

Michael D. Jones
Senior Vice President,
Human Resources

David A. Noel
Senior Vice President,
Senior Legal Counsel & Corporate Secretary

Miss Anya M. Schnoor
Senior Vice President, Wealth Management &
General Manager, Scotia Jamaica Investment Management Limited

Mrs. Audrey M. Tugwell Henry
Senior Vice President,
Retail & Electronic Banking

SENIOR MANAGEMENT OFFICERS

Audit

Miss Yvonne M. Pandohie
Vice President & Chief Auditor

Marketing

Miss Heather D. M. Shields
Vice President

Corporate & Commercial Banking Centre

Wayne P. Hewitt
Vice President,
Corporate & Commercial Banking

Miss Marcette McLeggon
Assistant General Manager,
Credit Solutions

Barrington C. Chisholm
Director,
Commercial Business Development

Credit Risk Management

Henri R. Bourdeau
Vice President, Risk Management

Bevan A. Callam
Vice President,
Credit Risk Management

District Vice Presidents

Egerton G. Anderson

Roger R. Cogle

Michael A. Thompson

Employee Communications & Consultations Unit

Mrs. Rosemarie A. Voordouw
Director

Senior Management Officers (continued)

Finance

Miss Shirley K. Ramsaran
Assistant General Manager,
Finance & Comptroller

Hugh G. Miller
Assistant General Manager,
Treasury & Foreign Exchange

Information Systems Centre

Miss Sharon A. Colquhoun
Director

Operations and Shared Services

Mrs. Suzette A. M. McLeod
Vice President, Shared Services

David M. Williams
Assistant General Manager,
Operations & Sales Support

Private Banking Services

Miss Bridget A. Lewis
General Manager

Retail & Electronic Banking

Mrs. Maroya E. Villafana-Sylvester
Director
Electronic Banking Products
& Solutions

Mrs. Karen Tomlinson
Director
Retail Banking

Public, Corporate & Government Affairs

Mrs. Joylene A. Griffiths Irving
Director
& Executive Director
Scotiabank Jamaica Foundation

Branches & Branch Managers
by Districts

Metro West

1 **Georgia Morrison**
Manager, Victoria & Blake Branch

2 **Egerton Anderson**
District Vice President

3 **Althea Howard**
Manager, Old Harbour Branch

4 **Janet Billings-Frith**
Manager, Christiana Branch

5 **Valerie Omess**
Manager, Hagley Park Road Branch

6 **Anthony Boyd**
Manager, Premier Branch

7 **Claudia Sanderson**
Manager, Junction Branch

8 **Donovan Hanson**
Manager, Scotiabank Centre Branch

9 **Terrence V. Allen**
Manager, King Street Branch

10 **David James**
Manager, Santa Cruz Branch

11 **Steve Distant**
Manager, Liguanea Branch

12 **Michael Lee**
Sales & Service Manager

13 **Carl Bright**
Manager, Mandeville Branch

14 **Regald Reid**
Manager, Black River Branch

Metro East

1 **Roger Cogle**
District Vice President

2 **Phoebe Buchanan**
Manager, UWI Mona Campus Branch

3 **Marlene Davidson**
Manager, Highgate Branch

4 **Junior Carter**
Manager, Linstead Branch

5 **Janet Sutherland**
Manager, Oxford Road Branch

6 **Fitzaudy Wright**
Manager, Port Antonio Branch

7 **Courtney Sylvester**
Manager, New Kingston Branch

8 **Raphael Sangster**
Manager, Spanish Town Branch

9 **Junior Clarke**
Manager, Cross Roads Branch

10 **Andre Johnson**
Manager, Portmore Branch

11 **Conrad Wright**
Manager, Morant Bay Branch

12 **Dudley Walters**
Manager, Half-Way-Tree Branch

13 **Opal Whittaker**
Manager, Port Maria Branch

Branches & Branch Managers by Districts (continued)

