2007 Annual Report

Creating Opportunities

Scotiabank Group

Scotia Group Jamaica Limited

Creating opportunities...

Corporate & Commercial

Demand Loans • Letters of Credit • Lines of Credit • Trade Finance

Retail

Savings & Chequing Accounts • Term Deposits • Debit Cards
Short/Medium/Long Term Loans • Credit Cards
Electronic Banking & Merchant Services

Small Business

Executive and Business Credit Cards • Credit Line • Chequing Account
Demand Loans • Electronic Business Banking Services

Wealth Management

Securities Trading • Pension & Asset Management • Stock Brokerage
Insurance Unit Trusts & Mutual Funds • Private Client Group Services

Insurance

Life Insurance Products • Long Term Savings • Creditor Life Protection

Mortgages

Home Improvement • Purchase Land
Build a House • Buy a Home

Mission Statement and Core Values

Mission Statement

*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.*

Core Values

Our core values guide the spirit of our actions and communications. They instruct us on how to best deliver our core purpose, and how to treat our customers so they believe that we are worthy of their business - that our values reflect their own. Our aim is to demonstrate our core values whenever we communicate. Often, it's the reassurance customers need to try new products and services. What follows are our core values and what they mean.

INTEGRITY

We exhibit integrity by always interacting with others ethically and honourably.

RESPECT

We exhibit respect by empathizing and fully considering the diverse needs of others.

COMMITMENT

We are fully committed to achieving success for our customers, our teams and ourselves.

INSIGHT

We use our insight and high level of knowledge to pro-actively respond with the right solutions.

SPIRIT

Our spirit enriches our work environment with teamwork, contagious enthusiasm and a "can-do" attitude.

2007 ANNUAL REPORT

Scotia Group Jamaica Limited Perspective

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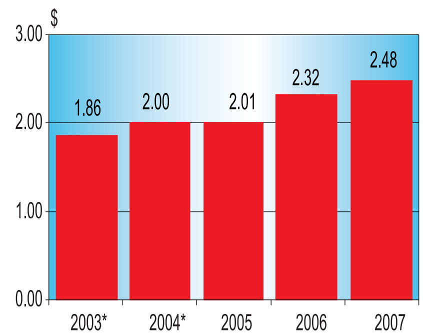
Earnings Per Share (EPS)

Performance: **$2.48**

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.

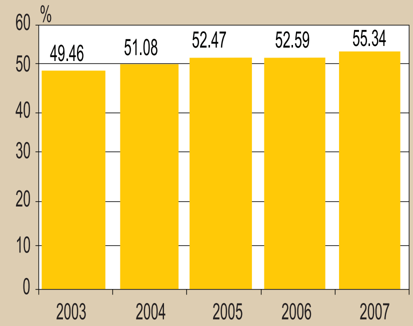


* Restated for Bonus Issue

Productivity Ratio

Performance: **55.34%**

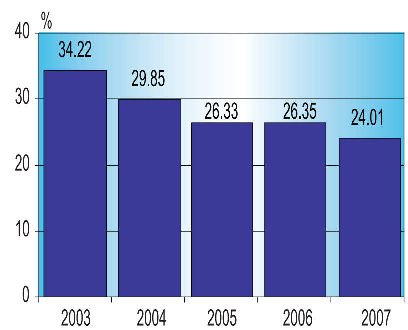
The Productivity Ratio measures Scotia Group's overall efficiency. It expresses non-interest expenses as a percentage of total revenue. A lower ratio indicates better productivity. By this measure, Scotia Group has historically been significantly better than the international benchmark of 60%.



Return on Average Equity (ROE)

Performance: **24.01%**

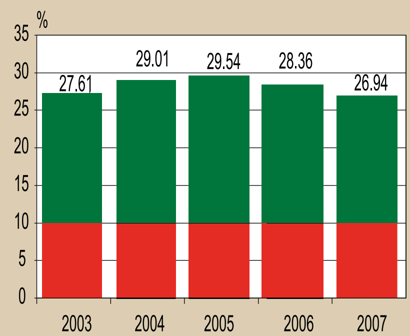
ROE measures how well Scotia Group is using common shareholders' invested money. It is calculated by dividing net income available to common shareholders by average common shareholders' equity.



Risk Based Capital Adequacy Ratio

Performance: **26.94%**

The Risk Based Capital Adequacy Ratio is a measure of Scotia Group's overall strength. It requires that a ratio is maintained between Scotia Group's capital base and the aggregate of its risk weighted assets at no less than 10%. Scotia Group has continued to maintain a strong Capital Adequacy Ratio.



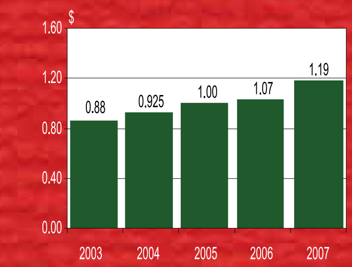
Financial & Other Highlights

Scotia Group Jamaica Limited

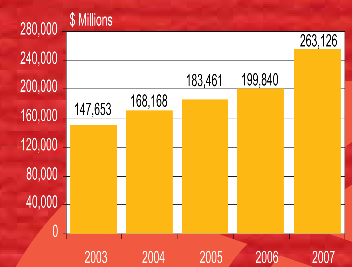
Financial Position ($ Millions)	2007	2006
Total Assets	263,126	199,840
Earning Assets		
Performing Loans, net of provisions	74,557	58,579
Non performing Loans	2,109	1,009
Investments & Others	161,914	120,466
Deposits by the public	131,018	113,280
Stockholders' Equity	34,373	27,390
Earnings and Dividends ($ Millions)		
Gross Operating revenue	31,690	27,047
Profit before Taxation	10,167	9,316
Net Profit Attributable to Stockholders	7,493	6,799
Dividends paid and proposed	3,649	3,132
Financial Ratios		
Earnings per stock unit ($)	2.48	2.32
Dividends per stock unit ($)	1.19	1.07
Dividend payout ratio (%)	47.26	46.07
Return on average equity after tax (%)	24.01	26.35
Return on assets at year-end (%)	2.85	3.40
Net Interest Margin (%)	6.92	7.91
Risk based Capital Adequacy Ratio (%)	26.94	28.36
Other Statistics		
Number of stock units (ordinary shares)	3,111,572,984	2,927,232,000
Stock price at year-end ($)	21.25	22.06
Number of stockholders	17,657	14,352
Number of staff	2,190	1,895
Number of offices	*54*	*47*

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

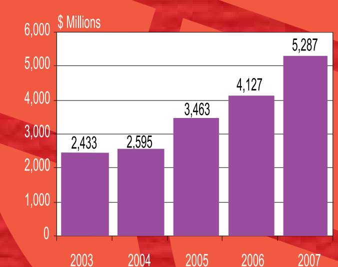
Dividends Per Stock Unit



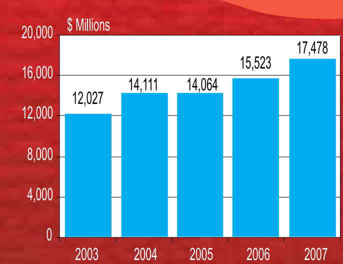
Total Assets



Other Income



Net Interest Income



Financial & Other Highlights *(continued)*

The Bank of Nova Scotia Jamaica Limited (Consolidated)

Financial Highlights	October 31, 2007 ($ Millions)	October 31, 2006 ($ Millions)
Total Assets	205,208	199,840
Total Investments	58,723	48,145
Loans net of provision for losses	73,106	59,588
Total deposits by the public	127,874	113,280
Shareholders' equity	27,802	27,390
Net interest income	16,767	15,523
Net Profit after tax	6,851	6,799
ROE	24.51%	26.35%

The Scotia Jamaica Building Society

Financial Highlights	October 31, 2007 ($ Millions)	October 31, 2006 ($ Millions)
Total Assets	8,523	7,903
Mortgage Portfolio - net of Provisions	4,980	3,949
Total Investments	2,529	3,120
Total deposits	4,500	4,544
Shareholders' equity	2,834	2,445
Net Profit after tax	389	347
ROE	14.51%	15.04%

Scotia Jamaica Life Insurance Company Limited

Financial Highlights	October 31, 2007 ($ Millions)	October 31, 2006 ($ Millions)
Total Assets	33,707	29,144
Total Investments	32,282	16,332
Policyholders' Fund	26,974	23,709
Shareholders' equity	6,574	5,232
Net Profit after tax	1,381	1,282
ROE	23%	27%
Inforce ScotiaMINT Policies (#)	72,522	66,266

Dehring Bunting & Golding Limited (Consolidated)

Financial Highlights	Seven Months Ended October 31, 2007 ($ Millions)	Twelve Months Ended March 31, 2007 ($ Millions)
Total Assets	56,353	37,749
Securities sold under repurchase agreements	31,858	17,822
Capital Management and Govt. Securities Fund	14,060	11,715
Shareholders' equity	5,950	4,408
Net Interest Income	725	855
Net Profit after tax	686	703
ROE (Annualized)	21.96%	18.44%

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the First Annual General Meeting of SCOTIA GROUP JAMAICA LIMITED will be held on Friday the 15th day of February, 2008 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 year ended October 31, 2007 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, 2007 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 30 cents on July 5, 2007, 30 cents on October 4, 2007 and 30 cents on January 8, 2008 be and are hereby ratified."

3. To elect Directors and fix their remuneration.

   All Directors retire from office pursuant to Article 107 of the Articles of Incorporation of the Company. Mr. Robert Pitfield, Hon. Mayer Matalon, Ms. Barbara Alexander, Mr. Anthony Chang, Professor Celia Christie, Hon. William Clarke, Dr. Jean Dixon, Mr. Mark Golding, Miss Muna Issa, Mr. Jeffrey Hall, Mr. Charles Johnston, Mr. Warren McDonald, Mr. Pasquale Minicucci, Dr. Herbert Thompson, Professor Stephen Vasciannie, Mr. Richard Waugh and Miss Stacie Ann Wright whom being eligible, offer themselves for election.

   Resolution No. 3
   a) "That retiring Director Robert Pitfield be and is hereby elected a Director of the Company."
   b) "That retiring Director Mayer Matalon be and is hereby elected a Director of the Company."
   c) "That retiring Director Barbara Alexander be and is hereby elected a Director of the Company."
   d) "That retiring Director Anthony Chang be and is hereby elected a Director of the Company."
   e) "That retiring Director Celia Christie be and is hereby elected a Director of the Company."
   f) "That retiring Director William Clarke be and is hereby elected a Director of the Company."
   g) "That retiring Director Jean Dixon be and is hereby elected a Director of the Company."
   h) "That retiring Director Mark Golding be and is hereby elected a Director of the Company."
   i) "That retiring Director Muna Issa be and is hereby elected a Director of the Company."
   j) "That retiring Director Jeffrey Hall be and is hereby elected a Director of the Company."
   k) "That retiring Director Charles Johnston be and is hereby elected a Director of the Company."
   l) "That retiring Director Warren McDonald be and is hereby elected a Director of the Company."
   m) "That retiring Director Pasquale Minicucci be and is hereby elected a Director of the Company."
   n) "That retiring Director Herbert Thompson be and is hereby elected a Director of the Company."
   o) "That retiring Director Stephen Vasciannie be and is hereby elected a Director of the Company."
   p) "That retiring Director Richard Waugh be and is hereby elected a Director of the Company."
   q) "That retiring Director Stacie Ann Wright be and is hereby elected a Director of the Company."

Notice of Annual General Meeting *(continued)*

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."

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

BY ORDER OF THE BOARD

David Noël
Secretary
November 26, 2007

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.

Directors' Report

The Directors submit herewith the Statement of Consolidated Revenue, Expenses, Unappropriated Profits, Assets and Liabilities of the Group for the year ended October 31, 2007.

The Consolidated Statement of Revenue and Expenses shows pre-tax profit for the year of $10,167 Million from which there has been provided $2,557 Million for corporate income tax, leaving a balance of $7,610 Million, of this amount $7,493 is attributable to stockholders of the company.

The appropriation of earnings includes:

> An interim dividend of 30 cents per stock unit payable to stockholders on record as at December 4, 2007 payable on January 10, 2008. This brings the total distribution for the year to $1.19 per stock unit compared with $1.07 per stock unit for the previous year.

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 15, 2008.

All Directors retire from office pursuant to Article 107 of the Articles of Incorporation of the Company. Mr. Robert Pitfield, Hon. Mayer Matalon, Ms. Barbara Alexander, Mr. Anthony Chang, Professor Celia Christie, Hon. William Clarke, Dr. Jean Dixon, Mr. Jeffrey Hall, Mr. Mark Golding, Miss Muna Issa, Mr. Charles Johnston, Mr. Warren McDonald, Mr. Pasquale Minicucci, Dr. Herbert Thompson, Professor Stephen Vasciannie, Mr. Richard Waugh and Miss Stacie Ann Wright whom being eligible offer themselves for election.

Hon. William McConnell and Mr. Joseph M. Matalon resigned from the Board on November 15, 2007 and November 26, 2007, respectively. The Board wishes to express its sincere appreciation to Hon. William McConnell and Mr. Joseph M. Matalon for their contributions to the Company.

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

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

On behalf of the Board

R.H. Pitfield
Chairman, Kingston, Jamaica
November 26, 2007

Ten-Year Statistical Review

$'000	2007	Restated 2006	Restated 2005
TOTAL ASSETS	263,125,631	199,840,115	183,460,578
PERFORMING LOANS	74,557,390	58,578,711	57,324,645
NON-PERFORMING LOANS	2,109,177	1,009,003	918,164
INVESTMENTS & OTHER EARNING ASSETS	161,913,608	120,465,837	107,526,232
DEPOSITS BY THE PUBLIC	131,017,687	113,279,538	107,546,636
SECURITIES SOLD UNDER REPURCHASE AGREEMENT	31,530,287	18,234,105	17,319,240
STOCKHOLDERS' EQUITY	34,373,330	27,389,555	23,524,953
PROFIT BEFORE TAX	10,167,221	9,315,624	8,329,812
NET PROFIT AFTER TAX ATTRIBUTABLE TO STOCKHOLDERS	7,492,854	6,798,908	5,885,586
DIVIDENDS PAID AND PROPOSED	3,649,313	3,132,138	2,927,232
UNAPPROPRIATED PROFITS AT YEAR END	17,678,804	14,952,595	11,918,736
NUMBER OF STOCK UNITS AT YEAR END (1)	3,111,573	2,927,232	2,927,232
FINANCIAL RATIOS			
EARNINGS PER STOCK UNIT (1)	2.48	2.32	2.01
PRICE EARNINGS RATIO	8.56	9.51	10.51
DIVIDENDS PER STOCK UNIT (1)	1.19	1.07	1.00
DIVIDEND YIELD (1)	5.08%	5.15%	3.88%
DIVIDEND PAYOUT RATIO	47.26%	46.07%	49.74%
RETURN ON AVERAGE EQUITY PRE-TAX	32.57%	36.10%	37.26%
RETURN ON AVERAGE EQUITY	24.01%	26.35%	26.33%
RETURN ON ASSETS AT YEAR END	2.85%	3.40%	3.21%
OTHER DATA			
STOCK PRICE AT THE YEAR END (1)	21.25	22.06	21.14
PRICE CHANGE FROM LAST YEAR	-3.67%	4.35%	-16.31%
JSE INDEX AT YEAR END	99,579	85,956	102,445
CHANGE IN JSE INDEX FROM LAST YEAR	15.85%	-16.10%	-1.50%
NUMBER OF STAFF	2,190	1,895	1,843
NUMBER OF OFFICES	54	47	47
NUMBER OF STOCKHOLDERS	17,657	14,352	14,105
EXCHANGE RATE J$1=US$	0.0141	0.0151	0.0156
INFLATION RATE YEAR OVER YEAR	9.01%	6.49%	19.02%
NET PROFIT ATTRIBUTABLE TO STOCKHOLDERS IN US$	105,460	102,375	92,061
DIVIDENDS PAID AND PROPOSED QUARTERLY			
QUARTER 1	848,897	731,808	731,808
QUARTER 2	933,472	731,808	731,808
QUARTER 3	933,472	819,625	731,808
QUARTER 4	933,472	848,897	731,808
TOTAL	3,649,313	3,132,138	2,927,232

(1) Amounts have been retroactively adjusted to reflect the one-for-one bonus issue on March 10, 2005 .

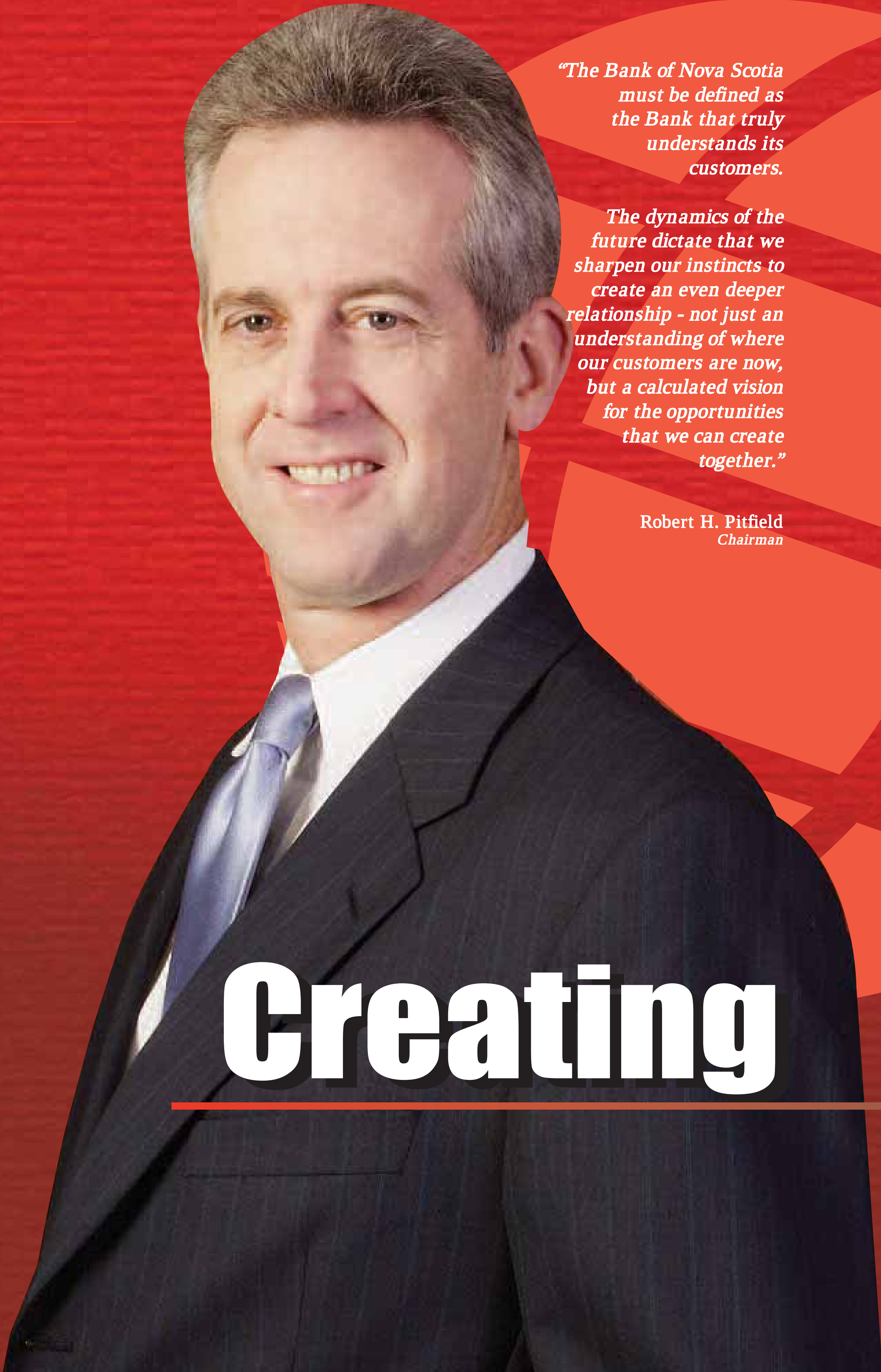
Where necessary, comparative figures have been restated to conform with changes in presentation in the current year.

Restated 2004	Restated 2003	Restated 2002	Restated 2001	Restated 2000	Restated 1999	Restated 1998
168,167,649	147,653,177	127,367,433	102,563,972	88,430,400	77,719,597	65,615,624
52,420,106	47,111,019	38,513,658	25,244,790	20,357,184	16,669,180	17,196,178
1,039,396	963,695	906,857	911,345	1,217,056	1,324,321	1,237,930
90,600,604	78,502,267	66,447,596	61,368,536	53,756,639	49,082,953	44,508,112
98,810,819	87,067,332	76,947,608	67,809,259	60,384,105	54,537,781	46,222,803
18,546,429	15,292,996	11,566,632	8,392,202	8,701,050	8,016,576	6,072,443
20,605,017	17,651,197	14,065,776	11,880,802	8,353,262	6,996,243	5,916,542
8,172,633	7,307,403	5,308,735	4,418,438	3,484,976	2,946,473	2,577,282
5,856,057	5,456,670	3,869,782	3,214,178	2,557,184	2,031,051	1,764,447
2,707,689	2,561,328	1,683,158	1,463,616	1,200,165	951,350	790,353
9,710,382	6,580,207	4,265,864	2,829,240	1,038,755	635,886	338,959
2,927,232	2,927,232	2,927,232	2,927,232	2,927,232	2,927,232	2,927,232
2.00	1.86	1.32	1.10	0.87	0.69	0.60
12.62	4.80	5.92	6.96	7.38	4.83	5.56
0.925	0.875	0.575	0.50	0.41	0.33	0.27
4.41%	9.78%	7.34%	6.54%	6.35%	9.70%	8.06%
46.24%	46.94%	43.49%	45.54%	46.93%	46.84%	44.79%
41.65%	45.83%	40.00%	44.72%	44.05%	44.00%	46.32%
29.85%	34.22%	29.16%	32.53%	32.32%	30.33%	31.71%
3.48%	3.70%	3.04%	3.13%	2.89%	2.61%	2.69%
25.26	8.95	7.83	7.64	6.46	3.35	3.35
182.18%	14.30%	2.49%	18.27%	92.84%	0.00%	-31.63%
104,001	60,304	41,044	32,595	29,776	21,124	20,050
72.46%	46.93%	25.92%	9.47%	40.96%	5.36%	10.49%
1,864	1,851	1,805	1,756	1,691	1,757	1,874
48	47	49	48	50	49	50
10,982	9,401	9,447	9,165	9,040	8,912	8,073
0.0162	0.0166	0.0203	0.0210	0.0224	0.0250	0.0271
12.27%	14.13%	5.04%	7.56%	8.30%	6.44%	7.14%
94,805	90,549	78,387	67,498	57,281	50,776	47,746
585,446	446,403	402,493	329,314	182,952	182,952	146,361
658,627	446,403	417,131	358,586	182,952	182,952	146,362
731,808	526,902	417,131	373,222	292,723	182,952	146,362
731,808	1,141,620	446,403	402,494	541,538	402,494	702,536
2,707,689	2,561,328	1,683,158	1,463,616	1,200,165	951,350	1,141,621

"The Bank of Nova Scotia must be defined as the Bank that truly understands its customers.

The dynamics of the future dictate that we sharpen our instincts to create an even deeper relationship - not just an understanding of where our customers are now, but a calculated vision for the opportunities that we can create together."

Robert H. Pitfield
Chairman



Creating

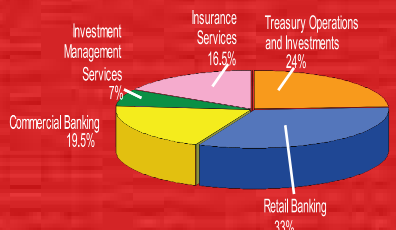
"We have worked hard at elevating the strategic architecture of the Bank so that every move is infused with the sense of nurturing the possibilities. From financing national infrastructure projects, to refining the TeleScotia experience of a customer in Clarendon, we claim every opportunity as a way to build lifetime connections with our customers. Our customers can in turn focus on their goals, knowing they can depend on the expertise and imagination of every one at Scotia Group."

William E. Clarke, OJ, CD
President & Chief Executive Officer

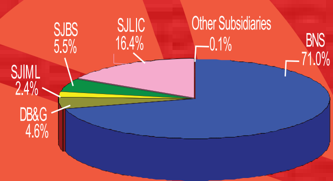
Opportunities for our Shareholders

Report to our Shareholders

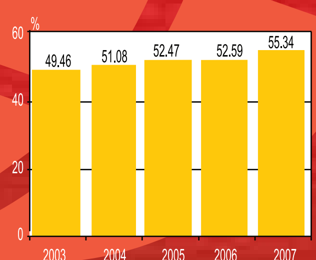
Segmenting Reporting Information (Consolidated)



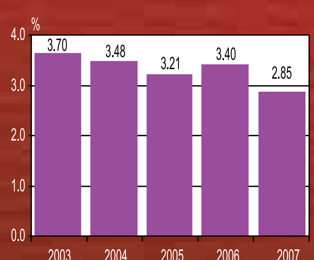
Composition of Consolidated Profit Before Tax



Productivity Ratio



Return on Assets



Fiscal 2007 was another demonstration of your company's proven ability to innovate, integrate and execute initiatives to drive growth through the competitive advantage that Scotia Group Jamaica Limited brings to the marketplace.

Scotia Group is the most profitable company listed on the Jamaica Stock Exchange, with a 2007 net income of $7,493 million available to equity shareholders of the company.

While we have built leading positions in many customer segments (such as retail lending and deposits) and product lines in banking, we see great potential for building further opportunities and therefore will be placing particular focus in 2008 on areas such as mortgage lending, small business banking, capital markets and wealth management.

We continue to be committed to building a financial services group that people and organizations throughout Jamaica instinctively seek out to help them create, build, preserve and grow the wealth they need to seize opportunities, achieve their goals and realize their dreams.

Record Financial Performance in 2007

Scotia Group achieved record results for 2007 with net income available to common shareholders of $7,493 million, representing a 10.2% increase over last year, and 11 consecutive years of increased profits.

Revenue increased by 15.85%, driven by strong growth in both interest and non-interest revenues. The acquisition of Dehring Bunting & Golding Limited (DB&G) during 2007 also contributed to the increased profits.

This strong financial performance has enabled us to continue our record of increasing dividends paid to you, our shareholders. 2007 was our 40th consecutive year of paying dividends to shareholders with the dividend increasing by 8.4% over that of 2006.

Our 2007 financial results are commendable, given the continued reduction in market interest rates, resulting in reductions in interest margins. Our revenue mix continues to be well diversified, and our focus on growing volume and increasing non-interest revenue has allowed us to continue to meet our financial targets.

We have consistently demonstrated our ability to manage expenses, and will continue to do so in 2008, with the objective of achieving a positive operating leverage of 2%.

Creating Shareholder Value

One of our most important moves in 2007 to pursue growth in the wealth management business was the acquisition of DB&G, the third-largest stock brokerage in Jamaica. In September, we consolidated the operations of Scotia Jamaica Investments Management Limited with DB&G, resulting in combined assets under management of $55.5 billion, which laid the foundation for the investment arm of the Group to become a leader in the wealth management business in Jamaica. Clients of both DB&G and Scotiabank will benefit from a more comprehensive set of products and services, with access to the largest financial services distribution network in Jamaica.

By building on these and other opportunities, we aim to generate strong, consistent growth across all our business lines.

Growth Strategy

For the past 10 years, we have focused primarily on generating organic growth through process improvement, increasing customer satisfaction and product innovation. There is nothing more important than executing our current growth strategy as we build on the opportunities we have with our customers and prospects in our current market. However, our ability to pursue multiple paths to growth is a Scotia Group hallmark. Acquisitions, when the risks are in line with the potential rewards, provide us with a strategic avenue for growth. We therefore remain committed to seeking out and taking advantage of these opportunities as they become available.

Unique Advantages

While our people and our culture represent our greatest advantages, there are some key attributes that give us a unique advantage in the Jamaican marketplace. These include the size of our franchise, our international connections and our extensive network across Jamaica, as evidenced by our sales growth across product lines in 2007. Retail loans, including mortgages, grew in excess of $8 billion during 2007. Our international connections allow us to create operational efficiencies, such as the recently concluded data centre consolidation, which migrated our main technology platform offshore.

Flawless execution is a core strength of the Scotia Group. Our history and culture of superior execution enables us to do things the right way, on schedule, on budget and in ways that enhance the customer experience.

It is the combination of these unique attributes that enable us to create opportunities and value for our customers and our shareholders.

Focus for 2008

For 2008, we will continue our intense focus on growth in all our business lines and on enhancing our customer experience. Additional areas of focus will be Small & Medium Enterprises (SME), Wealth, Capital Markets and Expense Control.

We remain committed to our overarching objective of creating, encouraging and sustaining a truly customer-centric culture, to foster a Scotia Group experience that is characterized as reliable, convenient, personal and professional. A two-year action plan has been charted, central to which, is the establishment of the Customer Experience Advisory Council, co-chaired by our senior executives, through which organization-wide service performance will be reviewed and addressed. This governance structure will oversee the implementation of daily measurement tools and a complaints management system designed to collect, monitor and trend customer service breakdowns across the entire Group to address these deficiencies.

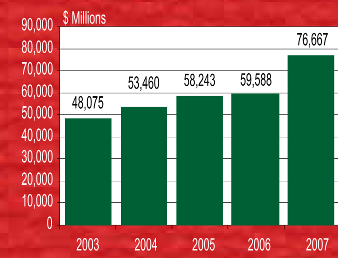
During the past year, Scotiabank launched its SME strategy to meet the needs of targeted business segments across the marketplace. This led to us investing in intensive training workshops to adequately prepare our Small Business Banking Officers to serve this market segment. This was complemented by a reorganization of the back-office processes to create further efficiencies. The result of this combination was an increased capacity for relationship management.

Our product strategy resulted in the development and launch of a credit line for business and two credit cards – the Scotiabank AAdvantage Business Executive MasterCard Credit Card which offers travel miles and higher MasterCard awards which can be used during travel abroad, and the Scotiabank MasterCard Business Credit Card. Critical Illness Insurance is now available to business owners to cover the card balance in the event of cancer, heart attack or a stroke.

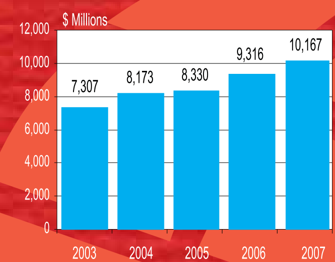
Over the next year, we will focus on three main areas: creating opportunities to leverage our Value Proposition of "Working Together To Grow Your Business" by partnering with key small business associations to better understand their needs while simultaneously identifying opportunities for advisory services, developing industry-specific products, and continually training the SME task force so that we can ensure a consistently exceptional experience for our customers.

We will be relying on our Wealth Management division, consisting of Scotia Private Client Group, Scotia Jamaica Life Insurance Company Limited and DB&G, for a strategic re-positioning of our income statement to one that is less dependent on

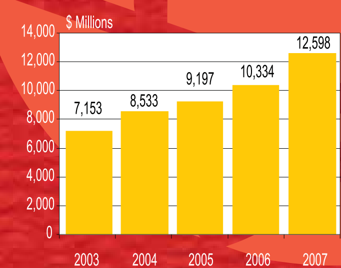
Total Loans - Net of Provisions



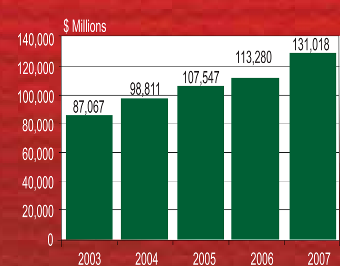
Profit Before Tax



Expenses



Total Deposits



Report to our Shareholders *(continued)*

interest margins, given economic trends and the maturity of our traditional retail and commercial businesses.

The division will therefore pursue innovative fee-based product development, which will now be distributed through our much-expanded network. We will also undertake to make the process of doing business across the group of companies as seamless as possible by offering enhancements on our combined platforms within our regulatory framework to view holdings and transact business more efficiently.

Finally, the development of a Capital Markets offering will leverage the expertise that we have developed and acquired not only in Wealth Management, but also in our Corporate and Commercial Banking Unit. These synergies will be leveraged to meet the needs of our larger commercial customers and cement our position as an all-encompassing financial services provider.

Our productivity ratio over the years has been the benchmark for the industry, and while we are at a point where achieving productivity gains has become very challenging, we remain committed to managing our expenses and maintaining our long-run operating leverage targets. We have begun, and will continue over the 2008 fiscal year, to implement technology that will drive efficiency, as well as to re-examine and refine all processes and procurement arrangements that are non-standard and inefficient.

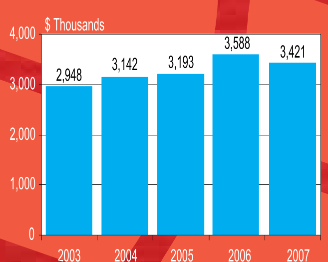
We believe that our focus and commitment to growth and development in each of these strategic areas will allow us to remain relevant in the market and to remain the premier financial service institution in Jamaica.

ROBERT H. PITFIELD
Chairman

WILLIAM E. CLARKE, OJ, CD
Chairman

Stockholders' Equity

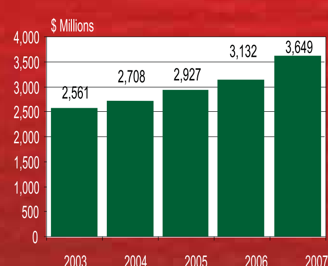
Profit Per Employee



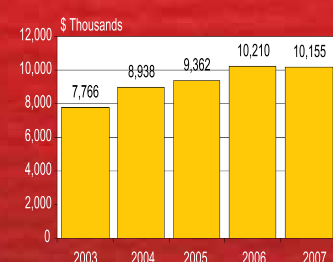
Earnings Per Stock Unit

* Restated for Bonus Issue

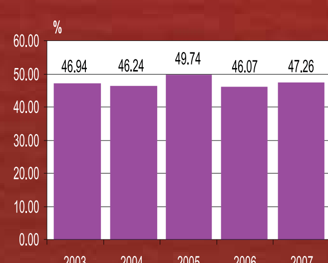
Dividends Paid & Proposed



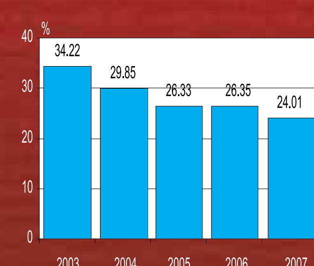
Revenue Per Employee



Dividend Payout Ratio

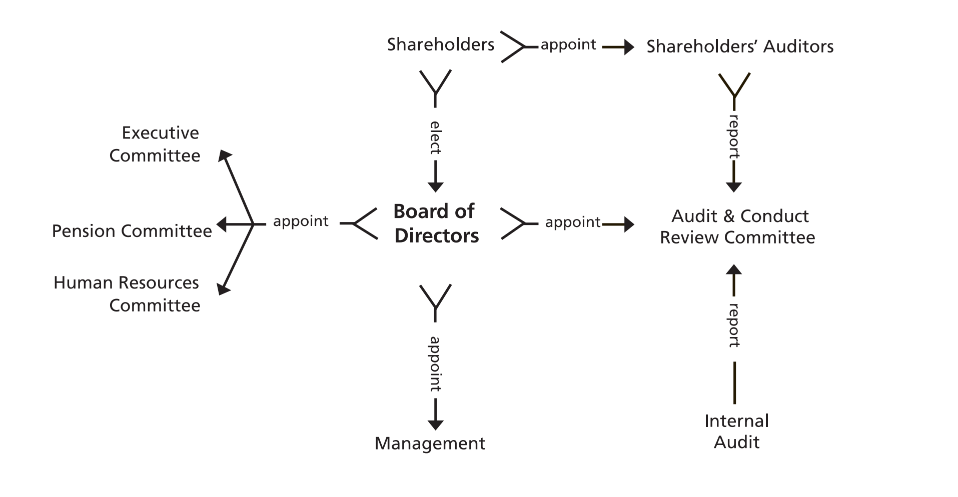


Return on Average Equity



Corporate Governance

Scotia Group's Corporate Governance Structure



Scotia Group believes that sound and effective corporate governance practices are essential to our long-term success. These practices are designed to preserve the independence of our Board of Directors and to strenghten its advisory and oversight role on management's operations. In 2007, these practices were clearly set out in a Corporate Governance Policy which has been approved by the Board of Directors.

Board independence ensures that the Scotia Group is managed for the long-term benefit of all stakeholders – shareholders, employees, customers and the communities in which we operate. As a result, as at October 31, 2007, 11 of our 15 current Directors were independent of Scotia Group, its parent or its affiliates (and 13 members of the Board were non-executive).

The Board also ensures that key committees (such as the Audit & Conduct Review Committee and the Human Resources Committee) are composed of independent Directors who have the requisite skills to carry out their respective mandates.

The effectiveness of any Board is also dependent on the quality of the individuals who serve as Directors. We pride ourselves on having individuals serving on the Board who are business and community leaders and have distinguished themselves in various fields of business and academia. Our Directors have contributed significantly to the Group'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 Group is committed to good corporate governance and will continue to comply with international best practices and guidance from the Jamaica Stock Exchange, the Bank of Jamaica and the Financial Services Commission.

2007 ANNUAL REPORT

Corporate Governance *(continued)*

Scotia Group Jamaica Limited Board of Directors

Hon. W. E. Clarke, OJ, CD, (left)
Mr. William Clarke, President and CEO of the Bank, was appointed to the Board of the Bank on May 18, 1995. He is a member of the Executive and Pension Committees of the Board and is also a Director of The Bank of Nova Scotia Jamaica Limited, 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, Scotiabank Jamaica Foundation and Dehring Bunting & Golding Limited.

R. H. Pitfield, Chairman *(centre)*
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 & the USA. He was appointed Chairman of Scotia Group Jamaica Limited on March 15, 2007 and The Bank of Nova Scotia Jamaica Limited on May 22, 2003.

Miss M. M. Issa, *(right)*
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 Executive, Audit & Conduct Review and Human Resources Committees of the Board. Miss Issa is the Chairperson of the Board of Scotia Jamaica Life Insurance Company Limited and a member of the Board of The Scotia Jamaica Building Society, Dehring Bunting & Golding Limited and DB&G Unit Trusts Managers Limited.

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

J. M. Matalon *(right)*
Resigned November 2007
Mr. Joseph M. Matalon is the Chairman and Chief Executive Officer of the I.C.D. Group Limited. Mr. Matalon was appointed a Director of the Bank on September 1, 2005 and is a member of the Executive and Audit & Conduct Review Committees of the Board.

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 (BNS) and several of the BNS subsidiaries and affiliates. He was appointed to the Board of Directors of The Bank of Nova Scotia Jamaica Limited on February 20, 2003.

Hon. M. M. Matalon, OJ
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 Boards of the Bank and of Scotia Group Jamaica Limited; and is Chairman of the Executive Committee of the Board. Mr. Matalon has been a Director of the Bank since 1966.

Dr. J. A. Dixon, CD *(right)*
Dr. Jean Dixon is the Permanent Secretary in the Ministry of Industry, Commerce and Investments. She has been a Director of the Bank since February 19, 1998 and is a member of the Pension Committee of the Board. Dr. Dixon is also the Chairperson of the Board of Directors of The Scotia Jamaica Building Society and Scotiabank Jamaica Foundation. She is also a Director of DB&G Unit Trusts Managers 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 Committee of the Board. He is also a Director of Scotia Jamaica Investment Management Limited.

