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**For further information contact:**

**Stacie-Ann Wright**

**Executive Vice President & Chief Financial Officer**

**Tel: 876-922-1000**

**Fax: 876-967-4300**

# **MEDIA RELEASE**

## **SCOTIABANK REPORTS SOLID FIRST QUARTER RESULTS**

### **FIRST QUARTER 2006 HIGHLIGHTS**

- **Net Profit of \$1,532 million**
- **Earnings per share of 52 cents**
- **ROE 25.64%**
- **Productivity ratio of 54.90%**
- **First quarter dividend of 25 cents per share**

**Scotiabank today reported 2006 first quarter net income of \$1,532 million compared to net income of \$1,422 million for the first quarter of 2005.**

**Earnings per share for the quarter was 52 cents, compared to 49 cents for last year and 55 cents at the end of the previous quarter. Return on Average Equity (ROE) annualized for the quarter was 25.64%.**

**William E. Clarke, President and CEO, said “We are pleased to begin the new fiscal year with such a strong performance. We are also cognizant of the challenges of the year ahead, tougher economic environment, lower interest margins and strong competition. Notwithstanding this, we believe in our strengths and the skills of our people and we are targeting solid growth in each of our business lines in 2006, as we continue to focus on our core business, (in particular, volume growth in our retail products) and on customer satisfaction, risk management and expense control. ”**

**The Board of Directors at its meeting held today, approved an interim dividend of 25 cents per stock unit, payable on March 31, 2006 to stockholders on record at March 9, 2006.**

## REVENUES

Total Revenue comprising net interest revenue and other income was \$6, 522 million, an increase of \$244 million over prior year.

## NET INTEREST INCOME

Net interest income was \$3,787 million, up \$454 million when compared to last year. This is primarily as a result of strong portfolio volume growth, as net interest margin declined marginally.

## OTHER REVENUE

Other revenue, excluding Insurance Premium Income, was \$886 million, up \$89 million when compared with last year. Insurance Premium is attributable to ScotiaMINT, the interest sensitive life insurance policy, marketed by Scotia Jamaica Life Insurance Company Limited. SJLIC reported gross premium income of \$1 billion for the quarter.

## NON-INTEREST EXPENSES

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 54.90%. If insurance premium and related actuarial expenses were excluded, to recognize the significant dissimilarities between the revenue/expense pattern of the insurance business and the other financial services offered by the Scotiabank group, the productivity ratio for the period was 44.28%, which is significantly better than the international benchmark of 60%.

Non-interest Expenses excluding Change in Policyholders' Reserve and Loan Loss Provisions, were \$2,062 million, an increase of \$287million over last year, which is primarily due to increases in staff related costs. Policyholders Reserves for ScotiaMINT's life insurance fund is directly attributed to the business in force.

## CREDIT QUALITY

Scotiabank's credit quality continues to be outstanding both by international standards and when compared with our peers locally. Non-performing Loans at January 31, 2006, was \$918 million, an improvement of \$144 million when compared to \$1,062 million a year ago, and was flat when compared to October 31, 2005. The Group's non-performing loans now represent 1.54% of total loans and 0.47% of total assets compared to 1.93% and 0.62% respectively at the end of the first quarter of 2005.

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 \$448 million, of which \$300 million is specific and \$148 million is general. The loan loss provision as determined by Regulatory Requirement is \$1,255 million of which \$664 million is specific and \$591 million is general. The total provision of \$1,255 million exceeds total non-performing loans by \$337 million; hence these loans are more than fully provided for.

## **BALANCE SHEET**

Total assets increased year over year by \$22 Billion or 13% to \$194 Billion as at January 31, 2006. Performing Loans as at January 31, 2006 were \$59.6 billion, up \$5.53 billion over the previous year. Cash Resources increased by \$8.4 billion due mainly to continued growth in deposits, while Investments and Repurchase Agreements increased by \$9 billion, which was the highest growth among all asset categories. Retirement Benefit Asset represents the net of the present value of pension obligation and the fair value of the pension plan assets as determined by independent actuaries.

