SCOTIA GROUP JAMAICA LIMITED
Mr. Bruce Bowen, President and CEO, Scotia Group Jamaica
Annual General Meeting, Jamaica Pegasus Hotel
March 2, 2012

INTRODUCTION

Ladies and gentlemen it is an honour to stand before you again to report on the Group's performance. This AGM has significance in so many ways. As we assemble to give our account of 2011 and look towards the future, we are mindful that Jamaica, as it observes its 50^{th} year of independence, has come of age. Jamaica, while an emerging economy, and a developing country, is a leader in the region, with a strong democracy, impressive infrastructure, and stable governance structures. Jamaica is a market in which we at Scotiabank see ourselves successfully operating for the next 100 years. So as custodians, we are ever mindful that our history bears within it, the trust, confidence, dreams and achievements of past and future generations of Jamaicans. So as I deliver the 2011 report, and provide some insights into our plans for 2012, I do so as the head of an organization which has long come of age; an organization which enjoys the dual status of being inextricably linked, both from a financial and a social standpoint, to the history and development of this country.

FINANCIALS

2011 Performance

In 2011, amidst an environment of weak loan demand in the business sector, and record low interest rates, we met or exceeded all our financial objectives and posted Net Profit of $10.6 Billion ($10.2B attributable to shareholders) for the year. This was down slightly by 1% year-over-year, due primarily to reduced interest margins, as market interest rates continued to decline throughout the year, impacting our investment and loan yields. The earnings per share ratio was $3.28, down slightly from the $3.34 in the prior year, and our return on equity was 17.59%. While this was down from the previous year, this return provided a considerable premium over the average risk-free rate during 2011 of 6.79% (using the 6-month T-Bill rate). The total dividend paid during the year was $1.48 per share, continuing to provide a steady stream of income to shareholders.

Growth in Revenue

Our diverse revenue streams and growth in volumes allowed Scotia Group to record good revenue levels despite squeeze in margins. We posted total revenue (excl LLP) of $30.5B, marginally down by $27 Million from last year. The largest component of our revenues, Net Interest Income, declined as our margins fell by 47 basis points due mainly to the fall in average benchmark rates of 134 basis points during the year.

Our Non-Interest Revenue increased by 9.7%, due to increases in retail banking volumes, and increased asset management fees, primarily from our rapidly growing Unit Trust and Mutual Fund portfolios.

Impairment losses on Loans

As we look at loan losses, we are pleased to report an improvement in 2011, as losses fell by $213MM or 13%, compared to 2010. This decline was primarily due to a reduction in retail provisions and write-offs, coupled with an increase in recoveries, as we continued to be proactive and tenacious in our collection efforts during the year.

Non Interest Expenses

Coupled with our vigilance in loan collections, we continued to focus on expense management. As a result, total operating expenses increased by only 2.4% y/y. This is well below the inflation rate of 6%, and we're particularly proud of this accomplishment, having successfully executed a number of cost-containment initiatives throughout the year.

Group Financial Performance

Turning now to segment performance, we're pleased that all our business lines performed well last year, with the Banking segment continuing to be the largest contributor. The Bank's net profit represented 44% of the total Group's profit. This was down from 48% in 2010, due primarily to thinner margins and higher staff costs. While volumes and profitability of the retail segment improved considerably during 2011, this was off-set by a decline in commercial volumes. Scotia Insurance contributed 36% of our profits, down slightly from 37% in Oct 2010, also due primarily to lower net interest income. This company continues to experience growth in premium income and other insurance revenues, and had expanded its product offering during the year. Scotia Investments' contribution increased from 10% in 2010 to 14% in 2011, due primarily to increased revenues from securities trading and funds management. We continued our strategy of building our off-balance sheet asset management business, with growth of 27% during 2011, and we continue to hold the position of leading Unit Trust with a market share of 65%. Scotia Jamaica Building Society, our retail mortgage subsidiary, increased their contribution from 5% last year to 6% this year, as we experienced solid growth in our mortgage portfolio throughout the year, and increased our market share in the retail mortgage market.

2011 Capital Adequacy Ratios

Our solid and consistent profitability over the years have enabled us to continue to maintain strong capital ratios in all our business lines. Despite increased capital requirements imposed on the sector during 2011, our capital position remains well above the regulatory minimum and very strong by international standards. This strength also allows us to meet any new requirements or capitalize on any business opportunities that may arise.

Shareholder 's Return
Our total shareholder return, including both dividends and stock price appreciation, was 29%, which compares favourably with the JSE index. We take pride in that fact that we've been able to provide consistent, superior long-term returns to our shareholders over the years, and we are positioned to continue to do so going forward.

Q1/2012 Performance
To present a complete picture, we are pleased to give insight into our first quarter performance, as many of our outcomes are a function of work that began last year.
For our first quarter this year, we posted net income of $2.647 billion. This was flat y/y which is commendable given that benchmark interest rates declined by over 90bp for the same period, impacting our asset yields and margins. Earnings per share for the quarter were $0.82, compared to $0.83 for the same period last year.