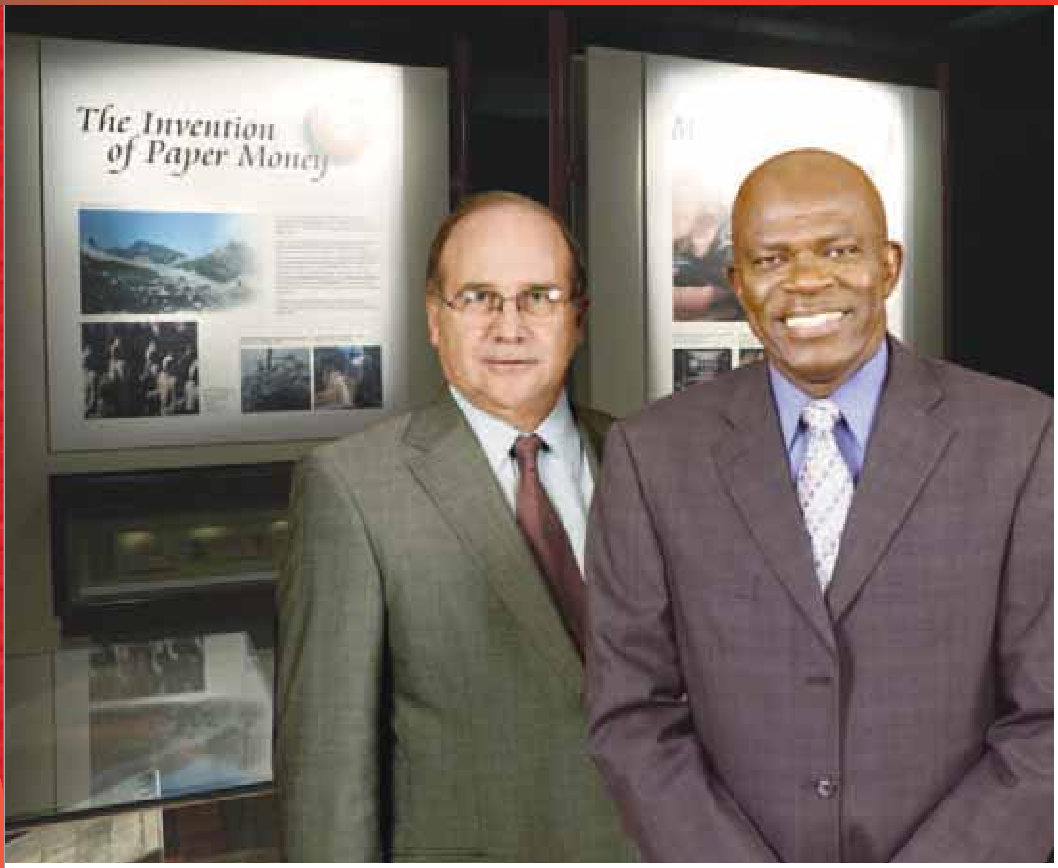
Prof. C.D.C. Christie Samuels, *(right)*
Celia Christie-Samuels is a Professor of Paediatrics and a specialist in Paediatrics Infectious Diseases, Epidemiology and Public Health at the University of the West Indies. Professor Christie Samuels has been a Director of the Bank since February 5, 2001 and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

Corporate Governance *(continued)*

Scotia Group Jamaica Limited
Board of Directors *(continued)*

Hon. W. A. McConnell, OJ, CD *(left)*
Resigned November 2007
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 Audit & Conduct Review Committee of the Board and Chairman of Scotia Jamaica Investment Management Limited.

Dr. H. J. Thompson, CD *(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 Executive and Human Resources Committees of the Board. Dr. Thompson is also Deputy Chairman of the Board of The Scotia Jamaica Building Society.



Board & Committee

EXECUTIVE COMMITTEE OF THE BOARD

Hon. M. M. Matalon, OJ
Chairman

Hon. W. E. Clarke, OJ, CD
Miss M. M. Issa
J. M. Matalon
Dr. H. J. Thompson, CD
Prof. S. C. Vasciannie

AUDIT & CONDUCT REVIEW COMMITTEE

J. M. Matalon
Chairman

A. V. Chang
Miss M. M. Issa
C. H. Johnston
Hon. W. A. McConnell, OJ, CD
Prof. S. C. Vasciannie

C. H. Johnston *(left)*
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 Audit & Conduct Review and Human Resources Committees of the Board. Mr. Johnston is also a Director of DB&G Merchant Bank Limited.

Prof. S. C. Vasciannie *(centre)*
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 of the Bank on September 1, 2005. He is a member of the Executive, Audit & Conduct Review and Pension Committees of the Board. Professor Vasciannie is a Director of Scotia Jamaica Life Insurance Company Limited, Scotia Jamaica Investment Management Limited and Chairman of Dehring Bunting & Golding Limited.

A. V. Chang, *(right)*
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 and Pension Committees of the Board. Mr. Chang is also a Director of Scotia Jamaica Life Insurance Company Limited, Dehring Bunting and Golding Limited and Chairman of DB&G Merchant Bank Limited.

Members

HUMAN RESOURCES COMMITTEE

Miss M. M. Issa
Chairperson

Prof. C. D. C. Christie Samuels
C. H. Johnston
W. A. McDonald
Dr. H. J. Thompson, CD

PENSION COMMITTEE

PENSION COMMITTEE

Prof. S. C. Vasciannie
Chairman

Hon. W. E. Clarke, OJ, CD
A. V. Chang
Dr. J. A. Dixon, CD
Miss S. A. Wright

Our Awards

2007 Jamaica Stock Exchange Best Practices Awards

Scotiabank
- Governor General's Award for Overall Excellence
- First Place - Best Practices Annual Report

Dehring Bunting & Golding
- Second Place - Best Practices Annual Report
- Third Place - Best Website for Listed Companies

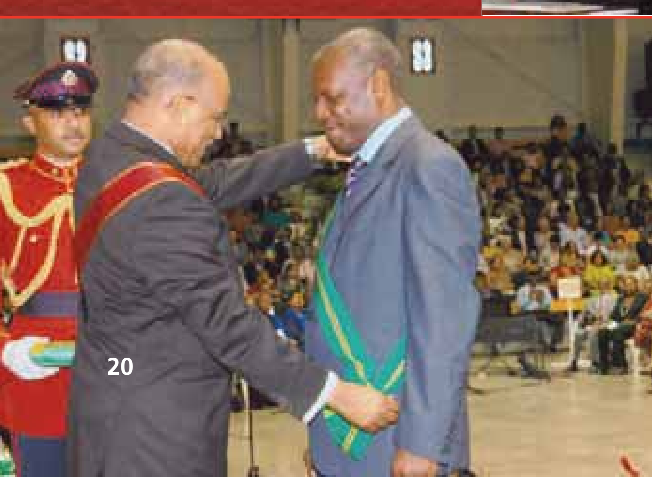
Joylene Griffiths Irving, (l) Director, Public Corporate & Government Affairs and Stacie Ann Wright, Executive Vice President and Chief Financial Officer, proudly display trophies received at the 2007 Jamaica Stock Exchange Best Practices Awards.

Global Quality Award

Ms. Diana Forti, Vice President and Customer Business Lead for Scotiabank MasterCard Worldwide (r) presented the Global Quality Award for MasterCard to William E. Clarke, President & CEO of Scotiabank. We received the award for customers who achieve in the majority of Global Minimum Standards in the category, Worldwide Gold Award. Garfield White (c), former Director, Processing Support Centre, shared in the moment.

Award for 'Speak Up! Speak Out!'

We were awarded a Certificate for Creative Excellence by the US International Film and Video Festival for the video-drama, **A Letter to Pearl,** which was produced locally as part of our 'Speak Up! Speak Out!' National Primary Schools HIV and AIDS Debating Competition. The certificate was awarded for Excellence in Communications in International Competition and Ms. Zoë Welsh, Programmes Production Specialist, received the award in July 2007 from Mr. Lee Gluckman Jr., Chairman of the US International Film and Video Festival in Hollywood, California, USA.



National Honour for Banking and Public Service

William Clarke, President & CEO (r), received a second national honour from the Government of Jamaica. On National Hero's Day, October 15, 2007, His Excellency, The Governor General of Jamaica, The Most Honourable Professor Sir Kenneth Hall conferred on him the Order of Jamaica, the country's 4th highest national honour, for his 'sterling contribution to Banking and to Public Service'. On receiving this honour, he is titled, 'The Honourable' and will add the letters 'OJ' to his name.

The President's Council

Stacie Ann Wright
Executive Vice-President
& Chief Financial Officer

Stacie Wright joined Scotiabank Jamaica in 1995 as an Audit Manager, leaving a formative career at PricewaterhouseCoopers. She was appointed Assistant General Manager, Finance and Comptroller in 1999 and has been Executive Vice President and Chief Financial Officer of Scotiabank Jamaica since May 2003.

She holds a MSc. and a BSc. in Accounting from the University of the West Indies, is a CFA Charter Holder, a Fellow of the Association of Chartered Certified Accountants and a Fellow of the Institute of Chartered Accountants of Jamaica.

Stacie is a Director of Scotia Group Jamaica Limited, The Bank of Nova Scotia Jamaica Limited, Scotia Jamaica Life Insurance Company, The Scotia Jamaica Building Society, Scotia Jamaica Investment Management Limited, Scotiabank Jamaica Foundation, Dehring Bunting and Golding Limited, DB&G Merchant Bank Limited and Asset Management Company Limited.

H. Wayne Powell
Executive Vice President
Branch Banking

A career banker of many years, Wayne Powell is Executive Vice President, Branch Banking with responsibilities for the management of the branch network, the Corporate and Commercial Banking Centre and Small and Medium Enterprises. He also has oversight responsibilities for The Scotia Jamaica Building Society.

He is an Associate of the Chartered Institute of Bankers and has an MBA from Barry University, as well as Certificates in Marketing Management and Executive Management from the Ivey School of Business, University of Western Ontario.

Wayne is a Justice of the Peace, an alternate Director of the Scotiabank Board and serves on several additional corporate boards.

Rosemarie Pilliner
Executive Vice President
Operations

Rosemarie Pilliner currently holds the position of Executive, Vice President Operations. She has direct responsibility for the Bank's Operations and Shared Services which includes such functions as facilities management, collections, recoveries and cash processing, among others.

Rosemarie has extensive knowledge of Scotiabank's core operations, having gained a wealth of experience in all areas of the Bank's operations. Her wide-ranging expertise spans varying positions within the organization including management positions at the operations level, Branch Manager, Assistant General Manager in the Data Centre and many others.

Rosemarie has benefited from several management training courses to hone her credit, leadership, operations and organization developmental skill sets and she is currently the Chairperson for the Board of the Jamaica Electronic Transfer Service Limited (JETS), a member of the Board of Directors of Automated Payments Limited (APL) and the Scotiabank Jamaica Foundation.

Audrey Tugwell Henry
Senior Vice President
Retail & Electronic Banking

Audrey Tugwell Henry started her career in banking in January 1987 and joined Scotiabank in May 2000. She has held the position of Senior Vice President Retail and Electronic Banking since 2004. Audrey has responsibility for Retail Risk Management and Strategy Development for Retail Products and Electronic Banking Services.

Audrey holds a Masters in Business Administration from the University of the West Indies, a Bachelor of Science (Hons.) from the University of the West Indies and a Diploma in Education from Church Teachers' College.

She is Chairman of the Board of Asset Management Company Limited, a Director of Scotia Jamaica Investment Management Limited and Jamaica Electronic Transfer Service Limited (JETS).

The President's Council *(continued)*

Michael Jones
Senior Vice President
Human Resources

A well rounded Scotiabanker, Michael Jones has gained valuable experience in several areas of the Bank, having held key roles across the company. His experience includes Accounting Manager, Operations Manager, Assistant General Manager - Operations, General Manager - Human Resources, and currently Senior Vice President - Human Resources, Scotiabank Group.

Michael holds a Diploma in Banking from CAST/University of Technology, and is an Associate of the Chartered Institute of Bankers. He holds an MBA (Distinction) from the University of Wales, is a graduate of the Executive Human Resource Management program of the University of Michigan and holds the ACIS designation.

Michael serves as a Director on the boards of the Scotiabank Jamaica Foundation, Church Services Limited, The Human Resource Management Association of Jamaica, the UWI Career and Placement Board and the Hope Gardens/Nature Preservation Foundation.

Anya Schnoor
CEO, Dehring Bunting & Golding Ltd.
Senior Vice President, Wealth Management – Scotiabank Group

As Senior Vice President - Wealth Management & Investments, Anya Schnoor is responsible for the Group's Wealth Management Division which includes Scotia Insurance, the provider of ScotiaMINT, Scotia Private Client Group and the newly acquired investment company, Dehring Bunting & Golding Limited, of which she is the Chief Executive Officer.

Anya Schnoor has over 14 years of experience in the areas of investments and banking, and holds an MBA from Barry University and a BA in Finance and International Business from Florida International University.

Anya currently serves as the President of the Jamaica Security Dealers Association and sits on the Board of DB&G Ltd., DB&G Merchant Bank and DB&G Unit Trusts Managers Limited as well as on Scotiabank Jamaica's Asset and Liability Committee (ALCO), the BOJ National Payment Council and the Finance Committee of Heart Trust NTA.

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

David Noël is Senior Vice President - Senior Legal Counsel & Corporate Secretary for the Scotiabank Jamaica Group. He is, *inter alia*, the principal Legal Advisor and Compliance Officer for Scotiabank Jamaica.

David is an Attorney-at-Law, a CFA Charter Holder, and a Certified Anti-Money Laundering Specialist (CAMS). Prior to joining the Bank in 2001, he was an Associate at the law firm Myers, Fletcher and Gordon where he practiced mainly commercial litigation. During 2002, he was seconded to the General Counsel's Department at Scotiabank, Toronto where he worked on a wide range of international commercial transactions.

He sits on the Commercial Law Committee of the Jamaica Bar Association and is Co-Chairman of the Compliance Committee of the Jamaica Bankers Association.

Monique French
Senior Vice President
Risk Management

The newest member of the Scotiabank Executive Management Team, Monique French is directly responsible for the structure, risk and quality of the commercial and corporate credit portfolio of Scotiabank Group (Jamaica).

Monique is a banking professional with twelve years of experience in Credit & Market Risk Management, Corporate Banking, Treasury & Derivatives. She has served on several industry and private sector committees, and holds a BSc Accounting Degree (First Class Hons.) from the University of the West Indies and a Master of Business Administration Degree from the Richard Ivey Business School, University of Western Ontario, Canada. She is a CFA Charter Holder and an IBM Scholar.

Monique is a member of the Asset & Liability Committee (ALCO).

Patsy Latchman-Atterbury
Vice President
Small and Medium Enterprises

Patsy Latchman-Atterbury joined Scotiabank in September 2007 with 15 years of management experience. She is the Vice-President in charge of a critical strategic growth area of the Bank, Small & Medium Enterprises.

Over the past 15 years, Patsy has played critical roles in the fast moving retail goods market in Jamaica. She was a significant contributor to the development and launch of one of Jamaica's most agile, pace setting distribution companies, a project which led to eight-years of dynamic, lucrative leadership in the snack foods industry. During this time, she was one of a four member regional team set up to assess trade opportunities in Central America.

She holds a Bachelor of Science in Management Studies and an Executive MBA in Business Administration from the University of the West Indies.

Maya Walrond
Senior Vice President
Customer Experience and Technology
Innovation & Projects

Maya Walrond leads the Customer Experience team and is charged with encouraging and sustaining a customer-centric culture across the Scotiabank Group. In addition, Maya is responsible for technology and systems innovation as used to support first-class customer service.

Prior to joining Scotiabank in 2007, Maya held senior management positions in the Media and Telecommunications industries, with a focus on strategic planning and general management. She began her career as a management consultant, where she advised corporations in the beverage, pharmaceutical and printing industries.

She graduated with first-class honours from the University of Pennsylvania (Wharton) with dual Bachelor degrees in Economics and Systems Engineering and holds an MBA in General Management from the Harvard Business School.

Jacqueline Sharp
Vice President & General Manager
Scotia Jamaica Life Insurance
Company Limited

Jacqueline Sharp joined Scotiabank in 1997 as Manager, Treasury, where she was responsible for managing the Bank's investment portfolio. She then moved on to other positions in the Bank, including Corporate Financial Analyst and General Manager of the newly created Private Client Services Unit in 2002. Jackie is currently responsible for the overall growth, profitability and operations of the Insurance arm of the Scotiabank Group.

Jackie holds a Bachelor of Science (BSc.) degree with honours in Accounting from the University of the West Indies, is a CFA Charter Holder, and has successfully completed the Certified Public Accountant (CPA) examinations.

She serves as a member of the Board of DB&G Unit Trusts Managers Ltd., Life Insurance and Market Research Association's (LIMRA), Caribbean Executive Board and is also a member of the Insurance Association of Jamaica (IAJ).

Gladstone Whitelocke
Vice President & General Manager
The Scotia Jamaica Building Society

Gladstone Whitelocke has been with Scotiabank for over 21 years with a career that has spanned Retail Lending, Centralized Retail Collections and Project Management. As Vice President & General Manager of the Building Society he is responsible for the development, growth and operations of the mortgage services arm of the Group.

He completed courses in Banking and Finance at the University of Technology, Certificates in Project Management and Sales Management from the University of New Orleans and is currently in the final module of the Manchester Business School's MBA in Finance.

Gladstone currently serves on the Asset & Liability Committee of Scotia Group as well as the Strategic Planning Committee.

The President's Council *(continued)*

Yvonne Pandohie
Vice President and Chief Auditor

Yvonne Pandohie's career with Scotiabank began in 2001 after spending twelve and a half years at PricewaterhouseCoopers. She has undergone extensive training in Scotiabank's Toronto offices in both the Corporate and Commercial Banking Business Unit and the Audit Department.

In 2004, she became the first Jamaican and also the first female to assume the role of Chief Auditor in Scotiabank. She has also worked as an Account Manager assigned to the Corporate & Commercial Banking Centre.

Yvonne holds a MBA from the Manchester Business School, is a Fellow of the Association of Chartered Certified Accountants and a Fellow of the Institute of Chartered Accountants of Jamaica.

Heather Goldson
Vice President
Marketing

Heather Goldson came to Scotiabank with over 15 years experience in Marketing and Public Relations in Jamaica and overseas. As Vice President Marketing for the Scotiabank Group, she holds responsibility for the strategic marketing activities of the Bank and its subsidiaries.

Heather has played critical roles in the development of the film, music and entertainment industries within the public sector as well as the retail telecommunications industry from within the private sector.

She holds a Bachelors Degree in Management and International Business from Florida International University. She is a Board member of the Scotiabank Jamaica Foundation as well as the Jamaica/UK Co-Production Treaty Competency Board, formed by the Government to oversee the administration of Jamaica's film co-production treaty with the United Kingdom.

Ronald Bourdeau
Vice President
Risk Management

An almost twenty-year banking veteran, Ron Bourdeau is responsible for Credit Risk Management across the Group. Prior to joining Scotiabank Jamaica, he spent 12 years with Scotiabank in Canada in Commercial Banking and International Credit. Ron has worked in the Bank across the globe leading Risk Management centers in Argentina and Chile before arriving in Jamaica in 2003 to head the Credit Risk Department.

Ron holds a Bachelors degree in Communications from Concordia University in Montreal and an MBA in International Business from the University of Toronto. He has also successfully completed the Ivey Executive Programme at the Richard Ivey School of Business, University of Western Ontario.

President's Council at a glance

View of Kingston Harbour from the roof of the Scotiabank Centre building, Downtown, Kingston.

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

Joylene Griffiths Irving holds the responsibility for building and maintaining the Bank's corporate image through public relations and external communications strategies. She also directs the Bank's corporate social responsibility focus through the Scotiabank Jamaica Foundation.

She joined Scotiabank in 2000, and previously held the position of Senior Manager, Public & Corporate Affairs. Prior to joining the Bank, she held several management positions in the fields of public relations, communications and journalism.

Joylene holds a Master of Arts degree in Human Communications from Howard University (Hons.), Washington DC, USA and a Bachelor of Arts degree in Language and Literature with Social Sciences, from The University of the West Indies (Hons.). Joylene is a Rotary Club of Kingston Ambassadorial Scholar and a member of the Public Relations Society of Jamaica and the Press Association of Jamaica.

Wayne Hewitt
Vice President
Corporate & Commercial Banking

Wayne Hewitt is a banker with 15 years experience in corporate banking, risk management and treasury operations. He has been with Scotiabank since 2003, serving a year in the Global Risk Management unit of the Bank of Nova Scotia in Toronto, Canada, and as head of Corporate & Commercial Banking and the Scotiabank Centre Branch since 2005.

He holds a BSc (First Class Honours) in Economics and Management from the UWI, and an MBA in General Management from Georgetown University in Washington, DC. He has also participated in several senior management courses offered by institutions such as Harvard University and Standard & Poors.

Wayne is a member of the Bank's Asset & Liability Committee (ALCO).

Rosemarie Voordouw
Director
Employee Communications
& Ombuds Services

Rosemarie Voordouw joined the Bank as Director of Employee Communications and Consultations (ECC) in May 2003. The unit provides confidential consultation on work-related issues to employees and is the first of its kind in Jamaica.

She holds a BSc (Hons.) in Natural Sciences from the University of the West Indies and a MA (Very High Hons.) in Counseling Psychology from the Caribbean Graduate School of Theology. She has over 20 years experience as a communicator and over 10 years experience as a counselor on both a full-time and consulting basis.

Rosemarie worked with the Jamaica Information Service for over 14 years as a freelance writer, producer and presenter. She is a certified Workplace Mediator, an executive member of the Jamaica Psychological Society, a member of the International Ombuds Association and a member of the Board of Scotiabank Jamaica Foundation.

Our Subsidiaries

The Bank of Nova Scotia Jamaica Limited (Scotiabank), Scotia Jamaica Life Insurance Company Limited, The Scotia Jamaica Building Society and Dehring Bunting and Golding Limited

Scotiabank
Team Leaders Metro West

1 **Steve Distant**
Manager, Liguanea Branch

2 **Carl Bright**
Manager, Mandeville Branch

3 **Michael Lee**
Manager, Sales & Service Support

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

5 **Claudia Sanderson**
Manager, Junction Branch

6 **Cary Wiggan**
Manager, Victoria & Blake Branch

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

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

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

10 **Valerie Omess**
Manager, Hagley Park Branch

11 **Jerome Smalling**
Manager, May Pen Branch

12 **Regald Reid**
Manager, Black River

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

14 **Peter Walters**
District Vice President

Scotiabank
Team Leaders Metro East

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

2 **Courtney Sylvester**
Manager, New KIngston Branch

3 **Andre Johnson**
Manager, Portmore Branch

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

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

6 **Roger Cogle**
District Vice President

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

8 **Michelle Lee Rutland**
Manager, Sales & Service Support

9 **Lois Hemmings**
Manager, Linstead Branch

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

11 **Karen Tomlinson**
Manager, Half-Way-Tree Branch

12 **Marlene Davidson**
Manager, Highgate Branch

13 **Amory Jervis**
Manager, Port Antonio Branch

14 **Junior Carter James**
Manager, Spanish Town Branch

Scotiabank
Team Leaders Metro North

1 **Caswell Dawes**
Manager, Lucea Branch

2 **Glen Gray**
Manager, Negril Branch

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

4 **Milton Elliot**
Manager, Sales & Service Support

5 **Doreen Mortimer**
Manager, Ironshore Branch

6 **Linley Reynolds**
Manager, Montego Bay Branch

7 **Karen Chang**
Manager, Ocho Rios Branch

8 **Fitzaudy Wright**
Manager, Falmouth Branch

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

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

11 **Michael Thompson**
District Vice President

Missing: **Garth Graham**
Acting Manager, Westgate Branch

Scotiabank
Scotia Private Client Group

From left to Right - **Valerie Williams,** Senior Operations Officer, Service & Operations, **Blenda Wade,** Investment Specialist, **Bridget Lewis**, General Manager, **Dave Dixon**, Relationship Manager, **Richelle Ehikametalor,** Relationship Officer, **Lavern Ansine Roach,** Relationship Manager

Our Subsidiaries *(continued)*

Dehring Bunting & Golding

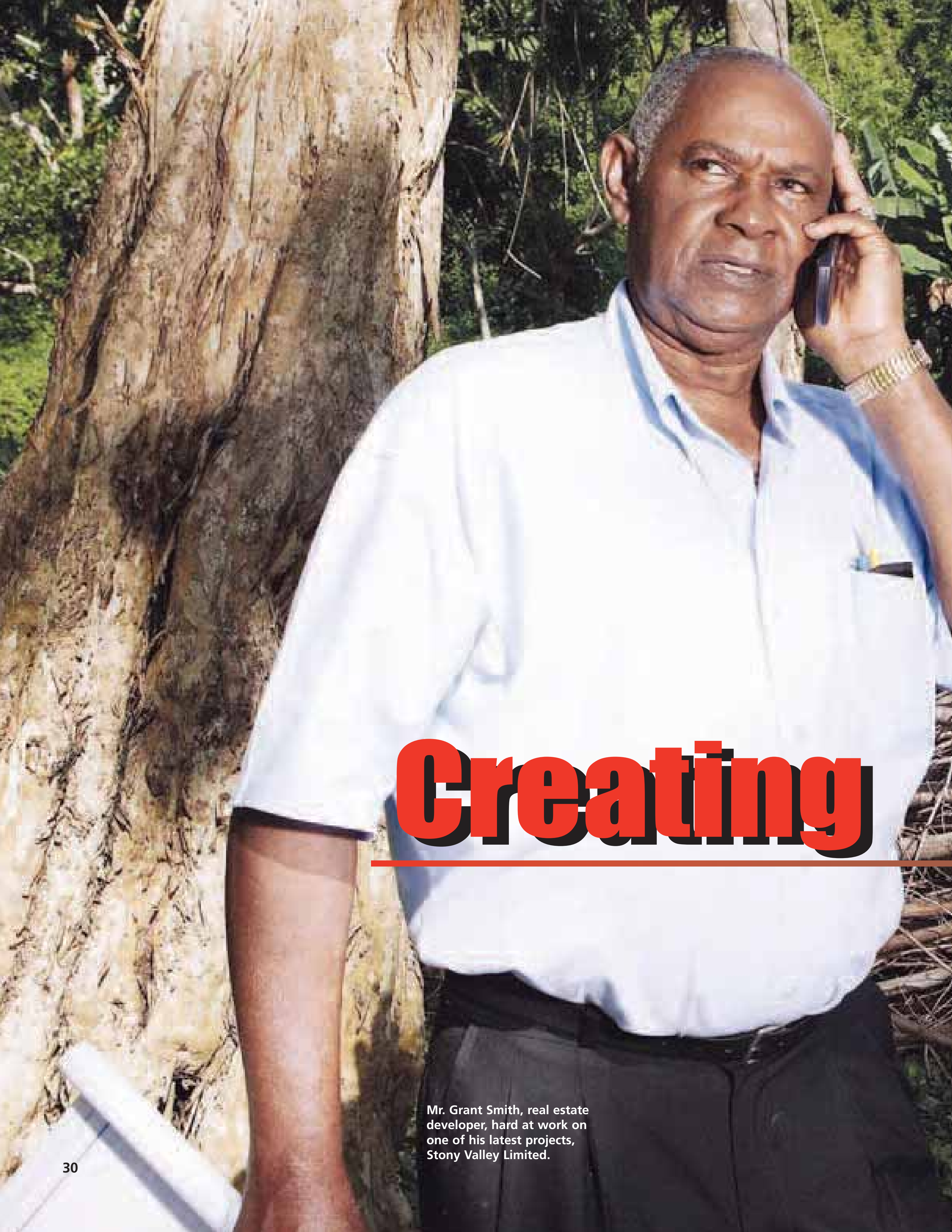
From left to right - **Brian Frazer**, Assistant Vice President, Pensions & General Manager, DB&G Unit Trust Managers Ltd., **Tanya Ho-Shue**, Vice President & General Manager, DB&G Merchant Bank, **Johann Heaven**, Assistant Vice President, Projects & Strategic Planning, **Chorvelle Johnson**, Vice President, Sales & Service, **Vanessa Reid-Boothe**, General Manager, Asset Management Co. Ltd., **Lissant Mitchell**, Senior Vice President, Treasury & Capital Markets, **Anya Schnoor**, Chief Executive Officer, **Andrea Tinker**, Vice President & Chief Financial Officer

Scotia Insurance

From left to Right - **Lana Forbes**, Senior Sales Manager, **Monique Anthony**, Manager, Finance & Compliance Officer, **Jacqueline Sharp**, Vice President & General Manager, **Lorna Gordon Elliot,** Manager, Creditor Life Insurance, **Lois Heslop**, Senior Manager, Operations & Service Delivery

The Scotia Jamaica Building Society

From left to right - **Phillip Williams**, Manager Mortgage Services,
Gladstone Whitelocke, Vice President & General Manager,
Michelle Scott, Manager, Finance & Operations



Creating

Mr. Grant Smith, real estate developer, hard at work on one of his latest projects, Stony Valley Limited.

Opportunities
for Individuals

Creating Opportunities for Individuals

Personalized and Speedy Service

"Our Building Society is not the largest and we will not tell you that we have the lowest rates, because size and rates are not our major focus. We are making our name and capturing market share year over year simply by giving our customers a speedier and more personalized service.

We honour our commitment to process applications with efficiency and accuracy in record time. We will go the extra mile to discuss your situation, because where there is an opportunity to give you the best value for your money and ensure that you feel good about our relationship, we will find it."

Gladstone Whitelocke
Vice President
& General Manager
The Scotia Jamaica Building Society

Creating Opportunities in the Mortgage Market

Owning a home is a big achievement

Mr. Cyrus Myers
in front of his home

Cyrus "Plum Plum" Myers, was determined to own a home again, no matter his age, but he needed to obtain a mortgage at a rate that he could manage. At age 59, this was not very easy. *"For me, a man must own a house; it is like your old age pension,"* he explained.

Life deals us many challenges, and success comes in how we seize the opportunities in these challenges. *"I sold the first house and divided the proceeds with my wife, as we were separating, and I needed to use my half to purchase another. I went to the Building Society through which I got the first house, but, the mortgage, which was based on my age, was too high,"* said Mr. Myers.

That was when he visited Scotiabank, where he had previously received a loan to purchase a car to operate his taxi service. *"I did not give up. I did not want to pay rent, so I spoke to Mr. Whitelocke who had helped me to buy a car some years ago."*

Gladstone Whitelocke, Vice President and General Manager, Scotia Jamaica Building Society, remembers that first meeting. *"I was the Loans Officer then at the King Street Branch. I knew Mr. Myers who operated his taxi not far from the Branch. One day he asked me about a loan to purchase a car and I helped him get a ScotiaPlan Loan,"* he said.

Mr. Whitelocke and his team worked out a mortgage rate that was suitable for Mr. Myers, based on his joint income with his new wife, and now he is the owner of a quaint four-bedroom house in Vineyard Town, Kingston. Just when he thought it was not possible, Cyrus Myers was given an opportunity to own a home again and start another phase of his life.

Home Equity

In our commitment to helping customers achieve their life goals, we developed and refined several programmes including the Scotia Home Equity Loan, which allows customers to use the equity in their homes for loans to fund education, home improvements and vacation activities.

Major Achievements
SJBS

- Growth of over $1 billion in mortgage bookings
- Launched Joint Mortgage Financing Programme with National Housing Trust (NHT). Increase in NHT benefits to $3.5M has served to drive increase in applications
- Introduced Tiered Mortgage Product attracting 35 to 45 year-old professionals
- Launched Public Sector Mortgage Plan with below market rates

Convenience and options are critical to building wealth

Customers are kept abreast of their investments anywhere

Michael Bernard
Chief Executive Officer
Carreras Group of Companies

Michael Bernard, Chief Executive Officer of Carreras Group of Companies, is among just over 400 individuals whose funds are managed by the Scotia Private Client Group (SPCG). Though he is experienced at managing his funds himself, Mr. Bernard values highly the personal service and attention he receives from SPCG. *"I recall being on vacation in Florida and receiving a call from Tamiko Sadler, then Relationship Officer at SPCG, providing a recommendation on how to reinvest some of my funds that had just matured. It gave me a real good feeling that someone was taking care of my finances. I can also do most of my banking online, which is great when you are traveling and very busy,"* said Mr. Bernard.

Scotia Private Client Group's in-depth understanding of each client's financial needs allows us to respond with a heightened sense of direction.

Representing the full suite of products and services offered across the Group, SPCG provides its clients with the convenience of seamlessly accessing the Group's services through their two plans, Signature and Preferred. During the year, SPCG expanded this suite to include its Classic Plan for its clients whose financial portfolios are weighted towards investing.

DB&G creating more options

In addition to a strong relationship and convenience, we understand that creating wealth for our customers is also about providing them with sound investment opportunities. Our acquisition of DB&G in December 2006 signaled our intention to become the leader in wealth management. DB&G is the newest member of the Scotia Group, and carries the widest range of investment products in the market. DB&G brought to Scotia Group a successful heritage in understanding and fulfilling its clients' investment needs. We have sought to honour this heritage even as we explore new opportunities in wealth management.

Developing an intimate understanding of what our customers need, drives our ability to deliver relevant solutions. During the year, DB&G has consistently been recognized for its superb research capabilities that provide dependable information on which our clients rely to make sound financial decisions. DB&G is Jamaica's third-largest securities dealer and the largest equity broker. DB&G provides exclusive asset management and corporate credit services to individuals and institutional clients. With significant assets under management and through an innovative set of products and services, DB&G provides compelling alternatives for individuals and institutions worldwide.

"For the next 12 months, DB&G will concentrate on building an even stronger sales and service culture to take advantage of the wider distribution model that comes with being a part of the Scotiabank Group.

We will enhance our securities trading and fund management capabilities, and further bolster our operations in research and stockbrokerage. DB&G has a significant understanding of the psyche of the investing public, which powers our ability to stand as a market leader now and in the future."

Anya Schnoor
Chief Executive Officer
Dehring Bunting & Golding

Creating Opportunities for Individuals *(continued)*

Self-Service Banking

"In 2007, we pursued strategies which allowed us to further inform and educate our retail customers about our self service banking channels and services, as well as increasing usage, adoption and convenience.

We take our signal for action from our customers who have become more demanding and more tech savvy with convenience remaining a major priority. Hence, we are constantly exploring opportunities to improve and expand our electronic products and services.

During the year, we added more Automated Banking Machines (ABMs), and we retained our number one position with the largest network of ABMs' island wide. We were also very pleased to have piloted our Internet Banking Kiosks in three locations in Kingston which will give more customers the opportunity to log on and experience the convenience of Internet Banking.

In the coming year, we will introduce more innovative products and services to the market, such as Mobile Top Up Services at our ABMs which will provide even greater convenience to our customers."

Audrey Tugwell Henry
Senior Vice President
Retail & Electronic Banking

Electronic Banking

Credit Cards - Moving forward, we want to achieve significant growth in value-added or reward cards, as a direct response to our customers' interest in enhanced credit cards. We will also enhance the online experience of our cardholders through the introduction of additional security features.

Internet Banking - In an effort to drive Internet Banking usage, we installed Internet Kiosks at MegaMart Shopping Centre - Waterloo Road, and our Liguanea & New Kingston Branches. These kiosks give customers the opportunity to access Internet Banking to pay their bills, view running balances and credit card statements, set up recurring payments and conduct other banking transactions.

The future will also see the utilization of the mobile phone as a new banking service channel with functionalities such as bill payments and low balance and deposit alerts.

Payment Services - We recognise that our customers value the ability to make payments at their own convenience. We are therefore working to enhance our self-service banking facilities. These efforts include establishing Self-Service Retail Banking Centres across the island, installing additional ABMs, Internet Banking Kiosks and Point-of-Sale machines island wide.

Major Achievements
Electronic Banking

- Added five Automated Banking Machines (ABMs) to bring the total number of Scotiabank ABMs to 176
- Four ABMs were upgraded to dispense dual currency – three in Kingston and one in Mandeville
- Installation of three Internet Banking Kiosks at MegaMart Shopping Centre (Waterloo Road), Liguanea & New Kingston Branches
- Remained market leader in range of credit cards, and number of rewards cards and receivables
- Received the Global Quality Award for MasterCard, in the category Worldwide Gold Award for customers who achieve the majority of Global Minimum Standards

Creating Opportunities in Insurance

Planning for Retirement

Larklan Lawrence had one wish before he retired from the manufacturing business – to leave a nest egg for his grandchildren. He also wanted a tax-free long-term instrument with a higher interest rate than his regular savings account.

While visiting his Scotiabank branch in Half-Way-Tree, he met Jennifer Daley, Scotia Insurance Agent, who introduced him to ScotiaMINT, an interest-sensitive life insurance product from Scotia Insurance. *"I have seen advertisements in the paper and on television, so I knew the name ScotiaMINT, but I did not understand what it offered,"* said Mr. Lawrence.

"He was very enthusiastic once I explained the benefits to him – a retirement plan, wealth creation and the use of the policy as collateral. Once he outlined his personal goal to increase his earnings over the next five years in order to leave something for his family, I was sure that ScotiaMINT was the ideal product for him," said Ms. Daley.

Mr. Lawrence has become one of our most valuable ambassadors because he is so pleased with the level of service we provided him. *"We gave Mr. Lawrence an opportunity to secure a future for his family and, in return, he gave us the opportunity to build relationships with many of his friends and family. This kind of promotion is priceless!"* said Ms. Daley.

In addition to ScotiaMINT, Scotia Insurance also provides peace of mind to its customers through the provision of Creditor Life and Critical Illness coverage on select credit cards and retail loans offered through the Bank. Over 46,000 clients are now comforted by the fact that their loan will be paid off in the event of an unforeseen circumstance.

Major Achievements SJLIC

- ScotiaMINT customers can now pay missed premiums and lump sums via the Internet or TeleScotia.
- Launched Creditor Life and Critical Illness coverage on Business Banking Credit Cards; Critical Illness coverage on loan products (Residential Mortgages and Scotia Plan Loans); Creditor Life for DB&G's Easy Own Plan; Accidental Death Benefit for MasterCard (Standard) and Visa Classic Credit Card cardholders.
- 15 agents qualified for the Million Dollar Round Table
- Scotia Insurance launched its Customer Relationship Management (CRM) programme
- Sales Agent Nicole Baxter-Murray was awarded Life & Bancassurance Production Member for 2006 by the Jamaica Association of Insurance & Financial Advisors

Exceptional Opportunities

"Today, a growing number of customers expect insurance to show its worth, long before the so-called 'eventualities' and Scotia Insurance is uniquely placed to offer our policyholders exceptional opportunities for actively securing their financial well-being with key innovations.

Throughout the year, we expanded our payment channels to include TeleScotia and online banking and launched various Creditor Life products. We now cover over 110,000 customers and are focused on keeping them satisfied and fulfilling their long-term goals. Our Education Wealth Plan, which helps clients finance future education, was also introduced during the year, filling an important need in the lives of our customers and their families.

In the coming year, we'll continue to focus our attention on increasing the suite of accumulation and savings products and deepen customer retention through targeted customer service."

Jacqueline Sharp
Vice President & General Manager
Scotia Insurance

Creating

Franklyn 'Chucky' James (left) of Chucky's Auto Supplies, demonstrates one of his products to Scotiabank Savanna-la-Mar Branch Manager, Michael Shaw and Michelle Senior, Assistant Manager, Credit

Opportunities for Business

Creating Opportunities for Business

Strategic Focus on Small & Medium Enterprises

"The small business sector has long been recognized as an important catalyst for growth in the Jamaican economy. In 2007, we brought all our solutions for small and medium enterprises into a single strategy that demonstrates to the market that we not only speak the language of SMEs, but we are willing to translate this language into meaningful opportunity. We believe that small businesses can create big opportunities.

We introduced two new credit cards - MasterCard Business Credit Card and MasterCard Executive Credit Card; a Credit Line for business that helps qualified customers get credit easily and when they need it to ease their cash flow problems; and we spent over 300 hundred hours training a cadre of 60 Business Banking Officers to manage our relations with our small business entrepreneurs".