Deposits grew to \$119.8 billion, up 14% from the previous year, reflecting continued confidence in Scotiabank.

## **CAPITAL**

Scotiabank's capital base continues to be very strong. Total shareholders equity rose to \$24.3 billion, \$746 million more than the previous quarter and \$3 billion higher than last year.

## **SCOTIABANK'S COMMITMENT TO THE COMMUNITY**

Scotiabank over its 116 years in Jamaica has always shown our unconditional commitment to the development of this country. Mr. W.E. Clarke highlighted that " Scotiabank's role in Jamaica extends beyond helping our customers become financially better off and creating value for our shareholders. We recognize that we have a responsibility to assist the broader community, because the health and vitality of our Bank is closely tied to the well being of the communities we serve. We are therefore very pleased to report that we will be setting up a Dialysis Center at the Mandeville Public Hospital during this fiscal year at an estimated cost of \$35 million. This will be the third facility of this nature that we have set up in Jamaica since the Scotiabank Jamaica Foundation was established, one at Kingston Public Hospital, and the other at Cornwall Regional Hospital in Montego Bay".

During the quarter, among our many activities, we sponsored Jamaica's first inner city (Jones Town) robotics team to enter the First Lego League Robotics competition in California and hosted our customers to a briefing on the Mexican Economy, focusing on the Financial Sector. A total of \$24 million was donated to various communities and causes.

The Scotiabank Jamaica Foundation contributed a total of \$4.4 million to the maintenance and upkeep of the Scotiabank Jamaica Foundation Haemodialysis Unit at the Cornwall Regional Hospital, the Kingston Public Hospital Renal Dialysis Unit and for equipment to the Spanish Town Hospital.

Additionally, scholarship and bursary payments totaling \$3 million were made to the University of the West Indies and the University of Technology. Hands Across Jamaica for Righteousness, was the beneficiary of \$2 million, the final tranche of our 3 year commitment of \$5 million to support that organization's thrust to restore moral values in Jamaica. We also continued the provision of meals for the 45 elderly residents at the Golden Age Home, (Cluster F).

Scotiabank Jamaica Foundation has donated \$360 million to Education, Health and Community Projects in Jamaica, since its inception in 1996

Scotiabank Jamaica takes this opportunity to thank all of our stakeholders. To our customers, thank you for your loyalty and your business. To our shareholders, thank you for the commitment, trust and confidence you continue to show in Scotiabank. Our continued success is as a result of great execution by our team of over 1,800 skilled and dedicated Scotiabankers and their consistent focus on customer satisfaction. We thank them for their professionalism, commitment and for being a great team.

CONSOLIDATED FINANCIAL STATEMENTS

The Bank of Nova Scotia Jamaica Limited  
Consolidated Statement of Income

<i>Unaudited</i> (\$ millions)	For the three months ended		
	January 2006	October 2005	January 2005
<b>GROSS OPERATING INCOME</b>	<b>6,522</b>	<b>6,404</b>	<b>6,278</b>
<b>INTEREST INCOME</b>			
Loans and deposits with banks	3,322	3,035	3,357
Securities	2,215	2,411	2,047
	5,537	5,446	5,404
<b>INTEREST EXPENSE</b>			
Deposits	1,750	1,708	2,071
Net interest income	3,787	3,738	3,333
Provision for credit losses	(7)	(56)	(86)
Net interest income after provision for credit losses	3,780	3,682	3,247
Net fee and commission income	630	650	586
Insurance premium income	99	97	77
Gains less losses from foreign currencies	255	223	207
Other operating income	1	(12)	4
	985	958	874
<b>TOTAL OPERATING INCOME</b>	<b>4,765</b>	<b>4,640</b>	<b>4,121</b>
<b>OPERATING EXPENSES</b>			
Staff costs	1,286	917	1,091
Premises and equipment, including depreciation	294	299	251
Changes in policyholders' reserves	551	566	379
Other operating expenses	482	526	433
	2,613	2,308	2,154
<b>PROFIT BEFORE TAXATION</b>	<b>2,152</b>	<b>2,332</b>	<b>1,967</b>
Taxation	(620)	(735)	(545)
<b>NET PROFIT</b>	<b>1,532</b>	<b>1,597</b>	<b>1,422</b>
Earnings per share based on 2,927,232,000 shares (cents) *	52	55	49
Dividend per share (cents) *	25.0	25.0	25.0
Dividend payout ratio	47.76%	45.84%	51.46%
Return on average equity (annualized)	25.64%	27.64%	27.18%
Return on assets (annualized)	3.16%	3.48%	3.31%
Book value per common shares *	8.16	7.89	7.15
P/E Multiple	10.03	9.61	16.52
Productivity ratio	54.90%	50.34%	53.24%
Productivity ratio (excluding Life Insurance Business)	44.28%	39.10%	45.06%