Metro North

1 **Doreen Mortimer**
Manager, Ironshore Branch

2 **Norma Haughton**
Manager, St. Ann's Bay Branch

3 **Stredic Thompson**
Manager, Falmouth Branch

4 **Michael Thompson**
District Vice President

5 **Donna Maxwell**
Manager, Brown's Town Branch

6 **Caswell Dawes**
Manager, Lucea Branch

7 **Glen Gray**
Manager, Negril Branch

8 **Owen Stephenson**
Manager, Westgate Branch

9 **Michael Shaw**
Manager, Savanna-La-Mar Branch

10 **Milton Elliot**
Sales & Service Manager

11 **Linley Renolds**
Manager, Montego Bay Branch

12 **Tanya Palmer**
Manager, Ocho Rios Branch

Branches & Managers

BLACK RIVER
6 High Street
P. O. Box 27
Black River
St. Elizabeth

R. R. Reid, Manager

BROWN'S TOWN
Main Street
P. O. Box 35
Brown's Town
St. Ann

Mrs. D. A. Maxwell, Manager

CHRISTIANA
Main Street
P. O. Box 11
Christiana, Manchester

Mrs. J. D. Billings-Frith, Manager

CORPORATE & COMMERCIAL BANKING CENTRE
Miss D. R. Coubry, Snr. Relationship Manager
Miss A. C. Leonce, Snr. Relationship Manager
Miss M. A. Flake, Snr. Relationship Manager
H. C. Mair, Snr. Relationship Manager
Mrs. D. A. Mighty, Relationship Manager
H. D. Stephens, Relationship Manager
K. A. Townsend, Relationship Manager
H. P. Ebanks, Relationship Manager
Mrs. A. M. Buckley, Relationship Manager
M. G. Verley, Relationship Manager

CROSS ROADS
86 Slipe Road
P. O. Box 2
Kingston 5

J. A. Clarke, Manager

FALMOUTH
Trelawny Wharf
P. O. Box 27
Falmouth,
Trelawny

S. H. Thompson, Manager

HAGLEY PARK ROAD
128 Hagley Park Road
P. O. Box 5
Kingston 11

Miss V. I. Omess, Manager

Mrs. Y. T. Leslie, Asst. Manager

HALF-WAY-TREE
80 Half-Way-Tree Road
P. O. Box 5
Kingston 10

D. E. Walters, Manager

Miss G. N. Crawford, Senior Account Manager

Mrs. V. J. James, Account Manager

Mrs. D. M. Lounges,
Assistant Manager, Operations & Service

Miss D. A. Hyman, Account Manager,

Mrs. K. N. Chang, Account Manager

HIGHGATE
Main Street
P. O. Box 9
Highgate
St. Mary

Mrs. M. V. Davidson, Manager

IRONSHORE SERVICE CENTRE
Shops 2 & 3, Golden Triangle
Shopping Centre
Ironshore
Montego Bay

Miss D. M. Mortimer, Manager

JUNCTION
Junction P. O.
St. Elizabeth

Mrs. C. A. Sanderson, Manager

KING STREET
35-45 King Street
P. O. Box 511, Kingston

T. V. Allen, Manager

Mrs. W. D. O'Connor, Asst. Manager

C.C. Wiggan, Asst. Manager

Mrs. L. D. Stewart, Asst. Manager, Operations

D. W. Quarrie, Asst. Manager,
Personal Banking

LIGUANEA
125-127 Old Hope Road
P. O. Box 45
Kingston 6

S.A. Distant, Manager

LINSTEAD
42 King Street
P. O. Box 19
Linstead
St. Catherine

Miss J. Carter, Manager

Mrs. M. T. Fay White, Asst. Manager

LUCEA
Willie Delisser Boulevard
P. O. Box 63
Lucea
Hanover

C. A. Dawes, Manager

MANDEVILLE
1A Caledonia Road
P. O. Box 106
Mandeville, Manchester

A. C. Bright, Manager

Miss A. E. Senior, Asst. Manager, Credit

N. L. Stultz, Manager,
Personal Banking

Mrs. L. M. Vickers, Asst. Manager,
Operations & Service

MAY PEN
36 Main Street
P.O. Box 32
May Pen
Clarendon

Mrs. B. M. Corrie, Manager

MONTEGO BAY
6-7 Sam Sharpe Square
P.O. Box 311
Montego Bay
St. James

L. M. Renolds, Manager

E. Blake, Asst. Manager

Mrs. A. E. Bell-Grant, Account Manager

Mrs. A. M. Walters, Asst. Manager, Operations

D. Bryan, Asst. Manager,
Personal Banking

MORANT BAY
23 Queen Street
P. O. Box 30
Morant Bay
St. Thomas

C. A. Wright, Manager

& Managers (continued)

NEGRIL
Negril Square
Negril P. O.
Westmoreland

G. E. Gray, Manager

NEW KINGSTON
2 Knutsford Boulevard
P. O. Box 307
Kingston 5

C. Sylvester, Manager

G. A. Hogarth, Asst. Manager

A. O. Harvey, Asst. Manager,
Personal Banking

M. S. Nelson. Asst. Manager, Operations

OCHO RIOS
Main Street
P. O. Box 150
Ocho Rios
St. Ann

Miss T. M. Palmer, Manager

L. S. Estick, Asst. Manager

OLD HARBOUR
4 South Street
P. O. Box 43
Old Harbour
St. Catherine

Mrs. A.Y. Howard, Manager

OXFORD ROAD
6 Oxford Road
P. O. Box 109
Kingston 5

Miss. J. A. Sutherland, Manager

PORT ANTONIO
3 Harbour Street
P. O. Box 79
Port Antonio
Portland

F. O. Wright, Manager

PORT MARIA
57 Warner Street
P. O. Box 6
Port Maria
St. Mary

Mrs. O. A. Whittaker, Manager

PORTMORE
Lot 2 Cookson Pen, Bushy Park
P.O. Box 14.
Greater Portmore,
St Catherine.