Growth in Assets
We continued to experience solid asset growth, with Total Assets increasing by $6.2 Billion or 1.91% year over year, and increasing in the first quarter of 2012 by $13.7 B or 4.14% to end the period at $346 Billion. The significant growth in Q1/2012 was mainly reflected in the loan portfolio, which was up $7 Billion over Oct 2011 and $13 Billion over Q1/2011. Growth was reflected in both the retail and commercial loan portfolios.

Shareholders' Equity

Our Shareholders' equity grew to $61 Billion at the end of Jan 2012 as a result of the internally generated profits. For the first quarter, a dividend at 37 cents per share was declared, in keeping with our objective of providing a steady income stream to our shareholders.

Strategic Accomplishments – 2011
Innovation and adaptability are important features of the world's leading companies. Scotiabank stands among the best in the world in a number of ways, including our delivery of new, relevant solutions to our market. In 2011 we launched a number of initiatives and products including the:

Launch of New Products and Services
- **LEAP Cash Management System,** our new business internet banking platform, with enhancements both in functionality and efficiency.
    - Improved User Interface
    - Increased frequency and system availability for Payroll processing
    - Cross Currency and Third Party Transfers
- **Aero Mastercard**, offering our customers flexible travel rewards.
- **Visa Debit Scotiacard** was launched in September 2011 and allows our customers to make international purchases on channels not previously available to them.
- **CrediScotia,** a new subsidiary was formed to expand our services to a new market segment: microfinance.

- **Scotia Premium Money Market Fund –** an innovative new investment product.
- **Capital Markets Advisory Services** which provides alternative funding options to our corporate and commercial clients.
- **Heritage Education Savings Plan**
- **Bank @ Work**

Strong Growth in business lines

Through innovative programmes and partnerships, coupled with strong sales management and excellent work by our front-line team, we achieved our goal of growing market share in Loans, Deposits, Mortgages, and Unit Trusts/Mutual Funds.

Expense Management

We have implemented many supplier management initiatives that will continue to hold costs steady over the near term. Our consolidation and regionalization initiatives have also resulted in great cost savings for the Group.

Our 2011 Awards

We continue to be award-winning, with the quality of our output and operations recognized locally and globally. In 2011 we received:

- Best Bank in Jamaica by Global Finance Magazine
- The Award for Excellence in recognition of outstanding contribution to the promotion of wellness and healthy lifestyles
- Best Consumer Internet Bank by Global Finance Magazine
- Silver Medal for being the "Best Contact Centre" - ContactCentreWorld.com
- Best Trade Bank in Central America and the Caribbean by the Trade Finance Magazine

ScotiaFoundation

Through the Scotiabank Foundation we continued our philanthropic and development efforts in the areas of Health, Education and Community. In 2011 The ScotiaFoundation donated $78 million to various projects and programmes.

In Health Care we focused on

- Scoliosis surgeries for 10 children
- 6 Patient monitors for the Kingston Public Hospital's orthopedic ward
- Maintaining the Jamaica Cancer Society's mobile mammography unit, the Haemodialysis Unit at the Cornwall Regional Hospital, and the Accident and Emergency unit at the University Hospital of the West Indies

In Education we

- Funded the Scotiabank Chair in Entrepreneurship and Development, UTECH
- Awarded 200 Scholarships
- provided 1,000 students with breakfast daily
- equipped 150 Street Crossing Wardens islandwide with signs and uniforms in our Street Smart, Street Safe programme

In Community Care we

- provided meals for residents at the Golden Age Home
- Partnered with BREDS Foundation by funding the building of a multipurpose basketball/netball court in Treasure Beach, St. Elizabeth.

Strategic Priorities – 2012

As we look forward to the rest of this financial year, we will continue to focus on growing our business through the following key strategies:

1. **Sustainable Revenue Growth**
   - Increasing market share in under-represented segments, and continuing to dominate the markets in which we hold the majority share.
   - Further enhancing our Customer Experience
   - Expanding our sales channels to increase distribution capacity, and to provide more efficient and convenient options for customers

2. **Expense Management & Efficiency**
   - We will continue to look at efficiency initiatives where it makes sense both for the business as well as for our customers.

3. **Leadership and Capability Development**
   - We will continue to develop our people who continue to be the foundation of our success. Our strategy is to ensure that we recruit, retain and develop the best financial services team in the country.

4. **Robust Risk Management Culture**
   - Fundamental to our long-term success is our tremendous risk management culture which permeates the organization. We have a robust risk management framework, where risks are understood, measured and managed effectively. As we continue to operate in a changing financial landscape and an uncertain global economy, we will continue to focus on strengthening our risk management infrastructure.

CONCLUSION

Our strong market position and brand, our effective business model, and strong execution capabilities place us in a good position to seize opportunities and position ourselves for future long-term, sustainable growth. Our strategic priorities and ingrained core values will guide us, as we continue to balance expectations for growth and performance against acceptable levels of risk and capital. We remain convinced that we have made the right strategic choices in critical areas of our business, and are confident about our continued success.

I thank our team members throughout the organisation, our board of directors, suppliers and other key stakeholders; and most of all our customers for the various roles they play in contributing to our success.

Thank you