Note:

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

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

The Bank of Nova Scotia Jamaica Limited  
Consolidated Balance Sheet

	Three months ended January 31	Year ended October 31	Three months ended January 31
<i>Unaudited</i> (\$ millions)	2006	2005	2005
<b>ASSETS</b>			
<b>CASH RESOURCES</b>	49,549	44,408	41,109
<b>INVESTMENTS</b>			
Held To Maturity	30,422	30,007	26,548
Held For Trading	12	22	0
Securities Available For Sale	12,394	9,703	8,537
	<u>42,828</u>	<u>39,732</u>	<u>35,085</u>
<b>GOVERNMENT SECURITIES UNDER REPURCHASE AGREEMENT</b>	27,313	27,227	26,026
<b>LOANS, AFTER MAKING PROVISIONS FOR LOSSES</b>	59,110	57,649	54,606
<b>OTHER ASSETS</b>			
Customers' Liability under acceptances, guarantees and letters of credit	4,074	3,487	2,639
Real estate & equipment at cost, less depreciation	2,077	2,017	2,012
Deferred Taxation	110	110	86
Retirement Benefit Asset	3,885	3,764	3,415
Other assets	4,888	5,067	6,807
	<u>15,034</u>	<u>14,445</u>	<u>14,959</u>
<b>TOTAL ASSETS</b>	<b>193,834</b>	<b>183,461</b>	<b>171,785</b>
<b>LIABILITIES</b>			
<b>DEPOSITS</b>			
Deposits by public	112,886	107,280	100,127
Other deposits	6,907	6,268	4,701
	<u>119,793</u>	<u>113,548</u>	<u>104,828</u>
<b>OTHER LIABILITIES</b>			
Acceptances, guarantees & Letters of Credit	4,074	3,487	2,639
Liabilities under repurchase agreements	16,757	16,706	18,350
Deferred Taxation	1,481	1,497	1,395
Retirement Benefit Obligation	367	326	281
Other liabilities	6,237	4,417	6,083
	<u>28,916</u>	<u>26,433</u>	<u>28,748</u>
<b>POLICY HOLDER'S FUND</b>	20,854	19,955	16,956
<b>SHAREHOLDERS' EQUITY</b>			
Capital- Authorized, 3,000,000,000 ordinary shares Issued and fully paid, 2,927,232,000			
Ordinary stock units of \$1 each	2,927	2,927	1,464
Reserve Fund	3,158	3,158	1,695
Retained Earnings Reserve	4,643	4,493	6,820
Loan Loss Reserve	807	807	807
Other Reserves	27	27	27
Investment Cumulative Remeasurement result from Available for Sale Financial Assets	140	194	189
Unappropriated Profits	12,569	11,919	10,251
	<u>24,271</u>	<u>23,525</u>	<u>21,253</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>193,834</b>	<b>183,461</b>	<b>171,785</b>

Note:

