

# MEDIA RELEASE

December 1, 2011



## SCOTIA GROUP JAMAICA REPORTS SOLID YEAR-END RESULTS

### FISCAL 2011 HIGHLIGHTS

- **Net Income of \$10.62 billion**
- **Net Income available to common shareholders of \$10.19 billion**
- **Earnings per share of \$3.28**
- **Return on Average Equity of 17.59%**
- **Productivity ratio of 53.25%**
- **Fourth quarter dividend of 37 cents per share**

Scotia Group Jamaica Limited (Scotia Group) today reported net income for the year ended October 31, 2011 of \$10.62 billion, down \$84 million or 0.8% from the same period last year. For the fourth quarter, net income was \$2.65 billion, which was \$131 million above the previous quarter ending July 31, 2011.

Earnings per share (EPS) for the year was \$3.28 compared to \$3.34 for the same period last year. The Return on Average Equity (ROE) was 17.59%.

The Board of Directors today approved a fourth quarter dividend of 37 cents per stock unit payable on January 19, 2012, to stockholders on record at December 22, 2011.

Bruce Bowen, President and CEO in commenting on the Group's performance for the year said, "2011 was another challenging year for Jamaica, and our performance reflects our strategy of focusing on our core business while prudently managing risk and improving operating efficiencies. By providing our customers with quality products and a superior customer experience we have grown market share in key segments of our business: loans, deposits, mortgages and investment funds under management. Looking forward, our market leading position and brand, our strong capital and liquidity, together with our traditional focus on efficient operations will position Scotia Group for long term sustainable growth."



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The contribution (after consolidation), to net income attributable to common shareholders by major subsidiaries is outlined below:-

<b>\$'Billion</b>	<b>2011</b>	<b>% Contribution</b>
<b>The Bank of Nova Scotia Jamaica Limited (BNSJ)</b>	<b>4.48</b>	<b>44%</b>
<b>Scotia Jamaica Life Insurance Company Limited (SJLIC)</b>	<b>3.73</b>	<b>36%</b>
<b>Scotia Investment Jamaica Limited (SIJL, formerly Scotia DBG)*</b>	<b>1.42</b>	<b>14%</b>
<b>Scotia Jamaica Building Society (SJBS)</b>	<b>0.58</b>	<b>6%</b>
<b>Non-trading subsidiaries</b>	<b>(0.02)</b>	<b>0%</b>
<small>* Excludes minority interest</small>		
<b>Net Income attributable to common shareholders</b>	<b>10.19</b>	<b>100%</b>

## REVENUES

Total operating income, comprising net interest income and other revenue, was \$30.47 billion, representing a marginal decline of \$28 million relative to prior year.

## NET INTEREST INCOME

Net interest income for the period was \$22.43 billion, down \$740 million or 3.19% when compared to last year. The decline in interest margins was due to lower yields earned on the securities and loan portfolios this year, as market interest rates continued to trend downwards throughout the year. Lending rates were reduced on retail and commercial loans to remain competitive and stimulate loan growth.

## OTHER REVENUE

Other revenue for the year was \$8.04 billion, up \$712 million when compared with the prior year. This was primarily due to increased fee and commission income and gains on financial assets.

## OPERATING EXPENSES AND PRODUCTIVITY

Our productivity ratio (operating expense/total revenue) - a key measure of cost efficiency - was 53.25%, compared to 52.72% in 2010. Operating Expenses was \$14.84 billion for the year, representing an increase of \$358 million or 2.5% over prior year. The containment in expense growth reflects our continued efforts to improve efficiencies throughout our operations.



## CREDIT QUALITY

Non-performing loans (NPLs) at October 31, 2011 totaled \$5.26 billion, reflecting an increase of \$1.04 billion above prior year, and \$1.21 billion above the previous quarter ended July 31, 2011. This is due primarily to a large corporate loan account being classified as non-performing during the quarter, as retail NPLs remained relatively flat. Total NPLs now represent 5.15% of total gross loans compared to 4.33% last year and 3.95% as at July 31, 2011. The Group's total loan loss provision at October 31, 2011 was \$4.27 billion, which represented 81% of the total non-performing loans. For most of these NPLs, the Group holds meaningful collateral.