Patsy Latchman-Atterbury
Vice President, Small and Medium Enterprises

Creating Opportunities for Small & Medium Enterprises

Giving entrepreneurs easier access to funds

Franklyn 'Chucky' James
Chucky's Auto Supplies
Smithfield, Savanna-la-Mar

Franklyn "Chucky" James is one entrepreneur who needed a way to ensure he had a continuous supply of spare parts to keep his trucks on the roads. Sundays were the only days he had for maintenance, however, auto parts stores were usually closed. In addition, it was difficult obtaining parts in Savanna-la-Mar where he lived. He saw a great opportunity to go into the business of supplying parts and to diversify his business to include the supply of heavy-duty parts.

He utilized his small savings and bought his first stock of auto parts. That was in 1996. Later in the same year, when he needed additional funds, he approached Scotiabank and established a relationship which resulted in several loan facilities, including a ScotiaLine, to purchase his auto parts overseas, clear them through Customs and transport them to his shop. *"Mr. Rhoan Bennett was the best loans officer,"* Mr. James recalls. *"He made it so easy."*

Since then, Mr. James has been able to keep parts in stock, and the four trucks, which he contracts to Western Parks and Markets, on the roads. But again, an opportunity presented itself for greater efficiency and management of his small business, which employs 15 people, including himself.

The Branch Manager at Savanna-la-Mar, Michael Shaw, decided to explore the opportunities for Scotiabank to give further assistance. *"I noticed that he had several loans, and I felt there was a need to analyze his business to see if we could serve him better, so one day I met him in the line at the branch and invited him into my office."*

Mr. James was then introduced to Ms. Michelle Senior, Assistant Manager Credit, who analyzed his business and offered him a customized suite of products – a term loan and overdraft facility to help him with his cash flow, a Point-of-Sale machine to allow him to accommodate large sales by debit and credit cards, and the newly launched MasterCard Business Credit Card. This credit facility provided him with the ability to purchase auto parts overseas, easily.

"I had a personal credit card, but the limit did not allow me to make big purchases. This MasterCard Business Credit Card is a great help. If I visit a supplier overseas and see items on sale, new or used, I can use my business credit card, and best of all, I no longer have to call a friend in the States to borrow some dollars," Mr. James said proudly.

"Everything is just coming together for me this year – my suppliers are giving me credit because they see how my business is growing, and my bank sees what I am doing and they are working with me; it's just good!" said Mr. James who is gearing up to provide service for the big trucks hauling sugar cane in the harvest in western Jamaica, as well as moving goods to facilitate the vibrant expansion of the hotel industry on the North Coast.

Moving from trucking to opening a store selling auto parts was a great opportunity for growth, and with the right products, services and an understanding team, he was able to grasp the opportunity with confidence.

Small and Medium Enterprises
Small businesses are companies with up to 25 employees, and total assets excluding land and buildings of $20 million. But we do not limit ourselves to these national parameters as they do not describe the limitless possibilities of these businesses.

We are aware that there are tremendous opportunities for these businesses, given proper management, planning and financing. Our SME Unit is now geared to satisfy these needs; and the success of Chucky's Auto Supplies bears out well the mantra of our Small and Medium Enterprise strategy – that of 'Working together to grow your business.'

Major Achievements
SME

- Launched MasterCard Business Credit Card and MasterCard Executive Credit Card
- Launched a Credit Line for business
- Trained 60 Business Banking Officers
- Hosted three Merchant Seminars on "Best Practices in Credit Card Acceptance" as part of our customer education programme

Heart and Sole Boutique in the Orchid Village Plaza, Liguanea, St. Andrew, is owned and operated by Mary Abrahams, who caters to customers (like Lisa Booth pictured here) shopping for fine women's apparel and accessories.

Consultative Relationships

"The Corporate and Commercial Banking Centre (CCBC) registered several big wins in 2007, participating in projects that together have unprecedented national and regional impact.

We also sought to extend advice in financial solutions that would enhance shareholder value. The benefit of this approach has been consultative relationships with each client, where we don't just talk about loans, we talk about a holistic future for the business. For medium size enterprises, we improved our points of contact, and in doing so, we developed individual snapshots of our clients operations that in many cases led us to suggest smart re-financing options that matched the unique challenges medium-sized businesses face."

Wayne Hewitt
Vice President
Corporate & Commercial Banking Centre

Creating Opportunities for Commercial Business

Bringing 'life' to the North Coast

With an understanding of our customers' goals

Minister of Water and Housing, The Honourable Dr. Horace Chang (in tractor) breaks ground for the Braco to Runaway Bay leg of the National Water Commission's Water Supply Project.

The National Water Commission (NWC) has broken ground for the Harmony Hall/Braco – Runaway Bay Water Supply Project, another achievement in meeting its millennium development goals of "providing universal access to water for all Jamaicans by 2015."

The project will involve the laying of over 23 kilometres of transmission and distribution lines, extending from Braco in Trelawny along the verge of the highway to Runaway Bay in St. Ann, and the construction of a 500,000 gallon tank above Rio Bueno.

"The project will not only provide an improved and more reliable water supply for existing NWC customers, but will also provide water to new customers. It will also transform these lands along the coast into prime real estate to facilitate more hotel and condominium developments," said E.G. Hunter, Chief Executive Officer, NWC.

Having won the bid to provide local financing to supplement funds raised by the NWC from the Government of France, our team led by Wayne Hewitt, Vice-President and Taryn Budoo, Relationship Manager, of the Corporate and Commercial Banking Centre, understood the NWC's urgency in wanting to conclude the deal. *"We had to work around the clock, as we wanted to conclude the deal quickly and Mr. Hewitt and his team were there with us. There was perfect synchronization between our corporate objectives,"* commented Mr. Hunter.

Sharing a Vision

At Scotiabank, we are committed to developing an understanding of our customers' businesses. These insights inform our ability to meet their current needs and keep us aligned in the future. Our vision offers tailor-made opportunities for companies of every size. It commits us to reaching for every opportunity to add value to their plans through mergers and acquisitions, expansion or equipment purchases.

Mr. Grant Smith of Stony Valley Limited, explains it best. *"Scotiabank understands that as a developer, I am always thinking long term. The real test of the strength of our relationship came when I started to develop seven acres in Trelawny. From buying the land, designing and submitting plans for approval and putting in the infrastructure, I had the support of Scotiabank. We even had to face the challenge of the development being dismissed by potential customers as being too remote - a fact that soon turned out to be one of the property's biggest selling points. Pushing through all of the rigours of real estate development simply can't happen if your banker doesn't have as solid a belief in the project as you do. Scotiabank can look at a bare tract of land and see how I want to transform it, and that's what I need."*

Major Achievements
CCBC

- Lead Arranger for the equivalent US$175 million acquisition financing provided to Cobalt Holdings for acquisition of the Caribbean assets of Courts Jamaica Limited. Scotiabank Jamaica played a significant role in structuring and closing the negotiations, and participated in the transaction for approximately J$2.2 billion

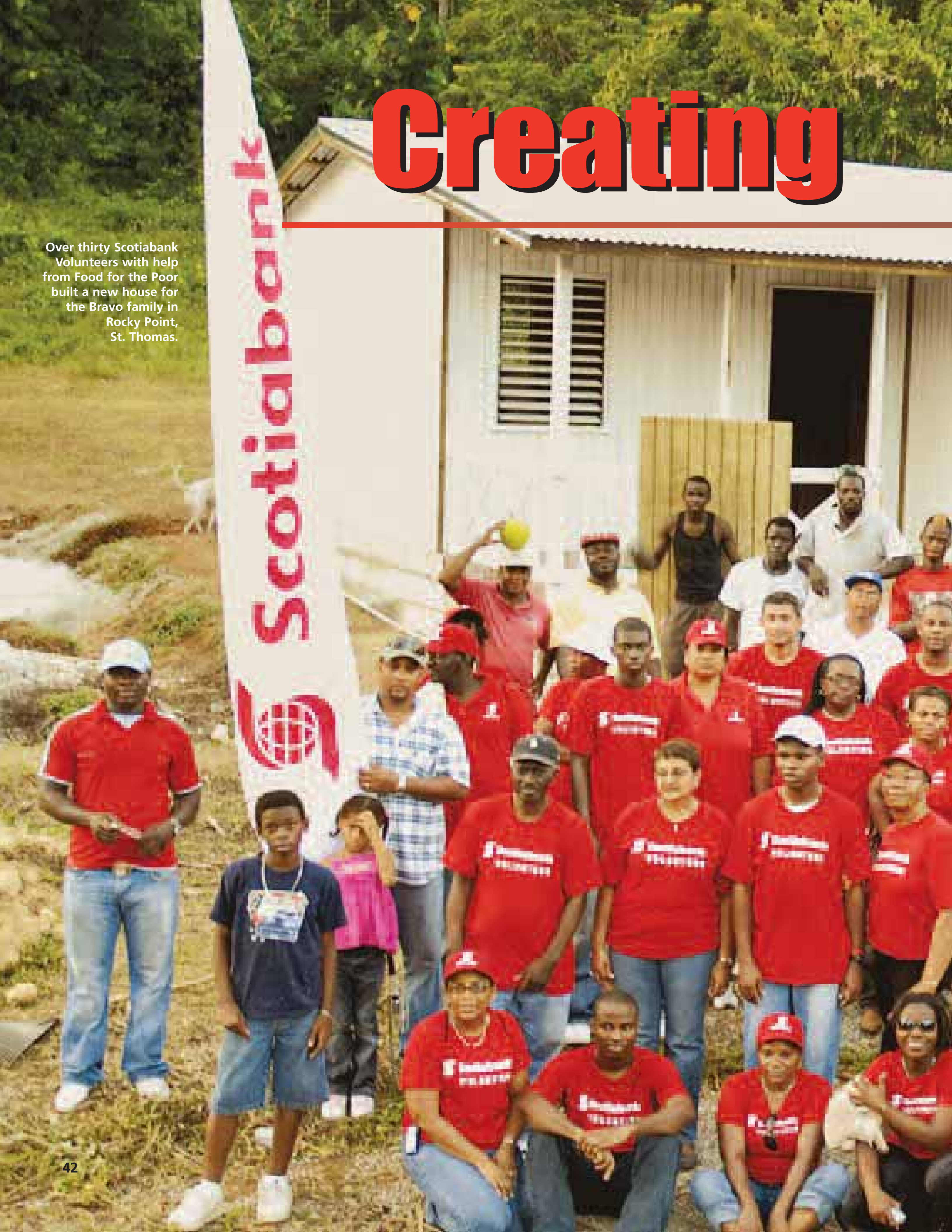
- Arranged financing for the Port Authority of Jamaica's Kingston Container Terminal Phase V expansion project, which was provided directly by Scotiabank Jamaica, Scotiabank Europe and Scotiabank Canada

- Provided financing for the National Water Commission's Harmony Hall to Runaway Bay Water Supply Project

- Arranged pre-export financing to Jamaica Cane Product Sales for the sugar industry

From left to right: Karl James, the General Manager of Jamaica Cane Product Sales, Richard B. McCorkindale - Director, International Corporate & Commercial Banking - Structured Finance -The Bank of Nova Scotia and Wayne Hewitt, Vice President of Corporate & Commercial Banking, Scotiabank, at the Bernard Lodge Sugar Estate, St. Catherine.

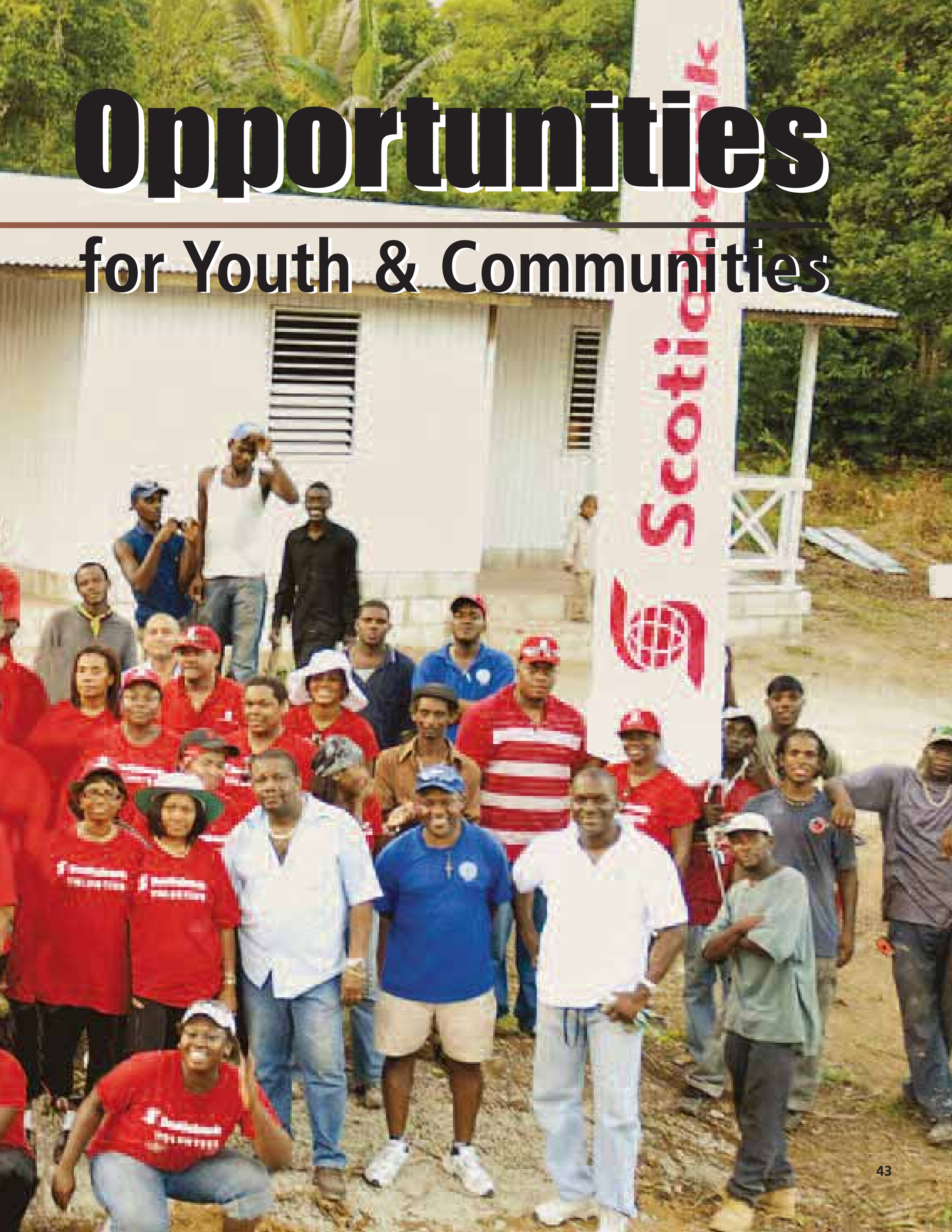
Creating



Over thirty Scotiabank Volunteers with help from Food for the Poor built a new house for the Bravo family in Rocky Point, St. Thomas.

Opportunities

for Youth & Communities



Creating Opportunities for Youth and Communities

Creating Opportunities for Youth and Communities

"I'm at Princeton!"

More educational opportunities

Melecia Wright at Princeton
SJF Scholar

Millions of people around the world dream of saying, *"I'm a student at Princeton!"* Just thinking about it can give them the shivers. Melecia Wright from Jamaica is shivering, but that's because she is at Princeton and it is the winter season. Melecia's achievement of a full scholarship to Princeton University in the U.S.A. is a result of her own hard work, commitment to excellence, strong faith and support of her family and teachers.

Scotiabank, through the Scotiabank Jamaica Foundation (SJF), is very pleased to have played a critical part in her success. In 2000, due to her hard work, she was the Top Girl in the Grade Six Achievement Test (GSAT) and as a result, she received the Scotiabank Jamaica Foundation Scholarship for Excellence, which provided her with $120,000 per annum for seven years to attend Montego Bay High School.

"At the time I was awarded the Scotiabank GSAT Scholarship, I was not sure that my family would be able to manage the financial responsibilities of high school. The scholarship gave me another reason to strive for excellence: I had someone else outside of my family and friends cheering me on and expecting me to do well. I couldn't very well let Scotiabank down," she wrote in an e-mail from Princeton. In a show of recognition of Melecia's accomplishment, the Foundation presented her with a monetary gift to assist in defraying costs associated with taking up the scholarship at Princeton.

"When Melecia wrote and told us that she was accepted by 12 universities in the United States, Europe and Jamaica, we were more convinced than ever that we were doing the right thing, by giving students an opportunity to build a strong foundation in education that would open doors of opportunity for them after high school," said Joylene Griffiths Irving, Executive Director, Scotiabank Jamaica Foundation.

Melecia was invited to speak at the Scotiabank Jamaica Foundation's Annual GSAT Scholarship awards luncheon to share her experience with the other scholars. *"It was a very fulfilling experience for me and I felt so happy and proud. This scholarship made me realize just how much an act of benevolence can influence someone's life. I always use the phrase, 'making distant probabilities into immediate realities."*

Melecia is one of 144 students who have benefited from the Scotiabank Jamaica Foundation GSAT Scholarship programme which began in 1996. These scholarships provide relief for parents who no longer have to worry about tuition, books, uniforms, meals or even transportation.

Building awareness of HIV and AIDS

Impacting the community – students, parents and teachers

"I was very encouraged by the theme of this debate to Speak Up! and Speak Out!" said Kyodi Green of Hydel Preparatory School. He and his teammates, Natasha Patterson and Jahtonali Barrett, comprised the winning team

in Scotiabank's "Speak Up! Speak Out!" National Primary Schools HIV and AIDS Debating Competition. Kyodi was the only boy in the finals of the competition and won the prize for Most Outstanding Male Speaker. Their prizes included computers for their school and scholarships to high school. Kyodi, who was one year younger than his teammates, will take up his scholarship next year, in September 2008.

Kyodi, Natasha and Jahtonali were just three of the many students from 91 public and private schools that participated in 431 debates. Eleven moots were designed to raise awareness levels among young children, and change attitudes towards persons living with the disease, by fighting stigma and discrimination and promoting healthy lifestyles.

The competition, which began in December 2006, ran through to May 2007 and targetted children nine to 12 years old, from grades four through to six. Hydel Preparatory in St. Catherine emerged winners over Retreat Primary and Junior High School from St. Mary when they met in the grand final to discuss the moot 'The school is not a suitable setting for students affected by AIDS.' Third Place was awarded to Santa Cruz Primary and Junior High School from St. Elizabeth.

Scotiabank spent approximately $15 million on prizes – scholarships to students, computers and trophies; resource material – text and audiovisual material for teachers and students in 285 schools; hosted two HIV and AIDS Awareness Road Shows; and conducted seminars for debate coordinators and parents island wide.

"I was very fortunate to have attended one of the Parenting Seminars held in St. Ann's Bay. I was shocked at some of the information that was relayed. Boy! Let me tell you! It really frightens me to hear certain things! It was that very seminar that motivated me to reach out and spread awareness in my community. So we started an adult life skills class called the Protection Action Plan Programme, along with other parents. I started talking to youth about knowing their HIV and AIDS status, the correct ways of storing and using a condom and the concept of abstinence," said Mrs. Heather Gardener, whose child attends Inverness Primary & Infant School.

We created opportunities for our children to increase their awareness of this epidemic, expand their knowledge through research, develop competencies and confidence in public speaking, and conceptualize programmes to integrate into the school and the community. The Scotia Group is proud of its commitment to corporate social responsibility and to supporting programmes that have such a direct impact on the communities where we live and work.

Our embracing of this programme also created an opportunity for Scotia Group to be recognized nationally and internationally. We became one of 19 founding members of the Jamaica Business Council on HIV and AIDS; as well as members of the Global Business Coalition on HIV and AIDS, Tuberculosis and Malaria; and received a Certificate of Excellence from the U.S. International Film and Video Festival for our video-drama, "A Letter to Pearl", part of the free resource material given to schools.

Mr. William Clarke (2nd left), with the winning team from Hydel Preparatory School and Mrs. Hyacinth Bennett (centre) their Principal and Coach.

'Speak Up! Speak Out!

"We must all accept the fact that the HIV and AIDS epidemic can cripple our society. We must 'Speak Up! and Speak Out!' about the behaviours that encourage the spread of this disease and become aware of the dos and don'ts in coping with HIV and AIDS.

We must step up to the plate and do all that needs to be done to ensure that our young people not only have information about HIV and AIDS, but cultivate behaviours that will help to keep them safe, and these are lessons that are best learnt at a young age.

This primary schools HIV and AIDS Debating Competition is intended to help to meet the challenge to change. The challenge to learn about the disease, to face up to what it means, to understand what are the right actions to take in situations relating to the disease and persons living with the disease, and to embrace change in behaviours.

Scotia Group is committed to increasing this awareness through the education of our children and the communities in which we live and work."

William E. Clarke, OJ, CD
President & CEO and Scotiabank's Spokesman on HIV and AIDS

Creating Opportunities for Youth and Communities *(continued)*

A Commitment to Corporate Social Responsibility

"In 2007, Scotia Group executed several projects and programmes which further demonstrated our commitment to our Corporate Social Responsibility and to improving the communities in which we live and work.

Scotiabank and the Scotiabank Jamaica Foundation donated $170 million to the Health and Education sectors and Community activities.

During the year, the Foundation donated a total of $67 million to various projects. Since its inception, it has donated $507 million to Education, Health and Community projects.

This year, we have cemented our commitment to the community in which we operate by employing a Manager for Corporate Social Responsibility. This action demonstrates unequivocally, that we are really serious about giving back to our people and our community."

Joylene Griffiths Irving
Executive Director
Scotiabank Jamaica Foundation

Major Achievements
Corporate Social Responsibility

- Awarded 247 new and continuing scholarships and bursaries to students in high schools, community colleges and three local universities during the year
- Expanded daily Breakfast Feeding Programme to a total of five schools island wide with a collective population of 500 students
- Launched 'Speak Up! Speak Out!' National Primary Schools HIV and AIDS Debating Competition
- Donated $17.5 million to repair schools damaged by Hurricane Dean
- Donated 54 computers to 17 educational institutions
- Expanded the School Road Safety Programme to include erecting of road signs
- Donated new Ultrasound, X-ray machines and Infusion Pumps to Scotiabank Centennial Accident & Emergency Unit, University Hospital of the West Indies
- Donated six new dialysis machines to Scotiabank Jamaica Foundation Haemodialysis Unit, Cornwall Regional Hospital
- Repaired the roof and painted the Scotiabank Jamaica Foundation Accident and Emergency Unit, Port Antonio Hospital
- Completed a 300-seat Lecture Theatre for the Montego Bay Community College
- Launched 'The Teller…stories to tell', a weekly programme on TVJ
- Enhanced our image with a team of 500 Scotiabank Volunteers – who participated in Teacher's Day, National Labour Day, ICC Cricket World Cup West Indies 2007, and other charity events
- Hosted the Annual Scotiabank Lecture Series. Former Governor of Florida, Jeb Bush, was keynote speaker and addressed the topic *'Confronting Radical Change to Bring Future Economic Rewards'*
- Continued the provision of meals for 45 residents of the Golden Age Home in Kingston
- Received the Certificate of Excellence from the US International Film and Video Festival for our locally produced video-drama, '*A Letter to Pearl*'

Creating Opportunities in Sports Sponsorship

Scotiabank was proud to play a role as regional sponsor in the staging of the ICC Cricket World Cup in the Caribbean in 2007. The third-largest sporting event in the world occurred between March and April 2007. The Bank's involvement in cricket in the region dates back almost 10 years, so it was a natural partnership that increased our visibility in the Jamaican community.

Our connection with the tournament and our dedication to the development of the sport was highlighted through a myriad of activities. Key among these, was the mounting of a mural specially commissioned by Scotiabank and painted by renowned Barbadian artist, Michael Naemsch. The mural depicted our focus on youth in sports through our Kiddy Cricket programme, which remains the centrepiece of the Bank's association with West Indies cricket. Our young constituents' performance and participation continue to be encouraging and rewarding, and the programme grows yearly.

In reinforcing our theme 'The Next Great Cricket Moment,' the Bank developed what we termed 'The Legends Series,' a group of vignettes featuring past Jamaican cricketing greats Michael Holding, Maurice Foster, Courtney Walsh, Jeffrey Dujon and Jimmy Adams. The series highlighted great cricket moments as seen through the eyes of these legends, and was aired on television to rave reviews from cricket aficionados and weekend fans alike. We anticipated that the sentiments expressed would resonate with the young cricketers and sufficiently motivate them to perform admirably at the national and international levels to preserve our great West Indian cricket history.

We carried the cricket theme through to our Customer Appreciation Day activities. Customers were able to celebrate with us in branches and on match days at the Trelawny Multi-purpose Stadium and Sabina Park, where they were invited to be a part of historic cricketing occasions such as the opening ceremony and to watch various matches.

Cricket fans were particularly pleased with our calendar, developed to highlight great moments in West Indies cricket, facts and trivia about the sport, and the development of the various stadia around the Caribbean for the event.

Another highlight was our association with school boy football and our national netball programme. Scotiabank signed a three-year deal as an associate sponsor of the School Boy Football Competition organized by ISSA, featuring teams vying for the Manning and DaCosta Cups, as well as the Walker Cup and Olivier Shield. The Bank also signed on to become a major sponsor of the Jamaica Netball Association – their developmental training programme that ensures that the proper foundation is laid for its future great players.

Scotiabank Kiddy Cricketers took to the field at Sabina Park during the lunch break of the ICC Cricket World Cup semi-final to demonstrate their cricketing skills.

Recognizing Potential

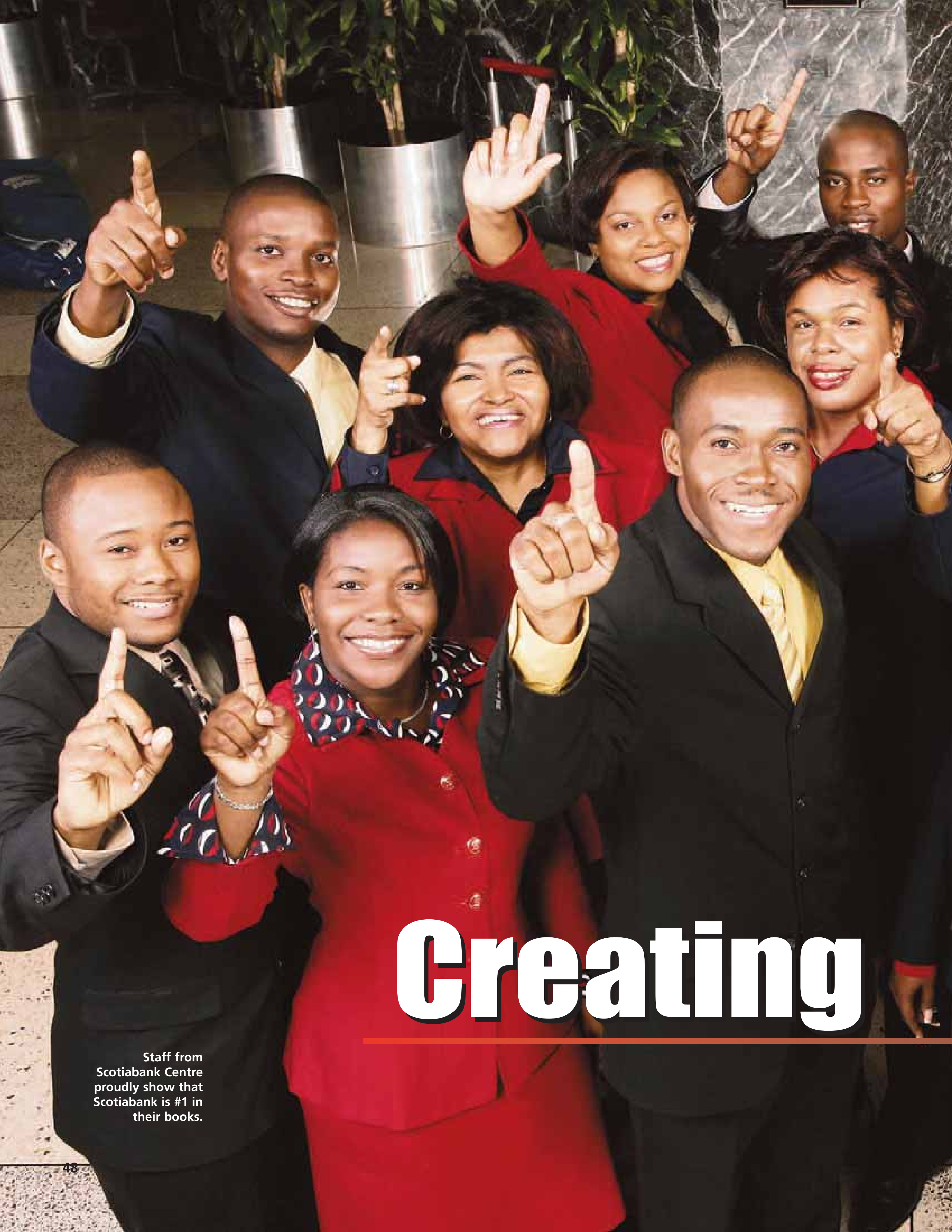
"We recognize that sports contribute to a high level of community spirit and involvement, and Scotia Group wishes to preserve and develop this spirit, ensuring a brighter future for our young people.

Participation in team sports gives our youth an opportunity to learn the important life lesson of team above self, and aid in their growth and development in a meaningful way.

Scotiabank's historical positioning of over 175 years in operation and as the most profitable commercial bank in the country, has created a rich legacy which gives us a thorough understanding of the importance and value of the contribution that our young people are capable of making.

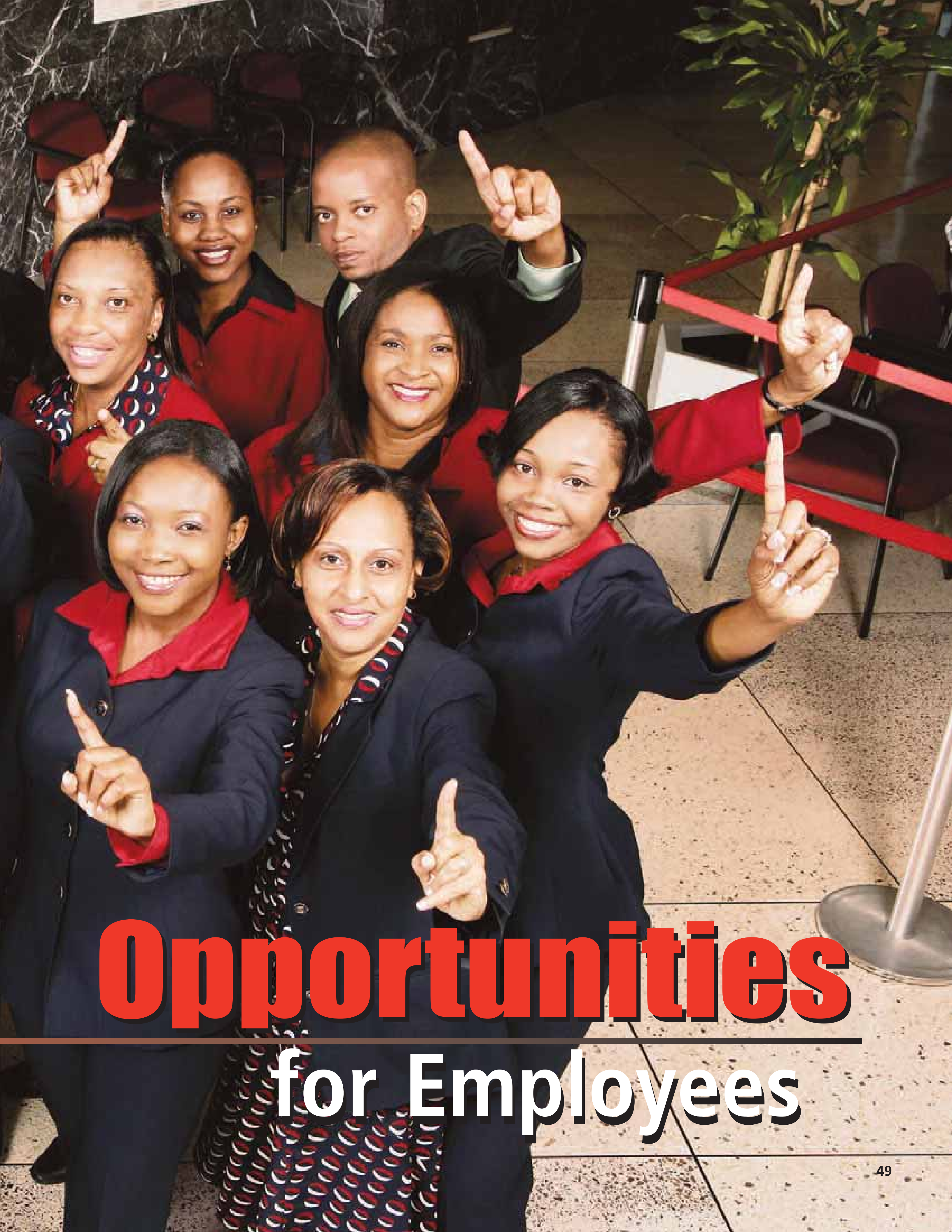
Our ongoing commitment to sports sponsorship in Jamaica is a demonstration of that understanding."

Heather Goldson
Vice President
Marketing



Creating

Staff from Scotiabank Centre proudly show that Scotiabank is #1 in their books.



Opportunities for Employees

Creating Opportunities for Employees

One Team, One Goal

"The business objectives agreed for the Scotia Group are well within reach when employees understand the goals, take ownership for them and strive to make them happen. We are keenly aware that the organization has a responsibility to ensure that the goals are fully understood from the onset. When there is widespread organizational traction for this type of approach, what follows is increased employee and team effort.

We will continue to engender a culture in which employees want to first of all, be more so that they can do more as well as give more. With all of this happening concurrently, the organization and its employees are well placed to grow into the next generation of success."

Michael Jones
Senior Vice President
Human Resources

Creating Opportunities for Employees

A Culture of Opportunity

With Training and Development

Peter Mohan
Incumbent Branch Manager
Scotiabank, Morant Bay

"I began my career at Scotiabank as a porter, but I had my sights set on being a teller, because I felt I had the qualifications to achieve this goal. So I helped the tellers and back office staff in the evenings after the branch was closed and, soon enough, I was promoted to teller. That was 14 years ago. I am now a management trainee, and I've recently completed a Bachelor of Science degree in Management Studies, which was sponsored by the Bank," said Peter Mohan, who will shortly assume the responsibility of managing the Morant Bay Branch.

Charting Career Paths

In the last year alone, we have strengthened our support network for employees so that they not only have a sense of purpose about their individual roles, as well as a collective sense of direction and a vibrant sense of commitment to the Group. In creating opportunities for our employees, we want to ensure that their talents are nurtured and that their passion for the work they do is honoured and sustained. Scotia Group supports our employees by giving them the freedom to succeed in their jobs and to chart long-term their futures with the Group. As a result, we have received recognition from the Jamaica Employers' Federation and from the Human Resource Management Association of Jamaica.

Our ability to seize market opportunities rests squarely on how well we match the right people with the right job. Our employee website, HR Passport, allows us to do this by offering information about job postings, locally and internationally. The site also has details on career planning and development initiatives, which gives our employees opportunities to seek advancement within the Group.

It is important that we equip our employees with the experience that will allow them to flourish within the Group. To do this, we developed R.E.A.P. – The Rotation, Exposure, Apprenticeship Programme – an initiative designed to give full-time clerical and supervisory staff the opportunity to develop a 360-degree view of the Group's operations in an intensive two-week cross-training programme.

Additionally, we improved our coaching programme to help us to build employee proficiency. Through this programme, employees have regular, frank discussions with their supervisors. From this, they are able to develop a good sense of the value they bring to their jobs and receive guidance on how to improve their performance.

Our interest in employee advancement is further demonstrated in our approach to training. During 2007, 1,595 employees improved their competencies by participating in courses at our Training Centre.

On an annual basis, we offer a total of 10 scholarships to staff to attend Northern Caribbean University, the University of Technology or the University of the West Indies. Scholarships cover tuition, miscellaneous fees and books. Each scholarship represents a belief in the potential of the award recipients and a commitment to their success.

Major Achievements
Human Resources

- Human Resources Management Association of Jamaica Award – Third Place for Scotiabank Jamaica Development Suite covering coaching programmes and Annual Employee Conference Seminars
- Launch of HR Passport, an Intranet site with information on policies, career opportunities, training, compensation and benefits.
- Launch of Accreditation Programme to support career planning and employee development
- Launch of engagement programme for lower-level staff to provide rotation and build commitment

Adza Davis, Systems Team Lead received his Master of Business Administration Degree from the University of New Orleans.

Customer Mr. Rory Rowe, does a transaction at the Internet Banking Kiosk in the New Kingston Branch.

Creating Opportunities for Customer Experience

Creating Opportunities
for Customer Experience

Creating Opportunities for Customer Experience

Technology leading the way

Customer Experience, Technology Innovation and Projects - A New Unit

Everything that we do revolves around our customers, but this was further amplified in 2007 with the debut of a new division expressly focused on improving our relationships with the people we serve.

One of the mandates of this new division is to create a sustained customer-centric culture throughout the organization. In this regard, emphasis will be placed on executing appropriate strategies to provide exceptional service quality, service delivery and customer experiences.

Scotia Group views technological innovation as one of the key drivers to remaining competitive in the Jamaican environment. Technology will always drive innovation, but it can only be a meaningful if it provides our customers with solutions that satisfy their needs. The implementation of better technologies will allow our staff time to focus on delivering service to our customers and improving our creativity in developing service enhancements.

In 2007, we made significant investments to enhance the service we provide through our 24-hour Customer Care Centre. We completed our Customer Connect Programme, which ensures that customers can easily have their queries handled by trained Customer Service Representatives or by our branch staff. We also introduced the 1-888-4-SCOTIA, so that our customers only have one number to remember to access any service provided throughout the Scotia Group network.

In this coming year, both our staff and customers will see the aggressive steps we are taking to raise our customer experience to the next level. Our staff will be given new technology to better manage our service issues, and will be supported by revamped training, measurement and reward and recognition programmes focused on the delivery of an exceptional experience to our customers.

Customers will benefit from streamlined account opening, enhanced any-branch banking, improved tracking and handling of service issues, and a dedicated team of Scotiabankers who aim to exceed expectations.

Enhancing Customer Experience

"We take it very seriously that our customers have a choice of financial providers, and that Scotiabank's continued industry leadership depends largely on the quality of experience our customers have whenever they do business with us. As a result, Scotia Group has placed achieving excellence in our customer experience at the top of our list of strategic priorities."

Maya Walrond
Senior Vice President
Customer Experience,
Technology Innovation and
Projects

A cross functional team representing various levels of Sales, Service and Support functions within Scotiabank participating in the Root Map focus group workshop at the Training Centre in October 2007.

Root Map Learning provides an interactive and engaging way to get employees excited about a new strategy.

Management's Discussion & Analysis

- Earnings per share of $2.48, compared to $2.32 for last year
- Return on Average Equity 24.01%, compared to 26.35% for last year
- Productivity ratio of 55.34%, compared to 52.59% for last year
- Dividend of $1.19 per share, compared to $1.07 per share last year

FINANCIAL RESULTS OVERVIEW

Scotia Group achieved record results and exceeded our key financial targets for 2007. Net income available to common shareholders was $7,493 million, an increase of $694 million or 10.2% when compared to the same period last year. This marks the eleventh consecutive year of increased profits for Scotia Group and we remain committed to our strategy of diversification across business lines.

The acquisition of Dehring Bunting & Golding Limited (DB&G) during the year laid the foundation for Scotia Group to become leaders in wealth management and wealth creation. The company made solid contributions to asset growth and increased profitability of the Group. In spite of reductions in interest margins and increased operating costs, all our business lines contributed positively to our net income for the year.