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

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Director

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Director

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

<i>Unaudited</i>						Cumulative Remeasure-		
<i>(\$ millions)</i>	Share Capital	Reserve Fund	Retained Earnings Reserve	Other Reserves	Loan Loss Reserve	ment from AFS assets	Unappropriated Profits	Total
<b>Balance as at 31 October 2004</b>	<b>1,464</b>	<b>1,694</b>	<b>6,670</b>	<b>27</b>	<b>807</b>	<b>227</b>	<b>9,710</b>	<b>20,599</b>
Net profit	-	-	-	-	-	-	5,886	<b>5,886</b>
Retained earnings transfer	-	-	750	-	-	-	(750)	-
Dividends paid	-	-	-	-	-	-	(2,927)	<b>(2,927)</b>
Bonus Share Issue	1,463	1,464	(2,927)	-	-	-	-	-
Gains/(losses) from changes in fair value, net of tax	-	-	-	-	-	(33)	-	<b>(33)</b>
<b>Balance as at 31 October 2005</b>	<b>2,927</b>	<b>3,158</b>	<b>4,493</b>	<b>27</b>	<b>807</b>	<b>194</b>	<b>11,919</b>	<b>23,525</b>
Net profit	-	-	-	-	-	-	1,532	<b>1,532</b>
Retained earnings transfer	-	-	150	-	-	-	(150)	-
Dividends paid	-	-	-	-	-	-	(732)	<b>(732)</b>
Bonus Share Issue	-	-	-	-	-	-	-	-
Gains/(losses) from changes in fair value, net of tax	-	-	-	-	-	(54)	-	<b>(54)</b>
<b>Balance as at 31 January 2006</b>	<b>2,927</b>	<b>3,158</b>	<b>4,643</b>	<b>27</b>	<b>807</b>	<b>140</b>	<b>12,569</b>	<b>24,271</b>

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

<i>Unaudited (\$ millions)</i>	Three months ended January 31 2006	Three months ended January 31 2005
<b>Cash flows provided by operating activities</b>		
Net Income	1,532	1,422
Adjustments to net income to determine Net Cash Flows:		
Depreciation	70	75
Policyholders reserve	900	856
Other, net	947	155
	<u>3,449</u>	<u>2,508</u>
<b>Cash flows provided by/ (used in) investing activities</b>		
Investment securities (net purchases and proceeds)	(3,150)	(44)
Loans	(1,429)	(1,222)
Government Securities Purchased Under Repurchase Agreement	(86)	(980)
Other, net	(528)	(671)
	<u>(5,193)</u>	<u>(2,917)</u>
<b>Cash flows provided by/ (used in) financing activities</b>		
Deposits	5,606	1,316
Dividends paid	(732)	(732)
Other, net	534	(369)
	<u>5,408</u>	<u>215</u>
Net change in cash	3,664	(194)
Cash at beginning of period	42,502	37,565
Cash at end of period	<u>46,166</u>	<u>37,371</u>
Represented by :		
Cash Resources	49,549	41,109
Cheques and other instruments in transit, net	(3,383)	(3,738)
<b>CASH AT END OF PERIOD</b>	<b><u>46,166</u></b>	<b><u>37,371</u></b>



## Segment Reporting Information

### Consolidated Statement of Income

Unaudited		For the period ended January 31, 2006						
(\$'000s)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Consol. adj.	Group Total
Gross External Revenues	1,542,139	1,713,326	1,638,538	637,982	990,642	-		6,522,627
Revenues from other segments	(1,033,835)	958,122	147,221	17,131	1,937	4,691	(95,267)	-
<b>Total Revenues</b>	<b>508,304</b>	<b>2,671,448</b>	<b>1,785,759</b>	<b>655,113</b>	<b>992,579</b>	<b>4,691</b>	<b>(95,267)</b>	<b>6,522,627</b>
Expenses	(26,398)	(1,835,571)	(1,336,284)	(601,864)	(664,950)	(320)	95,267	(4,370,120)
Unallocated expenses								
Profit before taxation	481,906	835,877	449,475	53,249	327,629	4,371	-	2,152,507
Income tax expense								(620,396)
<b>Net profit</b>								<b>1,532,111</b>