## BALANCE SHEET

Total assets increased year over year by \$6.22 billion to \$332 billion as at October 31, 2011. Our loan book grew by \$4.16 billion to just under \$100 billion, driven by solid growth in new bookings for retail loans and mortgages.

Total customer liabilities (deposits, repo liabilities and policyholder's funds) remained flat at \$253 billion, in keeping with our strategy of shifting our Investment Management business to an off-balance sheet fund management business model. Our managed funds in our Unit Trust / Mutual Fund business grew by \$10 billion or 55% year over year.

## CAPITAL

Total shareholders equity grew to \$63 billion, \$7.5 billion more than the prior year. We continue to exceed the regulatory capital requirements in all our business lines. Our strong capital position also enables us to take advantage of future growth opportunities.

In October we entered the micro-finance sector recognising that this sector represents 39 percent of the labour force and contributes 40 percent of GDP. Through Scotia Jamaica Microfinance Company Limited - trading as "*CrediScotia*", the Group is now able to offer financing to a wider cross-section of Jamaicans.

## OUR COMMITMENT TO COMMUNITY

Scotiabank continues to demonstrate its commitment to Corporate Social Responsibility with a contribution of \$30 million during the quarter to various activities focused in the areas of Education, Health and Community.

Under Education - Student Care, we continued our scholarship programme with the disbursement of \$13.8 million to 107 Scotia Shining Star Scholars to assist with tuition, books and uniforms. Of this number 19 were new scholars at the secondary level with outstanding performances in the 2011 Grade Six Achievement Test and 12 were new scholars at the tertiary level. The Foundation also continued its breakfast feeding programme at the Denham Town Primary School.



In Health Care, The Foundation contributed \$4.6 million towards maintenance of facilities at the Scotiabank Centennial Accident & Emergency Unit at the University Hospital of the West Indies, surgeries for 10 children under the Scoliosis and Spine Care programme and purchased six patient monitors for the Kingston Public Hospital.

In Community Care, donations amounting to \$6.4 million were made through The Foundation to over 80 organizations island-wide and we continued to support Cluster F at the Golden Age Home in Kingston through the provision of meals for the 49 residents.

#### AWARDS

During the quarter, Scotiabank was named Best Trade Finance Bank in Central America and the Caribbean by the Trade Finance Magazine and Best Consumer Internet Bank by Global Finance magazine.

Scotia Group 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 us. Our continued success is as a result of the great execution by our team of skilled and dedicated employees and we thank them for their professionalism and commitment.



