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# **MEDIA RELEASE**

## **SCOTIABANK'S SOLID PERFORMANCE CONTINUES INTO THE THIRD QUARTER**

### **THIRD QUARTER HIGHLIGHTS**

Third quarter unaudited results (year to date).

- Net Profit of \$4,289 million
- Earnings per share of \$1.47
- Return on Average Equity of 26%
- Productivity ratio of 53%
- Third interim dividend of 25 cents per share.

Scotiabank reported results for the third quarter of 2005, with net profit of \$1,433 million, an increase of \$149 million when compared with the same period last year. For the nine months ended July 31, 2005 net profit was \$4,289 million compared to \$4,594 million for the same period last year.

Earnings per share (EPS) for the quarter was \$0.49, and Return on Average Equity (ROE) annualized, for the quarter was 26%. Year-to-date, EPS was \$1.47, while Return on Average Equity was 26%.

The Board of Directors at its meeting held September 1, 2005, approved a third interim dividend of 25 cents per stock unit, payable on October 13, 2005 to stockholders on record at September 21, 2005. This brings the year to date dividend per share to 75 cents compared to 67.50 cents in prior year, an increase of 7.5 cents per share.

"We are very pleased with our continued strong performance through the first three quarters of the fiscal year, particularly in this interest rate environment. Our performance is attributable to continued focus on our strategy with solid execution of our plans and strong volume growth in key business lines. We expect continued challenges for the rest of the fiscal year. We however, remain confident that we will achieve our 2005 targets, as well as, our longer-term objectives. We have a well diversified portfolio, strong risk management and expense control, and a team of over 1,800 staff members who are dedicated to helping our customers become financially better off ", said William E. Clarke, President and CEO.

Scotiabank Jamaica was awarded Bank of the Year in Jamaica for 2005, for the third consecutive year, demonstrating our continued excellence in banking. This prestigious award is given by the Banker Magazine in London England.

## REVENUES

Total revenue, comprising net interest income and other revenue was \$12,831 million.

## NET INTEREST INCOME

Net interest income was \$10,326 million, down \$528 million or 4.86% from last year. The decrease is due to the decline in market interest rates.

## OTHER REVENUE

Other revenue, excluding Insurance Premium Income, was \$2,268 million, an increase of \$532 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. Net premium income increased by \$39 million (an increase of 20%) when compared to the same period last year. ScotiaMINT continues to enjoy the largest share of the local interest sensitive insurance market reporting gross premium income of \$3 billion for the nine months.

## NON-INTEREST EXPENSES

Non-interest Expenses excluding Change in Policyholders' Reserve and Loan Loss Provisions, were \$5,089 million, an increase of \$406 million over last year, which is primarily due to increases in staff related costs. Actuarial Reserves for ScotiaMINT's life insurance fund is directly attributed to the business in force.

Notwithstanding these increases, Scotiabank's productivity ratio continues to lead the banking industry and is a significant factor in our continued strong performance. The productivity ratio (non-interest expense as a percentage of total revenue) - a key measure of cost effectiveness - was 53%. If insurance premium and related actuarial expenses were excluded to recognize the significant dissimilarities between the revenue/expense pattern of the insurance business and the other financial services offered by the Scotiabank group, the productivity ratio for the period was 42.13%, which is significantly better than the international benchmark of 60%.

## CREDIT QUALITY

Non-performing Loans at the end of the quarter was \$1,014 million (versus \$1,008 million last year), and was \$12 million below the \$1,026 million outstanding as at April 30, 2005. The Group's non-performing loans now represent 1.82% of total loans and 0.59% of total assets versus 1.92% of total loans and 0.61% of total assets at the end of the third quarter of 2004.

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 \$571 million, of which \$428 million is specific and \$143 million is general. The loan loss provision as determined by Regulatory Requirement is \$1,378 million of which \$842 million is specific and \$536 million is general. The total provision of \$1,378 million exceeds total non-performing loans by \$364 million; hence these loans are more than fully provided for.

## **BALANCE SHEET**

Total assets as at July 31, 2005, were \$172 billion, an increase of \$8 billion (5%) from the previous year. Loans increased by \$3.5 billion (6.8%) year over year and Performing Loans as at July 31, 2005 stood at \$54.8 billion, up \$3.4 billion over the previous year. Cash Resources increased by \$1.8 billion due mainly to the growth in deposits held with the Central Bank, while Investments and Repurchase Agreements increased by \$3 billion. 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 \$105 billion, up \$3.3 billion from the previous year, reflecting continued confidence in Scotiabank.