Earnings per share for the year was $2.48, compared to $2.32 for the last year, while return on average equity remains very strong at 24.01%.

Total revenues rose 15.9% year over year, as 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 over $8 billion. Interest income earned from securities also increased, due to volume growth in the portfolios, as market interest rates continued its downward trend for most of the year.

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, who continue to provide exceptional performance in growing profits. We are proud to be recognized as an employer of choice in Jamaica, and to obtain recognition from many international organizations.

The high credit quality in the Group's loan portfolios was maintained as we continued to exercise prudent selection and management of our expanded loan portfolio. Non-performing loans as at October 31, 2007, were $2,109 million, of which $792 million relate to the consolidation of DB&G. The non-performing loans for the Scotia Group were $1,316 million; this was an increase of $307 million when compared to $1,009 million a year ago. The Group's loan loss provision as determined by IFRS is $857 million, of which $667 million is specific and $190 million is general. The total provision for the similar period last year was $478 million, translating into a year over year increase of $379 million, of which the consolidation of DB&G accounts for $325 million.

Non-interest Expenses excluding Change in Policyholders' Reserve and Loan Loss Provisions, amounted to $9,620 million, an increase of $1,757 million over last year, of which $535 million relates to the inclusion of DB&G in the consolidated results. The balance of $1,222 million was due to increased staff costs, amortization of the intangible assets resulting from the acquisition of DB&G, advertising and public relations (sponsorship of ICC Cricket World Cup) and computer-related expenses.

Our capital base remains strong, as we continue to generate sufficient capital from operations. Total shareholders equity grew to $34 billion, $6.9 billion more than the prior year. This was due mainly to an increase of $3.6 billion in the share capital of Scotia Group Jamaica Limited. Our risk-based capital adequacy ratio is a measure of the Group's overall strength and at 26.94%, far exceeded the regulatory requirements, which requires that the Group maintain a ratio between its capital base and the aggregate of its risk weighted assets at no less than 10%.

STRONG SHAREHOLDER RETURN

Our solid financial performance continues to drive strong shareholder returns. Shareholders have had positive returns from the Group's shares, with the compounded annual return over the past five years averaging 19%. We remain focused on achieving sustainable, long-term earnings growth and a high return on equity. Shareholders continue to receive quarterly dividends, which totalled $1.19 per share for this year, an increase of 11.2% over 2006.

Total Shareholder Return						
For the year ended October 31	**2007**	**2006**	**2005**	**2004**	**2003**	**5-yr CAGR (1)**
Closing market price per common share ($)	21.25	22.06	21.14	25.26	8.95	18.9%
Dividends per share ($)	1.19	1.07	1.00	0.93	0.88	6.3%
Dividends paid (%)	5.39	5.06	3.96	10.34	11.17	
Changes in share price (%)	-3.76	4.26	-17.81	103.76	13.37	
Total Annual Shareholder return (%) (2)	1.70	9.41	-12.35	192.57	25.48	

(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.

IMPACT OF ACQUISITIONS

During the year, we completed the reorganisation of Scotiabank Jamaica, resulting in The Bank of Nova Scotia Jamaica Limited and DB& G Limited becoming subsidiaries of Scotia Group Jamaica Limited. On July 1, 2007, Scotia Jamaica Investment Management Limited became a wholly-owned subsidiary of DB&G in our quest to consolidate the investment management activities within the Group and to achieve efficiencies and economies of scale. The completion of this reorganisation has positioned Scotia Group to become a larger player in the financial services sector. The impact of DB&G on the results for this year are a contribution to gross revenues of $2,481 million and net income of $577 million, for the period from May 1, 2007 to October 31, 2007.

GROUP FINANCIAL PERFORMANCE

Total Revenue

Total revenue was $22,765 million in 2007, an increase of $3,115 million over the prior year. Before the impact of the acquisition, the Group's revenues grew by $2,279 million or 11.5%, reflecting growth in all business lines. Retail Banking had higher revenues due to solid growth in asset volumes. The increase due to growth in other revenue was fuelled by strong growth in foreign exchange trading profit and commercial and retail banking fees.

Net Interest Income

Net Interest income was $17,478 million in 2007, up $1,955 million over last year, despite continued reduction in market interest rates. We achieved growth in net interest income due to strong portfolio volume growth, particularly on the retail side, where we experienced growth in retail loans of 35%.

The Group's net interest margin (net interest income as a percentage of average assets) was 6.92% in 2007, a decrease of 99 basis points from the previous year. This was due primarily to the impact of the acquisition, as well as the continued decline in JMD net interest margin. Average assets grew by 30%, reflecting the strong growth in retail assets.

Other Income

Other income, defined as all income other than interest income and insurance premium income, increased by $972 million. This was driven by retail and commercial banking fees and foreign exchange trading revenue.

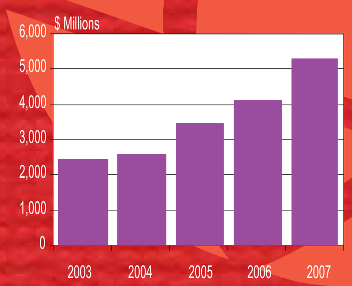
Credit card revenues rose 7% to $585 million in 2007. This was due to growth in activity and volumes of the credit card portfolio resulting from various promotional activities.

Foreign currency trading profit increased 21% to $1,067 million. This was primarily driven by growth in volume, as margins declined due to increased competitive pressures in the foreign exchange market.

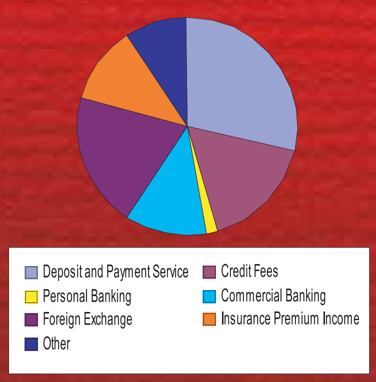
Credit fees increased by 45% to $880 million, driven by increased loan volume, as well as fees earned for arranging offshore loan facilities.

Scotia Jamaica Life Insurance Company had another successful year with total gross premium income of $4.8 billion. ScotiaMINT, the interest sensitive life insurance policy, as well as Creditor Life, made significant gains in Insurance Premium.

Other Income

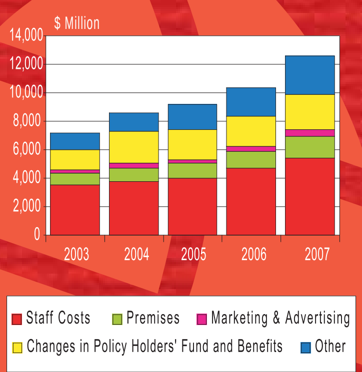


Other Income

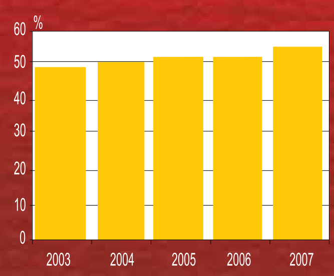


Management's Discussion & Analysis *(continued)*

Non Interest Expenses



Productivity Ratio



Combined net premium income for both products increased by approximately $188 million, amounting to $618 million for this year.

Other income includes significant gains on the sale of securities amounting to $296 million, by DB&G Limited.

Non Interest Expenses

Non-Interest expenses, excluding changes in policyholders' reserves and loan loss provisions, were $9,620 million in 2007, an increase of $1,757 million from last year, of which DB&G accounts for $535 million in the consolidated results. Salaries and employee benefits are the major contributor to this expense category, and was $5,403 million, up 16% from last year. This was primarily due to salary increases effected November 2006 in accordance with the union contract.

Property-related expenses were $1,508 million in 2007, an increase of 22% from last year. This was driven mainly by increases in security and utility costs.

Advertising, public relations and business development costs increased by $186 million to $503 million. During the year, we had a number of promotional campaigns for ICC Cricket World Cup, 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 – a key measure of cost efficiency) was 55.34%. If insurance premiums 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 Scotia Group, the productivity ratio for the period was 45.81%, which is significantly better than the international benchmark of 60%.

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.

Taxes

In 2007, the provision for income and deferred taxes was $2,557 million, up $40 million or 2% from last year. DB&G benefited from the utilization of previously unrecognized deferred taxes on tax losses carried forward, which positively impacted the balance by $255 million.

Credit Quality

The Group's non-performing loans now represent 1.82% of total loans and 0.64% of total assets, compared to 1.68% 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 $857 million, of which $667 million is specific and $190 million is general.

The loan loss provision as determined by Regulatory Requirement is $1,902 million, of which $355 million relates to provisions established by DB&G. The remainder of $1,548 relates to Scotiabank and its subsidiaries, and provides coverage of 118% over 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 have ensured the high quality of the loan portfolio.

Summary of Quarterly Results

We delivered strong results for the fourth quarter, with net income attributable to common shareholders of $2,126 million, which was $152 million above the net profit for the quarter ended July 31, 2007, and $311 million above the net income for the quarter ended October 31, 2006. The year-over-year increase reflects the impact of the retail volume growth, partly offset by margin compression.

The Group's results in each quarter of this year were higher than those of the same quarter in 2006, as well as each preceding quarter. Revenues were consistently increasing in each quarter, resulting from increased asset growth. As of May 1, 2007, the results of DB&G were consolidated in the Group's financial statements.

GROUP FINANCIAL CONDITION

Assets

The Group's total assets increased year-over-year by $63 billion or 32% to $263 billion as at October 31, 2007. Growth was spread across most asset categories, with the primary focus being retail and commercial loans, as well as securities.

Summary of Quarterly Results

($ Billions)	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Q4
Gross Operating Income	7.0	7.1	8.7	8.9	6.5	6.5	6.8	7.2
Total Operating Income	5.0	5.1	5.9	6.2	4.8	4.7	4.8	5.1
Operating Expenses	2.8	2.7	3.2	3.6	2.6	2.3	2.5	2.6
Net Income	1.6	1.8	2.0	2.2	1.5	1.8	1.7	1.8
Earnings per share (cents)	55c	61c	63c	68c	52c	60c	58c	62c
ROE (percentage)	23.2%	24.9%	25.3%	25.2%	25.6%	28.5%	26.7%	27.1%
Total Assets	205	216	258	263	194	193	194	200
Stockholder's Equity	28	29	33	34	24	25	26	27

Cash Resources

Our cash resources held to meet statutory reserves and the Group's prudential liquidity targets stood at $55 billion as at October 31, 2007, compared to $60 billion at the previous year-end. These assets are held in liquid form at levels and terms that enable us to respond effectively to changes in our cash flow, without severe adverse consequences. The amounts held exceed the statutory minimum for such assets in relation to our prescribed liabilities.

Securities

Total investment securities increased from $69 billion to $98 billion, due to growth in the Investment portfolios of the Group and from the acquisition of DB&G. Pledged securities, mainly relating to securities sold under repurchase agreements, now stands at $35 billion, compared to $20 billion last year. Available-for-sale and held to maturity investments, increased by $13 billion to $ 61 billion, as at October 31, 2007. The Trading portfolio increased to $1.1 billion, resulting from the acquisition of DB&G.

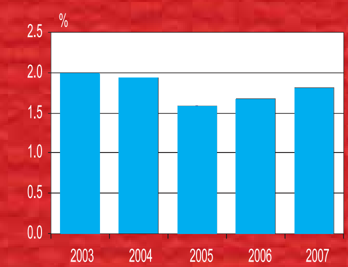
Loans

The Group experienced solid growth in its loan portfolio this year, with loans after allowance for impairment losses growing to $77 billion. The retail loans showed very good performance, with Scotia Plan Loans and Credit Cards, increasing by 43% and 19% respectively. Residential Mortgages also increased by $1 billion or 26% to $5 billion in 2007.

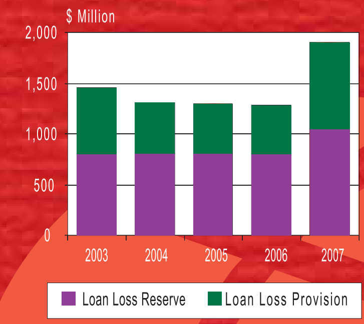
Due to our proven risk management practices, the quality of the loans booked continue to be high as our non-performing loans, and allowance for impairment losses continue to be relatively stable despite the exponential growth in the loan portfolio. As at October 31, 2007, our non-performing loans were $2.1 billion, including $792 million arising from the consolidation of DB&G.

Our IFRS allowance for impairment losses increased to $857 million, including $325 million from the consolidation of DB&G. We are confident that with this level of provisioning, the Group is adequately protected should the economy suffer a short-term down turn.

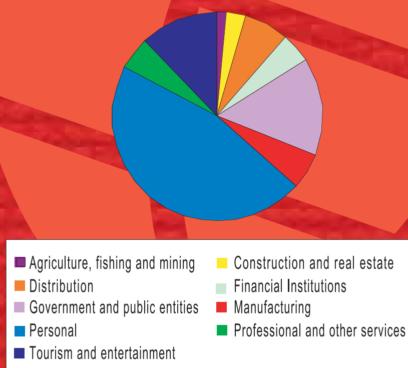
NAL as a % of LOANS



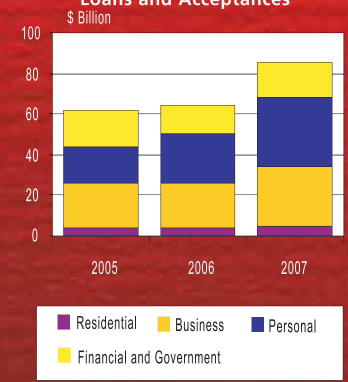
Loan Loss Provisions



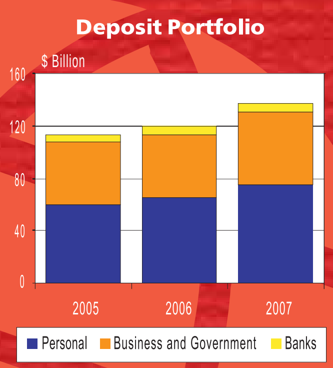
Credit Exposure
(Loans and Advances)

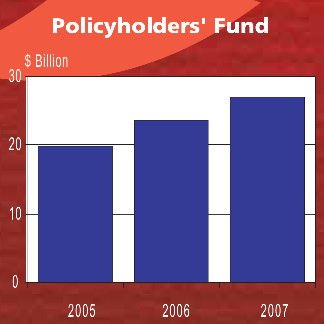


Loan Portfolio
Loans and Acceptances



Management's Discussion & Analysis *(continued)*





Liabilities
Total liabilities were $227 billion as at October 31, 2007, an increase of $54 billion or 31% from last year.

Deposits
The Group continues to increase its deposit base despite the noticeable market shift from traditional financial markets deposits and investments. Deposits grew to $138 billion, up $18 billion from the previous year, reflecting continued confidence in Scotiabank. Personal deposits were up $10 billion or 16%. Our core suite of deposit products, which includes current accounts, savings accounts and term deposits showed continued growth year over year.

Obligations related to repurchase agreements, capital management and government securities funds
These represent another source of wholesale funding to the Group. Securities sold under repurchase agreements now stand at $32 billion up $14 billion or 77% over last year. The capital management and government securities funds, included from the consolidation of DB&G, amount to $14 billion as at October 31, 2007.

Policyholders' Fund
The Scotia Insurance Policyholders' Fund increased to $27 billion, an increase of $3 billion or 12.5% over 2006. This was due to the net increase in gross premium income.

Shareholders' Equity
Total shareholders' equity rose to $36 billion in 2007. The increase was mainly attributable to a $3.6 billion increase in the share capital of Scotia Group Jamaica Limited, consistent with the Scheme of Arrangement.

Capital Management
Scotia Group maintains a strong capital base to support the risks associated with its diversified businesses. The Group's capital ratios remain among the highest of its peer group. This strength contributes to safety for the Group's customers, and fosters investor confidence. In addition, the Group's practice is to remain well capitalized in order to take advantage of growth opportunities as they arise. Strong capital also provides for the potential to enhance shareholder returns through increased dividends or share repurchases.

Subject to The Banking (Capital Adequacy) Regulations 1999, a bank shall at all times maintain the ratio between its capital base and the aggregate of its risk-weighted on balance sheet assets, risk weighted off-balance sheet items and risk-weighted balances related to managed fund activities and foreign exchange exposure of no less that ten percent (10%). Measured on a similar basis, as at October 31, 2007, the capital adequacy ratio for Scotia Group (consolidated) stood at 26.94%.

Dividends
Our shareholders received increased dividends during 2007, 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 Group.

Dividends per share totalled $1.19 in 2007, an increase of 11% from 2006. The gross dividends for 2007 were $3,649 million, up $517 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 2007 was 47.26% compared to 46.07% last year. Both ratios are within the target payout range of 40% - 50%.

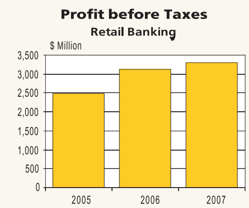
BUSINESS LINE OVERVIEW

2007 Financial Performance

($ Millions)	Treasury	Retail Banking	Corporate & Commercial Banking	Insurance Services	Investment Management Services	Other	**Total**
Total Revenues	2,477	12,174	7,380	4,555	5,011	93	**31,690**
Expenses	(108)	(8,862)	(5,390)	(2,871)	(4,295)	3	**(21,523)**
Profit before tax	2,369	3,312	1,990	1,684	716	96	**10,167**

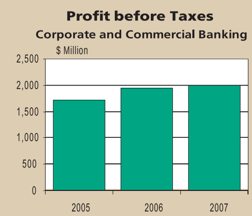
Retail Banking

Retail Banking had an exceptional year, with Gross External Revenues increasing by 17.5% to $9.4 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 6.2% to $3.3 billion this year. Non-interest expenses and provisions for credit losses remained well controlled.



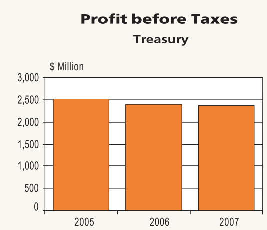
Corporate & Commercial Banking

Corporate and Commercial Banking had a good year, with profit before taxes of $2.0 billion, an increase of 2.5% from last year. This result was achieved despite the challenges of low loan demand in this market segment.



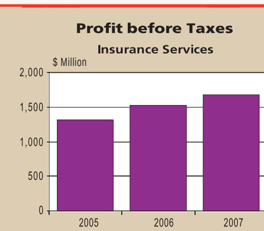
Treasury

Treasury profit before taxes remained flat at $2.4 billion this year. This was due to the continued reduction in JMD interest rates, hence a reduction in JMD net interest margin. However, this was partially offset by the year-over-year increase in net foreign exchange trading income by 21% to $1.1 billion.



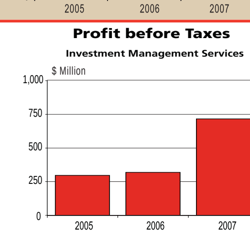
Insurance

Scotia Insurance had a good year as profit before taxes rose by 10.6% to $1.7 billion in 2007. ScotiaMINT continues to enjoy significant growth in market share, in terms of gross premium income and number of policies issued.



Investment Management Services

The Investment Management segment of the Group delivered credible performance this year with profit before taxes rising by over 100% to $716 million. The acquisition of DB&G and the consolidation of Scotia Investments were two significant milestones achieved during the year to garner this success.



Other

The Other category includes activities of non-trading subsidiaries and other corporate adjustments, that are not allocated to an operating segment.

Risk Management

OVERVIEW

The Scotiabank risk management framework has been developed to address the diversity of the Group'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. Scotia Group'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 those 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 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 Group 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.

- Measurement, Review and Reporting – Processes are designed to ensure that risks are properly assessed at the transaction, customer and portfolio levels. Measurement tools quantify risk across products and businesses and are used, among other things, to determine risk exposures. 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 Group'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 Group'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 Group'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.

For new acquisitions, Scotia Group will assess existing risk management programs and, if necessary, develop an action plan to make improvements in a timely fashion to the processes related to the identification, measurement, management, monitoring and reporting of risks.

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 Group. Credit risk is created in the Group's direct lending operations and its funding, investment and trading activities, where counterparties have repayment or other obligations to the Group.

Scotia Group'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, credit enhancements, enhanced credit analysis and strong Board oversight. The Group'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.

Scotia Group 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, analyze the proposal. A risk rating system is used to quantify and evaluate the risk, and determine whether the Group is being adequately compensated, and the Board reviews and ratifies all major credits.

The evaluation of the credit risk of a borrower, or for a specific credit facility for a borrower, leads to classification under the Group's various internal risk rating systems. The Group applies different methodologies to arrive at risk ratings for the various unique portfolios. These systems are designed to meet the objectives of transparency and replicability in order to provide Group-wide consistency in terms of credit adjudication, minimum lending standards by risk ratings and reporting of credit risk.

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 Group. 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, that is based on a computerized scoring model.

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 Group'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 through intensive management and control, in order to maximize recoveries of doubtful debts.

Risk Management *(continued)*

Market Risk

Market risk is the risk of loss of value in the Group's portfolios resulting from changes in interest rates and foreign exchange rates. The Group 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 Group'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 Group holds investment portfolios for liquidity, longer-term capital appreciation or attractive after-tax yields. These portfolios expose the Group to interest rate, foreign currency, credit spread and equity risks. Debt investments primarily consist of government and corporate bonds. Equity investments include common shares, as well as a diversified portfolio of third-party managed funds.

The majority of these securities are valued using prices obtained from external sources. Scotia Group's policies, processes and controls for trading activities are designed to achieve a balance between pursuing profitable trading opportunities and managing earnings volatility within a framework of sound and prudent practices. Trading activities are primarily customer focused, but also include a proprietary component. Market risks arising from these portfolios are controlled by Board-approved policies and limits.

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 Group'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 both equity and net interest income.

Scotia Group's Asset Liability Management (ALM) programme focuses on measuring, managing and controlling the risks arising in the Group's lending, funding and investing activities. Our 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 Group'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.

Foreign Exchange Risk

Foreign exchange risk arises from trading activities and foreign currency operations. In its trading activities, the Group 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 Group 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 Group's foreign currency trading is subject to Board approved limits. The ALCO reviews and manages these exposures.

Equity Risk

Equity risk is the risk of loss due to changes in the prices, and the volatility of individual equity instruments and equity indices.

The Board sets limits on the level of exposure, and diversification is a key strategy employed to reduce the impact on the portfolio, which may result from the non-performance of a specific class of assets. Given the potential volatility in the value of equities and the non-interest bearing characteristics of these instruments, the Group limits the amount invested in them.

Liquidity risk

Liquidity risk is the risk that the Group 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.

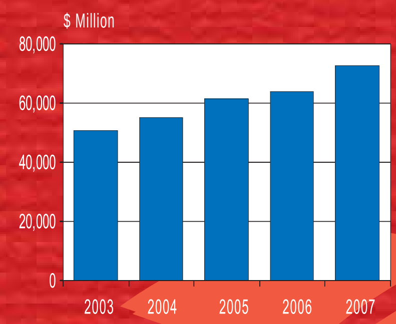
Effective liquidity risk management is essential in order to maintain the confidence of depositors and counterparties, and to enable our core businesses to continue to generate revenue, even under adverse circumstances. This risk is managed within the framework of policies and limits that is approved by the Board of Directors. The Board receives reports on risk exposures and performance against approved limits. The ALCO provides senior management oversight of liquidity risk and meets monthly to review the Group's liquidity profile.

The Group assesses the adequacy of its liquidity position by analyzing its current liquidity position, present and anticipated funding requirements, and alternative sources of funding. This process includes:

- Projecting day-to-day cash flows for each major currency
- Managing the concentration and profile of debt maturities
- Monitoring of depositor concentration both in terms of the overall funding mix and to avoid undue reliance on large individual depositors
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements
- Maintaining of liquidity and funding contingency plans

The Group maintains flexibility using a comprehensive set of liquidity and funding policies in order to address potential industry or market liquidity events.

Core Deposits



Risk Management *(continued)*

In the course of the Group's day-to-day activities, securities and other assets are pledged to secure obligations, or participate in clearing or settlement systems. Securities may also be sold under repurchase agreements. As at October 31, 2007, total assets pledged and/or sold under repurchase agreements were $35 billion (2006 – $20 billion). The year-over-year increase was due to an increase in assets pledged with respect to the acquisition of DB&G.

Funding

Scotia Group 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. Our extensive branch network provides a strong foundation for diversifying our 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 2007, core savings deposits continued to grow, reaching $73 billion as at October 31, 2007, representing 49% of total deposits.

Operational Risk

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

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 our Guidelines for Business Conduct, and clearly defined and documented approval authorities.

Regular audits conducted by an experienced independent internal audit department includes comprehensive reviews of the design and operation of internal control systems in all business lines and support groups, new products and systems.

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

Scotiabank has developed policies, standards and assessment methodologies to ensure that operational risk is appropriately identified, managed and controlled. The Bank's risk control self-assessment programme, 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 taken.

The centralized operational loss event database captures key information on operational losses. The scope of operational loss event data captured within the centralized database continues to be enhanced. These data are analyzed and reported to executive management and the Board on a quarterly basis.

The Group's business continuity management policies require that all business units develop business continuity capabilities for their respective functions. The Group maintains and tests contingency facilities to support operations in the event of disasters and to ensure efficient operational recovery in the shortest possible timeframe.

Risk mitigation programmes, which use insurance policies to transfer the risk of high severity losses, are used where feasible and appropriate.

Reputational Risk
Reputational risk is the risk that negative publicity regarding the Scotia Group's conduct or 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 about an institution's business practices may involve any aspect of its operations, but usually relates to questions of business ethics and integrity, or quality of products and services. Negative publicity and attendant reputational risk frequently arise as a by-product of some other kind of risk management control failure.

Reputational risk is managed and controlled throughout the Group by codes of conduct, governance practices, risk management programmes, policies, procedures and training. Many relevant checks and balances are outlined in greater detail under other risk management sections, particularly Operational Risk, where reference is made to our well-established compliance program. All Directors, officers and employees have a responsibility to conduct their activities in accordance with the Guidelines for Business Conduct, and in a manner that minimizes reputational risk.

The activities of the Legal Department; Corporate Secretary; Public, Corporate & Government Affairs; and Compliance Department, are particularly oriented to the management of reputational risk.

Shareholdings

Scotia Group Jamaica Limited Shareholdings of Directors as at October 31, 2007

	Units
Robert Pitfield	9,270
William E. Clarke, OJ, CD	367,980
Anthony Chang	3,274
Professor Celia D. C. Christie Samuels	20,000
Dr. Jean A. Dixon, CD	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, CD	10,000
Dr. Herbert J. Thompson, CD	29,640
- Avery Thompson	NIL
Professor Stephen Vasciannie	43,079
Richard E. Waugh	100,000
Stacie Ann Wright	108,501

*Inclusive of shares in Jamaica Central Securities Depository

Scotia Group Jamaica Limited List of Ten (10) Largest Shareholders as at October 31, 2007

	Units
1. The Bank of Nova Scotia	2,233,403,384
2. Scotia Jamaica Investment Management Limited - A/C 3119	65,937,655
3. Life of Jamaica PIF Equity Fund	47,068,744
4. Scotia Jamaica Investment Management Limited - A/C 560	34,975,612
5. National Insurance Fund	26,541,440
6. Capital & Credit Merchant Bank Limited	21,280,842
7. Investment Nominees Limited - AC Lascelles Henriques S/A Fund	15,153,996
8. Capital & Credit Financial Group Limited	14,105,962
9. West Indies Trust Co. Ltd. A/C WT89	12,983,520
10. Manchester Pension Trust Fund	12,817,444

Scotia Group Jamaica Limited Shareholdings of Senor Management Officers as at October 31, 2007

	Units
Ronald Bourdeau	NIL
Keri-Gaye Brown	NIL
Bevan Callam	1,136,994
William E. Clarke, CD	367,980
Roger Cogle	176,700
Sharon Colquhoun	24,706
Joylene Griffiths Irving	52,694
Wayne Hewitt	2,000
Michael Jones	249,452
Patsy Latchman-Atterbury	175,000
Bridget Lewis	113,800
Marcette McLeggon	86,698
Suzette McLeod	50,000
Hugh Miller	15,704
- Sheila McDonald	5,172
David Noël	150,745
Yvonne Pandohie	220,640
Rosemarie Pilliner	196,674
H. Wayne Powell	1,246,522
- Yanissa Investments	144,448
Shirley Ramsaran and	
- Reginald Ramsaran	60,229
Anya Schnoor	237,000
Jacqueline Sharp	98,000
Heather Goldson	175,000
Michael Thompson	50,000
Audrey Tugwell Henry	12,446
Maroya E. Villafana-Sylvester	NIL
Rosemarie Voordouw	13,520
Maya Walrond	250,000
Dudley Walters	61,787
Gladstone Whitelocke	60,000
- Elaine Whitelocke	65,000
- Justin Whitelocke	1,200
- Renee Whitelocke	1,320
David M. Williams	181,101
Frederick Williams	NIL
Stacie Ann Wright	108,501

*Inclusive of shares in Jamaica Central Securities Depository

KPMG
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+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Financial Statements

We have audited the financial statements of Scotia Group Jamaica Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") set out on pages 69 to 147 which comprise the Company's and Group's balance sheets as at October 31, 2007, the Company's and Group's statements of income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Financial Statements, cont'd

Opinion

In our opinion, the financial statements give a true and fair view of the financial positions of the Group and the Company as at October 31, 2007, and of the Group's and the Company's financial performance, changes in equity and cash flows for the period then ended in accordance with International Financial Reporting Standards, and comply with the provisions of the Jamaican Companies Act.

Additional reporting requirements of the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements are in agreement therewith and give the information required by the Jamaican Companies Act in the manner so required.

KPMG

November 26, 2007

Scotia Group Jamaica Limited
Statement of Consolidated Revenue and Expenses
Year ended 31 October 2007
(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2007	2006
Net interest income and other revenue			
Interest from loans and deposits with banks		14,660,613	13,505,512
Interest from securities		11,742,408	9,413,548
Total interest income	6	26,403,021	22,919,060
Interest expense	6	(8,924,846)	(7,396,558)
Net interest income		17,478,175	15,522,502
Impairment losses on loans	23	(525,916)	(301,994)
Net interest income after impairment losses on loans		16,952,259	15,220,508
Fee and commission income		4,116,542	3,429,024
Fee and commission expense		(997,260)	(646,506)
Net fee and commission income	7	3,119,282	2,782,518
Net foreign exchange trading income	8	1,066,937	879,862
Insurance premium income		617,640	429,672
Other revenue		482,986	35,415
		1,100,626	465,087
		22,239,104	19,347,975
Expenses			
Salaries, pension contributions and other staff benefits	9	5,403,100	4,650,893
Property expenses, including depreciation		1,508,406	1,235,536
Amortisation of intangible assets		135,364	-
Change in policyholders' fund	10	2,452,192	2,168,939
Other operating expenses		2,572,821	1,976,983
	11	12,071,883	10,032,351
Profit before taxation	12	10,167,221	9,315,624
Taxation	13	(2,557,161)	(2,516,716)
Net profit		7,610,060	6,798,908
Attributable to:			
Stockholders' of the company		7,492,854	6,798,908
Minority interest		117,206	-
Net profit		7,610,060	6,798,908
EARNINGS PER STOCK UNIT (expressed in $ per share) **attributable to stockholders of the company**	14	2.48	2.32

Scotia Group Jamaica Limited
Consolidated Balance Sheet

31 October 2007

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2007	2006
ASSETS			
Cash resources			
Notes and coins of deposit with, and money...			
Amounts due from other banks	16	18,125,277	13,591,053
Accounts with parent and fellow subsidiaries	17	3,859,376	4,376,065
		55,104,441	59,802,283
Financial assets at fair value through statement of revenue and expenses	19	1,125,236	238,269
Capital management and government securities funds	20	14,059,606	-
Government securities purchased under resale agreements	21	1,155,832	602,211
Pledged assets	45	34,665,010	19,782,256
Loans, after allowance for impairment losses	22	76,581,285	59,587,715
Leases, after allowance for impairment losses	24	85,282	-
Investment securities	25		
Available-for-sale		21,645,763	13,455,761
Held-to-maturity		39,225,336	34,451,194
		60,871,099	47,906,955
Other assets			
Customers' liabilities under acceptances, guarantees and letters of credit		7,828,928	3,960,652
Taxation recoverable		1,292,931	675,000
Sundry assets	26	285,961	647,646
Property, plant and equipment	27	2,702,447	2,349,718
Intangible assets	28	2,527,660	-
Other assets			
Customers' liabilities under acceptances, guarantees and letters of credit		7,828,928	3,960,652
Taxation recoverable		[illegible]	[illegible]

Scotia Group Jamaica Limited
Consolidated Balance Sheet (continued)
31 October 2007

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2007	2006
LIABILITIES			
Deposits			
Deposits by the public	30	131,017,687	113,279,538
Amounts due to other banks and financial institutions	31	2,061,055	1,872,853
Amounts due to parent company	32	4,796,682	5,334,611
Amounts due to fellow subsidiaries	33	2,283	3,085
		137,877,707	120,490,087
Other liabilities			
Cheques and other instruments in transit		3,236,788	2,882,736
Acceptances, guarantees and letters of credit		7,828,928	3,960,652
Securities sold under repurchase agreements	45	31,530,287	18,234,105
Promissory notes		607,182	-
Capital management and government securities funds		14,059,606	-
Assets held in trust on behalf of participants		52,643	-
Redeemable preference shares	36	100,000	-
Other liabilities	34	1,215,347	770,166
Taxation payable		817,841	355,974
Deferred tax liabilities	35	1,793,803	1,561,331
Retirement benefit obligations	29	723,066	486,678
		61,965,491	28,251,642
Policyholders' fund	10	26,974,207	23,708,831
STOCKHOLDERS' EQUITY			
Share capital	36	6,569,810	2,927,232
Reserve fund	37	3,160,917	3,158,481
Retained earnings reserve	38	5,992,902	5,242,902
Cumulative remeasurement result from available-for-sale financial assets	39	(211,809)	275,107
Loan loss reserve	40	1,045,600	806,524
Other reserves	41	26,714	26,714
Unappropriated profits		17,789,196	14,952,595
Total equity attributable to equity holders of the company		34,373,330	27,389,555
Minority interest		1,934,896	-
Total equity		36,308,226	27,389,555
		263,125,631	199,840,115

The financial statements on pages 69 to147 were approved for issue by the Board of Directors on November 26, 2007 and signed on its behalf by:

Robert H. Pitfield	Director	William E. Clarke	Director
Stacie Ann S. Wright	Director	David A. Noel	Secretary

Scotia Group Jamaica Limited
Statement of Changes in Consolidated Stockholders' Equity
Year ended 31 October 2007

(expressed in thousands of Jamaican dollars unless otherwise stated)

		Attributable to equity holders of the Company									
	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	Minority interest	Total equity
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	-	23,524,953
Unrealised gains on available-for-sale investments, net of taxes		-	-	-	151,362	-	-	-	151,362	-	151,362*
Realised gains on available-for-sale securities transferred to statement of revenue and expenses		-	-	-	(70,619)	-	-	-	(70,619)	-	(70,619)
Net profit for the year		-	-	-	-	-	-	6,798,908	6,798,908	-	6,798,908*
Dividends paid	49	-	-	-	-	-	-	(3,015,049)	(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	-	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**	-	**27,389,555**
Unrealised gains on available-for-sale investments, net of taxes		-	-	-	(453,651)	-	-	-	(453,651)*	-	(453,651)*
Realised gains on available-for-sale securities transferred to statement of revenue and expenses		-	-	-	(33,265)	-	-	-	(33,265)*	-	(33,265)
Net profit for the year		-	-	-	-	-	-	7,492,854	7,492,854 *	117,206*	7,610,060 *
Transfer to reserve fund		-	2,436	-	-	-	-	(2,436)	-	-	-
Loan loss reserve transfer		-	-	-	-	239,076	-	(239,076)	-	-	-
Issue of preference shares		-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
Issue of shares		3,642,578	-	-	-	-	-	-	3,642,578	-	3,642,578
Transfer to retained earnings reserve		-	-	750,000	-	-	-	(750,000)	-	-	-
Minority interest in net assets of acquired subsidiaries		-	-	-	-	-	-	-	-	1,912,073	1,912,073
Dividends paid	49	-	-	-	-	-	-	(3,564,741)	(3,564,741)	(94,383)	(3,659,124)
Movement for the year		3,642,578	2,436	750,000	(486,916)	239,076	-	2,836,601	6,983,775	1,934,896	8,918,671
Balances at October 31, 2007		**6,569,810**	**3,160,917**	**5,992,902**	**(211,809)**	**1,045,600**	**26,714**	**17,789,196**	**34,373,330**	**1,934,896**	**36,308,226**

* Total recognised income and expenses for the year attributable to equity holders of the company $7,005,938 (2006: $6,879,051) and total recognised income and expenses for the year attributable to the minority interest $117,206 (2006: $Nil).

Scotia Group Jamaica Limited
Statement of Consolidated Cash Flows
Year ended 31 October 2007

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2007	2006
Cash flows from operating activities			
Net profit for the year		7,610,060	6,798,908
Items not affecting cash:			
Interest income	6	(26,403,021)	(22,919,060)
Interest expense	6	8,924,846	7,396,558
Taxation charge		2,557,161	2,516,716
Depreciation	27	366,186	323,686
Amortisation of intangible asset		135,364	-
Impairment losses on loans	23	525,916	301,994
Gain on sale of property, plant and equipment		(13,093)	(1,760)
Gain on sale of subsidiary		(188,496)	-
Gain on sale of shares		(94,736)	-
Write-offs of property, plant and equipment	27	-	2,517
		(6,579,813)	(5,580,441)
Changes in operating assets and liabilities			
Loans		(17,440,081)	(1,632,973)
Retirement benefits		(316,115)	(362,422)
Deposits by public		17,715,854	5,709,591
Policyholders' fund		3,265,376	3,754,218
Other assets, net		(1,812,511)	(367,970)
Other liabilities, net		539,517	46,168
Due to parent company and fellow subsidiaries		(532,419)	695,648
Amounts due from other banks		(1,743,754)	1,375,970
Accounts with parent and fellow subsidiaries		(3,266,023)	(803,046)
Financial assets at fair value through statement of revenue and expenses		(890,287)	(212,959)
Taxation recoverable		(617,931)	(201,793)
Deposit with central bank greater than 90 days		6,185,950	(4,477,542)
Amounts due to other banks and financial institutions		188,202	216,432
Statutory reserves at Bank of Jamaica		(1,282,835)	(530,303)
Securities sold under repurchase agreements		13,247,974	1,041,243
		6,661,104	(1,330,179)
Interest received		26,554,894	23,147,732
Interest paid		(8,842,531)	(7,470,450)
Taxation paid		(1,873,834)	(2,940,243)
Net cash provided by operating activities		22,499,633	11,406,860
Cash flows from investing activities			
Investment securities		(27,284,747)	(10,366,289)
Pledged assets		(14,882,753)	-
Government securities purchased under resale agreements		27,228,915	9,095,378
Proceeds from the sale of property, plant and equipment		13,210	5,658
Purchase of property, plant and equipment	27	(718,583)	(662,667)
Acquisition of subsidiary		(4,912,479)	-
Proceeds from sale of shares		94,736	-
Promissory notes		592,326	-
Net cash used in investing activities		(19,869,375)	(1,927,920)
Cash flows from operating and investing activities		2,630,258	9,478,940

Scotia Group Jamaica Limited
Statement of Consolidated Cash Flows (continued)
Year ended 31 October 2007

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2007	2006
Cash flows from operating and investing activities (page 73)		2,630,258	9,478,940
Cash flows from financing activities			
Issue of share capital		3,642,578	-
Dividends paid	49	(3,659,124)	(3,015,049)
Cash flows from operating and investing activities (page		2,630,258	9,478,940
Cash flows from financing activities			
Issue of share capital		3,642,578	-
Cash and cash equivalents at beginning of year		25,622,864	17,969,665
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	30,434,344	25,622,864

Scotia Group Jamaica Limited
Statement of Revenues and Expenses
Period ended 31 October 2007
(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2007
Net interest income and other revenue		
Dividend income		4,692,266
Expenses		
Operating expenses	11	1,521
Net profit for the period	12	4,690,745

Scotia Group Jamaica Limited
Balance Sheet
31 October 2007
(expressed in thousands of Jamaican dollars unless otherwise stated)

		2007
ASSETS		
Cash resources		
Accounts with subsidiary	18	61,203
Investment in subsidiaries		9,332,408
		9,393,611
STOCKHOLDERS' EQUITY		
Share capital	36	6,569,810
Unappropriated profits		2,823,801
		9,393,611

The financial statements on pages 69 to147 were approved for issue by the Board of Directors on November 26, 2007 and signed on its behalf by:

Director
Robert H. Pitfield

Director
William E. Clarke

Director
Stacie Ann S. Wright

Secretary
David A. Noel

Scotia Group Jamaica Limited
Statement of Changes in Stockholders' Equity
Period ended 31 October 2007

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	Share Capital	Unappropriated Profits	Total
Issue of shares	36	6,569,810	-	6,569,810
Net profit for the period		-	4,690,745	4,690,745
Dividends paid	49	-	(1,866,944)	(1,866,944)
Balances at October 31, 2007		6,569,810	2,823,801	9,393,611

* Total recognised income and expenses for the period $4,690,745.