**Scotia Group Jamaica Limited**  
**Consolidated Statement of Income**  
**Year ended October 31, 2011**

(\$ 000)	For the three months ended			For the year ended	
	October 2011	July 2011	October 2010	October 2011	October 2010
Interest Income	7,428,463	7,434,028	7,942,613	30,165,381	35,144,614
Interest Expense	(1,821,863)	(1,860,310)	(2,244,793)	(7,736,277)	(11,975,903)
Net Interest Income	5,606,600	5,573,718	5,697,820	22,429,104	23,168,711
Impairment losses on loans	(434,353)	(354,524)	(259,700)	(1,385,070)	(1,598,165)
Net interest income after impairment losses	5,172,247	5,219,194	5,438,120	21,044,034	21,570,546
Net fee and commission income	1,176,209	1,162,304	1,107,931	4,649,067	4,002,985
Insurance revenue	396,004	416,415	301,575	1,898,764	1,864,985
Net foreign exchange trading income	281,406	283,987	298,825	1,150,663	1,128,894
Net gain /(losses) on financial assets	3,463	88,680	505	113,549	20,553
Other revenue	39,681	59,879	108,527	225,929	308,453
	1,896,763	2,011,265	1,817,363	8,037,972	7,325,870
<b>Total Operating Income</b>	<b>7,069,010</b>	<b>7,230,459</b>	<b>7,255,483</b>	<b>29,082,006</b>	<b>28,896,416</b>
<b>Operating Expenses</b>					
Salaries and staff benefits	2,057,560	2,062,886	1,786,801	8,294,082	7,694,009
Property expenses, including depreciation	501,852	525,587	440,074	1,970,291	1,880,579
Amortisation of intangible assets	(4,474)	50,503	123,535	147,229	248,030
Other operating expenses	1,061,035	1,122,069	1,245,896	4,425,784	4,656,704
	3,615,973	3,761,045	3,596,306	14,837,386	14,479,322
<b>Profit before taxation</b>	<b>3,453,037</b>	<b>3,469,414</b>	<b>3,659,177</b>	<b>14,244,620</b>	<b>14,417,094</b>
Taxation	(798,626)	(945,754)	(778,607)	(3,626,965)	(3,715,327)
<b>Profit for the year</b>	<b>2,654,411</b>	<b>2,523,660</b>	<b>2,880,570</b>	<b>10,617,655</b>	<b>10,701,767</b>
<b>Attributable to:-</b>					
Stockholders of the Parent Company	2,519,421	2,425,911	2,806,984	10,193,390	10,405,649
Non-Controlling Interest	134,990	97,749	73,586	424,265	296,118
Earnings per share based on 3,111,572,984 shares (cents)	81	78	90	328	334
Return on average equity	16.83%	16.66%	21.63%	17.59%	20.78%
Return on assets	3.04%	2.90%	3.45%	3.07%	3.19%
Productivity ratio	53.98%	54.26%	51.30%	53.25%	52.72%




**Scotia Group Jamaica Limited**  
**Consolidated Statement of Comprehensive Income**  
**Year ended October 31, 2011**

(\$ 000)	For the three months ended			For the year ended	
	October 2011	July 2011	October 2010	October 2011	October 2010
<b>Profit for the year</b>	2,654,411	2,523,660	2,880,570	10,617,655	10,701,767
<b>Other comprehensive income</b>					
Unrealised (loss) / gains on available for sale financial assets	(532,498)	1,404,154	1,031,304	2,016,168	2,499,783
Realised (gains) / loss on available for sale financial assets	(20,562)	(38,754)	12,727	(70,612)	(185,018)
	(553,060)	1,365,400	1,044,031	1,945,556	2,314,765
Taxation	61,512	(263,503)	(255,523)	(368,685)	(635,878)
Other comprehensive income, net of tax	(491,548)	1,101,897	788,508	1,576,871	1,678,887
<b>Total comprehensive income for the year</b>	<b>2,162,863</b>	<b>3,625,557</b>	<b>3,669,078</b>	<b>12,194,526</b>	<b>12,380,654</b>
<b>Attributable to:-</b>					
<b>Stockholders of the Parent Company</b>	2,045,164	3,516,688	3,580,155	11,760,388	12,035,861
<b>Non-Controlling Interest</b>	117,699	108,869	88,923	434,138	344,793



Scotia Group Jamaica Ltd.  
Consolidated Statement of Financial Position  
October 31, 2011