## **CAPITAL**

Scotiabank continued to strengthen its capital through solid growth in earnings. Total stockholders' equity grew to \$23 billion, \$744 million more than the previous quarter and \$2.6 billion or 13.07% higher than last year.

## **CORPORATE GOVERNANCE**

Our Bank is fortunate to have an excellent and dedicated Board of Directors who have contributed to our success over the years. We are pleased to announce that Professor Stephen Vasciannie- Professor of International Law, University of the West Indies, Mr. Joseph M. Matalon – Chairman ICD Group, and Ms. Stacie Ann Wright – Executive Vice President and Chief Financial Officer Scotiabank Jamaica, have been appointed to the Board of Directors. These individuals have distinguished themselves in their respective fields and we expect them to make a significant contribution to the continued success of our Bank.

We would also like to extend our appreciation to Dr. Wayne Henry (who recently resigned) for his contribution to the Board. Dr. Henry's resignation was occasioned by his assumption of an international assignment.

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

Scotiabank continues to make tangible contributions to the communities in which we do business, through the Scotiabank Jamaica Foundation, and other community related activities. The Scotiabank Jamaica Foundation has donated \$330 million to Education, Health and Community Projects in Jamaica, since its inception in 1996.

During the quarter the Foundation contributed a total of \$11 million to Education, this included \$6.5 million for the GSAT Scholarships and \$3.5 million for the construction of a computer lab at the Iris Gelley Primary School.

In the area of health, a total of \$12.18 million was donated, which includes \$5.2 million for the purchase of a new dialysis machine and equipment at the Cornwall Regional Hospital. We continue to focus on Accident and Emergency Services, Breast Cancer and Haemodialysis care by making contributions totaling \$7 million during the quarter. We also continue to provide meals for the elderly at the Golden Age Home (Cluster F).

**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.**

# CONSOLIDATED FINANCIAL STATEMENTS

## The Bank of Nova Scotia Jamaica Limited Consolidated Statement of Income

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

**Note:**

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

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

# Consolidated Balance Sheet

	Nine Months as at July 31	Year Ended as at October 31	Nine Months as at July 31
<i>Unaudited</i> (\$ millions)	2005	2004	2004
<b>ASSETS</b>			
<b>CASH RESOURCES</b>	38,892	40,450	37,095
<b>INVESTMENTS</b>			
Originated Securities	29,006	26,280	29,861
Securities available for sale	9,139	8,799	7,799
	38,145	35,079	37,660
<b>GOVERNMENT SECURITIES PURCHASED UNDER RESALE AGREEMENTS</b>	26,197	25,046	23,635
<b>LOANS, AFTER MAKING PROVISIONS FOR LOSSES</b>	55,269	53,460	51,730
<b>OTHER ASSETS</b>			
Customers' Liability under acceptances, guarantees and letters of credit	3,293	2,459	2,627
Real estate & equipment at cost, less depreciation	2,009	2,037	2,033
Deferred Taxation	86	87	89
Retirement Benefit Asset	3,573	3,339	3,191
Other assets	4,458	6,202	5,690
	13,419	14,124	13,630
<b>TOTAL ASSETS</b>	<b>171,922</b>	<b>168,159</b>	<b>163,750</b>
<b>LIABILITIES</b>			
<b>DEPOSITS</b>			
Deposits by public	100,469	98,811	96,978
Other deposits	4,648	4,843	4,802
	105,117	103,654	101,780
<b>OTHER LIABILITIES</b>			
Acceptances, guarantees & Letters of Credit	3,293	2,459	2,627
Liabilities under repurchase agreements	15,954	18,546	18,123
Deferred Taxation	1,410	1,406	1,165
Retirement Benefit Obligation	314	265	250
Other liabilities	4,104	5,128	4,743
	25,075	27,804	26,908
<b>POLICY HOLDER'S FUND</b>	19,035	16,101	14,991
<b>SHAREHOLDERS' EQUITY</b>			
Capital- Authorized, 3,000,000,000 ordinary shares			
Issued and fully paid, 2,927,232,000			
Ordinary stock units of \$1 each	2,927	1,464	1,464
Reserve Fund	3,158	1,695	1,695
Retained Earnings Reserve	4,193	6,670	6,370
Loan Loss Reserve	807	807	807
Other Reserves	27	27	27
Investment Cumulative Remeasurement result from Available for Sale Financial Assets	229	227	229
Dividends Proposed	732	732	732
Unappropriated Profits	10,622	8,978	8,747
	22,695	20,600	20,071
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>171,922</b>	<b>168,159</b>	<b>163,750</b>