### Consolidated Balance Sheet

		As at January 31, 2006						
(\$'000s)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Consol. adj.	Group Total
Segment assets	75,513,519	35,748,932	34,267,333	19,210,333	25,185,229	170,132	(780,413)	189,315,066
Unallocated assets								4,518,618
<b>Total Assets</b>								<b>193,833,684</b>
Segment liabilities	2,018,130	64,711,039	61,205,980	17,869,000	20,950,873	65,548	(580,122)	166,240,447
Unallocated liabilities								3,322,516
<b>Total liabilities</b>								<b>169,562,963</b>
<b>Other Segment items:</b>								
Capital Expenditure	6,496	111,076	19,941	118	-	-	-	137,631
Impairment losses on loans	-	9,465	(2,299)	(6)	-	-	-	7,160
Depreciation	3,921	50,122	13,856	668	1,093	170	-	69,830





## Segment Reporting Information

### Consolidated Statement of Income

Unaudited	For the period ended January 31, 2005							
(\$'000s)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Consol. adj.	Group Total
Gross External Revenues	1,433,482	1,494,334	1,632,073	786,896	922,542	8,469		6,277,796
Revenues from other segments	(1,000,708)	971,688	72,111	10,790	8,299	6,682	(68,862)	-
<b>Total Revenues</b>	<b>432,774</b>	<b>2,466,022</b>	<b>1,704,184</b>	<b>797,686</b>	<b>930,841</b>	<b>15,151</b>	<b>(68,862)</b>	<b>6,277,796</b>
Expenses	(54,947)	(1,893,389)	(1,192,098)	(729,110)	(485,770)	(23,949)	68,862	(4,310,401)
Unallocated expenses								
Profit before taxation	<u>377,827</u>	<u>572,633</u>	<u>512,086</u>	<u>68,576</u>	<u>445,071</u>	<u>(8,798)</u>	<u>-</u>	1,967,395
Income tax expense								(545,357)
<b>Net profit</b>								<u><b>1,422,038</b></u>

### Consolidated Balance Sheet

(\$'000s)	As at January 31, 2005							
(\$'000s)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Consol. adj.	Group Total
Segment assets	62,924,716	31,959,921	31,476,371	20,577,897	20,323,757	178,790	(1,621,190)	165,820,262
Unallocated assets								5,964,588
<b>Total Assets</b>								<u><b>171,784,850</b></u>
Segment liabilities	3,302,808	62,239,960	47,620,180	19,430,973	17,059,354	80,268	(1,420,900)	148,312,643
Unallocated liabilities								2,221,099
<b>Total liabilities</b>								<u><b>150,533,742</b></u>
<b>Other Segment items:</b>								
Capital Expenditure	2,682	43,858	9,196	159	1,705	-	-	57,600
Impairment losses on loans	-	54,781	32,308	(1,215)	-	-	-	85,874
Depreciation	3,177	58,508	11,746	694	749	430	-	75,304

# The Bank of Nova Scotia Jamaica Limited

## Notes to the Consolidated Financial Statements January 31, 2006

### 1. Basis of presentation

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

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

### 2. Financial Assets

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

#### Held For Trading

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

#### Loans and receivables

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

#### Held-to-Maturity

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

#### Available-for-sale

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

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

Interest calculated using the effective method is recognized in the statement of revenue and expenses.

### 3. Loan loss provision

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

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

### 4. Employee benefits

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

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

# The Bank of Nova Scotia Jamaica Limited

## Notes to the Consolidated Financial Statements January 31, 2006

### 5. Deferred taxation

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

### 6. Property, plant and equipment

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

### 7. Share Capital

On March 10, 2005, the authorised share capital of the Bank was increased to \$3,000,000,000 by the creation of an additional 1,500,000,000 ordinary shares of \$1 each to rank pari passu with existing ordinary shares of the Bank in all respects. Shares totalling 1,463,616,000 units were then issued as fully paid up bonus shares by the capitalization of profits of \$1,463,616,000 on the basis of one ordinary share for every one ordinary share held.

### 8. Reserve Fund

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

### 9. Cash and cash equivalents

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

### 10. Segment reporting

The Group is organized into five main business segments:

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

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