	Year ended October 31	Year ended October 31
(\$ thousands)	2011	2010
<b>ASSETS</b>		
<b>CASH RESOURCES</b>	53,073,501	57,290,428
<b>INVESTMENTS</b>		
Held to maturity	14,006,187	16,226,976
Financial assets at fair value through profit and loss	356,168	127,895
Available for sale	76,132,244	71,311,343
	<u>90,494,599</u>	<u>87,666,214</u>
<b>PLEGDED ASSETS</b>	65,371,048	64,029,461
<b>GOVERNMENT SECURITIES UNDER REPURCHASE AGREEMENT</b>	1,152,466	200,116
<b>LOANS, AFTER MAKING PROVISIONS FOR LOSSES</b>	99,976,439	95,814,497
<b>OTHER ASSETS</b>		
Customers' Liability under acceptances, guarantees and letters of credit	6,742,140	6,261,025
Property, plant, and equipment	3,790,870	3,574,295
Deferred Taxation	12,101	12,101
Taxation Recoverable	1,827,113	1,472,234
Retirement Benefit Asset	7,412,119	6,641,659
Other assets	378,959	932,431
Intangible Assets	1,809,904	1,873,416
	<u>21,973,206</u>	<u>20,767,161</u>
<b>ASSETS CLASSIFIED AS HELD FOR SALE</b>	-	56,076
<b>TOTAL ASSETS</b>	<b>332,041,259</b>	<b>325,823,953</b>
<b>LIABILITIES</b>		
<b>DEPOSITS</b>		
Deposits by public	144,670,083	145,664,085
Other deposits	10,465,297	11,214,724
	<u>155,135,380</u>	<u>156,878,809</u>
<b>OTHER LIABILITIES</b>		
Acceptances, Guarantees and Letters of Credit	6,742,140	6,261,025
Liabilities under repurchase agreements	44,700,992	45,025,585
Promissory Notes	2,436	7,982
Capital Management and Government Securities Fund	14,241,114	15,156,808
Redeemable Preference Shares	-	100,000
Deferred Taxation	3,373,187	2,844,640
Retirement Benefit Obligation	1,904,277	1,502,123
Assets Held in Trust on behalf of Participants	44,140	41,827
Other liabilities	3,826,295	5,515,062
	<u>74,834,581</u>	<u>76,455,052</u>
<b>POLICY HOLDERS' FUND</b>	39,019,761	36,891,170
<b>LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE</b>	-	6,109
<b>SHAREHOLDERS' EQUITY</b>		
<b>Capital and reserves attributable to the company's shareholders</b>		
Capital- Issued and fully paid, 3,111,572,984		
Ordinary stock units, no par value	6,569,810	6,569,810
Reserve Fund	3,248,591	3,248,591
Retained Earnings Reserve	11,341,770	10,741,770
Capital Reserve	9,383	9,383
Loan Loss Reserve	2,251,257	2,093,499
Other Reserves	12,892	12,892
Investment Cumulative Remeasurement result from Available for Sale Financial Assets	1,955,115	388,117
Unappropriated Profits	34,921,801	30,091,319
	<u>60,310,619</u>	<u>53,155,381</u>
<b>Minority Interest</b>	2,740,918	2,437,432
	<u>63,051,537</u>	<u>55,592,813</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>332,041,259</b>	<b>325,823,953</b>