Note:

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

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Director

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Director

## Consolidated Statement of Changes in Shareholders' Equity

<i>Unaudited</i>						Cumulative Remeasure-			
<i>(\$ millions)</i>	Share Capital	Reserve Fund	Retained Earnings	Other Reserves	Loan Loss Reserve	ment from AFS assets	Paid and Proposed	Unappropriated Profits	Total
<b>Balance as at 31 October 2003</b>	<b>1,464</b>	<b>1,695</b>	<b>5,920</b>	<b>27</b>	<b>807</b>	<b>23</b>	<b>1,142</b>	<b>6,580</b>	<b>17,658</b>
Net profit	-	-	-	-	-	-	-	5,856	<b>5,856</b>
Retained earnings transfer	-	-	750	-	-	-	-	(750)	-
Transfers	-	-	-	-	-	-	(1,142)	(1,976)	<b>(3,118)</b>
Dividends paid	-	-	-	-	-	-	732	(732)	-
Dividends proposed	-	-	-	-	-	-	-	-	-
Gains/(losses) from changes in fair value, net of tax	-	-	-	-	-	204	-	-	<b>204</b>
<b>Balance as at 31 October 2004</b>	<b>1,464</b>	<b>1,695</b>	<b>6,670</b>	<b>27</b>	<b>807</b>	<b>227</b>	<b>732</b>	<b>8,978</b>	<b>20,600</b>
Net profit	-	-	-	-	-	-	-	4,289	<b>4,289</b>
Retained earnings transfer	-	-	450	-	-	-	-	(450)	-
Dividends paid	-	-	-	-	-	-	(732)	(1,464)	<b>(2,196)</b>
Dividends proposed	-	-	-	-	-	-	732	(732)	-
Bonus Share Issue	1,463	1,463	(2,927)	-	-	-	-	-	-
Gains/(losses) from changes in fair value, net of tax	-	-	-	-	-	2	-	-	<b>2</b>
<b>Balance as at 31 July 2005</b>	<b>2,927</b>	<b>3,158</b>	<b>4,193</b>	<b>27</b>	<b>807</b>	<b>229</b>	<b>732</b>	<b>10,621</b>	<b>22,695</b>

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

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





## Segment Reporting Information

### Consolidated Statement of Income

For the nine months ended							For the six months ended						
July 31, 2005							July 31, 2004						
<i>Unaudited</i>	(\$'millions)	Financial Services	Investment Management Services	Insurance Services	Other	Consol. adj.	Group Total	Financial Services	Investment Management Services	Insurance Services	Other	Consol. adj.	Group Total
External Revenues		9,454	325	2,814	21		12,614	9,372	377	2,803	69		12,621
Revenues from other segments		20	9			(29)	0	23	3	1		(27)	-
		9,474	334	2,814	21	(29)	12,614	9,395	380	2,804	69	(27)	12,621
Operating expenses		(4,688)	(119)	(1,808)	(30)	29	(6,616)	(4,314)	(97)	(1,822)	(60)	27	(6,266)
Profit before taxation		4,786	215	1,006	(9)	0	5,998	5,081	283	982	9	-	6,355
Taxation							(1,709)						(1,761)
Net profit							4,289						4,594

### Consolidated Balance Sheet

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

## The Bank of Nova Scotia Jamaica Limited

### Notes to the Consolidated Financial Statements

#### 1. Basis of presentation

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

#### 2. Investment Securities

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

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

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

#### 3. Loan loss provision

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

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

#### 4. Employee benefits

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

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

#### 5. Deferred taxation

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

#### 6. Property, plant and equipment

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

#### 7. Provisions

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

#### 8. Share Capital

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

#### 9. Reserve Fund

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

#### 10. Cash and cash equivalents

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

#### 11. Segment reporting

The Group is organised into three main business segments:

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

Other operations of the Group comprise general insurance brokering.