A. D. Johnson, Manager

PREMIER
10 Constant Spring Road
P. O. Box 509
Kingston 10

A. A. Boyd, Manager

ST. ANN'S BAY
18 Bravo Street
P. O. Box 2
St. Ann's Bay
St. Ann

Mrs. N. F. Haughton, Manager

SANTA CRUZ
77 Main Street
P. O. Box 20
Santa Cruz
St. Elizabeth

D. A. James, Manager

SAVANNA-LA-MAR
19 Great George's Street
P.O. Box 14
Savanna-La-Mar
Westmoreland

M. E. Shaw, Manager

Miss T. E. Buddo, Asst. Manager

SCOTIABANK CENTRE
Cnr. Duke & Port Royal Streets
P. O. Box 59
Kingston

D. A. Hanson, Manager

T. C. James, Asst. Manager

Mrs. K. HoSang-Bancroft, Operations Manager

SPANISH TOWN
27 Adelaide Street
Spanish Town
St. Catherine

R. A. Sangster, Manager

Mrs. I. C. Tucker, Asst. Manager

UWI, MONA CAMPUS
Cnr. Ring Road & Shed Lane
Kingston 7

Miss P. N. Buchanan, Manager

VICTORIA & BLAKE
29 Victoria Avenue
P.O. Box 625
Kingston

Mrs. G. A. Morrison, Manager

WESTGATE
Westgate Shopping Centre
P.O. Box 11
Montego Bay
St. James

O. W. Stephenson, Manager

SUB-BRANCHES

BARNETT STREET
(Sub to Montego Bay)
51 Barnett Street
Montego Bay
St. James

CLAREMONT
(Sub to St. Ann's Bay)
Claremont P.O.
Claremont
St. Ann

CLARK'S TOWN
(Sub to Falmouth)
Clark's Town P. O.
Trelawny

FRANKFIELD
(Sub to Christiana)
Frankfield
Clarendon

GAYLE
(Sub to Ocho Rios)
Gayle P. O.
St. Mary

ORACABESSA
(Sub to Port Maria)
Oracabessa P. O.
St. Mary

PARK CRESCENT
(Sub to Mandeville)
17 Park Crescent
Mandeville
Manchester

Proxy Form

I/We...
of..
in the parish of ....being a Member of the above Company, hereby appoint the Chairman of the Meeting or failing him (see Note 1)...
....of
....or failing them..of
....as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 28th day of February 2007 and at any adjournment thereof.

Please indicate by inserting a cross in the appropriate square how you wish your votes to be cast. Unless otherwise instructed, the Proxy will vote or abstain from voting, at his discretion.

RESOLUTION	FOR	AGAINST
NO. 1		
NO. 2		
NO. 3(a)		
NO. 3(b)		
NO. 3(c)		
NO. 3(d)		
NO. 4		

As witness my hand this...day
of...200...................

....
Signature

1. If you wish to appoint a proxy other than the Chairman of the Meeting, please insert the person's name and address and delete (initialing the deletion) "the Chairman of the Meeting".

2. To be valid, this form of proxy and the power of attorney or other authority (if any) under which it is signed must be lodged at the office of the Registrar of the Company, Scotia Jamaica Investment Management Limited (formerly Scotiabank Jamaica Trust and Merchant Bank Limited), 4th Floor, Scotiabank Centre, Cnr. Duke & Port Royal Streets, Kingston, at least 48 hours before the time appointed for the holding of the meeting.

3. To this form must be affixed a $100.00 stamp in payment of stamp duty.

4. In the case of joint shareholders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members.

5. To be effective, this form of proxy must be signed by the appointer or his attorney, duly authorised in writing or, if the appointer is a corporation, must be under its common seal or be signed by some officer or attorney duly authorised in that behalf.

www.jamaica.scotiabank.com

Scotiabank*


"Yeh man yu safe"

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Printing:	Lithographic Printers Limited

The Banker
Bank of the Year 2003
Jamaica

The Banker
Bank of the Year 2004
Jamaica

The Banker
Bank of the Year 2005
Jamaica

LATINFINANCE
Banker of the Year Award 2006

EUROMONEY
2006
Awards for excellence

Scotiabank*