  
Director

  
Director

SCOTIA GROUP JAMAICA LIMITED

Consolidated Statement of Changes in Shareholders' Equity  
October 31, 2011

(\$thousands)	Share Capital	Reserve Fund	Retained Earnings Reserve	Capital Reserves	Other Reserves	Loan Loss Reserve	Cumulative Remeasurement result from Available for Sale financial assets	Unappropriated Profits	Total	Non-controlling Interests	Total Equity
<b>Balance at 31 October 2009</b>	6,569,810	3,217,867	9,610,421	9,383	12,892	1,715,750	(1,242,095)	25,830,627	45,724,655	2,219,209	47,943,864
Net Profit	-	-	-	-	-	-	-	10,405,649	10,405,649	296,118	10,701,767
<b>Other Comprehensive Income</b>											
Unrealised gains on available-for-sale securities, net of taxes	-	-	-	-	-	-	1,732,405	-	1,732,405	65,087	1,797,492
Realised gains on available-for-sale securities, net of taxes	-	-	-	-	-	-	(102,193)	-	(102,193)	(16,412)	(118,605)
<b>Total Comprehensive Income</b>	-	-	-	-	-	-	1,630,212	10,405,649	12,035,861	344,793	12,380,654
Transfer to Retained Earnings Reserve	-	-	1,131,349	-	-	-	-	(1,131,349)	-	-	-
Transfer to Loan Loss Reserve	-	-	-	-	-	377,749	-	(377,749)	-	-	-
Transfer to Reserve Fund	-	30,724	-	-	-	-	-	(30,724)	-	-	-
Net movement in reserves for non-controlling interests	-	-	-	-	-	-	-	-	-	1,856	1,856
Dividends Paid	-	-	-	-	-	-	-	(4,605,135)	(4,605,135)	(128,426)	(4,733,561)
<b>Balance at 31 October 2010</b>	6,569,810	3,248,591	10,741,770	9,383	12,892	2,093,499	388,117	30,091,319	53,155,381	2,437,432	55,592,813
<b>Balance at 31 October 2010</b>	6,569,810	3,248,591	10,741,770	9,383	12,892	2,093,499	388,117	30,091,319	53,155,381	2,437,432	55,592,813
Net Profit	-	-	-	-	-	-	-	10,193,390	10,193,390	424,265	10,617,655
<b>Other Comprehensive Income</b>											
Unrealised gains on available-for-sale securities, net of taxes	-	-	-	-	-	-	1,614,133	-	1,614,133	16,335	1,630,468
Realised gains on available-for-sale securities, net of taxes	-	-	-	-	-	-	(47,135)	-	(47,135)	(6,462)	(53,597)
<b>Total Comprehensive Income</b>	-	-	-	-	-	-	1,566,998	10,193,390	11,760,388	434,138	12,194,526
Transfer to Retained Earnings Reserve	-	-	600,000	-	-	-	-	(600,000)	-	-	-
Transfer to Loan Loss Reserve	-	-	-	-	-	157,758	-	(157,758)	-	-	-
Net movement in reserves for non-controlling interests	-	-	-	-	-	-	-	-	-	(2,227)	(2,227)
Dividends Paid	-	-	-	-	-	-	-	(4,605,150)	(4,605,150)	(128,425)	(4,733,575)
<b>Balance at 31 October 2011</b>	6,569,810	3,248,591	11,341,770	9,383	12,892	2,251,257	1,955,115	34,921,801	60,310,619	2,740,918	63,051,537





**Scotia Group Jamaica Limited**  
**Condensed Statement of Consolidated Cash Flows**  
**October 31, 2011**

<b>\$000</b>	<b>2011</b>	<b>2010</b>
<b>Cash flows provided by / (used in) operating activities</b>		
Profit for the year	10,617,655	10,701,767
Items not affecting cash:		
Depreciation	423,152	413,898
Impairment losses on loans	1,385,070	1,598,165
Amortisation of intangible assets	147,229	248,030
Loss on sale of subsidiary	7,761	-
Other, net	<u>(18,805,311)</u>	<u>(19,546,266)</u>
	(6,224,444)	(6,584,406)
Changes in operating assets and liabilities		
Loans	(5,653,242)	(5,199,253)
Deposits	(1,810,747)	3,159,485
Policyholders reserve	2,128,590	2,483,294
Securities sold under repurchase agreement	(202,370)	311,034
Financial Assets at fair value through profit and loss	(226,776)	(22,526)
Other, net	<u>20,233,781</u>	<u>38,024,295</u>
	<u>8,244,792</u>	<u>32,171,923</u>
<b>Cash flows provided by / (used in) investing activities</b>		
Investments	(2,444,990)	(7,567,172)
Repurchase Agreements, net	204	191,029
Disposal of subsidiary, net of cash	8,173	-
Proceeds from sale of Visa Shares	-	181,678
Property, plant and equipment, Intangibles, net	<u>(720,272)</u>	<u>(559,740)</u>
	<u>(3,156,885)</u>	<u>(7,754,205)</u>
<b>Cash flows used in financing activities</b>		
Dividends paid	(4,733,575)	(4,733,561)
Redemption of preference shares	<u>(100,000)</u>	<u>-</u>
	<u>(4,833,575)</u>	<u>(4,733,561)</u>
Effect of exchange rate on cash and cash equivalents	158,978	(642,123)
Net change in cash and cash equivalents	413,310	19,042,034
Cash and cash equivalents at beginning of period	<u>34,794,864</u>	<u>15,752,830</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>35,208,174</u></b>	<b><u>34,794,864</u></b>
<b>Represented by :</b>		
Cash resources	53,073,501	57,290,428
Less statutory reserves at Bank of Jamaica	(15,703,309)	(15,467,128)
Less amounts due from other banks greater than ninety days	(5,271,919)	(7,842,993)
Less accrued interest on cash resources	(56,230)	(90,163)
Reverse repurchase agreements and bonds less than ninety days	4,486,494	3,516,189
Cheques and other instruments in transit, net	<u>(1,320,363)</u>	<u>(2,611,469)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>35,208,174</u></b>	<b><u>34,794,864</u></b>