Scotia Group Jamaica Limited
Statement of Cash Flows
Period ended 31 October 2007
(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2007
Cash flows from operating activities		
Net profit for the period, being net cash provided by operating activities		4,690,745
Cash flows from investing activities		
Investment in subsidiaries, being net cash used in investing activities		(9,332,408)
Cash flows from financing activities		
Issue of shares	36	6,569,810
Dividends paid	49	(1,866,944)
Net cash provided by financing activities		4,702,866
Net increase in cash and cash equivalents being cash and cash equivalents at end of period	18	61,203

(expressed in thousands of Jamaican dollars unless otherwise stated)

1. Identification, Regulation and Licence

Scotia Group Jamaica Limited ("the Company") is incorporated and domiciled in Jamaica. It is a 71.78% subsidiary of The Bank of Nova Scotia, which is incorporated and domiciled in Canada and is the ultimate parent. The registered office of the Company is located at the Scotiabank Centre, Corner of Duke and Port Royal Streets, Kingston.

The Company is the parent of The Bank of Nova Scotia Jamaica Limited, which is licensed under the Banking Act and, Dehring Bunting and Golding Limited "(DB&G)", which is licensed under the Securities Act. The Company and these two subsidiaries are listed on the Jamaica Stock Exchange.

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

Subsidiaries	Principal Activities	Holding by Company	Holding by Subsidiary	Financial Year End
The Bank of Nova Scotia Jamaica Limited and its subsidiaries:	Banking	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
Dehring Bunting and Golding Limited and its subsidiaries:	Investment banking	77.01%		October 31
DB&G Merchant Bank Limited	Merchant banking		100%	October 31
DB&G Unit Trust Managers Limited	Unit trust managers		100%	October 31
Scotia Jamaica Investment Management Limited	Investment and Pension fund Management		100%	October 31

(expressed in thousands of Jamaican dollars unless otherwise stated)

1. Identification, Regulation and Licence (continued)

Subsidiaries	Principal Activities	Holding by Company	Holding by Subsidiary	Financial Year End
Asset Management Company Limited	Hire Purchase Financing		100%	October 31
DB&G Corporate Services Limited	Administrative and management services		100%	October 31
Billy Craig Investments Limited	Non-trading		100%	October 31
Interlink Investments Limited	Non-trading		100%	October 31

All of the company's subsidiaries except for Interlink Investments Limited are incorporated and domiciled in Jamaica. Interlink Investments Limited is incorporated in Grand Cayman.

During 2007, a Scheme of Arrangement was undertaken which resulted in the re-organisation of the Group, as follows:

(i) Effective May 1, 2007, the Bank of Nova Scotia Jamaica Limited ("the Bank") became a wholly owned subsidiary of the newly-formed group holding company, Scotia Group Jamaica Limited ("the company"). As a consequence, the 2,927,232,000 issued ordinary stock units of the Bank are now wholly owned by Scotia Group Jamaica Limited, and the former shareholders of the Bank were issued 2,927,232,000 ordinary shares of the company in exchange for their shares in the Bank.

(ii) Effective May 1, 2007, the Bank made a bonus issue of 100,000,000 variable rate redeemable cumulative preference shares to its existing ordinary shareholders at the rate of one preference share for every thirty ordinary shares.

(iii) Effective May 1, 2007, the Company acquired a 68.54% interest in Dehring, Bunting and Golding Limited from the Bank and The Bank of Nova Scotia. The acquisition was settled by way of cash and the issue by the Company of 184,340,984 of its ordinary shares to The Bank of Nova Scotia.

(iv) Effective July 1, 2007, Dehring, Bunting and Golding Limited acquired a 100% interest in the subsidiary, Scotia Jamaica Investment Management Limited, issuing 113,936,126 of its ordinary shares to the Bank as consideration for the acquisition. The Bank then sold these shares to the Company which thereby increased its interest in Dehring, Bunting and Golding Limited to 77.01%.

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 for all the periods presented, 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 Jamaican Companies Act.

Amendments to published standards and interpretations issued during the year.

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

IAS 19 (Amendment), Actuarial Gains and Losses, Group Plans and Disclosures, which became effective for financial periods beginning on or after January 1, 2006, introduces the option of an alternative recognition approach for actuarial gains and losses. It imposed 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, this amendment has no impact on the financial statements other than additional disclosures.

IFRIC 4, Determining whether an Arrangement contains a Lease, which became effective for financial periods beginning on or after 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. IFRIC 4 has no material effect on the Group's accounting policies or the financial statements.

IFRIC 8, Scope of IFRS 2 Share-based Payment, which became effective for financial periods beginning on or after May 1, 2006, requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. IFRIC 8 does not have any material impact on the financial statements.

IFRIC 9 Reassessment of Embedded Derivatives, which became effective for reporting periods beginning on or after June 1, 2006, requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, does not have any impact on the financial statements.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

IFRIC 10, Interim Financial Reporting and Impairment, which became effective for financial periods beginning on or after November 1, 2006, 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 does not have any impact on the financial statements.

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

At the date of authorisation of these financial statements, certain new standards, and amendments to and interpretations of existing standards, have been issued which are not yet effective at balance sheet date 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 concluded as follows:

IFRS 7, Financial Instruments: Disclosures and the Complementary Amendment to *IAS 1, Presentation of Financial Statements Capital Disclosures* became effective for reporting periods beginning on or after 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 analysis of sensitivity 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 will apply IFRS 7 and the amendment to IAS 1 for the year ending October 31, 2008.

IFRS 8, Operating Segments, which becomes effective for periods beginning on or after January 1, 2009, replaces IAS 14 and sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates and its major customers. The Group is currently assessing the impact that IFRS 8 will have on the disclosures in the financial statements.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions, which is effective for financial periods beginning on or after March 1, 2007, 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 the 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.

IFRIC 13 Accounting for Customer Loyalty Programmes, which becomes effective for financial periods beginning on or after July 1, 2008, creates consistency in accounting for customer loyalty plans. The interpretation is applicable to all entities that grant awards as part of a sales transaction (including awards that can be redeemed for goods or services not supplied by the entity). The Group is evaluating the impact IFRIC 13 will have on its financial statements.

IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, which becomes effective for financial periods beginning on or after January 1, 2008, provides guidance on assessing the limit set in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The group will apply IFRIC 14 for the year ending October 31, 2008, but it is not expected to have any impact on the financial statements.

IAS 1 (Revised) Presentation of Financial Statements, which becomes effective for accounting periods beginning on or after January 1, 2009, requires the presentation of all non-owners changes in equity in one or two statements: either in a single statement of comprehensive income, or in an income statement of comprehensive income. The Group is evaluating the impact that the revised standard will have on the financial statements.

IAS 23(Revised) - Borrowing Costs, which becomes effective for financial periods beginning on or after January 1, 2009, removes the option of either capitalising borrowing costs relating to qualifying assets or expensing the borrowing costs, and requires management to capitalise borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale. The Group is evaluating the impact IAS 23 (Revised) will have on its financial statements..

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(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.

(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 is shown in thousands of Jamaican dollars.

(v) Comparative information

The Bank of Nova Scotia Jamaica Limited effected a reorganization as a part of the Scheme of Arrangement which occurred during 2007, whereby the shareholders of the Bank exchanged their shares in the Bank for shares in the Company. Resulting from this reorganization, the comparative information in the consolidated financial statements and other financial information for prior years represents the consolidated financial statements and other financial information for the Bank of Nova Scotia Jamaica Limited.

(b) Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Company and its subsidiaries presented as a single economic entity. Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more that one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are no longer consolidated from the date that control ceases.

2. Summary of significant accounting policies (continued)

(b) Basis of consolidation (continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of consolidated revenue and expenses.

(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.

(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) Revenue recognition

(i) Interest income

Interest income is recognised in the statement of revenue and expenses for all interest earning 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 receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently. Interest income includes coupons earned on fixed income investments and accretion of discount on treasury bills and other discounted instruments, and amortization of premium on instruments bought at a premium.

2. Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

(i) Interest income (continued)

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) Fee 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.

(iii) Dividend income

Dividend income is recognized when the right to receive payment is established.

(iv) Premium income

Premiums are recognised as earned when due.

(f) Interest expense

Interest expense is recognised in the statement of revenue and expenses on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability. The effective interest rate is established on initial recognition of the financial liability and is not revised subsequently.

(g) Claims

Death claims are recorded in the statement of revenue and expenses net of reinsurance recoverable.

2. Summary of significant accounting policies (continued)

(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 period 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 charges are based on the taxable profit for the period, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other periods, and items that are never taxable or deductable. The current tax is calculated at tax rates that have been enacted at the balance sheet date.

(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 the legal right of set-off exists, and when they relate to income taxes levied by the same tax authority on either the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

2. Summary of significant accounting policies (continued)

(j) Insurance contracts

(i) 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. The Group defines insurance risk as significant if an insured event could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transactions. 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.

(ii) 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 period to which it relates.

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

(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.

(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 at inception if acquired principally for the purpose of selling in the short term or if so designated by management. These assets are carried at fair value and all related gains and losses are included in the statement of revenue and expenses.

(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.

2. Summary of significant accounting policies (continued)

(m) Financial assets (continued)

(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.

(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 market prices. They are initially recognized at cost, and subsequently remeasured at fair value. Unrealised gains and losses arising from changes in fair value of available-for-sale investments are recognized in stockholders' equity. On disposal or impairment of these investments, the unrealized gains or losses included in stockholders' equity are transferred to the statement of revenue and expenses.

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.

2. Summary of significant accounting policies (continued)

(n) Investment in subsidiaries

Investments by the Company in subsidiaries are stated at cost less impairment losses.

(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.

(p) 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 the fair value of the consideration given, which is the cash disbursed 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.

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.

2. Summary of significant accounting policies (continued)

(q) Acceptances and guarantees

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

(r) Intangible assets

(i) Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(ii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

(iii) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

2. Summary of significant accounting policies (continued)

(r) Intangible assets (continued)

(iii) Impairment of tangible and intangible assets excluding goodwill (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(iv) Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. Summary of significant accounting policies (continued)

(r) Intangible assets (continued)

(iv) Goodwill (continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

(v) Customer relationships

This asset represents the present value of benefit to the Group from customer lists, contracts, or customer relationships that can be identified separately and measured reliably. Customer relationships include that of DB&G, DB&G Merchant Bank and Stockbroking customer relationships with an estimated useful life of 15 years.

(vi) Contract- based intangible asset

Contract-based intangible assets represent Group's right to benefit from DB&G's Unit Trust Management contracts and EasyOwn consumer financing contracts. This asset has an indefinite useful life and therefore, tested for impairment annually, and whenever there is an indication that the asset may be impaired.

(vii) Licences

The asset represents the value of DB&G's Jamaica Stock Exchange seat, which has an indefinite useful life. The asset is tested for impairment annually, and whenever there is an indication that the asset may be impaired.

(viii) Tax shield

The asset represents the present value of tax saving on tax-free bonds held by DB&G and DB&G Merchant Bank, recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefit. The carrying amount of the tax asset is reviewed at each balance sheet date and reduced to the extent that the benefit is already realised, or it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The assets are measured at the tax rate that is expected to apply in the period in which the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

2. Summary of significant accounting policies (continued)

(r) Intangible assets (continued)

(iv) Goodwill (continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

(v) Customer relationships

This asset represents the present value of benefit to the Group from customer lists, contracts, or customer relationships that can be identified separately and measured reliably. Customer relationships include that of DB&G, DB&G Merchant Bank and Stockbroking customer relationships with an estimated useful life of 15 years.

(vi) Contract- based intangible asset

Contract-based intangible assets represent Group's right to benefit from DB&G's Unit Trust Management contracts and EasyOwn consumer financing contracts. This asset has an indefinite useful life and therefore, tested for impairment annually, and whenever there is an indication that the asset may be impaired.

(vii) Licences

The asset represents the value of DB&G's Jamaica Stock Exchange seat, which has an indefinite useful life. The asset is tested for impairment annually, and whenever there is an indication that the asset may be impaired.

(viii) Tax shield

The asset represents the present value of tax saving on tax-free bonds held by DB&G and DB&G Merchant Bank, recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefit. The carrying amount of the tax asset is reviewed at each balance sheet date and reduced to the extent that the benefit is already realised, or it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The assets are measured at the tax rate that is expected to apply in the period in which the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

2. Summary of significant accounting policies (continued)

(t) 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. Cost includes expenditures that are directly attributable to the acquisition of the asset.

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	Year of lease

The depreciation methods, useful lives and residual values are reassessed at the reporting dates.

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.

(u) Employee benefits

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, vacation leave; non-monetary benefits such as medical care; post-employments benefits such as pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits, termination benefits and equity compensation benefits are accounted for as described below. Other long-term benefits are not considered material and are charged off when incurred.

2. Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

(i) Pension obligations

The Group operates both a defined benefit and a defined contribution pension plans, the assets of which are held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the relevant group companies, and in the case of the defined benefit plan the recommendations of the actuary are taken into account.

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.

Contributions to defined contribution plans are charged to the statement of revenue and expenses in the period to which they relate.

(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 months after the balance sheet date are discounted to present value.

2. Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

(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.

(iv) Equity compensation benefits

The Group has two Employee Share Ownership Plans (ESOPs) for eligible employees. In the case of the first, the Group 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.

In the case of the second, the Group provides a fixed benefit to eligible employees, after one full year 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. The special purpose entity that operates the Plan has been consolidated.

(v) 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.

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

(w) Share capital

(i) Classification

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets.

Preference share capital is classified as equity except where it is redeemable on a specific or determinable date or at the option of the shareholders and/or if dividend payments are not discretionary, in which case it is classified as a liability. Dividend payments on preference shares classified as a liability are recognized in the statement of revenue and expenses as interest expense.

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividends

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

(x) Financial instruments

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

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

(y) 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.

(z) 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 ninety days, which are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in their fair value.

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 $631,676 (2006: $272,577) higher or $762,962 (2006: $330,685) lower.

(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 $408,801, (2006: increase of $199,108) with a corresponding entry in the fair value reserve in stockholders' equity.

(iii) Income taxes

Estimates and judgements are required in determining the provision for income taxes. The tax liability or asset arising from certain transactions or events may be uncertain during the ordinary course of business. In cases of such uncertainty, the Group recognises liabilities for possible additional taxes based on its judgement. Where, on the basis of a subsequent determination, the final tax outcome in relation to such matters is different from the amount that was initially recognised, the difference will impact the current and deferred income tax provisions in the period in which such determination is made.

(expressed in thousands of Jamaican dollars unless otherwise stated)

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

(iii) Income taxes (continued)

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 $32,014 and the deferred tax liability by $16,626, if unfavourable; or
- decrease the income tax liability by $32,014 and the deferred tax liability by $16,626, 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.

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:

	2007	2006
Interest rates decrease by 1%	21,308	150,569
Interest rates increase by 1%	(73,054)	(187,290)
Mortality increases by 10%	79,428	59,476
Mortality decreases by 10%	(81,446)	(60,705)
Expenses increase by 10%	89,906	79,162
Expenses decrease by 10%	(88,752)	(78,050)
Lapses and withdrawals increase 10%	89,115	65,359
Lapses and withdrawals decrease 10%	(99,444)	(71,029)

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.

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)

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 12.21%. Were the average future investment returns to differ by 1% from management's estimates the insurance liability would increase by $21,308 or decrease by $73,054.

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.

(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.

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

(v) Pension and other post-retirement benefits (continued)

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. Similarly, were the actual discount rate used at the beginning of the fiscal year, to differ by 1% from management's estimates there would be no impact on the consolidated net income.

(vi) Recognition and measurement of intangible assets

The recognition and measurement of intangible assets, other than goodwill, in a business combination, involve the utilization of valuation techniques. These intangibles may be marketing related, consumer related, contract based or technology based.

For significant amounts of intangibles arising from a busniness combination, the Group utilizes independent professional advisers to assist management in determining the recognition and measurement of these assets.

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 Group's liquidity and investment management function, management of correspondent bank relationships, as well as foreign currency trading;

(d) Investment Management Services — incorporating investments, unit trusts and pension fund management brokerage and advisory services, 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 mainly in Jamaica. The subsidiary located overseas (note 1) represents less than 10% of the Group's gross external revenue and assets.

(expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental financial information (continued)

	2007							
	Banking							
	Retail	Corporate and Commercial	Treasury	Investment Management Services	Insurance Services	Other	Eliminations	Group
Gross external revenues	9,405,862	5,916,624	6,836,094	4,904,674	4,533,396	5,599	87,617	31,689,866
Revenue/(expenses) from other segments	2,768,441	1,463,669	(4,358,866)	106,779	21,334	11,948	(13,305)	-
Total gross revenues	12,174,303	7,380,293	2,477,228	5,011,453	4,554,730	17,547	74,312	31,689,866
Total expenses	(8,862,232)	(5,390,296)	(107,725)	(4,295,410)	(2,870,891)	(9,396)	13,305	(21,522,645)
Profit before tax	3,312,071	1,989,997	2,369,503	716,043	1,683,839	8,151	87,617	10,167,221
Income tax expenses								(2,557,161)
Net profit								7,610,060
Segment assets	44,346,569	43,711,417	78,802,142	69,161,160	33,702,394	166,549	(11,743,163)	258,147,068
Unallocated assets								4,978,563
Total assets								**263,125,631**
Segment liabilities	76,913,730	69,065,909	236,512	52,129,931	27,128,507	55,545	(2,975,952)	222,554,182
Unallocated liabilities								4,304,915
Total liabilities								**226,859,097**
Other segment items:								
Capital expenditure	311,226	225,778	-	172,544	9,035	-	-	718,583
Impairment losses on loans	486,255	36,810	-	2,851	-	-	-	525,916
Depreciation	197,022	131,037	-	32,611	4,976	540	-	366,186

(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	7,894,080	6,096,609	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	10,721,127	7,206,458	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	3,117,167	1,940,537	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	34,972,133	35,880,558	76,488,592	19,953,269	29,143,600	176,139	(1,679,742)	194,934,549
Unallocated assets								4,905,566
Total assets								**199,840,115**
Segment liabilities	69,438,983	57,510,245	1,593,918	18,413,556	23,911,713	61,058	(1,479,451)	169,450,022
Unallocated liabilities								3,000,538
Total liabilities								**172,450,560**
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)

6. Net interest income

	The Group	
	2007	2006
Interest income:		
Deposits with banks and other financial institutions	2,540,108	2,839,415
Investment securities	9,591,468	5,587,579
Reverse repurchase agreements	2,139,017	3,825,969
Loans and advances	12,125,187	10,659,791
Other	7,241	6,306
	26,403,021	22,919,060
Interest expense:		
Banks and customers	5,658,194	5,263,971
Repurchase agreements	2,774,186	2,131,364
Other	492,466	1,223
	8,924,846	7,396,558
Net interest income	17,478,175	15,522,502

7. Net fee and commission income

	The Group	
	2007	2006
Fee and commission income:		
Retail banking fees	2,016,588	1,674,235
Credit related fees	927,641	608,886
Commercial and depository fees	1,172,313	1,145,903
	4,116,542	3,429,024
Fee and commission expenses	(997,260)	(646,506)
	3,119,282	2,782,518

8. Net trading income

Net 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 2007	The Group 2006
Wages and salaries	4,318,447	3,663,805
Payroll taxes	394,627	322,267
Pension costs, net - defined benefit plan [note 29(a)]	(494,232)	(471,925)
Pension costs – defined contribution plan	9,942	-
Other post employment benefits [note 29(b)]	258,339	182,521
Other staff benefits	915,977	954,225
	5,403,100	4,650,893

10. Change in policyholders' fund

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

	2007		
	Ordinary Life	Creditor Life	Total
Gross reserves	28,585,195	123,718	28,708,913
Negative reserves	(1,734,706)	-	(1,734,706)
Balance at end of year	26,850,489	123,718	26,974,207

	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

(b) Change in policyholders' reserve:

	The Group 2007	The Group 2006
Policyholders' benefit payments	35,101	37,872
Interest expense	2,619,511	2,469,861
Transfer from actuarial reserves	(202,420)	(338,794)
	2,452,192	2,168,939

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 12.21% beginning November 2007, decreasing monthly to 8% in the year 2014, and then decreasing yearly to 6% in the year 2027 and later.

The above interest rates have been decreased by 0.50% as a margin for adverse deviation.

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. 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 7.26% beginning November 2007, decreasing monthly to 5% in the year 2014, and then decreasing to 3% in year 2027 and later.

A margin for adverse deviation is added by increasing the maintenance expenses by 10% of the best estimate assumption.

(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 Company
	2007	2006	2007
Salaries, pension contributions and other staff benefits (note 9)	5,403,100	4,650,893	-
Property expenses, including depreciation	1,508,406	1,235,536	-
Changes in policyholders' reserves	2,452,192	2,168,939	-
Transportation and communication	632,387	552,831	-
Marketing and advertising	503,018	317,254	-
Management and consultancy fees	366,417	255,281	-
Deposit insurance	175,725	164,173	-
Stationery	230,903	177,503	-
Other operating expenses	664,371	509,941	1,521
Amortisation of intangibles	135,364	-	-
	12,071,883	10,032,351	1,521

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 Company
	2007	2006	2007
Auditors' remuneration	17,765	10,342	-
Depreciation	366,186	323,686	-
Directors' emoluments-			
Fees	22,791	16,681	-
Other	68,334	37,706	-
Gain on sale of shares and property, plant and equipment	(296,325)	(1,760)	-
Operating lease rentals	49,121	42,239	-

(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	
	2007	2006
Current income tax:		
Income tax at 33⅓%	2,143,748	2,109,615
Income tax at 30%	164,227	152,066
Premium income tax at 3%	81,226	78,066
Investment income tax at 15%	122,874	161,838
Adjustment for (over)/under-provision of prior year's charges	113	(110,910)
Deferred income tax (note 35)	44,973	126,041
	2,557,161	2,516,716

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

	The Group	
	2007	2006
Profit before taxation	10,167,221	9,315,624
Tax calculated at 33⅓%	3,389,074	3,105,208
Adjusted for the effects of:		
A different tax regime applicable to the life insurance and mortgage financing subsidiaries	(276,700)	(284,163)
Income not subject to tax – tax free investments	(446,124)	(198,301)
Expenses not deductible for tax purposes	136,439	2,856
Capital gains	(35,326)	(8,858)
Other charges and allowances	(167,625)	(100,026)
Tax losses utilized	(42,577)	-
	2,557,161	2,516,716

(c) Taxation expense for life insurance business

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. 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.

	2007	2006
Net profit attributable to stockholders	7,492,854	6,798,908
Weighted average number of ordinary stock units in issue ('000)	3,019,403	2,927,232
Basic earnings per stock unit (expressed in $ per share)	2.48	2.32

15. Cash and balances at Bank of Jamaica

	The Group	
	2007	2006
Statutory reserves with Bank of Jamaica – interest-bearing	3,845,002	3,386,190
Statutory reserves – non interest bearing	6,756,322	5,932,299
Total statutory reserves (note 18)	10,601,324	9,318,489
Cash in hand and at bank (note 18)	22,109,236	32,280,356
	32,710,560	41,598,845

Statutory reserves with the Bank of Jamaica under Section 14(i) of the Banking Act, 1992, Section 14 of the Financial Institution Act, and the Building Societies Regulations represent the required ratio of 9% (2006: 9%) of the Bank's and DB&G Merchant Bank's and 1% (2006: 1%) of the Society's prescribed liabilities, respectively. They are not available for investment, lending or other use by the Group.

16. Amounts due from other banks

	The Group	
	2007	2006
Items in course of collection from other banks	1,181,967	1,244,305
Placements with other banks	16,943,310	12,346,748
	18,125,277	13,591,053

17. 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.

(expressed in thousands of Jamaican dollars unless otherwise stated)

18. Cash and cash equivalents

	The Group		The Company
	2007	2006	2007
Cash and balances with Bank of Jamaica	32,710,560	41,598,845	-
Less: statutory reserves (note 15)	(10,601,324)	(9,318,489)	-
(note 15)	22,109,236	32,280,356	-
Less: balances at bank greater than 90 days	(11,191,592)	(17,829,575)	
	10,917,644	14,450,781	
Accounts with subsidiary	-	-	61,203
Government and bank notes other than Jamaica	409,227	236,320	-
Amounts due from other banks	14,181,301	11,446,766	-
Accounts with parent and fellow subsidiaries	2,914,049	2,363,721	-
Government of Jamaica treasury bills and bonds	5,541,030	600,000	-
Cheques and other instruments in transit	(3,236,788)	(2,882,736)	-
	30,726,463	26,214,852	61,203
Less accrued interest receivable on Bank of Jamaica Certificates of Deposit and Deposits with Banks	(292,119)	(591,988)	-
	30,434,344	25,622,864	61,203

19. Financial assets at fair value through statement of revenue and expenditure

These represent investments in Government of Jamaica securities.

20. Capital management and government securities fund

(a) Government securities fund

The Group manages funds on a non-recourse basis, on behalf of investors. There is no legal or equitable right or interest in these funds.

(b) Capital management fund

This fund represents the investment of contributions from third-party clients. Changes in the value of the fund at each valuation date are based on the net accretion in the value of the investments.

(expressed in thousands of Jamaican dollars unless otherwise stated)

21. Government securities purchased under resale agreements

The Group enters 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 $11,459,442 (2006: $2,242,361) for the Group.

22. Loans, after allowance for impairment losses

	The Group	
	2007	2006
Business and Government	38,896,204	31,701,145
Personal and credit cards	32,792,238	23,833,638
Residential mortgages	4,952,984	3,923,053
Interest receivable	796,401	608,139
Total	77,437,827	60,065,975
Less: allowance for impairment losses (note 23)	(856,542)	(478,260)
	76,581,285	59,587,715

23. Impairment losses on loans

	The Group	
	2007	2006
Total non-performing loans	2,109,177	1,009,003
Provision at beginning of year	478,260	495,034
Acquisitions and disposals	320,175	-
Charged against revenue during the year	525,916	301,994
Bad debts written off	(701,126)	(475,718)
Recoveries of bad debts	233,317	156,950
At end of year (note 22)	856,542	478,260
This comprises:		
Specific provisions	666,720	332,977
General provisions	189,822	145,283
	856,542	478,260

(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 $252,290 as at October 31, 2007 for the Group.

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

	The Group	
	2007	2006
Allowance based on accounting standard - IAS 39 [see (a) below]	856,542	478,260
Additional allowance based on BOJ regulations [see (b) below]	1,045,600	806,524
	1,902,142	1,284,784

(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 115).

(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	
	2007	2006
Gross investment in finance leases		
Not later than one year	76,003	-
Later than one year and not later than five years	50,672	-
	126,675	-
Less: unearned income	(41,393)	-
Net investment in finance leases	85,282	-
Net investment in finance leases may be classified as follows:		
Not later than one year	49,425	-
Later than one year and not later than five years	35,857	-
	85,282	-

The provision for uncollectible finance lease receivables amounted to $1,253 as at October 31, 2007.

(expressed in thousands of Jamaican dollars unless otherwise stated)

25. Investment securities

	The Group	
	2007	2006
Available-for-sale		
Government of Jamaica	21,645,763	13,455,761
Held-to-maturity		
Government of Jamaica	39,220,096	34,445,405
Other	5,240	5,789
	39,225,336	34,451,194
Total investment securities	60,871,099	47,906,955

Included in investment securities are Government of Jamaica Local Registered Stocks valued at $90,000 (2006: $90,000) which have been deposited by one of the Group'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.

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	
	2007	2006
Accounts receivable and prepayments	273,672	265,258
Other	12,289	382,388
	285,961	647,646

(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, 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
Acquisitions	111,472	-	237,018	-	348,490
Additions	5,605	253	147,551	403,986	557,395
Disposals	(3,157)	-	(19,331)	-	(22,488)
Transfers	52,045	28,792	219,849	(300,686)	-
October 31, 2007	1,778,738	203,717	3,394,646	201,341	5,578,442
Accumulated depreciation:					
November 1, 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
Acquisitions	60,482	-	126,820	-	187,302
Charge for the year	41,537	22,224	302,425	-	366,186
On disposals	(1,051)	-	(21,769)	-	(22,820)
October 31, 2007	330,377	121,028	2,424,590	-	2,875,995
Net book values					
October 31, 2007	1,448,361	82,689	970,056	201,341	2,702,447
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

(expressed in thousands of Jamaican dollars unless otherwise stated)

28. Intangible assets

	2007						
	Customer Relationships	Contract Based Intangibles	License	Tax Benefits	Goodwill	Computer Software	Total
Cost:							
Acquired on acquisition	-	-	-	-	61,723	118,275	179,998
Additions during year	-	-	-	-	-	8,759	8,759
Intangible assets identified on acquisition of Dehring, Bunting and Golding Limited (note 51)	1,382,582	348,987	49,470	692,466	75,169	-	2,548,674
October 31, 2007	1,382,582	348,987	49,470	692,466	136,892	127,034	2,737,431
Amortisation:							
Assumed on acquisition	-	-	-	-	-	74,407	74,407
Amortisation for the year	46,086	-	-	79,550	-	9,728	135,364
October 31, 2007	46,086	-	-	79,550	-	84,135	209,771
Net book values							
October 31, 2007	**1,336,496**	**348,987**	**49,470**	**612,916**	**136,892**	**42,899**	**2,527,660**

(expressed in thousands of Jamaican dollars unless otherwise stated)

29. Retirement benefit asset/obligation

Amounts recognised in the balance sheet:

	The Group	
	2007	2006
Defined benefit pension plan	4,839,913	4,287,410
Other post retirement benefits	(723,066)	(486,678)
	4,116,847	3,800,732

(a) Defined benefit 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, 2007.

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

	The Group	
	2007	2006
Present value of funded obligations	6,911,961	5,872,871
Fair value of plan assets	(20,514,621)	(18,483,277)
Unrecognised actuarial gains	3,896,535	4,350,008
	(9,706,125)	(8,260,398)
Limitation on recognition of surplus due to uncertainty of obtaining future benefits	4,866,212	3,972,988
Asset in the balance sheet	(4,839,913)	(4,287,410)

(ii) The movement in the present value of funded obligations for the year is as follows:

	The Group	
	2007	2006
At beginning of year	5,872,871	5,124,428
Interest and service costs	993,386	902,470
Past service cost – vested benefits	(110,984)	-
Actuarial loss on obligation	363,316	53,558
Benefits paid	(206,628)	(207,585)
At end of year	6,911,961	5,872,871

(expressed in thousands of Jamaican dollars unless otherwise stated)

29. **Retirement benefit asset/obligation (continued)**

(a) Defined benefit pension plan (continued)

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

	The Group	
	2007	2006
At beginning of year	(18,483,277)	(16,377,620)
Expected return on plan assets	(1,944,184)	(1,721,342)
Actuarial loss on plan assets	(21,643)	(352,091)
Contributions	(272,145)	(239,809)
Benefits paid	206,628	207,585
At end of year	(20,514,621)	(18,483,277)

(iv) Plan assets consist of the following:

	The Group	
	2007	2006
Government stocks and bonds	15,165,390	11,075,185
Quoted investments	2,378,824	2,509,887
Repurchase agreements	1,344,425	3,696,192
Certificates of deposit	13,590	153,214
Real estate	757,907	109,654
Net current assets	854,485	939,145
	20,514,621	18,483,277
Plan assets include the following related party amounts:		
The Bank's ordinary stock units	1,384,691	1,556,093
Resale agreements with a related company	-	1,791

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

	The Group	
	2007	2006
Current service cost, net of employee contributions	66,802	55,652
Interest cost	712,710	658,123
Expected return on plan assets	(1,944,184)	(1,721,342)
Net actuarial gain recognised in year	(111,800)	(114,200)
Losses on curtailment	(110,984)	-
Income not recognised due to limit	893,224	649,842
Included in staff costs (note 9)	(494,232)	(471,925)

The actual return on plan assets was $1,965,826 (2006: $2,073,433).

(expressed in thousands of Jamaican dollars unless otherwise stated)

29. Retirement benefit asset/obligation (continued)

(a) Defined benefit pension plan (continued)

(vi) The principal actuarial assumptions used were as follows:

	The Group	
	2007	2006
Discount rate	12.5%	12.0%
Expected return on plan assets	10.5%	10.5%
Future salary increases	9.5%	9.5%
Future pension increases	4.5%	3.5%
Average expected remaining working lives (years)	22.4	26.6

(b) Other post retirement benefits

In addition to pension benefits, the Group 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 (2006: 10.5%).

(i) The amounts recognised in the balance sheet are as follows:

	The Group	
	2007	2006
Present value of unfunded obligations	1,141,333	1,195,379
Unrecognised actuarial losses	(418,267)	(708,701)
Liability in the balance sheet	723,066	486,678

(ii) The movement in the present value of unfunded obligations for the year is as follows:

	The Group	
	2007	2006
At beginning of year	1,195,379	877,965
Interest and service costs	235,531	164,730
Actuarial (gain)/loss on obligation	(267,626)	174,589
Benefits paid	(21,951)	(21,905)
Liability in the balance sheet	1,141,333	1,195,379

(expressed in thousands of Jamaican dollars unless otherwise stated)

29. Retirement benefit asset/obligation (continued)

(b) Other post retirement benefits (continued)

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

	The Group	
	2007	2006
Current service cost	83,395	50,092
Interest cost	152,136	114,582
Net actuarial losses recognised in year	22,808	17,847
Total included in staff costs (Note 9)	258,339	182,521

(c) Five year trend analysis

	Pension				
	2007	2006	2005	2004	2003
Fair value of plan assets	20,514,620	18,483,277	16,377,620	14,458,261	9,529,737
Present value of defined benefit obligation	6,911,961	5,872,871	5,124,428	3,916,362	2,415,002
Surplus in the plan	13,602,659	12,610,406	11,253,192	10,541,899	7,114,735
Experience adjustments to plan liabilities	474,870	(397,996)	225,179	1,265	104,694
Experience adjustments to plan assets	21,643	352,091	306,914	3,812,040	441,510

	Health and Group Life				
	2007	2006	2005	2004	2003
Present value of defined benefit obligation	1,141,333	1,195,379	877,965	394,895	156,168
Deficit in the plan	(1,141,333)	(1,195,379)	(877,965)	(394,895)	(156,168)
Experience adjustments to plan liabilities	(140,505)	56,384	422,921	13,487	(7,498)

30. Deposits by the public

	The Group	
	2007	2006
Personal	75,496,458	65,344,894
Other	55,184,119	47,672,622
Interest payable	337,110	262,022
	131,017,687	113,279,538

Deposits include $152,241 (2006: $79,838) held as collateral for irrevocable commitments under letters of credit.

(expressed in thousands of Jamaican dollars unless otherwise stated)

31. Amounts due to other banks and financial institutions

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

32. Due to parent company

	The Group	
	2007	2006
Facility I	1,010,501	2,502,025
Facility II	2,759,576	2,778,689
Facility III	974,892	-
	4,744,969	5,280,714
Interest receivable	51,713	53,897
	4,796,682	5,334,611

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

(ii) Facility II 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.

(iii) Facility III is a US$ denominated seven (7) year non-revolving loan from the parent company, for on-lending. The repayment of the principal will commence in August 2008, and is subject to a fixed interest rate of 5.95%.

The above loan facilities are unsecured.

33. Amounts due to fellow subsidiaries

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

34. Other liabilities

	The Group	
	2007	2006
Accrued liabilities	771,273	456,256
Prepaid letters of credit	203,184	34,847
Other	240,890	279,063
	1,215,347	770,166

(expressed in thousands of Jamaican dollars unless otherwise stated)

35. Deferred tax assets and liabilities

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

- 33⅓% for the Bank and its subsidiaries except for
  The Scotia Jamaica Building Society at 30%;
  Scotia Jamaica Life Insurance Company Limited at 15% and
- 33⅓ for DB&G and all its subsidiaries.

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

	The Group	
	2007	2006
Balance at beginning of year	(1,561,331)	(1,387,498)
Recognised in the statement of revenue and expenses (note 13)	(44,973)	(126,041)
Recognised in equity:		
Available-for-sale investments		
- fair value re-measurement	(207,167)	(69,618)
- transfer to net profit	12,412	21,826
Acquisition	7,256	-
Balances at end of year	(1,793,803)	(1,561,331)

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

	The Group	
	2007	2006
Deferred income tax assets:		
Other post retirement benefits	240,616	162,226
Interest receivable	2,417	3
Available-for-sale investments	5,085	-
Losses carry forward	269,285	-
Vacation accrued	18,805	14,258
	536,208	176,487
Deferred income tax liabilities:		
Pension benefits	1,613,304	1,429,137
Accelerated tax depreciation	83,825	74,991
Available-for-sale investments	357,303	132,926
Acquisition	16,000	-
Impairment losses on loans	160,491	100,734
Accrued vacation	(478)	-
Interest receivable	99,566	30
	2,330,011	1,737,818
Net deferred tax liability	(1,793,803)	(1,561,331)

(expressed in thousands of Jamaican dollars unless otherwise stated)

35. Deferred tax assets and liabilities (continued)

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

	The Group	
	2007	2006
Accelerated tax depreciation	8,094	1,801
Pensions and other post retirement benefits	105,777	120,807
Allowance for loan impairment	61,276	16,240
Vacation accrued	(5,881)	(14,259)
Losses carry forward	(220,903)	-
Interest receivable	96,610	1,452
	44,973	126,041

Deferred income tax liabilities exclude 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 $8,871,063 at October 31, 2007.

36. Share capital

	Number of Units '000	
	2007	2006
Authorised:		
The Bank of Nova Scotia Jamaica Ltd		
Ordinary shares of no par value	3,000,000	3,000,000
Preference shares at no par value	100,000	-
	3,100,000	3,000,000
Scotia Group Jamaica Ltd		
Ordinary shares of no par value		
Created during the year	10,000,000	-
Consolidated	10,000,000	3,000,000

(expressed in thousands of Jamaican dollars unless otherwise stated)

36. Share capital (continued)

	Number of Units '000		Total	
	2007	2006	2007	2006
Issued and fully paid:				
The Bank of Nova Scotia Jamaica Ltd				
Ordinary stock units	2,927,232	2,927,232	2,927,232	2,927,232
Preference shares:				
Issued during the year	100,000	-	100,000	-
	3,027,232	2,927,232	3,027,232	2,927,232
Less: Redeemable preference shares classified as liabilities as required by IFRS			(100,000)	-
			2,927,232	2,927,232
Scotia Group Jamaica Ltd				
Ordinary stock units				
Issued during the year	3,111,573	-	6,569,810	-
Consolidated	3,111,573	2,927,232	6,569,810	2,927,232

The ordinary shares issued by Scotia Group Jamaica Limited during the year comprise 2,927,232,000 shares issued in the share exchange pursuant to the reorganization and the 184,341,000 issued to the Bank of Nova Scotia, details of which are provided in note 1.