## SCOTIA GROUP JAMAICA LIMITED

### Segment Reporting Information

#### Consolidated Statement of Income

October 31, 2011

(\$ 000's)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	4,468,315	11,728,178	5,123,079	3,871,383	5,264,377	11,744	-	30,467,076
Revenues from other segments	(2,076,281)	696,987	1,400,955	2,372	21,596	4,708,464	(4,754,093)	-
<b>Total Revenues</b>	<b>2,392,034</b>	<b>12,425,165</b>	<b>6,524,034</b>	<b>3,873,755</b>	<b>5,285,973</b>	<b>4,720,208</b>	<b>(4,754,093)</b>	<b>30,467,076</b>
Expenses	(68,705)	(9,082,745)	(4,757,785)	(1,226,579)	(956,666)	(20,052)	(109,924)	(16,222,456)
Unallocated expenses								
<b>Profit Before Tax</b>	<b>2,323,329</b>	<b>3,342,420</b>	<b>1,766,249</b>	<b>2,647,176</b>	<b>4,329,307</b>	<b>4,700,156</b>	<b>(4,864,017)</b>	<b>14,244,620</b>
Taxation								(3,626,965)
<b>Profit for the year</b>								<b>10,617,655</b>

#### Consolidated Balance Sheet

(\$ 000's)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	88,701,739	63,595,634	52,248,785	72,854,001	49,733,776	9,633,290	(12,440,881)	324,326,344
Unallocated assets								7,714,915
<b>Total Assets</b>								<b>332,041,259</b>
Segment liabilities	2,000	89,448,682	75,328,955	62,558,746	39,634,989	61,717	(4,512,759)	262,522,330
Unallocated liabilities								6,467,392
<b>Total liabilities</b>								<b>268,989,722</b>
<b>Other Segment items:</b>								
Capital Expenditure	-	410,857	312,433	33,637	7,087	-	-	764,014
Impairment losses on loans	-	1,096,008	322,930	(33,868)	-	-	-	1,385,070
Depreciation and amortisation	-	269,319	132,116	161,097	7,309	540	-	570,381



# SCOTIA GROUP JAMAICA LIMITED

## Segment Reporting Information

### Consolidated Statement of Income

October 31, 2010

(\$ 000's)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	6,017,254	9,981,445	5,431,457	3,598,434	5,393,495	72,496	-	30,494,581
Revenues from other segments	(2,919,589)	1,523,368	1,423,558	(23,401)	(552)	4,621,969	(4,625,353)	-
<b>Total Revenues</b>	<b>3,097,665</b>	<b>11,504,813</b>	<b>6,855,015</b>	<b>3,575,033</b>	<b>5,392,943</b>	<b>4,694,465</b>	<b>(4,625,353)</b>	<b>30,494,581</b>
Expenses	(63,512)	(9,159,185)	(4,457,440)	(1,239,375)	(925,032)	(48,714)	(184,229)	(16,077,487)
Unallocated expenses								
<b>Profit Before Tax</b>	<b>3,034,153</b>	<b>2,345,628</b>	<b>2,397,575</b>	<b>2,335,658</b>	<b>4,467,911</b>	<b>4,645,751</b>	<b>(4,809,582)</b>	<b>14,417,094</b>
Taxation								(3,715,327)
<b>Profit for the year</b>								<b>10,701,767</b>