Effective May 1, 2007, the Company's subsidiary, The Bank of Nova Scotia Jamaica Limited, made a bonus issue of 100,000 variable rate redeemable cumulative preference shares to existing holders of the Bank's ordinary shares at the rate of one preference share for every thirty ordinary shares.

37. Reserve fund

	The Group	
	2007	2006
Opening balance	3,158,481	3,158,481
Acquisitions	2,436	-
Closing balance	3,160,917	3,158,481

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	
	2007	2006
Opening balance	26,714	-
Capital reserve arising on consolidation, net	-	67
Reserves of subsidiary capitalised through issue of bonus shares	-	16,548
General reserve	-	10,099
Closing balance	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.

42. Financial risk management (continued)

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.

(a) Interest rate risk

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 Company'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) Interest rate risk (continued)

	The Group						
	2007						
	Immediately rate sensitive (1)	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	5.710,199	21.336,489	9.613.118	4.176.659	-	14.267.976	55.104.441
Securities purchased under resale agreements	300,000	742,416	105.733	-	-	7.683	1.155.832
Loans (3)	22,202,033	25,786,111	5,801,526	17,893,598	3,730,397	1,252,902	76,666,567
Capital management and government securities funds	4,485,509	1,398,684	321,385	5,148,237	1,815,270	890,521	14,059,606
Investment securities (2)							
- Available-for-sale	-	2,472,659	2.457,755	11.254,595	3.736.137	1.724.617	21.645.763
- Held to maturity	-	27.427,737	8.216.320	2.547,709	121.423	912.147	39.225.336
- Financial assets at fair value through statement of revenue and expenses	139,399	-	-	-	306,260	679,577	1,125,236
Pledged assets	10.955,445	11,853,014	2.389.516	2.802,525	6.664.510	-	34.665.010
Other assets	-	-	-	-	-	19.477.840	19.477.840
Total assets	43.792,585	91,017,110	28,905,353	43,823,323	16,373,997	39,213,263	263,125,631
Deposits	105.836,972	17.690,031	6.515.699	6.286.857	1,212.120	336.028	137.877.707
Securities sold under repurchase agreements	14.698,850	9.417,360	6.877.910	21.065	-	515.102	31.530.287
Promissory notes	-	508,022	7,947	26,184	50,172	14,857	607,182
Other liabilities	-	-	-	-	-	15,768,416	15,768,416
Capital management and management securities funds	14,056,339	-	-	-	-	3,267	14.059.606
Policyholders' fund	15.469,509	2.227,733	10.887.953	-	-	(1.610.988)	26.974.207
Stockholders' equity	-	-	-	-	-	36.308.226	36.308.226
Total liabilities and stockholders' equity	150,061,670	29.843.146	24.289.509	6.334.106	1.262.292	51.334.908	263.125.631
Total interest rate sensitivity gap	(106.269.085)	61.173.964	4.615.844	37.489.217	15.111.705	(12.121.645)	-
Cumulative gap	(106.269.085)	(45.095.121)	(40.479.277)	(2.990.060)	12.121.645	-	-
	2006						
Total assets	25,348,889	79,771,558	39,704,471	23,530,429	3,118,414	28,366,354	199,840,115
Total liabilities and stockholders' equity	104,470,243	30,839,665	20,662,879	5,920,490	1,117,178	36,829,660	199,840,115
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	-	-

(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) Interest rate risk (continued)

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

The Group

2007

	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
Cash resources (4)	4.14	8.18	9.57	-	-	8.30
Investment securities (1)						
Available-for-sale	-	14.39	13.18	7.67	7.65	9.18
Held to maturity	-	14.12	14.74	13.57	14.43	14.21
Financial assets at fair value through statement of revenue and expenses	9.00	-	-	-	9.24	9.17
Securities purchased under resale agreements	19.63	11.65	11.76	-	-	17.36
Pledged assets	13.85	14.05	10.17	9.35	8.58	12.29
Loans (2)	16.46	24.41	17.90	16.99	11.35	19.16
Capital management and government securities funds	8.43	8.85	15.94	11.22	7.85	9.67
Deposits (3)	4.18	7.41	7.87	6.91	6.71	4.94
Securities sold under repurchase agreements	10.10	10.05	9.92	7.48	-	10.04
Promissory notes	-	5.74	10.22	10.91	9.73	6.37
Capital management and government securities funds	7.10	-	-	-	-	7.10
Policyholders' fund	9.35	11.00	10.25	-	-	9.82

2006

	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
Cash resources (4)	6.20	9.69	11.91	-	-	9.60
Investment securities: (1)						
Available-for-sale	-	14.32	9.32	8.27	14.84	9.27
Held to maturity	-	13.55	12.30	15.73	14.51	13.27
Financial assets at fair value through statement of revenue and expenses	-	13.29	-	-	-	13.29
Securities purchased under resale agreements	-	12.28	-	-	-	12.28
Pledged assets	-	13.33	13.30	-	-	13.32
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

42. Financial risk management (continued)

(a) Interest rate risk (continued)

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%.

(b) Credit risk

The Group takes 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 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 are 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.

(expressed in thousands of Jamaican dollars unless otherwise stated)

42. Financial risk management (continued)

(b) Credit risk (continued)

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.

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

	The Group			
	Loans and Leases	Acceptances, Guarantees and Letters of Credit	Total 2007	Total 2006
Agriculture, fishing and mining	1,082,576	50,155	1,132,731	955,423
Construction and real estate	2,189,546	427,156	2,616,702	1,241,334
Distribution	4,683,483	1,106,357	5,789,840	3,454,568
Financial institutions	23,023	3,790,793	3,813,816	739,229
Government and public entities	12,640,674	398,879	13,039,553	12,875,183
Manufacturing	3,958,651	609,177	4,567,828	3,069,534
Personal	37,811,920	1,179,470	38,991,390	28,761,339
Professional and other services	4,106,629	183,193	4,289,822	2,729,324
Tourism and entertainment	10,229,328	83,748	10,313,076	9,592,554
Interest receivable	797,279	-	797,279	608,139
Total	77,523,109	7,828,928	85,352,037	64,026,627
Total impairment provision			(856,542)	(478,260)
			84,495,495	63,548,367

(expressed in thousands of Jamaican dollars unless otherwise stated)

42. Financial risk management (continued)

(c) Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored 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 exposure to foreign currency exchange risk at October 31.

	The Group	
	2007	2006
United States dollar ($ thousands)	28,833	17,888
Canadian dollar ($ thousands)	3,033	314
Pound Sterling (£ thousands)	2,196	649

(d) Liquidity risk

The Group is 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 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					
	2007					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Total
Cash resources	40,890,458	9,698,524	4,467,006	-	48,453	55,104,441
Securities purchased under resale agreements	945,862	209,970	-	-	-	1,155,832
Loans	21,032,153	11,038,927	31,938,352	12,621,839	35,296	76,666,567
Capital management and government securities funds	5,644,193	321,385	5,148,237	2,055,270	890,521	14,059,606
Investment securities						
- Available-for-sale	873,964	1,268,089	12,418,631	5,974,993	1,110,086	21,645,763
- Held to maturity	4,101,738	4,464,233	20,494,197	10,165,168	-	39,225,336
- Financial assets at fair value through statement of revenue and expenses	139,399	-	-	306,260	679,577	1,125,236
Pledged assets	8,971,378	2,096,582	9,666,883	13,930,167	-	34,665,010
Other assets	2,935,382	2,257,362	1,991,729	1,321,436	10,971,931	19,477,840
Total assets	85,534,527	31,355,072	86,125,035	46,375,133	13,735,864	263,125,631
Deposits	120,174,200	6,785,186	9,706,201	1,212,120	-	137,877,707
Securities sold under repurchase agreements	24,116,210	6,877,910	21,065	-	515,102	31,530,287
Other liabilities	5,118,068	2,347,188	3,257,604	1,321,436	3,724,120	15,768,416
Promissory notes	508,022	7,947	26,184	50,172	14,857	607,182
Policyholders' fund	26,974,207	-	-	-	-	26,974,207
Capital management and government securities funds	14,056,339	-	-	-	3,267	14,059,606
Stockholders' equity	-	-	-	-	36,308,226	36,308,226
Total liabilities and stockholders' equity	190,947,046	16,018,231	13,011,054	2,583,728	40,565,572	263,125,631
Total liquidity gap	(105,412,519)	15,336,841	73,113,981	43,791,405	(26,829,708)	-
Cumulative gap	(105,412,519)	(90,075,678)	(16,961,697)	26,829,708	-	-
	2006					
Total assets	77,776,987	42,148,838	54,668,489	17,802,476	7,443,325	199,840,115
Total liabilities and stockholders' equity	145,669,871	12,117,732	10,239,842	1,596,379	30,216,291	199,840,115
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	-	-

42. Financial risk management (continued)

(d) Liquidity risk (continued)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. 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.

(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.

(expressed in thousands of Jamaican dollars unless otherwise stated)

42. Financial risk management (continued)

(f) Insurance risk (continued)

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.

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

	Total Benefits Assured			
	2007		2006	
	Individual	Group	Individual	Group
Benefits assured per life assured				
0 to 250,000	5,447,068	646,388	3,801,352	1,196,956
250,001 to 500,000	1,836,203	3,825,247	1,352,913	2,567,898
500,001 to 750,000	2,557,767	1,498,890	1,755,467	1,197,254
750,001 to 1,000,000	1,372,858	1,383,479	870,171	972,048
1,000,001 to 1,500,000	4,082,769	1,887,128	2,823,185	1,211,569
1,500,001 to 2,000,000	824,015	1,550,413	491,497	953,051
Over 2,000,000	3,736,759	5,908,316	2,724,466	3,275,518
	19,857,439	16,699,861	13,819,051	11,374,294

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 holders' behaviour. The Group 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.

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) financial investments classified as fair value through the statement of revenue and expenses 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. Fair value is equal to the carrying amount of these investments;

(iii) 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;

(iv) 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;

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

(vi) 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.

(vii) The fair values of quoted investments are based on current bid prices.

(expressed in thousands of Jamaican dollars unless otherwise stated)

43. Fair value of financial instruments (continued)

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 2007	Fair Value 2007	Carrying Value 2006	Fair Value 2006
Financial assets				
Loans	76,666,567	76,433,089	59,587,715	59,133,940
Investment securities:				
held-to-maturity	39,225,336	38,816,535	34,451,194	34,650,302
Financial liability				
Deposits	137,877,707	137,888,106	120,490,087	120,410,898

44. Commitments

	The Group	
	2007	2006
(a) Capital expenditure:		
Authorised and contracted	69,099	-
(b) Commitments to extend credit:		
Originated term to maturity of more than one year	19,409,091	19,756,683

(c) Operating lease commitments:

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

	The Group	
	2007	2006
Not later than one year	174,315	114,896
Later than one year and not later than five years	899,488	390,402
Later than five years	2,669,456	1,447,465
	3,743,259	1,952,763

(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	
	2007	2006	2007	2006
Securities with Bank of Jamaica	1,615,144	840,000	-	-
Securities sold under repurchase agreements	32,749,866	18,402,219	31,530,287	18,234,105
Securities with other financial institutions and clearing houses	300,000	540,037	-	-
	34,665,010	19,782,256	31,530,287	18,234,105

The Bank of Jamaica holds as security, Government of Jamaica Local Registered Stocks and Bank of Jamaica Certificates of Deposit valued at $1,615,144 (2006: $840,000) for the Group against possible shortfalls in the operating account.

Other financial institutions hold as security Government of Jamaica Local Registered Stocks valued at $300,000 (2006: $540,037) for the Bank in the normal course of inter bank transactions.

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, there were investment custody accounts amounting to approximately $34,820,967 (2006: $36,336,624) for the Group.

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 71.78% of the ordinary stock units. The remaining 28.22% of the stock units is widely held.

Parties are considered to be related if one party has the ability to control or exercise significant influence over, or be controlled and significantly influenced by, the other party. 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.

47. Related party transactions and balances (continued)

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 32).

No provisions have been recognised in respect of loans made 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 Company 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)(c) of the Banking Act are supported by guarantees issued by the parent company.

The volumes of related party transactions, outstanding balances at the year end, and related expenses and income for the year are as follows:

(expressed in thousands of Jamaican dollars unless otherwise stated)

47. Related party transactions and balances (continued)

	The Group					
	Parent	Fellow subsidiaries	Directors and Key Management Personnel	Connected companies	Total 2007	Total 2006
Loans						
Loans outstanding at beginning of year	-	-	209,428	5,940,043	6,149,471	5,081,143
Acquisitions	-	-	13,878	-	13,878	-
Net loans issued/(repaid) during the year	-	-	61,751	567.783	629,534	1.068.328
Loans outstanding at end of year	-	-	285,057	6,507,826	6,792,883	6,149,471
Interest income earned	-	-	19.813	715,180	734,993	641.830
Average repayment term (Years)	-	-	9.08	5.00	5.17	4.62
Average interest rate (%)	-	-	8.77	12.80	12.63	10.29
Deposits						
Deposits outstanding at beginning of year	5,334,611	-	66,994	4.644.105	10,045,710	10.136.385
Net deposits received/(repaid) during the year	(537,929)	-	65,919	354.765	(117,245)	(90.675)
Deposits outstanding at end of year	4,796,682	-	132,913	4.998.870	9,928,465	10.045.710
Interest expense on deposits	345,944	-	5,769	179.682	531,395	528.524
Other						
Fees and commission earned	-	-	611	490,108	490,719	240,958
Insurance products	-	-	22,343	-	22,343	7.655
Securities sold under repurchase agreements	-	-	(385,862)	(32.455)	(418,317)	(62.763)
Interest paid on repurchase agreements	-	-	(19,054)	(797)	(19,851)	(6,256)
Due from banks and other financial institutions	174,955	3,639,447	-	-	3,814,402	4,333,588
Due to banks and other financial institutions	1.729	-	-	-	1.729	-
Interest earned from banks and other financial institutions	2,425	145,829	-	-	148.254	210,475
Management fees paid to parent company	340,590	-	-	-	340,590	293,222
Guarantee fees paid to parent company	7,661	-	-	-	7,661	16,171

	The Group	
	2007	2006
Key management compensation		
Salaries and other short term benefits	313,741	268,683
Post-employment benefits	519,123	276,567

(expressed in thousands of Jamaican dollars unless otherwise stated)

48. Litigation and contingent liabilities

(a) The company 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		The Company
	2007	2006	2007
Bank of Nova Scotia Jamaica Limited			
Paid to stockholders:			
In respect of 2005	-	731,808	-
In respect of 2006	848,897	2,283,241	-
In respect of 2007	848,900	-	-
Scotia Group Jamaica Limited			
Paid to stockholders:			
In respect of 2007	1,866,944	-	1,866,944
Paid to minority interest in a subsidiary:			
In respect of 2007	94,383	-	-
	3,659,124	3,015,049	1,866,944

(b) Proposed

At the Board of Directors meeting on November 26, 2007, a dividend in respect of 2007 of $0.30 per stock unit amounting to a total of $933,472 was proposed. The financial statements for the year ended October 31, 2007 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, 2008.

(expressed in thousands of Jamaican dollars unless otherwise stated)

50. Employee Share Ownership Plans

(i) Scotia Group Jamaica Limited

Scotia Group Jamaica Limited has an Employee Share Ownership Plan ("ESOP" or "Plan"), the purpose of which is to encourage eligible employees of The Bank of Nova Scotia Jamaica Limited to steadily increase their ownership of the company'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 company'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 company'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 $37,916 (2006: $29,640).

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:

	2007	2006
Number of shares	2,634,885	3,734,203
Fair value of shares	55,978	82,190

(ii) Dehring Bunting and Golding Limited

Dehring Bunting and Golding Limited has an Employee Share Ownership Plan ("ESOP"), the purpose of which is to encourage eligible employees of DB&G and it's subsidiaries to steadily increase their ownership of the company's shares. Participation in the Plan is voluntary; any employee who has completed at least one year's service with any is eligible to participate.

(expressed in thousands of Jamaican dollars unless otherwise stated)

50. Employee Share Ownership Plans (continued)

(ii) Dehring Bunting and Golding Limited (continued)

The operation of the ESOP is facilitated by a Trust. Grants are issued by the company to the Plan to facilitate the issue of loans to employees to acquire the company's shares, at a discounted value. Allocations are made to participating employees on repayment of the outstanding loans. Allocated shares must be held for a two-year period, at the end of which they vest with the employees.

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:

	October 2007	March 2007
Number of shares	3,855,191	5,094,306
Fair value of shares	82,299	58,719

51. Acquisitions and Disposals

During 2007, a Scheme of Arrangement was undertaken which resulted in the reorganization of the Group. Effective May 1, 2007, The Bank of Nova Scotia Jamaica Limited became a wholly owned subsidiary of the newly-formed group holding company Scotia Group Jamaica Limited.

On December 12, 2006, The Bank of Nova Scotia Jamaica Limited acquired 15.80% interest in Dehring, Bunting and Golding Limited (DB&G Ltd). On May 1, 2007, the company acquired the 15.80% (48,865,919 shares) from the Bank and an additional 52.74% from The Bank of Nova Scotia representing a total of 68.54% (211,954,939 shares). On July 1, 2007, the Bank sold its 100% interest in Scotia Jamaica Investment Management Limited (SJIML) to DB&G Ltd. in exchange for 113,936,126 shares, this represented an additional 8.47% holding in DB&G Ltd. These acquisitions brought the total holding of DB&G Ltd. to 77.01%.

The acquired business contributed gross revenues of $2,480,728 and net profit of $577,047 to the group for the period from May 1 2007 to October 31 2007. If the acquisition had occurred on November 1, 2006, total Group gross revenue would have been $32,775,548, profit after tax $7,603,856, and basic earnings per share would have been $2.44.

The acquisitions on December 12, 2006 and May 1, 2007 have been accounted for by the purchase method required under IFRS 3. However, the subsequent acquisition on July 1, 2007 is exempt under IFRS 3, as this transaction involved entities under common control and is therefore accounted for at the carrying value. The intangible assets acquired have been recorded based on a valuation report prepared by an independent professional valuator.

(expressed in thousands of Jamaican dollars unless otherwise stated)

51. Acquisitions and Disposals (continued)

(a) Details of net assets acquired and intangibles of DB&G on May 1, 2007 are as follows:

	December 12, 2006 $	May 1, 2007 $	Total at May 1, 2007 $
Purchase consideration – shares issued	1,044,813	3,642,578	4,687,391
Fair value of net assets acquired	615,087	2,359,968	2,975,055
Intangible assets attributable to equity holders	429,726	1,282,610	1,712,336
Intangible assets on subsequent purchases			267,679
Total intangible assets attributable to equity holders			1,980,015
Intangible assets attributable to minority interest			568,659
Intangible assets identified on acquisition (note 28)			2,548,674

(b) Details of the total acquisition of 77.01% were as follows:

	Ownership acquired %	Cost $	Intangible assets $	Minority interest %
Dates of acquisition				
December 12, 2006	15.80	1,044,813	429,727	84.20
May 1, 2007	52.74	3,642,578	1,282,609	31.46
July 1, 2007	8.47	631,535	267,679	22.99
	77.01	5,318,926	1,980,015	22.99

(expressed in thousands of Jamaican dollars unless otherwise stated)

51. Acquisitions and Disposals (continued)

(c) The assets and liabilities arising from the acquisition as at May 1, 2007 were as follows:

	Fair Value as at May 1, 2007	Carrying Value as at May 1, 2007
Cash resources	406,447	406,447
Loans and other receivables	4,815,408	4,815,408
Net investment in leases and hire purchase agreements	74,775	74,775
Investments	20,484,805	20,484,805
Taxation recoverable	35,050	35,050
Deferred tax asset	7,256	7,256
Due form Unit Trust funds	98,021	98,021
Intangible assets (computer software)	42,414	42,414
Property, plant & equipment	158,273	158,273
Goodwill	61,723	61,723
Accounts payables	(406,018)	(406,018)
Customers' deposits	(2,606,689)	(2,606,689)
Customers' savings accounts	(56,182)	(56,182)
Securities sold under resale agreements	(17,767,916)	(17,767,916)
Promissory note-COP	(827,555)	(827,555)
Taxation payable	(3,638)	(3,638)
Assets held in trust on behalf of participants	(36,356)	(36,356)
Due to Unit Trust funds	(5,096)	(5,096)
Net Assets	4,474,722	4,474,722
Fair Value Net Assets acquired 52.74%	2,359,968	2,359,968
Add: Fair value of net asset acquired on December 12, 2006 (15.80%)	615,087	615,087
Total Fair value of net asset acquired	2,975,055	2,975,055

(d) Summary of intangible assets acquired on July 1, 2007, resulting from the acquisition of 8.47% additional interest in DB&G and the disposal of 22.99% of SJIML to the minority shareholders were as follows:

Cost of acquisition	631,535
Net assets acquired	(363,857)
Total intangible assets	267,678

(e) Net cash outflow on acquisition

	May 1, 2007
Cost of acquisition	5,318,926
Less: cash and cash equivalents in subsidiary acquired	406,447
	4,912,479

There were no acquisitions in the year ended 31 October 2006.

AUDITED FINANCIAL STATEMENTS

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

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INDEPENDENT AUDITORS' REPORT

To the Members of
THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Report on the Financial Statements

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") set out on pages 151 to 227, which comprise the Group's and Bank's balance sheets as at October 31, 2007, the Group's and Bank's statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

To the Members of
THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Report on the Financial Statements, cont'd

Opinion
In our opinion, the financial statements give a true and fair view of the financial positions of the Group and the Bank as at October 31, 2007, and of the Group's and the Bank's financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards, and comply with the provisions of the Companies Act.

Report on additional requirements of the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, proper returns have been received for branches not visited by us and the financial statements are in agreement with the accounting records and returns, and give the information required by the Jamaican Companies Act in the manner required.

KPMG

November 26, 2007

The Bank of Nova Scotia Jamaica Limited
Statement of Consolidated Revenue and Expenses
Year ended 31 October 2007
(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2007	2006
Net interest income and other revenue			
Interest from loans and deposits with banks		14,340,965	13,505,512
Interest from securities		9,235,377	9,413,548
Total interest income	6	23,576,342	22,919,060
Interest expense	6	(6,809,834)	(7,396,558)
Net interest income		16,766,508	15,522,502
Impairment losses on loans	23	(522,447)	(301,994)
Net interest income after impairment losses on loans		16,244,061	15,220,508
Fee and commission income	7	3,975,316	3,429,024
Fee and commission expense	7	(997,260)	(646,506)
Net fee and commission income		2,978,056	2,782,518
Net foreign exchange trading income	8	951,002	879,862
Insurance premium income		617,640	429,672
Other revenue	9	186,949	35,415
		804,589	465,087
		20,977,708	19,347,975
Expenses			
Salaries, pension contributions and other staff benefits	10	5,089,401	4,650,893
Property expenses, including depreciation		1,406,070	1,235,536
Change in policyholders' fund	11	2,452,192	2,168,939
Other operating expenses		2,418,225	1,976,983
	12	11,365,888	10,032,351
Profit before taxation	13	9,611,820	9,315,624
Taxation	14	(2,761,203)	(2,516,716)
Net profit		6,850,617	6,798,908

The Bank of Nova Scotia Jamaica Limited
Consolidated Balance Sheet

31 October 2007

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2007	2006
ASSETS			
Cash resources			
Notes and coins of, deposit with, and money at call at, Bank of Jamaica	16	32,530,836	41,598,845
Government and bank notes other than Jamaica		407,307	236,320
Amounts due from other banks	17	17,617,587	13,591,053
Accounts with parent and fellow subsidiaries	18	3,859,376	4,376,065
		54,415,106	59,802,283
Financial assets at fair value through statement of revenue and expenses	20	-	238,269
Government securities purchased under resale agreements	21	1,483,598	602,211
Pledged assets	44	1,340,985	19,782,256
Loans, after allowance for impairment losses	22	73,105,673	59,587,715
Investment securities	24		
Available-for-sale		19,498,089	13,455,761
Held-to-maturity		39,225,336	34,451,194
		58,723,425	47,906,955
Other assets			
Customers' liabilities under acceptances, guarantees and letters of credit		7,354,754	3,960,652
Taxation recoverable		1,252,511	675,000
Sundry assets	25	137,696	647,646
Property, plant and equipment	26	2,553,841	2,349,718
Retirement benefit asset	27	4,839,913	4,287,410
		16,138,715	11,920,426
		205,207,502	199,840,115

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2007	2006
LIABILITIES			
Deposits			
Deposits by the public	28	127,874,460	113,279,538
Amounts due to other banks and financial institutions	29	2,061,055	1,872,853
Amounts due to ultimate parent company	30	4,857,885	5,334,611
Amounts due to fellow subsidiaries		417,007	3,085
		135,210,407	120,490,087
Other liabilities			
Cheques and other instruments in transit		3,114,974	2,882,736
Acceptances, guarantees and letters of credit		7,354,754	3,960,652
Securities sold under repurchase agreements		236,512	18,234,105
Redeemable preference shares	34	100,000	-
Other liabilities	32	1,129,084	770,166
Taxation payable		795,129	355,974
Deferred tax liabilities	33	1,767,044	1,561,331
Retirement benefit obligations	27	723,066	486,678
		15,220,563	28,251,642
Policyholders' fund	11	26,974,207	23,708,831
STOCKHOLDERS' EQUITY			
Share capital	34	2,927,232	2,927,232
Reserve fund	35	3,158,481	3,158,481
Retained earnings reserve	36	5,992,902	5,242,902
Cumulative remeasurement result from available-for-sale financial assets	37	110,289	275,107
Capital reserve	38	1,659,189	-
Loan loss reserve	39	1,017,136	806,524
Other reserve	40	16,751	26,714
Unappropriated profits		12,920,345	14,952,595
		27,802,325	27,389,555
		205,207,502	199,840,115

The financial statements on pages 151 to 227 were approved for issue by the Board of Directors on November 26, 2007 and signed on its behalf by:

Robert H. Pitfield — Director

William E. Clarke — Director

Stacie Ann S. Wright — Director

David A. Noel — Secretary

The Bank of Nova Scotia Jamaica Limited
Statement of Changes in Consolidiated Stockholders' Equity
Year ended 31 October 2007

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	Share capital	Reserve fund	Retained earnings reserve	Capital reserves	Cumulative remeasurement result from available for sale financial assets	Loan loss reserve	Other reserve	Unappropriated profits	Total
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	48	-	-	-	-	-	-	-	(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
Unrealised gains on available-for-sale investments, net of taxes		-	-	-	-	(133,024)	-	-	-	(133,024)*
Realised gains on available-for-sale securities transferred to statement of revenue and expenses		-	-	-	-	(32,820)	-	-	-	(32,820)
Net profit for the year		-	-	-	-	-	-	-	6,550,617	6,550,617*
Transfer of reserve relating to sale of subsidiary		-	-	-	-	1,026	(7,504)	(9,963)	16,441	-
Loan loss reserve transfer		-	-	-	-	-	218,126	-	(218,126)	-
Transfer of gain relating to sale of subsidiary					1,659,189				(1,659,189)	-
Issue of preference shares									(100,000)	(100,000)
Transfer to retained earnings reserve		-	-	750,000	-	-	-	-	(750,000)	-
Dividends paid	48	-	-	-	-	-	-	-	(5,871,933)	(5,871,933)
Movement for the year				750,000	1,659,189	(164,818)	210,622	(9,963)	(2,032,150)	412,770
Balances at October 31, 2007		2,927,232	3,158,481	5,992,902	1,659,189	110,289	1,017,146	16,751	12,920,445	27,802,325

* Total recognised income and expenses for the year $6,717,593 (2006: $6,950,270)

The Bank of Nova Scotia Jamaica Limited
Statement of Consolidated Cash Flows
Year ended 31 October 2007

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2007	2006
Cash flows from operating activities			
Net profit for the year		6,850,617	6,798,908
Items not affecting cash:			
Interest income	6	(23,576,342)	(22,919,060)
Interest expense	6	6,809,834	7,396,558
Taxation charge	14	2,761,203	2,516,716
Depreciation	26	334,887	323,686
Impairment losses on loans	23	522,447	301,994
Gain on sale of property, plant and equipment		(12,785)	(1,760)
Write-offs of property, plant and equipment	26	-	2,517
Gain on sale of shares in associated company		(30,338)	-
Gain on sale of shares		(94,736)	-
		(6,435,213)	(5,580,441)
Changes in operating assets and liabilities			
Loans		(13,889,668)	(1,632,973)
Retirement benefits		(316,115)	(362,422)
Deposits by the public		14,572,626	5,709,591
Policyholders' fund		3,265,376	3,754,218
Other assets, net		484,392	(367,970)
Other liabilities, net		405,806	46,168
Due to parent company and fellow subsidiaries		(56,492)	695,648
Amounts due from other banks		(1,688,087)	1,375,970
Accounts with parent and fellow subsidiaries		(1,129,065)	(803,046)
Financial assets at fair value through statement of revenue and expenses		-	(212,959)
Taxation recoverable		(577,511)	(201,793)
Amounts due to other banks and financial institutions		188,202	216,432
Deposits with Central Bank greater than 90 days		6,614,042	(4,477,542)
Statutory reserves at Bank of Jamaica		(1,167,150)	(530,303)
Securities sold under repurchase agreements		3,038,676	1,041,243
		3,309,819	(1,330,179)
Interest received		24,840,427	23,147,732
Interest paid		(7,290,731)	(7,470,450)
Taxation paid		(2,045,418)	(2,940,243)
Net cash provided by operating activities		18,814,097	11,406,860
Cash flows from investing activities			
Investment securities		(13,617,449)	(10,366,289)
Government securities purchased under resale agreements		(863,062)	9,095,378
Proceeds from the sale of property, plant and equipment		13,210	5,658
Purchase of shares in associated company		(1,044,813)	-
Net proceeds from sale of shares in associated company		1,075,152	-
Purchase of property, plant and equipment	26	(545,484)	(662,667)
Net proceeds from sale of shares		94,736	-
Disposal of subsidiary, net of cash disposal		1,651,684	-
Net cash used in investing activities		(13,236,026)	(1,927,920)
Cash flows from operating and investing activities		5,578,071	9,478,940

The Bank of Nova Scotia Jamaica Limited
Statement of Consolidated Cash Flows (continued)
Year ended 31 October 2007
(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2007	2006
Cash flows from operating and investing activities (page 155)		5,578,071	9,478,940
Cash flows from financing activities			
Dividends paid		(6,171,933)	(3,015,049)
Effect of exchange rate changes on cash and cash equivalents		2,197,779	1,189,308
Net increase in cash and cash equivalents		1,603,917	7,653,199
Cash and cash equivalents at beginning of year		25,622,864	17,969,665
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	27,226,781	25,622,864

The Bank of Nova Scotia Jamaica Limited
Statement of Revenue and Expenses
Year ended 31 October 2007
(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2007	2006
Net interest income and other revenue			
Interest from loans and deposits with banks		13,622,060	12,866,595
Income from securities		3,445,605	3,044,529
Total interest income	6	17,067,665	15,911,124
Interest expense	6	(5,105,458)	(4,917,774)
Net interest income		11,962,207	10,993,350
Impairment losses on loans	23	(511,804)	(300,732)
Net interest income after impairment losses on loans		11,450,403	10,692,618
Fee and commission income	7	3,856,811	3,236,150
Fee and commission expense	7	(997,260)	(646,506)
Net fee and commission income		2,859,551	2,589,644
Net foreign exchange trading income	8	946,124	874,667
Other revenue	9	1,770,018	30,374
		2,716,142	905,041
		17,026,096	14,187,303
Expenses			
Salaries, pension contributions and other staff benefits	10	4,679,084	4,251,577
Property expenses, including depreciation		1,368,505	1,199,331
Other operating expenses		2,169,111	1,778,991
	12	8,216,700	7,229,899
Profit before taxation	13	8,809,396	6,957,404
Taxation	14	(2,207,481)	(2,023,106)
Net profit for the year		6,601,915	4,934,298

The Bank of Nova Scotia Jamaica Limited
Balance Sheet
31 October 2007

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2007	2006
ASSETS			
Cash resources			
Notes and coins of, deposit with, and money at call at, Bank of Jamaica	16	25,646,239	27,682,707
Government and bank notes other than Jamaica		407,307	236,320
Amounts due from other banks	17	17,530,519	13,496,777
Accounts with parent and fellow subsidiaries	18	3,859,376	4,376,065
		47,443,441	45,791,869
Government securities purchased under resale agreements	21	1,256,311	602,211
Pledged assets	44	1,340,985	2,263,955
Loans, after allowance for impairment losses	22	68,126,067	55,640,560
Investment securities	24		
Available-for-sale		15,068,016	10,183,819
Held-to-maturity		15,665,541	19,053,313
		30,733,557	29,237,132
Investment in subsidiaries		254,738	258,238
Other assets			
Customers' liabilities under acceptances, guarantees and letters of credit		6,689,127	3,358,618
Sundry assets	25	138,649	618,157
Property, plant and equipment	26	2,493,320	2,285,893
Retirement benefit asset	27	4,839,913	4,287,410
		14,161,009	10,550,078
		163,316,108	144,344,043

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2007	2006
LIABILITIES			
Deposits			
Deposits by the public	28	123,374,522	108,735,888
Amounts due to other banks and financial institutions	29	1,593,271	1,615,031
Amounts due to ultimate parent company	30	4,857,885	5,334,611
Amounts due to subsidiaries	31	164,127	61,987
Amounts due to fellow subsidiaries		417,007	57,933
		130,406,812	115,805,450
Other liabilities			
Cheques and other instruments in transit		3,195,073	2,997,025
Acceptances, guarantees and letters of credit		6,689,127	3,358,618
Securities sold under repurchase agreements		236,512	923,918
Redeemable preference shares	34	100,000	-
Other liabilities	32	1,055,117	659,839
Taxation payable		759,836	311,667
Deferred tax liabilities	33	1,666,896	1,542,351
Retirement benefit obligations	27	723,066	486,678
		14,425,627	10,280,096
STOCKHOLDERS' EQUITY			
Share capital	34	2,927,232	2,927,232
Reserve fund	35	2,930,616	2,930,616
Retained earnings reserve	36	5,592,152	4,842,152
Cumulative remeasurement result from available-for-sale financial assets	37	137,442	242,253
Capital reserve	38	1,659,189	-
Loan loss reserve	39	983,418	765,292
Unappropriated profits		4,253,620	6,550,952
		18,483,669	18,258,497
		163,316,108	144,344,043

The financial statements on pages 151 to 227 were approved for issue by the Board of Directors on November 26, 2007 and signed on its behalf by:

Robert H. Pitfield, Director

William E. Clarke, Director

Stacie Ann S. Wright, Director

David A. Noel, Secretary

The Bank of Nova Scotia Jamaica Limited
Statement of Changes in Stockholders' Equity
Year ended 31 October 2007
(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	Share capital	Reserve fund	Retained earnings reserve	Capital reserve	Cumulative remeasurement result from available for sale financial assets	Loan loss reserve	Unappropriated profits	Total
Balance as 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	48	-	-	-	-	-	-	(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
Unrealised gains on available-for-sale investments, net of taxes						(75,105)			(75,105)*
Realised gains on available-for-sale securities transferred to statement of revenue and expenses		-	-	-	-	(29,706)	-	-	(29,706)
Net profit for the year		-	-	-	-	-	-	6,601,915	6,601,915*
Gain on sale of subsidiary					1,659,189			(1,659,189)	
Issue of preference shares								(100,000)	(100,000)
Dividends paid	48	-	-	-	-	-	-	(6,171,932)	(6,171,932)
Retained earnings transfer		-	-	750,000	-	-	-	(750,000)	-
Loan loss reserve transfer		-	-	-	-	-	218,126	(218,126)	-
Movement for the year		-	-	750,000	1,659,189	(104,811)	218,126	(2,297,332)	225,172
Balances at October 31, 2007		2,927,232	2,930,616	5,592,152	1,659,189	137,442	983,418	4,253,620	18,483,669

* Total recognised income and expenses for the year $6,526,810 (2006: $5,091,255).

The Bank of Nova Scotia Jamaica Limited
Statement of Cash Flows
Year ended 31 October 2007

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2007	2006
Cash flows from operating activities			
Net profit for the year		6,601,915	4,934,298
Items not affecting cash:			
Interest income	6	(17,067,665)	(15,911,124)
Interest expense	6	5,105,458	4,917,774
Taxation charge	14	2,207,481	2,023,106
Depreciation	26	326,015	313,778
Impairment losses on loans	23	511,804	300,732
Gain on sale of property, plant and equipment		(12,230)	(1,738)
Write-offs of property, plant and equipment	26	-	2,517
Gain on disposal of subsidiary		(1,659,189)	-
Gain on sale of shares		(94,736)	-
		(4,081,147)	(3,420,657)
Changes in operating assets and liabilities			
Loans		(12,846,072)	(1,388,164)
Retirement benefits		(316,115)	(362,422)
Deposits by public		14,611,888	5,385,035
Statutory reserves at Bank of Jamaica		(1,166,261)	(528,267)
Deposits with Central Bank greater than ninety days		(95,000)	7,830,000
Other liabilities, net		395,277	36,832
Due to parent company and fellow subsidiaries		(13,328)	640,177
Amounts due from other banks		(1,688,087)	1,366,380
Amounts with parents and fellow subsidiaries		(1,124,391)	(3,181,663)
Amounts due to other banks and financial institutions		(21,759)	37,231
Other assets, net		479,508	(367,517)
Securities sold under repurchase agreements		(685,534)	919,844
		(6,551,021)	6,966,809
Interest received		17,306,073	16,041,448
Interest paid		(5,082,768)	(4,861,382)
Taxation paid		(1,582,362)	(2,472,587)
Net cash provided by operating activities		4,089,922	15,674,288
Cash flows from investing activities			
Investment securities		1,046,194	(5,885,222)
Government securities purchased under resale agreements		(650,000)	(501,400)
Purchase of property, plant and equipment	26	(534,422)	(655,184)
Purchase of shares in associated company		(1,044,813)	-
Sale of shares in associated company		1,075,152	-
Proceeds from sale of shares in subsidiary		1,632,350	-
Proceeds from the sale of property, plant and equipment		13,210	5,564
Net proceeds from sale of shares		94,736	-
Net cash used in investing activities		1,632,407	(7,036,242)
Cash flows from operating and investing activities		5,722,329	8,638,046

The Bank of Nova Scotia Jamaica Limited
Statement of Cash Flows (continued)
Year ended 31 October 2007

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2007	2006
Cash flows from operating and investing activities (page 161)		5,722,329	8,638,046
Cash flows from financing activities			
Dividends paid		(6,171,933)	(3,015,049)
Effect of exchange rate changes on cash and cash equivalents		2,193,108	1,189,308
Net increase in cash and cash equivalents		1,743,504	6,812,305
Cash and cash equivalents at beginning of year		24,165,797	17,353,492
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	25,909,301	24,165,797

(expressed in thousands of Jamaican dollars unless otherwise stated)

1. Identification, Regulation and Licence

(a) The Bank of Nova Scotia Jamaica Limited ("the Bank") is incorporated and domiciled in Jamaica. It is a 100% subsidiary of Scotia Group Jamaica Limited which is incorporated and domiciled in Jamaica. Scotia Group Jamaica Limited is a 71.78% 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 the Banking Act, 1992 and is listed on the Jamaica Stock Exchange.

(b) 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
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.

(c) During 2007, a Scheme of Arrangement was undertaken which resulted in the reorganization of the Group, as follows:

(i) Effective May 1, 2007, The Bank of Nova Scotia Jamaica Limited ("the Bank") became a wholly owned subsidiary of the newly-formed group holding company, Scotia Group Jamaica Limited ("the company"), which is listed on the Jamaica Stock Exchange. As a consequence, the 2,927,232,000 issued ordinary stock units of the Bank are now owned by Scotia Group Jamaica Limited, and the former shareholders of the Bank were issued 2,927,232,000 ordinary shares of the company in exchange for their shares in the Bank.

(ii) The Bank also made a bonus issue of 100,000,000 variable rate redeemable cumulative preference shares to existing holders of the Bank's ordinary shares at the rate of one preference share for every thirty ordinary shares.

1. Identification, Regulation and Licence (continued)

(c) During 2007, a Scheme of Arrangement was undertaken which resulted in the reorganization of the Group, as follows (continued):

(iii) On December 12, 2006, the Bank acquired a 15.80% interest in Dehring, Bunting and Golding Limited. This interest was sold on May 1, 2007 to the newly formed parent company, Scotia Group Jamaica Limited, in accordance with the Scheme of Arrangement.

(iv) On July 1, 2007, the Bank sold its 100% interest in Scotia Jamaica Investment Management Limited to Dehring, Bunting and Golding Limited, a 77.01% subsidiary of Scotia Group Jamaica Limited.

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.

(a) Basis of preparation

(i) Statement of compliance

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

Amendments to published standards and interpretations during the year.

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

IAS 19 (Amendment), Actuarial Gains and Losses, Group Plans and Disclosures, which became effective for financial periods beginning on or after January 1, 2006, introduces the option of an alternative recognition approach for actuarial gains and losses. It imposed 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, this amendment has no impact on the financial statements other than additional disclosures.

IFRIC 4, Determining whether an Arrangement contains a Lease, which became effective for financial periods beginning on or after 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. IFRIC 4 has no material effect on the Group's accounting policies or the financial statements.

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

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

(i) Statement of compliance (continued)

IFRIC 8, Scope of IFRS 2 Share-based Payment, which became effective for financial periods beginning on or after May 1, 2006, requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. IFRIC 8 does not have any material impact on the financial statements.

IFRIC 9 Reassessment of Embedded Derivatives, which became effective for reporting periods beginning on or after June 1, 2006, requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, does not have any impact on the financial statements.

IFRIC 10, Interim Financial Reporting and Impairment, which became effective for financial periods beginning on or after November 1, 2006, 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 does not have any impact on the financial statements.

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

At the date of authorization of these financial statements, certain new standards, and amendments to and interpretations of existing standards, have been issued which are not yet effective at balance sheet date 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:

IFRS 7, Financial Instruments: Disclosures and the Complementary Amendment to *IAS 1, Presentation of Financial Statements – Capital Disclosures* (effective for reporting periods beginning on or after 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 will apply IFRS 7 and the amendment to IAS 1 for the year ending October 31, 2008.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

IFRS 8, Operating Segments (effective for periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 and sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates and its major customers. The Group is currently assessing the impact that IFRS 8 will have on the disclosures in the financial statements.

IFRIC 11 IFRS 2 Group and Treasury Share Transactions, which is effective for financial periods beginning on or after March 1, 2007, 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 the 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.

IFRIC 13 Accounting for Customer Loyalty Programmes, which becomes effective for financial periods beginning on or after July 1, 2008, creates consistency in accounting for customer loyalty plans. The interpretation is applicable to all entities that grant awards as part of a sales transaction (including awards that can be redeemed for goods or services not supplied by the entity). The Group is evaluating the impact IFRIC 13 will have on its financial statements.

IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, which becomes effective for financial periods beginning on or after 1 January 2008, provides guidance on assessing the limit set in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The group will apply IFRIC 14 for the year ending October 31, 2008, but it 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 1 (Revised) Presentation of Financial Statements, which becomes effective for accounting periods beginning on or after January 1, 2009, requires the presentation of all non-owners changes in equity in one or two statements: either in a single statement of comprehensive income, or in an income statement of comprehensive income. The Group is evaluating the impact that the revised standard will have on the financial statements.

IAS 23(Revised) - Borrowing Costs, which becomes effective for financial periods beginning on or after January 1, 2009, removes the option of either capitalising borrowing costs relating to qualifying assets or expensing the borrowing costs, and requires management to capitalise borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale. The Group is currently assessing the impact of this standard.

(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.

(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 are shown in thousands of Jamaican dollars.

(v) Comparative information

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

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

(b) Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Bank and its subsidiaries presented as a single economic entity.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are no longer consolidated from the date that control ceases.

Inter-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(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.

(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) Revenue recognition

(i) Interest income

Interest income is recognised in the statement of revenue and expenses for all interest earning 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 receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. 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, accretion of discount on treasury bills and other discounted instruments, and amortization of premium on instruments bought at a premium.

2. Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

(i) Interest income (continued)

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) Fee 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.

(iii) Dividend income

Dividend income is recognized when the right to receive payment is established.

(iv) Premium income

Premiums are recognised as earned when due.

(f) Interest expense

Interest expense is recognised in the statement of revenue and expenses on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability. The effective interest rate is established on initial recognition of the financial liability and is not revised subsequently.

2. Summary of significant accounting policies (continued)

(g) Claims

Death claims are recorded in the statement of revenue and expenses, 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 charges are based on the taxable profit for the year, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The current tax is calculated at tax rates that have been enacted at the balance sheet date.

(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 the legal right of set-off exists, and when they relate to income taxes levied by the same Tax Authority on either the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

2. Summary of significant accounting policies (continued)

(j) Insurance contracts – recognition and measurement

(i) 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.

(ii) 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.

2. Summary of significant accounting policies (continued)

(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.

(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 at inception if acquired principally for the purpose of selling in the short term or if so designated by management. These assets are carried at fair value and all related gains and losses are included in the statement of revenue and expenditures.

(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.

2. Summary of significant accounting policies (continued)

(m) Financial assets (continued)

(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.

(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 market prices. Unrealized gains and losses arising from changes in fair value of available-for-sale investments are recognized in stockholders' equity. On disposal of these investments, the unrealized gains or losses included in stockholders' equity are transferred to the statement of revenue and expenses.

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.

2. Summary of significant accounting policies (continued)

(n) Investment in subsidiaries

Investments by the Bank in subsidiaries are stated at cost less impairment losses.

(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.

(p) 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 the fair value of the consideration given,which is the cash disbursed 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.

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.

2. Summary of significant accounting policies (continued)

(q) 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.

(r) 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.

(s) Leases

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.

(t) 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. Cost includes expenditures that are directly attributable to the acquisition of the asset.

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.

2. Summary of significant accounting policies (continued)

(t) Property, plant and equipment (continued)

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

The depreciation methods, useful lives and residual values are reassessed at the reporting date.

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.

(u) Employee benefits

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, vacation leave; non-monetary benefits such as medical care; post-employments benefits such as pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits, termination benefits and equity compensation benefits are accounted for as described below. Other long-term benefits are not considered material and are charged off when incurred.

2. Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

(i) Pension obligations

The Group operates a defined benefit plan, the assets of which are held in a separate trustee-administered fund. The pension plan is funded by payments from employees and the Bank, and the recommendations of the actuary are taking into account.

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.

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

(u) Employee benefits (continued)

(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.

(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 49) 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.

(v) 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.

(w) Share capital

(i) Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets.

Preference share capital is classified as equity except where it is redeemable on a specific or determinable date or at the option of the shareholders and/or if dividend payments are not discretionary, in which case it is classified as a liability. Dividend payments on preference shares classified as a liability are recognized in the statement of revenue and expenses as interest expense.

2. Summary of significant accounting policies (continued)

(w) Share capital (continued)

(ii) Dividends

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

(x) 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 42.

(y) 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.

(z) 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 ninety days, which are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in their fair value.

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.

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

(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 $266,912 (2006: $272,577) higher or $357,761 (2006: $330,685) lower.

(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 of investments would decrease by $408,801 (2006: increase of $199,108) with a corresponding entry in the fair value reserve in stockholders' equity.

(iii) Income taxes

Estimates and judgements are required in determining the provision for income taxes. The tax liability or asset arising from certain transactions or events may be uncertain during the ordinary course of business. In cases of such uncertainty, the Group recognises liabilities for possible additional taxes based on its judgement. Where the final tax outcome in relation to such matters is different from the amount that was initially recognised, the difference will impact the current and deferred income tax provisions in the period in which such determination is made.

(expressed in thousands of Jamaican dollars unless otherwise stated)

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

(iii) Income taxes (continued)

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 $32,014 and the deferred tax liability by $16,626, if unfavourable; or
- decrease the income tax liability by $32,014 and the deferred tax liability by $16,626, 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.

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:

	2007	2006
Interest rates decrease by 1%	21,308	150,569
Interest rates increase by 1%	(73,054)	(187,290)
Mortality increases by 10%	79,428	59,476
Mortality decreases by 10%	(81,446)	(60,705)
Expenses increase by 10%	89,906	79,162
Expenses decrease by 10%	(88,752)	(78,050)
Lapses and withdrawals increase 10%	89,115	65,359
Lapses and withdrawals decrease 10%	(99,444)	(71,029)

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)

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 12.21%. Were the average future investment returns to differ by 1% from management's estimates the insurance liability would increase by $21,308 or decrease by $73,054.

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.

(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.

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

(v) Pension and other post-retirement benefits (continued)

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. Similarly, were the actual discount rate used at the beginning of the fiscal year, to differ by 1% from management's estimates there would be no impact on the consolidated net income.

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, unit trust and pension fund management, brokerage and advisory services, 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)

	2007							
	Retail	Banking Corporate and Commercial	Treasury	Investment Management Services	Insurance Services	Other	Eliminations	Group
Gross external revenues	9,405,862	5,916,641	6,734,606	1,713,885	4,533,396	5,599	-	28,309,989
Revenue/(expenses) from other segments	2,768,441	1,463,652	(4,257,378)	62,987	21,334	11,948	(70,984)	-
Total gross revenues	12,174,303	7,380,293	2,477,228	1,776,872	4,554,730	17,547	(70,984)	28,309,989
Total expenses	(8,862,232)	(5,390,296)	(107,725)	(1,528,613)	(2,870,891)	(9,396)	70,984	(18,698,169)
Profit before tax	3,312,071	1,989,997	2,369,503	248,259	1,683,839	8,151	-	9,611,820
Income tax expenses								(2,761,203)
Net profit								6,850,617
Segment assets	44,346,569	43,711,417	78,802,142	-	33,702,394	166,549	(500,132)	200,228,939
Unallocated assets								4,978,563
Total assets								205,207,502
Segment liabilities	76,913,730	69,065,909	236,512	-	27,128,507	55,545	(299,941)	173,100,262
Unallocated liabilities								4,304,915
Total liabilities								177,405,177
Other segment items:								
Capital expenditure	310,671	225,778	-	-	9,035	-		545,484
Impairment losses on loans	486,255	36,810		(618)				522,447
Depreciation	197,022	131,037		1,312	4,976	540		334,887

(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	7,894,080	6,096,609	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	10,721,127	7,206,458	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	3,117,167	1,940,537	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	34,972,133	35,880,558	76,488,592	19,953,269	29,143,600	176,139	(1,679,742)	194,934,549
Unallocated assets								4,905,566
Total assets								199,840,115
Segment liabilities	69,438,983	57,510,245	1,593,918	18,413,556	23,911,713	61,058	(1,479,451)	169,450,022
Unallocated liabilities								3,000,538
Total liabilities								172,450,560
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

Capital expenditure comprises additions to property, plant and equipment (note 26).

(expressed in thousands of Jamaican dollars unless otherwise stated)

6. Net interest income

	The Group		The Bank	
	2007	2006	2007	2006
Interest income:				
Deposits with banks and other financial institutions	2,516,735	2,839,415	2,498,380	2,837,518
Investment securities	7,534,582	5,587,579	3,333,463	2,978,001
Reverse repurchase agreements	1,683,432	3,825,969	112,142	66,528
Loans and advances	11,834,536	10,659,791	11,121,106	10,028,161
Other	7,057	6,306	2,574	916
	23,576,342	22,919,060	17,067,665	15,911,124
Interest expense:				
Banks and customers	5,418,476	5,263,971	5,032,729	4,858,698
Repurchase agreements	1,376,984	2,131,364	60,791	57,853
Other	14,374	1,223	11,938	1,223
	6,809,834	7,396,558	5,105,458	4,917,774
Net interest income	16,766,508	15,522,502	11,962,207	10,993,350

7. Net fee and commission income

	The Group		The Bank	
	2007	2006	2007	2006
Fee and commission income:				
Retail banking fees	2,001,259	1,674,235	2,000,652	1,674,235
Credit related fees	886,841	608,886	879,284	606,527
Commercial and depository fees	1,087,216	1,145,903	976,875	955,388
	3,975,316	3,429,024	3,856,811	3,236,150
Fee and commission expenses	(997,260)	(646,506)	(997,260)	(646,506)
	2,978,056	2,782,518	2,859,551	2,589,644

8. Net foreign exchange trading income

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

9. Other revenue

	The Group		The Bank	
	2007	2006	2007	2006
Gain on disposal of subsidiary	-	-	1,628,851	-
Gain on sale of shares and property, plant and equipment	107,258	1,760	136,314	1,738
Other	79,691	33,655	4,853	28,636
	186,949	35,415	1,770,018	30,374

(expressed in thousands of Jamaican dollars unless otherwise stated)

10. Salaries, pension contributions and other staff benefits

	The Group 2007	The Group 2006	The Bank 2007	The Bank 2006
Wages and salaries	4,085,841	3,663,805	3,750,739	3,320,417
Payroll taxes	373,802	322,267	332,191	297,654
Pension costs, net [note 27(a)]	(494,232)	(471,925)	(494,232)	(471,925)
Other post-employment benefits [note 27(b)]	258,339	182,521	258,339	182,521
Other staff benefits	865,651	954,225	832,047	922,910
Total (note 12)	5,089,401	4,650,893	4,679,084	4,251,577

11. Change in policyholders' fund

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

	2007 Ordinary Life	2007 Creditor Life	2007 Total
Gross reserves	28,585,195	123,718	28,708,913
Negative reserves	(1,734,706)	-	(1,734,706)
Balance at end of year	26,850,489	123,718	26,974,207

	2006 Ordinary Life	2006 Creditor Life	2006 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

(b) Change in policyholders' reserve:

	The Group 2007	The Group 2006
Policyholders' benefit payments	35,101	37,872
Interest expense	2,619,511	2,469,861
Transfer from actuarial reserves	(202,420)	(338,794)
	2,452,192	2,168,939

11. 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 of 12.21% beginning November 2007, decreasing monthly to 8% in the year 2014, and then decreasing yearly to 6% in the year 2027 and later.

The above interest rates have been decreased by 0.50% as a margin for adverse deviation.

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. 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%.

11. 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 7.26% beginning November 2007, decreasing monthly to 5% in the year 2014, and then decreasing to 3% in year 2027 and later. A margin for adverse deviation is added by increasing the maintenance expenses by 10% of the best estimate assumption.

(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)

12. Expenses by nature

	The Group		The Bank	
	2007	2006	2007	2006
Salaries, pension contributions and other staff benefits (note 10)	5,089,401	4,650,893	4,679,084	4,251,577
Property expenses, including depreciation	1,406,070	1,235,536	1,368,505	1,199,331
Changes in policyholders' reserves	2,452,192	2,168,939	-	-
Transportation and communication	622,279	552,831	596,839	537,405
Marketing and advertising	474,040	317,254	423,560	270,792
Management and consultancy fees	365,273	255,281	310,399	250,114
Deposit insurance	175,725	164,173	168,115	157,602
Stationery	224,213	177,503	213,864	170,196
Other operating expenses	556,695	509,941	456,334	392,882
	11,365,888	10,032,351	8,216,700	7,229,899

13. 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	
	2007	2006	2007	2006
Auditors' remuneration	10,854	10,342	6,391	6,087
Depreciation	334,887	323,686	326,015	313,778
Directors' emoluments-				
Fees	15,422	16,681	10,204	9,994
Other	47,609	37,706	47,609	37,706
Gains on sale of shares and property, plant and equipment	(107,258)	(1,760)	(1,765,165)	(1,738)
Operating lease rentals	48,801	42,239	46,975	40,335

(expressed in thousands of Jamaican dollars unless otherwise stated)

14. 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	
	2007	2006	2007	2006
Current income tax:				
Income tax at 33⅓%	2,116,133	2,109,615	2,030,457	2,008,722
Income tax at 30%	164,227	152,066	-	-
Premium income tax at 3%	81,226	78,066	-	-
Investment income tax at 15%	122,874	161,838	-	-
Adjustment for (over)/under-provision of prior year's charges	113	(110,910)	74	(115,761)
Deferred income tax (note 33)	276,630	126,041	176,950	130,145
	2,761,203	2,516,716	2,207,481	2,023,106

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

	The Group		The Bank	
	2007	2006	2007	2006
Profit before taxation	9,611,820	9,315,624	8,809,396	6,957,404
Tax calculated at 33⅓%	3,203,940	3,105,208	2,936,465	2,319,135
Adjusted for the effects of:				
Effect of different tax regime applicable to life insurance and mortgage financing subsidiaries	(276,700)	(284,163)	-	-
Income not subject to tax – tax free investments	(216,586)	(198,301)	(212,442)	(187,898)
Expenses not deductible for tax purposes	6,733	2,856	6,733	2,748
Capital gains	(45,438)	(8,858)	(588,719)	(8,858)
Other charges and allowances	89,254	(100,026)	65,444	(102,021)
Taxation expense	2,761,203	2,516,716	2,207,481	2,023,106

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)

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.

	2007	2006
Net profit attributable to stockholders	6,850,617	6,798,908
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)	2.34	2.32

16. Cash and balances at Bank of Jamaica

	The Group		The Bank	
	2007	2006	2007	2006
Statutory reserves with Bank of Jamaica – interest-bearing	3,777,770	3,386,190	3,777,016	3,385,460
Statutory reserves with Bank of Jamaica – non interest-bearing	6,707,869	5,932,299	6,664,235	5,889,529
Total statutory reserve (note 19)	10,485,639	9,318,489	10,441,251	9,274,989
Cash in hand and at bank (note 19)	22,045,197	32,280,356	15,204,988	18,407,718
	32,530,836	41,598,845	25,646,239	27,682,707

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.

17. Amounts due from other banks

	The Group		The Bank	
	2007	2006	2007	2006
Items in course of collection from other banks	1,181,967	1,244,305	1,181,967	1,244,305
Placements with other banks	16,435,620	12,346,748	16,348,552	12,252,472
	17,617,587	13,591,053	17,530,519	13,496,777

(expressed in thousands of Jamaican dollars unless otherwise stated)

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	
	2007	2006	2007	2006
Cash and balances with Bank of Jamaica	32,530,836	41,598,845	25,646,239	27,682,707
Less: statutory reserves (note 16)	(10,485,639)	(9,318,489)	(10,441,251)	(9,274,989)
	22,045,197	32,280,356	15,204,988	18,407,718
Less balances at bank greater than 90 days	(11,131,564)	(17,829,575)	(5,217,131)	(5,206,097)
	10,913,633	14,450,781	9,987,857	13,201,621
Government and bank notes other than Jamaica	407,307	236,320	407,307	236,320
Amounts due from other banks	13,787,281	11,446,766	13,701,589	11,353,147
Accounts with parent and fellow subsidiaries	2,914,049	2,363,721	2,914,049	2,363,721
Government of Jamaica Treasury bills and bonds	2,611,605	600,000	2,385,691	600,000
Cheques and other instruments in transit	(3,114,974)	(2,882,736)	(3,195,073)	(2,997,025)
	27,518,901	26,214,852	26,201,420	24,757,784
Less accrued interest receivable on Bank of Jamaica Certificates of Deposit and Deposits with Banks	(292,120)	(591,988)	(292,119)	(591,987)
	27,226,781	25,622,864	25,909,301	24,165,797

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

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 result in credit exposure in that the counterparty to the transaction may be unable to fulfil its contractual obligations.

The fair value of collateral held pursuant to reverse repurchase agreements is $1,459,442 (2006: $2,242,361) for the Group and $1,249,889 (2006:$942,279) for the Bank.

(expressed in thousands of Jamaican dollars unless otherwise stated)

22. Loans, after allowance for impairment losses

	The Group		The Bank	
	2007	2006	2007	2006
Business and Government	36,016,732	31,701,145	36,007,508	31,689,522
Personal and credit cards	31,905,220	23,833,638	31,905,220	23,833,638
Residential mortgages	4,952,983	3,923,053	-	-
Interest receivable	761,106	608,139	712,115	560,878
Total	73,636,041	60,065,975	68,624,843	56,084,038
Less: allowance for impairment losses (note 23)	(530,368)	(478,260)	(498,776)	(443,478)
	73,105,673	59,587,715	68,126,067	55,640,560

23. Impairment losses on loans

	The Group		The Bank	
	2007	2006	2007	2006
Total non-performing loans	1,315,699	1,009,003	1,213,914	913,988
Allowance at beginning of year	478,260	495,034	443,478	460,059
Acquisitions and disposals	(2,530)	-	-	-
Charged against revenue during the year	522,447	301,994	511,804	300,732
Bad debts written off	(701,126)	(475,718)	(688,795)	(474,240)
Recoveries of bad debts	233,317	156,950	232,289	156,927
Allowance at end of year	530,368	478,260	498,776	443,478
This comprises:				
Specific provisions	341,800	332,977	312,337	301,631
General provisions	188,568	145,283	186,439	141,847
	530,368	478,260	498,776	443,478

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 – from 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 $90,972 as at October 31, 2007 (2006: $73,942) for the Bank and $102,518 as at October 31, 2007 (2006: $80,278) for the Group.

(expressed in thousands of Jamaican dollars unless otherwise stated)

23. Impairment losses on loans (continued)

Allowance for impairment losses (continued)

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

	The Group		The Bank	
	2007	2006	2007	2006
Allowance based on accounting standard - IAS 39 [see (a) below]	530,368	478,260	498,776	443,478
Additional allowance based on BOJ regulations [see (b) below]	1,017,136	806,524	983,418	765,292
	1,547,504	1,284,784	1,482,194	1,208,770

(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 195).

(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 (note 39).

24. Investment securities

	The Group		The Bank	
	2007	2006	2007	2006
Available-for-sale				
Government of Jamaica	19,498,089	13,455,761	15,068,016	10,183,819
Held-to-maturity				
Government of Jamaica	39,220,096	34,445,405	15,660,436	19,047,659
Other	5,240	5,789	5,105	5,654
	39,225,336	34,451,194	15,665,541	19,053,313
Total investment securities	58,723,425	47,906,955	30,733,557	29,237,132

Included in investment securities are Government of Jamaica Local Registered Stocks valued at $90,000 (2006 - $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.

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

(expressed in thousands of Jamaican dollars unless otherwise stated)

25. Sundry assets

	The Group		The Bank	
	2007	2006	2007	2006
Accounts receivable and prepayments	133,422	265,258	134,376	235,771
Other	4,274	382,388	4,273	382,386
	137,696	647,646	138,649	618,157

26. 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, 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
Additions	3,891	253	137,354	403,986	545,484
Disposals	(3,157)	-	(53,165)	-	(56,322)
Transfers	52,045	28,792	219,849	(300,686)	-
October 31, 2007	1,665,552	203,717	3,113,597	201,341	5,184,207
Accumulated depreciation:					
November 1, 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
Charge for the year	30,877	22,224	281,786	-	334,887
On disposals	(1,051)	-	(48,797)	-	(49,848)
October 31, 2007	259,235	121,028	2,250,103	-	2,630,366
Net book values					
October 31, 2007	1,406,317	82,689	863,494	201,341	2,553,841
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

(expressed in thousands of Jamaican dollars unless otherwise stated)

26. 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, 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
Additions	2,966	253	132,695	398,508	534,422
Disposals	(11)	-	(22,103)	-	(22,114)
Transfers	52,045	26,403	214,976	(293,424)	-
October 31, 2007	1,614,808	199,905	3,052,497	200,056	5,067,266
Accumulated depreciation:					
November 1, 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)
October 31, 2006	215,794	97,419	1,955,852	-	2,269,065
Charge for the year	30,133	21,672	274,210	-	326,015
On disposals	-	-	(21,134)	-	(21,134)
October 31, 2007	245,927	119,091	2,208,928	-	2,573,946
Net book values					
October 31, 2007	1,368,881	80,814	843,569	200,056	2,493,320
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

(expressed in thousands of Jamaican dollars unless otherwise stated)

27. Retirement benefit asset/obligation

Amounts recognised in the balance sheet:

	The Group and The Bank 2007	2006
Defined benefit pension plan	4,839,913	4,287,410
Other post retirement benefits	(723,066)	(486,678)
	4,116,847	3,800,732

(a) Defined benefit 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, 2007.

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

	The Group and The Bank 2007	2006
Present value of funded obligations	6,911,961	5,872,871
Fair value of plan assets	(20,514,621)	(18,483,277)
Unrecognised actuarial gains	3,896,535	4,350,008
	(9,706,125)	(8,260,398)
Limitation on recognition of surplus due to uncertainty of obtaining future benefits	4,866,212	3,972,988
Asset in the balance sheet	(4,839,913)	(4,287,410)
Pension plan assets include the following:		
The Bank's ordinary stock units	1,384,691	1,556,093
Resale agreements with a related company	-	1,791

(expressed in thousands of Jamaican dollars unless otherwise stated)

27. Retirement benefit asset/obligation (continued)

(a) Defined benefit pension plan (continued)

(ii) The movement in the present value of funded obligations for the year is as follows:

	The Group	
	2007	2006
At beginning of year	5,872,871	5,124,428
Interest and service costs	993,386	902,470
Past service cost – vested benefits	(110,984)	-
Actuarial loss on obligation	363,316	53,558
Benefits paid	(206,628)	(207,585)
At end of year	6,911,961	5,872,871

(iii) The movement in fair value of plan assets for the year is as follows:

	The Group and The Bank	
	2007	2006
At beginning of year	(18,483,277)	(16,377,620)
Expected return on plan assets	(1,944,184)	(1,721,342)
Actuarial loss on plan assets	(21,643)	(352,091)
Contributions	(272,145)	(239,809)
Benefits paid	206,628	207,585
At end of year	(20,514,621)	(18,483,277)

(iv) Analysis of fair value of plan assets:

	The Group and The Bank	
	2007	2006
Government stocks and bonds	15,165,390	11,075,185
Quoted investments	2,378,824	2,509,887
Repurchase agreements	1,344,425	3,696,192
Certificates of deposit	13,590	153,214
Real estate	757,907	109,654
Net current assets	854,485	939,145
	20,514,621	18,483,277

(expressed in thousands of Jamaican dollars unless otherwise stated)

27. **Retirement benefit asset/obligation (continued)**

(a) Defined benefit pension plan (continued)

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

	The Group and The Bank	
	2007	2006
Current service cost, net of employee contributions	66,802	55,652
Interest cost	712,710	658,123
Expected return on plan assets	(1,944,184)	(1,721,342)
Net actuarial gain recognised in year	(111,800)	(114,200)
Past service cost-vested benefits	(110,984)	-
Income not recognised due to limit	893,224	649,842
Included in staff costs (note 10)	(494,232)	(471,925)

The actual return on plan assets was $1,965,826 (2006: $2,073,433).

(vi) The principal actuarial assumptions used were as follows:

	The Group and The Bank	
	2007	2006
Discount rate	12.5%	12.0%
Expected return on plan assets	10.5%	10.5%
Future salary increases	9.5%	9.5%
Future pension increases	4.5%	3.5%
Average expected remaining working lives (years)	22.4	26.6

(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 (2006: 10.5%).

(i) The amounts recognised in the balance sheet are as follows:

	The Group and The Bank	
	2007	2006
Present value of unfunded obligations	1,141,333	1,195,379
Unrecognised actuarial losses	(418,267)	(708,701)
Liability in the balance sheet	723,066	486,678

(expressed in thousands of Jamaican dollars unless otherwise stated)

27. Retirement benefit asset/obligation (continued)

(ii) The movement in the present value of unfunded obligations for the year is as follows:

	The Group and The Bank 2007	2006
At beginning of year	1,195,379	877,965
Interest and service costs	235,531	164,730
Actuarial (gain)/loss on obligation	(267,626)	174,589
Benefits paid	(21,951)	(21,905)
Liability in the balance sheet	1,141,333	1,195,379

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

	The Group and The Bank 2007	2006
Current service cost	83,395	50,092
Interest cost	152,136	114,638
Net actuarial losses recognised in year	22,808	17,791
Total included in staff costs (Note 10)	258,339	182,521

(c) Five year trend analysis

	Pension 2007	2006	2005	2004	2003
Fair value of plan assets	20,514,620	18,483,277	16,377,620	14,458,261	9,529,737
Present value of defined benefit obligation	6,911,961	5,872,871	5,124,428	3,916,362	2,415,002
Surplus in the plan	13,602,659	12,610,406	11,253,192	10,541,899	7,114,735
Experience adjustments to plan liabilities	474,870	(397,996)	225,179	1,265	104,694
Experience adjustments to plan assets	21,643	352,091	306,914	3,812,040	441,510

	Health and Group Life 2007	2006	2005	2004	2003
Present value of defined benefit obligation	1,141,333	1,195,379	877,965	394,895	156,168
Deficit in the plan	(1,141,333)	(1,195,379)	(877,965)	(394,895)	(156,168)
Experience adjustments to plan liabilities	(140,505)	56,384	422,921	13,487	(7,498)

(expressed in thousands of Jamaican dollars unless otherwise stated)

27. Retirement benefit asset/obligation (continued)

(d) The estimated pension contributions expected to be paid into the plan during the next financial year is $69,714.

28. Deposits by the public

	The Group		The Bank	
	2007	2006	2007	2006
Personal	73,426,038	65,344,894	69,566,282	61,375,619
Other	54,164,107	47,672,622	53,570,339	47,149,113
Interest payable	284,315	262,022	237,901	211,156
	127,874,460	113,279,538	123,374,522	108,735,888

Deposits include $152,241 (2006:$79,838) held as collateral for irrevocable commitments under letters of credit.

29. Amounts due to other banks and financial institutions

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

30. Due to ultimate parent company

	The Group		The Bank	
	2007	2006	2007	2006
Bank of Nova Scotia				
Facility I	1,010,501	2,502,025	1,010,501	2,502,025
Facility II	2,759,576	2,778,689	2,759,576	2,778,689
Facility III	974,892	-	974,892	-
	4,744,969	5,280,714	4,744,969	5,280,714
Interest receivable	51,713	53,897	51,713	53,897
	4,796,682	5,334,611	4,796,682	5,334,611
Scotia Group Jamaica Limited.				
- Operating account	61,203	-	61,203	-
	4,857,885	5,334,611	4,857,885	5,334,611

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

(ii) Facility II 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.

(iii) Facility III is a US$ denominated seven (7) year non-revolving loan from the parent company, for on-lending. The repayment of the principal will commence August 2008, and is subject to a fixed interest rate of 5.95%.

The above loan facilities are unsecured.

(expressed in thousands of Jamaican dollars unless otherwise stated)

31. Amounts due to subsidiaries

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

32. Other liabilities

	The Group		The Bank	
	2007	2006	2007	2006
Accrued vacation and redundancy	101,009	49,012	97,340	44,884
Other accrued liabilities	600,770	407,244	546,338	441,405
Prepaid letters of credit	203,184	34,847	203,184	34,847
Other	224,121	279,063	208,255	138,703
	1,129,084	770,166	1,055,117	659,839

33. 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 its other subsidiaries.

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

	The Group		The Bank	
	2007	2006	2007	2006
Balances at beginning of year	(1,561,331)	(1,387,498)	(1,542,351)	(1,362,216)
Recognised in the statement of revenue and expenses (note 14)	(276,630)	(126,041)	(176,950)	(130,145)
Recognised in equity on available-for-sale investments:				
- fair value re-measurement	48,032	(69,618)	42,503	(68,982)
- transfer to net profit	10,963	21,826	9,902	18,992
Disposal	11,922	-	-	-
Balances at end of year	(1,767,044)	(1,561,331)	(1,666,896)	(1,542,351)

(expressed in thousands of Jamaican dollars unless otherwise stated)

33. Deferred tax assets and liabilities (continued)

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

	The Group		The Bank	
	2007	2006	2007	2006
Deferred income tax assets:				
Other post retirement benefits	240,616	162,226	240,616	162,226
Interest receivable	2,418	3	-	-
Available-for-sale investments	5,085	-	-	-
Vacation accrued	17,789	14,258	17,647	13,339
	265,908	176,487	258,263	175,565
Deferred income tax liabilities:				
Pension benefits	1,613,304	1,429,137	1,613,304	1,429,137
Accelerated tax depreciation	90,300	74,991	89,252	73,530
Available-for-sale investments	68,721	132,926	68,721	121,126
Impairment losses on loans	161,673	100,734	153,882	94,123
Vacation accrued	(479)	-	-	-
Interest receivable other	99,433	30	-	-
	2,032,952	1,737,818	1,925,159	1,717,916
Net deferred tax liability	(1,767,044)	(1,561,331)	(1,666,896)	1,542,351

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

	The Group		The Bank	
	2007	2006	2007	2006
Accelerated tax depreciation	15,801	1,801	15,722	1,931
Pensions and other post retirement benefits	105,777	120,807	105,777	120,807
Allowance for loan impairment	62,458	16,240	59,759	20,746
Vacation accrued	(4,394)	(14,259)	(4,308)	(13,339)
Interest receivable	96,988	1,452	-	-
Total [note 14(a)]	276,630	126,041	176,950	130,145

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 $8,666,725 at October 31, 2007 (2006: $8,401,643).

(expressed in thousands of Jamaican dollars unless otherwise stated)

34. Share capital

	Number of Units '000	
	2007	2006
Authorised:		
Ordinary shares of no par value	3,000,000	3,000,000
Preference shares of no par value	100,000	-
	3,100,000	3,000,000

	Number of Units '000		Amount	
	2007	2006	2007	2006
Issued and fully paid:				
Ordinary stock units	2,927,232	2,927,232	2,927,232	2,927,232
Preference shares	100,000	-	100,000	-
Total stated capital	3,027,232	2,927,232	3,027,232	2,927,232
Less: Redeemable preference shares required by IFRS to be accounted for as a liability			(100,000)	-
			2,927,232	2,927,232

Effective May 1, 2007, the company's subsidiary, The Bank of Nova Scotia Jamaica Limited, made a bonus issue of 100,000,000 variable rate redeemable cumulative preference shares to holders of the Bank's ordinary shares at that date, at the rate of one preference share for every thirty ordinary shares.

Stated capital comprises both the ordinary and preference shares in accordance with the Companies Act. However, in accordance with IFRS the preference shares are presented as a liability.

Under the provisions of the Companies Act 2004, the shares have no par value.

35. Reserve fund

	The Group		The Bank	
	2007	2006	2007	2006
As at October 31	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 the required statutory levels are attained.

36. 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.

(expressed in thousands of Jamaican dollars unless otherwise stated)

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

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

38. Capital reserve

This represents the gain on sale of shares held in Scotia Jamaica Investment Management Limited and Dehring, Bunting and Golding Limited.

39. Loan loss reserve

This is a non-distributable loan loss reserve which represents the excess of the loan loss provision over IAS 39 requirements (note 23).

40. Other reserves

	The Group	
	2007	2006
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	136	10,099
	16,751	26,714

41. 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.

(expressed in thousands of Jamaican dollars unless otherwise stated)

41. Financial risk management (continued)

(a) Interest rate risk

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.

	The Group						
	2007						
	Immediately rate sensitive (1)	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	5,992,279	20,448,680	9,577,966	4,176,659	-	14,219,522	54,415,106
Securities purchased under resale agreements	300,000	1,070,182	105,733	-	-	7,683	1,483,598
Pledged assets	-	1,038,783	300,000	-	-	2,202	1,340,985
Loans (3)	22,136,728	22,903,099	5,731,339	17,801,943	3,314,957	1,217,607	73,105,673
Investment securities (2)							
- Available-for-sale	-	2,424,775	2,203,045	10,664,373	3,591,365	614,531	19,498,089
- Held to maturity	-	27,427,737	8,216,320	2,547,709	121,423	912,147	39,225,336
Other assets	-	-	-	-	-	16,138,715	16,138,715
Total assets	28,429,007	75,313,256	26,134,403	35,190,684	7,027,745	33,112,407	205,207,502
Deposits	105,747,178	16,891,653	5,111,395	5,912,032	1,212,120	336,029	135,210,407
Securities sold under repurchase agreements		236,512	-	-	-	-	236,512
Other liabilities	-	-	-	-	-	14,984,051	14,984,051
Policyholders' fund	15,469,509	2,227,733	10,887,953	-	-	(1,610,988)	26,974,207
Stockholders' equity	-	-	-	-	-	27,802,325	27,802,325
Total liabilities and stockholders' equity	121,216,687	19,355,898	15,999,348	5,912,032	1,212,120	41,511,417	205,207,502
Total interest rate sensitivity gap	(92,787,680)	55,957,358	10,135,055	29,278,652	5,815,625	(8,399,010)	-
Cumulative gap	(92,787,680)	(36,830,322)	(26,695,267)	2,583,385	8,399,010	-	-
	2006						
Total assets	25,348,889	79,771,558	39,704,471	23,530,429	3,118,414	28,366,354	199,840,115
Total liabilities and stockholders' equity	104,470,243	30,839,665	20,662,879	5,920,490	1,117,178	36,829,660	199,840,115
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	-	-

(expressed in thousands of Jamaican dollars unless otherwise stated)

41. Financial risk management (continued)

(a) Interest rate risk (continued)

	The Bank						
	2007						
	Immediately rate sensitive (1)	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	5,992,279	17,610,249	7,410,888	2,465,000	-	13,965,025	47,443,441
Securities purchased under resale agreements	300,000	950,000	-	-	-	6,311	1,256,311
Pledged assets	-	1,038,783	300,000	-	-	2,202	1,340,985
Loans (3)	22,136,728	18,849,070	5,546,341	17,560,230	2,935,274	1,098,424	68,126,067
Investment securities (2)							
- Available-for-sale	-	401,143	717,941	9,930,809	3,489,202	528,921	15,068,016
- Held to maturity	-	12,566,573	2,569,170	-	103,400	426,398	15,665,541
Investment in subsidiaries	-	-	-	-	-	254,738	254,738
Other assets (4)	-	-	-	-	-	14,161,009	14,161,009
Total assets	28,429,007	51,415,818	16,544,340	29,956,039	6,527,876	30,443,028	163,316,108
Deposits	104,113,397	14,931,475	4,519,371	5,912,032	640,922	289,615	130,406,812
Securities sold under repurchase agreements	-	234,310	-	-	-	2,202	236,512
Other liabilities	-	-	-	-	-	14,189,115	14,189,115
Stockholders' equity	-	-	-	-	-	18,483,669	18,483,669
Total liabilities and stockholders' equity	104,113,397	15,165,785	4,519,371	5,912,032	640,922	32,964,601	163,316,108
Total interest rate sensitivity gap	(75,684,390)	36,250,033	12,024,969	24,044,007	5,886,954	(2,521,573)	-
Cumulative gap	(75,684,390)	(39,434,357)	(27,409,388)	(3,365,381)	2,521,573	-	-
	2006						
Total assets	25,340,500	51,279,485	18,197,571	21,511,169	2,650,149	25,365,169	144,344,043
Total liabilities and stockholders' equity	90,048,755	14,603,380	4,963,668	5,920,490	923,948	27,883,802	144,344,043
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	-	-

(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)

41. Financial risk management (continued)

(a) Interest rate risk (continued)

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

	The Group 2007					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted Average %
Cash resources (1)	4.12	8.30	9.56	-	-	8.35
Investment securities (1)						
Available-for-sale	-	14.57	13.66	7.54	7.56	9.14
Held to maturity	-	14.12	14.74	13.57	14.43	14.21
Financial assets at fair value through statement of revenue and expenses	-	-	-	-	-	-
Securities purchased under resale agreements	19.63	11.99	11.76	-	-	13.53
Pledged assets	-	15.34	15.84	-	-	15.45
Loans (2)	16.41	25.85	17.58	17.05	10.77	19.40
Deposits (3)	4.18	7.41	7.92	6.83	6.71	4.86
Securities sold under repurchase agreements	-	12.25	-	-	-	12.25
Policyholders fund	9.35	11.00	10.25	-	-	9.82

	The Group 2006					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted Average %
Cash resources (1)	6.20	9.19	11.91	-	-	9.60
Investment securities (1)						
Available-for-sale	-	14.32	9.32	8.27	14.84	9.27
Held to maturity	-	13.55	12.30	15.73	14.51	13.27
Financial assets at fair value through statement of revenue and expenses	-	13.29	-	-	-	13.29
Securities purchased under resale agreements	-	12.28	-	-	-	12.28
Pledged assets	-	13.33	13.30	-	-	13.32
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

(expressed in thousands of Jamaican dollars unless otherwise stated)

41. Financial risk management (continued)

(a) Interest rate risk (continued)

The Bank 2007

	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
Cash resources (4)	4.12	7.66	8.50	14.00	-	7.68
Investment securities (1)						
Available-for-sale	-	14.44	11.75	7.15	7.41	7.64
Held to maturity	-	14.35	13.66	-	14.01	14.23
Securities purchased under resale agreements	19.63	12.76	-	-	-	14.40
Pledged assets	-	15.34	15.84	-	-	15.45
Loans (2)	16.41	28.03	17.67	17.13	10.73	19.72
Deposits (3)	4.11	7.23	7.68	6.83	7.34	4.73
Securities sold under repurchase agreements	-	12.25	-	-	-	12.25

The Bank 2006

	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
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	-	13.46	9.91	5.50	14.12	12.60
Securities purchased under resale agreements	-	12.28	-	-	-	12.28
Pledged assets	-	14.96	13.99	-	-	14.89
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
Securities sold under repurchase agreements	-	12.25	-	-	-	12.25

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%.

41. 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 are 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)

41. 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 2007	Total 2006
Agriculture, fishing and mining	1,067,438	50,155	1,117,593	955,423
Construction and real estate	1,617,698	398,098	2,015,796	1,241,334
Distribution	4,340,943	1,015,452	5,356,395	3,454,568
Financial institutions	3,023	3,790,793	3,793,816	739,229
Government and public entities	12,634,116	398,880	13,032,996	12,875,183
Manufacturing	3,410,781	462,408	3,873,189	3,069,534
Personal	37,243,385	1,051,686	38,295,071	28,761,339
Professional and other services	3,157,466	103,533	3,260,999	2,729,324
Tourism and entertainment	9,399,209	83,749	9,482,958	9,592,554
Interest receivable	761,982	-	761,982	608,139
Total	73,636,041	7,354,754	80,990,795	64,026,627
Total impairment provision			(530,368)	(478,260)
			80,460,427	63,548,367

	The Bank			
	Loans and Leases	Acceptances, Guarantees and Letters of Credit	Total 2007	Total 2006
Agriculture, fishing and mining	1,067,438	50,155	1,117,593	955,423
Construction and real estate	1,617,698	398,098	2,015,796	1,234,040
Distribution	4,340,943	1,015,452	5,356,395	3,454,568
Financial institutions	3,023	3,790,793	3,793,816	739,229
Government and public entities	12,632,139	398,879	13,031,018	12,872,582
Manufacturing	3,410,781	462,408	3,873,189	3,069,534
Personal	32,292,378	386,060	32,678,438	24,238,853
Professional and other services	3,148,243	103,533	3,251,776	2,718,703
Tourism and entertainment	9,399,209	83,749	9,482,958	9,598,846
Interest receivable	712,991	-	712,991	560,878
Total	68,624,843	6,689,127	75,313,970	59,442,656
Total impairment provision			(498,776)	(443,478)
			74,815,194	58,999,178

(expressed in thousands of Jamaican dollars unless otherwise stated)

41. 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	
	2007	2006	2007	2006
United States dollar ($ thousands)	28,116	17,888	27,623	15,109
Canadian dollar ($ thousands)	2,788	314	2,788	314
Pound Sterling (£ thousands)	1,940	649	1,921	609

(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)

41. Financial risk management (continued)

(d) Liquidity risk (continued)

	The Group					
	2007					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Total
Cash resources	40,284,728	9,663,372	4,467,006	-	-	54,415,106
Securities purchased under resale agreements	1,273,628	209,970	-	-	-	1,483,598
Pledged assets	-	-	236,512	1,104,473	-	1,340,985
Loans	18,083,847	10,968,740	31,846,687	12,206,399	-	73,105,673
Investment securities						
- Available-for-sale	826,080	1,013,379	11,828,409	5,830,221	-	19,498,089
- Held to maturity	4,101,737	4,464,233	20,494,197	10,165,169	-	39,225,336
Other assets	2,935,384	2,257,362	1,991,729	1,321,436	7,632,804	16,138,715
Total assets	67,505,404	28,577,056	70,864,540	30,627,698	7,632,804	205,207,502
Deposits	119,286,029	5,380,882	9,331,376	1,212,120	-	135,210,407
Securities sold under repurchase agreements	236,512	-	-	-	-	236,512
Other liabilities	5,399,655	2,347,188	3,257,604	1,321,436	2,658,168	14,984,051
Policyholders' fund	26,974,207	-	-	-	-	26,974,207
Stockholders' equity	-	-	-	-	27,802,325	27,802,325
Total liabilities and stockholders' equity	151,896,403	7,728,070	12,588,980	2,533,556	30,460,493	205,207,502
Total liquidity gap	(84,390,999)	20,848,986	58,275,560	28,094,142	(22,827,689)	-
Cumulative gap	(84,390,999)	(63,542,013)	(5,266,453)	22,827,689	-	-
	2006					
Total assets	77,776,987	42,148,838	54,668,489	17,802,476	7,443,325	199,840,115
Total liabilities and stockholders' equity	145,669,871	12,117,732	10,239,842	1,596,379	30,216,291	199,840,115
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	-	-

(expressed in thousands of Jamaican dollars unless otherwise stated)

41. Financial risk management (continued)

(d) Liquidity risk (continued)

	The Bank					
	2007					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Total
Cash resources	37,489,993	7,488,448	2,465,000	-	-	47,443,441
Securities purchased under resale agreements	1,256,311	-	-	-	-	1,256,311
Pledged assets	-	-	236,512	1,104,473	-	1,340,985
Loans	17,972,535	10,746,778	30,862,700	8,544,054	-	68,126,067
Investment securities						
- Available-for-sale	514,176	732,686	9,930,809	3,890,345	-	15,068,016
- Held to maturity	2,973,592	2,616,557	6,763,487	3,311,905	-	15,665,541
Subsidiary companies	-	-	-	-	254,738	254,738
Other assets	1,034,912	2,248,293	1,991,729	1,321,436	7,564,639	14,161,009
Total assets	61,241,519	23,832,762	52,250,237	18,172,213	7,819,377	163,316,108
Deposits	115,645,809	4,788,706	9,331,376	640,921	-	130,406,812
Other liabilities	4,748,034	2,248,293	3,223,127	1,321,436	2,648,225	14,189,115
Stockholders' equity	-	-	-	-	18,483,669	18,483,669
Securities sold under repurchase agreements	236,512	-	-	-	-	236,512
Total liabilities and stockholders' equity	120,630,355	7,036,999	12,554,503	1,962,357	21,131,894	163,316,108
Total liquidity gap	(59,388,836)	16,795,763	39,695,734	16,209,856	(13,312,517)	-
Cumulative gap	(59,388,836)	(42,593,073)	(2,897,339)	13,312,517	-	-
	2006					
Total assets	61,678,721	23,874,327	41,883,056	9,914,431	6,993,508	144,344,043
Total liabilities and stockholders' equity	105,730,250	6,507,753	10,239,801	1,403,148	20,463,091	144,344,043
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	-	-

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.

41. 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)

41. 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			
	2007		2006	
	Individual	Group	Individual	Group
Benefits assured per life assured				
0 to 250,000	5,447,068	646,388	3,801,352	1,196,956
250,001 to 500,000	1,836,203	3,825,247	1,352,913	2,567,898
500,001 to 750,000	2,557,767	1,498,890	1,755,467	1,197,254
750,001 to 1,000,000	1,372,858	1,383,479	870,171	972,048
1,000,001 to 1,500,000	4,082,769	1,887,128	2,823,185	1,211,569
1,500,001 to 2,000,000	824,015	1,550,413	491,497	953,051
Over 2,000,000	3,736,759	5,908,316	2,724,466	3,275,518
	19,857,439	16,699,861	13,819,051	11,374,294

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 Group has factored the impact of contract holders behaviour into the assumptions used to measure these liabilities.

42. 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 held and liabilities 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)

42. 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 instruments 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) financial instruments classified as fair value through the statement of revenue and expenses 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 recognized valuation techniques. Fair value is equal to the carrying amount of these investments.

(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 2007	Fair Value 2007	Carrying Value 2006	Fair Value 2006
Financial assets				
Loans	73,105,673	72,884,876	59,587,715	59,133,940
Investment securities:				
held-to-maturity	39,225,336	38,816,535	34,451,194	34,650,302
Financial liability				
Deposits	135,210,407	135,214,605	120,490,087	120,410,898

(expressed in thousands of Jamaican dollars unless otherwise stated)

42. Fair value of financial instruments (continued)

	The Bank			
	Carrying Value 2007	Fair Value 2007	Carrying Value 2006	Fair Value 2006
Financial assets				
Loans	68,126,067	68,007,112	55,640,560	55,214,284
Investment securities:				
Held-to-maturity	15,665,541	15,273,010	19,053,313	19,107,891
Financial liability				
Deposits	130,406,812	130,433,809	115,805,450	115,785,117

43. Commitments

	The Group		The Bank	
	2007	2006	2007	2006
(a) Capital expenditure:				
Authorised and contracted	69,099	-	69,099	-
(b) Commitments to extend credit:				
Originated term to maturity of more than one year	19,409,091	19,756,683	18,743,464	19,154,649

(c) Operating lease commitments:

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

	The Group	
	2007	2006
Not later than one year	138,736	114,896
Later than one year and not later than five years	523,204	390,402
Later than five years	2,557,205	1,447,465
	3,219,145	1,952,763

(expressed in thousands of Jamaican dollars unless otherwise stated)

44. 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	
	2007	2006	2007	2006
Securities with regulators	804,473	840,000	-	-
Securities with other financial institutions and clearing house	300,000	540,037	-	-
Securities sold under repurchase agreements	236,512	18,402,219	236,512	18,234,105
	1,340,985	19,782,256	236,512	18,234,105

	The Bank			
	Asset		Related Liability	
	2007	2006	2007	2006
Securities with Bank of Jamaica	804,473	800,000	-	-
Securities with other financial institutions and clearing house	300,000	540,037	-	-
Securities sold under repurchase agreements	236,512	923,918	236,512	923,918
	1,340,985	2,263,955	236,512	923,918

The Bank of Jamaica holds as security, Government of Jamaica Local Registered Stocks and Bank of Jamaica Certificates of Deposit valued at $804,473 (2006 : $840,000) for the Group and $804,473 (2006 : $800,000) for the Bank against possible shortfalls in the operating account.

Other financial institutions hold as security, Government of Jamaica Local Registered Stocks valued at $300,000 (2006 : $540,037) for the Bank in the normal course of inter bank transactions.

45. 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 $Nil (2006: $36,336,624).

46. Related party transactions and balances

The Group is controlled by Scotia Group Jamaica Limited which is incorporated and domiciled in Jamaica. Scotia Group Jamaica Limited is a 71.78% subsidiary of The Bank of Nova Scotia, which is incorporated and domiciled in Canada, and is the ultimate parent company. The remaining 28.22% of the stock units are widely held.

Parties are considered to be related, if one party has the ability to control or exercise significant influence over the other party. 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.

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.

There were no related party transactions with the ultimate parent company other than the payment of dividends, management fees, guarantee fees, and the amount due to the ultimate parent company (note 30).

(expressed in thousands of Jamaican dollars unless otherwise stated)

46. Related party transactions and balances (continued)

The volumes of related party transactions, outstanding balances at the year end, and related expenses and income for the year are as follows:

	The Group					
	Ultimate parent	Fellow subsidiaries	Directors and Key Management Personnel	Connected companies	Total 2007	Total 2006
Loans						
Loans outstanding at beginning of year	-	-	209,428	5,940,043	6,149,471	5,081,143
Net loans issued/(repaid) during the year	-	-	59,725	567,783	627,508	1,068,328
Loans outstanding at end of year	-	-	269,153	6,507,826	6,776,979	6,149,471
Interest income earned	-	-	19,474	715,180	734,654	641,830
Average repayment term (Years)	-	-	9.22	5.00	5.17	4.62
Average interest rate (%)	-	-	8.98	12.80	12.65	10.29
Deposits						
Deposits outstanding at beginning of year	5,334,611	-	66,994	4,644,105	10,045,710	10,136,385
Net deposits received/(repaid) during the year	(537,929)	-	65,919	354,765	(117,245)	(90,675)
Deposits outstanding at end of year	4,796,682	-	132,913	4,998,870	9,928,465	10,045,710
Interest expense on deposits	345,944	-	5,769	179,682	531,395	528,524
Other						
Fees and commission earned	-	-	611	490,108	490,719	240,958
Insurance products	-	-	22,343	-	22,343	7,655
Securities purchased/(sold) under repurchase agreements	-	193,457	-	-	193,457	(62,763)
Interest earned/(paid) on repurchase agreements	-	(14,945)	-	-	(14,945)	(6,256)
Due from banks and other financial institutions	174,955	3,639,447	-	-	3,814,402	4,333,588
Interest earned from banks and other financial institutions	2,425	145,829	-	-	148,254	210,475
Due to banks and other financial institutions	1,729	381,165	-	-	382,894	-
Interest paid to banks and other financial institutions	-	8,105	-	-	8,105	-
Management fees paid to parent company	340,590	-	-	-	340,590	293,222
Guarantee fees paid to parent company	7,661	-	-	-	7,661	16,171
Other operating (expense)/income	-	(6,922)	-	-	(6,922)	(8,948)

(expressed in thousands of Jamaican dollars unless otherwise stated)

46. Related party transactions and balances (continued)

	The Bank					
	Ultimate Parent	Fellow subsidiaries	Directors and Key Management Personnel	Connected companies	Total 2007	Total 2006
Loans						
Loans outstanding at beginning of year	-	-	183,885	5,940,043	6,123,928	5,054,869
Net loans issued/(repaid) during the year	-	-	51,565	567,783	619,348	1,069,059
Loans outstanding at end of year	-	-	235,450	6,507,826	6,743,276	6,123,928
Interest income earned	-	-	15,805	715,180	730,985	638,201
Average repayment term (Years)	-	-	8.25	5.00	5.11	4.57
Average interest rate (%)	-	-	8.21	12.80	12.64	10.28
Deposits						
Deposits outstanding at beginning of year	5,334,611	-	61,313	4,644,105	10,040,029	10,133,563
Net deposits received/(repaid) during the year	(537,929)	-	66,233	354,765	(116,931)	93,534
Deposits outstanding at end of year	4,796,682	-	127,546	4,998,870	9,923,098	10,227,097
Interest expense on deposits	345,944	-	5,452	179,682	531,078	528,210
Other						
Fees and commission earned	-	-	611	490,108	490,719	240,958
Securities sold under repurchase agreements	-	(134,310)	-	-	(134,310)	(919,843)
Interest paid on repurchase agreements	-	(24,721)	-	-	(24,721)	(57,853)
Due from banks and other financial institutions	174,955	3,639,447	-	-	3,814,402	4,333,588
Interest earned from banks and other financial institutions	2,425	145,829	-	-	148,254	210,475
Due to banks and other financial institutions	1,729	544,926	-	-	546,655	224,044
Interest paid to banks and other financial institutions	-	29,225	-	-	29,225	17,913
Management fees paid to parent company	298,042	-	-	-	298,042	233,936
Guarantee fees paid to parent company	7,661	-	-	-	7,661	16,171
Other operating (expense)/income	-	(2,112)	-	-	(2,112)	(8,948)

	The Group 2007	The Group 2006	The Bank 2007	The Bank 2006
Key management compensation				
Salaries and other short term benefits	275,586	268,683	228,054	205,204
Post-employment benefits	517,219	276,567	456,760	226,875

(expressed in thousands of Jamaican dollars unless otherwise stated)

47. 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 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.

48. Dividends

(a) Paid

	The Group and the Bank	
	2007	2006
In respect of 2005	-	731,808
In respect of 2006	848,897	2,283,241
In respect of 2007	5,323,036	-
	6,171,933	3,015,049

(b) Proposed

At the Board of Directors meeting on November 26, 2007, a dividend in respect of 2007 of $0.29 per share (2006 - actual dividend $0.29 per share) amounting to a total of $848,897 (2006: $848,897) is to be proposed. The financial statements for the year ended October 31, 2007 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, 2008.

(expressed in thousands of Jamaican dollars unless otherwise stated)

49. 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 is 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 $37,916 (2006: $29,340).

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:

	2007	2006
Number of shares	2,634,885	3,734,203
Fair value of shares $'000	55,978	82,190

50. Acquisitions and disposals

On December 12, 2006, the Bank acquired a 15.80% interest (48,865,919 shares) in Dehring Bunting and Golding Limited (DB&G Ltd.).

	$,000
Cash paid	1,030,094
Acquisition costs	14,720
Total cost of acquisition	1,044,814

(expressed in thousands of Jamaican dollars unless otherwise stated)

50. Acquisitions and disposals (continued)

On May 1, 2007, this was subsequently sold at cost to the parent company — Scotia Group Jamaica Limited under a scheme of arrangement.

Disposal of subsidiary

On July 1, 2007, The Bank of Nova Scotia Jamaica Limited sold its 100% interest in its subsidiary, Scotia Jamaica Investment Management Limited, to Dehring, Bunting and Golding Limited a subsidiary of Scotia Group Jamaica Limited. The purchase consideration was a share for share exchange resulting in an increase of 8.47% in the total holding of DB&G Ltd. to Scotia Group Jamaica Limited.

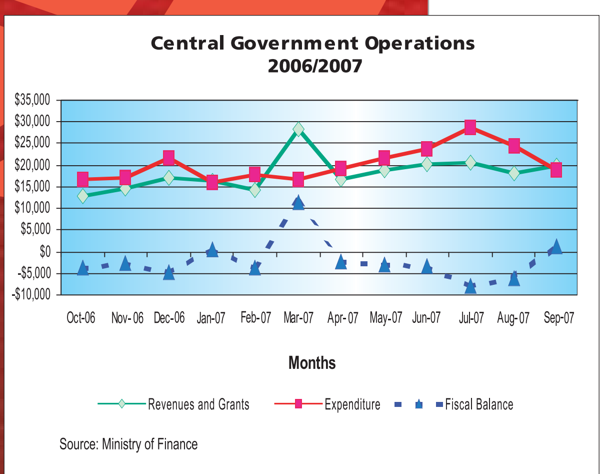
The details of assets and liabilities disposed of and the proceeds of disposal are as follows:

Investments	6,993,920
Government securities purchased under resale agreements	15,211,298
Loans	2,233
Property, plant & equipment	6,050
Other assets	24,459
Securities sold under repurchase agreements	(20,539,388)
Other liabilities	(46,888)
Net assets	1,651,684
Proceeds from sale	1,687,446
Less cash and cash equivalents in subsidiary sold	(35,762)
Net cash inflow	1,651,684

This subsidiary operated in the investment-banking segment and contributed profit before tax of $248,259 to the Group for the period November 1, 2006 to June 30, 2007 ($318,753 for 2006).

Economic Review

Jamaica's economic growth rate over the first three quarters of 2007 declined when compared to the same period in 2006. Real Gross Domestic Product (GDP) growth decelerated to an estimated 0.5% year-over-year in the third quarter following a 2.1% expansion in the first half of the year; in 2006, the economy grew by 2.5%. The slowdown is a result of the passage of Hurricane Dean which negatively impacted both the agricultural and mining sectors. For the 2007 calendar year, real GDP is estimated to grow by 1.5%[1], which again means that the Jamaican economy would have failed to reach the targetted growth rate of 3.0%.



Sector Performance

The growth engines of the economy for 2007 have been the Finance and Insurance, Construction & Installation, and Distribution Sectors with creditable growth performance by Transport, Storage & Communication, Real Estate & Business Services and the Manufacturing Sectors.

The Finance and Insurance sector, which registered growth of 4.0% at the end of September and which is projected to grow by 4.4%[1] for the 2007 calendar year, benefited from a 20% growth in loan portfolios as well as increases in fee and commission incomes.

In the Construction & Installation industry, the expansion in non-residential construction activities over the period under review contributed to the positive growth within the industry. Road rehabilitation programmes in the second and third quarters of the year as well as ongoing work on the North Coast Highway generated much of the activity recorded in this sector. However, the overall performance of the sector was somewhat constrained by lower levels of cement supply.

[1] PIOJ Estimate

Increased loans and advances in the Distributive Trade sector, as well as higher levels of imports during the months of January to June and a surge in remittances, contributed to the 3.0% growth within the sector.

The usually robust tourism industry suffered a 1% decline in GDP for the January - September 2007 period, despite significant investments in room expansion over the previous two years. The reported decline in tourist arrivals over the period was attributed to renewed competition as well as the new US Government's passport requirement, which had the effect of making vacation travel from our main market less spontaneous.

Fiscal Accounts

For the period October 2006 – September 2007, the country operated a total fiscal deficit of $24.33 billion, which was some $4.4 billion less than budgeted over the same period. An examination of the figures show that the reduction in deficit was primarily due to savings gained on capital expenditure and to a lesser extent, on domestic interest payments and wages and salaries.

Foreign Exchange Market

For the twelve months to October 2007, the Jamaican dollar experienced nominal depreciation of approximately 6.5% against the US dollar. However, the greatest nominal change occurred against the Canadian dollar, British pound and the euro where the dollar depreciated by 23.6%, 13.9% and 17.6% respectively, reflecting the weakening of the US dollar against the other major currencies over the period. The Bank of Jamaica's recent interventions in the market were aimed at maintaining stability, resulting in a 17% decline in Central Bank's Net International Reserves.

Inflation

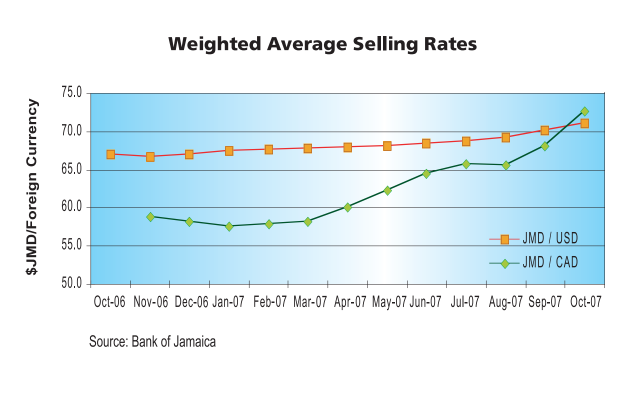
Consumer price inflation decelerated significantly in 2006, recording a single digit rate of 5.8% year-over-year at end-2006, compared to 12.9% a year before.

This was the lowest registered rate of inflation for over 20 years. However, inflation has accelerated in recent months on the back of the impacts of Hurricane Dean and high global oil and food prices. The depreciation of the Jamaican dollar - which is expected to continue through the balance of the year - will put further pressure on prices. Inflation will therefore likely close the year 2007 in the 9-10% year-over-year range.

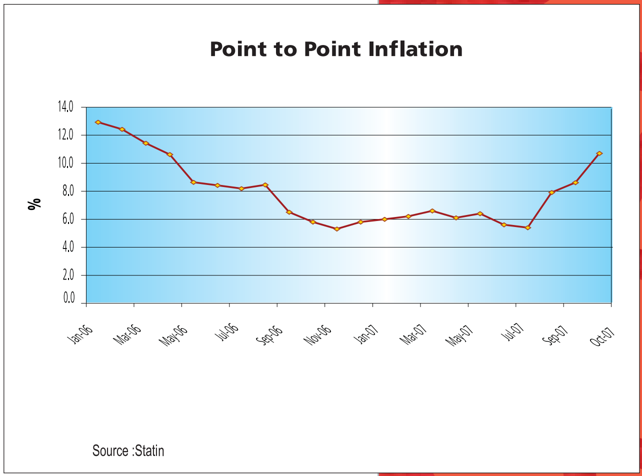
In the first half of the year 2007, positive economic indicators, excess liquidity in the system as well as the government's commitment to the medium-term fiscal targets allowed the Central Bank to systematically reduce interest rates by approximately 50 basis points on all tenors of BOJ Certificates of Deposit. Foreign exchange instability in the latter half of the period, which was aggravated by excess liquidity, however forced the Central Bank to offer JMD-denominated variable and fixed rate instruments at attractive rates to the market.

Outlook

The economy will experience more favourable growth in 2008, expanding by close to 3%. Major tourism and mining related fixed investment will be the main growth engines, while rising levels of workers' remittances support private consumption. Despite the challenges to growth in the latter half of 2007, sound and strong fiscal management and restricting the growth of the public debt stock are imperatives articulated by the new government regime as international capital markets and monitoring agencies demand greater fiscal prudence. The Central Bank has been responsive and successful in maintaining monetary stability; it is expected that it will continue its efforts to maintain confidence in the Jamaican financial markets in the near and medium term.



Source: Bank of Jamaica



Source :Statin

Glossary

ALLOWANCE FOR IMPAIRMENT LOSSES: An allowance set aside which, in management's opinion, is adequate to absorb all credit-related losses. It is decreased by write-offs, realized losses and recoveries; and increased by new provisions. It includes specific and general allowances, and is deducted from the related asset category on the Group's consolidated balance sheet.

ASSETS UNDER ADMINISTRATION AND MANAGEMENT: The total market value of assets owned by customers, for whom the Group and its subsidiaries provides custody, trustee, corporate administration, investment management and advisory services, and are not reported on the Group's consolidated balance sheet.

ASSETS HELD IN TRUST: Consists of custodial and non-discretionary trust assets administered by the Group and its subsidiaries, which are beneficially owned by customers and are therefore not reported on the Group's 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.

BOJ: The Bank of Jamaica, the regulator for Commercial Banks, Merchant Banks, and Building Societies in Jamaica.

BASIS POINT: A unit of measure defined as one-hundredth of one per cent; 100bp equals 1%.

CAPITAL: Consists of common shareholders' equity. Capital supports asset growth, provides against loan losses and protects the Group and its subsidiaries depositors.

FSC: The Financial Services Commission, the regulator for securities dealers, insurance companies, and pension funds in Jamaica.

GENERAL PROVISIONS: Established against the loan portfolio in the Group and its subsidiaries when management's assessment of economic trends suggests that losses may occur, but such losses cannot yet be specifically identified on an individual item-by-item basis.

IFRS: International Financial Reporting Standards issued by the International Accounting Standards Board, the global accounting standards setting body, which have been adopted by the Institute of Chartered Accountants of Jamaica.

NET INTEREST MARGIN: Net interest income, expressed as a percentage of average total assets.

NON-PERFORMING LOANS: Loans on which the Group and its subsidiaries no longer have reasonable assurance as to the timely collection of interest and principal, or where a contractual payment is past due for a prescribed period. Interest is not accrued on non-performing loans.

PRODUCTIVITY RATIO: Measures the efficiency with which the Group and its subsidiaries incur 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.

REPOS: Repos is short for "obligations related to assets sold under repurchase agreements" – a short-term transaction where the Group and its subsidiaries sells assets, normally government bonds, to a client and simultaneously agrees to repurchase them on a specified date and at a specified price. It is a form of short-term funding.

RETURN ON EQUITY: Net income available to common shareholders, expressed as a percentage of average common shareholders' equity.

REVERSE REPOS: Short for "assets purchased under resale agreements" – a short-term transaction where the Group and its subsidiaries purchase assets, normally government bonds, from a client and simultaneously agrees to resell them on a specified date and at a specified price. It is a form of short-term collateralized lending.

RISK-WEIGHTED 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.

STANDBY LETTERS OF CREDIT AND LETTERS OF GUARANTEE: Assurances given by the Group and its subsidiaries that it will make payments on behalf of clients to third parties in the event that the customer defaults. The Group and its subsidiaries have recourse against its customers for any such advanced funds.

STRESS TESTING: A scenario that measures market risk under unlikely but plausible events in abnormal markets.

TIER 1, TIER 2 CAPITAL RATIOS: These are ratios of capital to risk-weighted assets, as stipulated by the Bank of Jamaica and the Financial Services Commission, based on guidelines developed under the auspices of the Bank for International Settlements (BIS). Tier 1 capital is more permanent and based on the regulator. It is defined as follows:

(a) For entities regulated by the BOJ: Tier 1 capital consists primarily of common shareholders' equity, and certain designated retained earnings which by statute may not be distributed or reduced without permission from the Bank of Jamaica.

(b) For entities regulated by the FSC: Tier 1 capital consists primarily of common shareholders' equity and certain reserves designated by the Commission such as retained earnings and investment reserves. Deductions may also be applied for net investments in associates/subsidiaries, goodwill and other intangibles assets, among other things.

Tier 2 capital consists mainly of eligible general allowances. Together, Tier 1 and Tier 2 capital less certain deductions comprise total regulatory capital.

YIELD CURVE: A graph showing the term structure of interest rates, plotting the yields of similar quality bonds by term to maturity.

Subsidiaries, Board Members and Senior Officers

Wholly-Owned Subsidiaries and Scotiabank Jamaica Foundation

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

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

Board of Directors
R. H. Pitfield - Chairman
Hon. M. M. Matalon, OJ
- Deputy Chairman
A. V. Chang
Prof. C. D. C. Christie Samuels
Hon. W. E. Clarke, OJ, CD
Dr. J. A. Dixon, CD
Miss M. M. Issa
C. H. Johnston
J. M. Matalon
Hon. W. A. McConnell, OJ
W. A. McDonald
Dr. H. J. Thompson, CD
Prof. S. C. Vasciannie
R. E. Waugh
Miss S. A. Wright

SCOTIA JAMAICA INVESTMENT MANAGEMENT LIMITED

4th Floor, Scotiabank Centre
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P.O. Box 627
Kingston, Jamaica

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

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
A. V. Chang
Hon. W. E. Clarke, OJ, CD
Prof. C. D. C. Christie Samuels
Ms. E. Leung
H. W. Powell
H. A. Reid
Dr. A. E. Samuels
P. B. Scott
Prof. S. C. Vasciannie
Miss S. A. Wright

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

Mrs. M. Anthony
Senior Manager, Finance & Investments

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, CD - Chairperson
Dr. H. J. Thompson - Deputy Chairman
Ms. B. Alexander
Dr. C. D. Archer
Hon. W. E. Clarke, OJ, CD
Miss M. M. Issa
H. W. Powell
Miss J. A. Thompson
Miss S. A. Wright

Senior Officers
G. F. Whitelocke
Vice President & General Manager

Mrs. M. D. Scott
Manager, Finance & Operations

P. F. Williams
Manager, Mortgage Services

SCOTIA JAMAICA FINANCIAL SERVICES LIMITED

Scotiabank Centre
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Board of Directors
Hon. W. E. Clarke, OJ , CD - Chairman
H. W. Powell
Mrs. A. M. Tugwell Henry
Miss S. A. Wright

SCOTIABANK JAMAICA FOUNDATION

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Dr. J. A. Dixon - Chairperson
Hon. W. E. Clarke, OJ , CD - 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
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Board of Directors
Hon. W. E. Clarke, OJ , CD - Chairman
Mrs. R. A. Pilliner
H. W. Powell

BRIGHTON HOLDINGS LIMITED

Scotiabank Centre
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Kingston, Jamaica

Board of Directors
Hon. W.E. Clarke, OJ , CD - Chairman
E. H. Anderson
H. W. Powell
Miss S. A. Wright

DEHRING BUNTING & GOLDING LIMITED

Head Office, 7 Holborn Road
Kingston 10, Jamaica

Board of Directors
Prof. S. C. Vasciannie, Chairman
Ms. B. A. Alexander
A. V. Chang
Hon. W. E. Clarke, OJ, CD
Mrs. A. M. Fowler
Miss M. M. Issa
Dr. Anna Law
Mr. P. P. Martin
Miss A. M. Schnoor
Mr. J. A. Woodward
Miss S. A. Wright

Senior Officers
Miss A. Schnoor
Chief Executive Officer

Miss A. Tinker
Vice President & Chief Financial Officer

DB&G UNIT TRUSTS MANAGERS LIMITED

1B Holborn Road, Kingston 10, Jamaica

Board of Directors
Mr. J. Muirhead, Chairman
Ms. B. A. Alexander
Dr. J. A. Dixon
Miss M. M. Issa
Miss A. M. Schnoor
Mrs. J. T. Sharp

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Assistant Vice President, Pensions and General Manager

DB&G MERCHANT BANK LIMITED

1B Holborn Road, Kingston 10, Jamaica

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Mr. C. H. Johnston
Miss A. Schnoor
Mr. P. Scott
Mrs. J. A. Thompson-James
Miss S. A. Wright

Senior Officers
Ms. T. Hoshue
General Manager

Ms. C. Budhlall
Senior Manager, Finance

SECRETARY

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

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Miss Stacie Ann Wright
Executive Vice President
& Chief Financial Officer

Mrs. Rosemarie A. Pilliner
Executive Vice President
Operations

H. Wayne Powell
Executive Vice President
Branch Banking

Michael D. Jones
Senior Vice President
Human Resources

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

Miss Anya M. Schnoor
Senior Vice President, Wealth Management

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

Miss Maya Walrond
Senior Vice President
Customer Experience, Technology Innovation
& Projects

SENIOR MANAGEMENT OFFICERS

Audit

Miss Yvonne M. Pandohie
Vice President & Chief Auditor

Corporate & Commercial Banking Centre

Wayne P. Hewitt
Vice President
Corporate & Commercial Banking

Miss Marcette McLeggon
Assistant General Manager,
Credit Solutions

Credit Risk Management

Ronald Bourdeau
Vice President, Risk Management

Bevan A. Callam
Vice President
Credit Risk Management

District Vice Presidents

Dudley E. Walters

Roger R. Cogle

Michael A. Thompson

Employee Consultations & Ombuds Services

Mrs. Rosemarie A. Voordouw
Director

Finance

Miss Shirley K. Ramsaran
Assistant General Manager
Finance & Comptroller

Hugh G. Miller
Assistant General Manager
Treasury & Foreign Exchange

Frederick A. Williams
Assistant General Manager
Market and Operational Risk

Information Systems Centre

Miss Sharon A. Colquhoun
Director

Legal & Compliance

Miss Keri-Gaye Brown
Legal Counsel & Assistant Secretary

Marketing

Mrs. Heather D. M. Goldson
Vice President

Operations and Shared Services

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

David M. Williams
Assistant General Manager
Operations & Sales Support

Public, Corporate & Government Affairs

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

Retail & Electronic Banking

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

Scotia Private Client Group

Miss Bridget A. Lewis
General Manager

Small & Medium Enterprises

Mrs. Patsy Latchman Atterbury
Vice President

SUBSIDIARIES

The Bank of Nova Scotia Jamaica Limited

William E. Clarke, OJ, CD
President & Chief Executive Officer

The Scotia Jamaica Building Society

Gladstone Whitelocke
Vice President & General Manager

Scotia Jamaica Life Insurance Company Limited

Mrs. Jacqueline Sharp
Vice President & General Manager

Dehring Bunting & Golding

Miss Anya M. Schnoor
Chief Executive Officer

Branches & Team Leaders

BLACK RIVER
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Black River
St. Elizabeth

R. R. Reid, Manager

BROWN'S TOWN
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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
Miss T. M. Palmer, Snr. Manager,
H. C. Mair, Snr. Relationship Manager
Mrs. D. A. Mighty, Relationship Manager
H. D. Stephens, Relationship Manager
Miss T. E. Budoo, 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

F. O. Wright, 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

Mrs K. A. Tomlinson, Manager

Mrs G. Morrison, Asst. Manager, Commercial Credit

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

Miss D. A. Hyman, Account Manager,

H. Lewis, Asst Manager, Personal Banking

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, Commercial Credit

Mrs. L. D. Stewart, Asst. Manager, Operations

V. P. Dunkley, Asst. Manager, Personal Banking

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Linstead
St. Catherine

Mrs L. A. Hemmings, Manager

Mrs. M. T. 'Fay' White, Asst. Manager

LUCEA
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Lucea
Hanover

C. A. Dawes, Manager

MANDEVILLE
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A. C. Bright, Manager

Miss A. E. Senior, Asst. Manager,
Commercial Credit

C. Barnett, Manager, Personal Banking

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Operations & Service

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J. J. Smalling, Manager

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L. M. Reynolds, 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

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Morant Bay
St. Thomas

C. A. Wright, Manager

NEGRIL
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Negril P. O.
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G. E. Gray, Manager

NEW KINGSTON
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C.A. Sylvester, Manager

G. A. Hogarth, Asst. Manager

A. O. Harvey, Asst. Manager,
Personal Banking

Mrs. M.A. Meek-Davis. Asst. Manager, Operations

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Mrs K. N. Chang, Manager

L. S. Estick, Asst. Manager

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St. Catherine

Mrs. A. Y. Howard, Manager

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Miss. J. A. Sutherland, Manager

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Port Antonio
Portland

A. R. Jervis, Manager

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Port Maria
St. Mary

Mrs. O. A. Whittaker, Manager

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Greater Portmore,
St Catherine.

A. D. Johnson, Manager

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Kingston 10

S. H. Thompson, Manager

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St. Ann's Bay
St. Ann

Mrs. N. F. Haughton, Manager

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Santa Cruz
St. Elizabeth

D. A. James, Manager

SAVANNA-LA-MAR
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Westmoreland

M. E. Shaw, Manager

Mrs M. A. Senior-White, Asst. Manager

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Kingston

D. A. Hanson, Manager

T. C. James, Asst. Manager

Mrs. K. Y. HoSang-Bancroft, Operations Manager

SPANISH TOWN
Shops 25 & 26
Oasis Shopping Plaza
6 March Pen Road.
Spanish Town

Mrs J. J. Carter-James, 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

C. C. Wiggan, Manager

WESTGATE
Westgate Shopping Centre
P.O. Box 11
Montego Bay
St. James

G.C. Graham, Acting 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

FRANKFIELD
(Sub to Christiana)
Frankfield
Clarendon

PARK CRESCENT
(Sub to Mandeville)
17 Park Crescent
Mandeville
Manchester

Notes

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 15th day of February 2008 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. 3 (e)		
NO. 3 (f)		
NO. 3 (g)		
NO. 3 (h)		
NO. 3 (i)		
NO. 3 (j)		
NO. 3 (k)		
NO. 3 (l)		
NO. 3 (m)		
NO. 3 (n)		
NO. 3 (o)		
NO. 3 (p)		
NO. 3 (q)		
NO. 4		

As witness my hand this..day of..200..................

....
Signature

Proxy Form *(continued)*

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 Secretary of the Company, 9th 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.

2007 ANNUAL REPORT

Photography:	Peter Ferguson Franz Marzouca Lennox Quallo
Design & Production:	Marketing Department The Bank of Nova Scotia Jamaica Limited
Colour Separations:	Tropicolour Limited
Printing:	Lithographic Printers Limited

Scotiabank Group

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