### Consolidated Balance Sheet

(\$ 000's)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	84,727,717	55,672,128	55,357,656	74,408,078	54,188,604	11,007,872	(17,751,735)	317,610,320
Unallocated assets								8,213,633
<b>Total Assets</b>								<b>325,823,953</b>
Segment liabilities	480,513	89,141,492	79,240,653	63,354,321	37,268,649	437,512	(7,316,917)	262,606,223
Unallocated liabilities								7,624,917
<b>Total liabilities</b>								<b>270,231,140</b>
<b>Other Segment items:</b>								
Capital Expenditure	-	290,841	247,428	6,456	16,077	-		560,802
Impairment losses on loans	-	1,483,014	75,576	37,791	-	1,784		1,598,165
Depreciation and amortisation	-	253,931	124,887	264,216	7,385	11,509		661,928



**SCOTIA GROUP JAMAICA LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**1. Identification**

Scotia Group Jamaica Limited (the Company) is a 71.78% subsidiary of The Bank of Nova Scotia, which is incorporated and domiciled in Canada and is the ultimate parent.

The Company is the parent of the Bank of Nova Scotia Jamaica Limited (100%) and Scotia Investments Jamaica Limited, formerly Scotia SDBG, (77.01%) and the recently incorporated subsidiary Scotia Jamaica Micro Financing Limited (100%).

During this financial year, the following transactions were effected:

1. On May 2, 2011, Scotia Investments Jamaica Limited sold its 100% interest in its wholly-owned subsidiary, Asset Management Company Limited.
2. On August 26, 2011, SDBG Merchant Bank Limited, a wholly owned subsidiary of the Bank of Nova Scotia Jamaica Limited was dissolved and is no longer listed on the Register of Companies.
3. On October 14, 2011, Scotia Jamaica Micro Financing Company Limited was incorporated, and is a wholly owned subsidiary of Scotia Group Jamaica Limited.
4. On August 12, 2011 at an extraordinary general meeting, preference shareholders of The Bank of Nova Scotia Jamaica Limited voted in favor of the scheme of arrangement to redeem the variable rate redeemable preference shares at a price of \$1.20 for each cancelled preference shares. The scheme of arrangement was approved by the Court, and the shares were redeemed.

**2. Basis of presentation**

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). These financial statements are presented in Jamaican dollars, which is the Group's functional currency.

**New and revised standards that became effective during the year:**

**IAS 36 (Amendment), Impairment of assets** (effective for annual periods beginning January 1, 2010). This amendment clarifies that goodwill arising from a business combination should be allocated to cash-generating units for impairment testing. The level of this allocation should be the lowest level where management monitors goodwill. However, this unit may not be 'larger than an operating segment determined in accordance with IFRS 8'. The Group is compliant with this standard.

**IFRS 2 (Amendment), Group cash settled and share-based payment transactions** (effective for annual periods beginning January 1, 2010), clarifies how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. These amendments incorporate guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2—Group and Treasury Share Transactions. These amendments did not have a material impact on the Group financial statements.

**IFRS 3 (Amendment), Business combinations** (effective for annual periods beginning July 1, 2010). This amendment clarifies that the amendments to IFRS 7, Financial instruments: Disclosures, IAS 32, Financial instruments: Presentation, and IAS 39, Financial instruments: Recognition and measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). This amendment allows an accounting policy choice, available on a transaction by transaction basis, to measure non-controlling interests either at fair value or based on the non controlling interest's proportionate share of the acquiree's net assets. The Group had no significant impact from adoption of this amendment.

**IFRS 5, Non-current assets held for sale and discontinued operations** (effective for annual periods beginning January 1, 2010). The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group has complied with this amendment in the financial statements.

**IFRS 8 (Amendment), Operating Segments** (effective from 1 January 2010), the amendment clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. The amendments have no impact on segment assets and liabilities reported in the Group's financial statements.

**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 and losses are eliminated in preparing the consolidated financial statements.



**SCOTIA GROUP JAMAICA LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**2. Basis of presentation (continued)**

**Comparative information**

Where necessary, comparative figures were reclassified to conform to changes in presentation in the current year. The 2010 Statement of Income and Statement of Financial Position were restated to reclassify certain investments and related income, from cash resources to investments.

**3. Financial Assets**

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

Financial Assets at Fair Value through Profit and Loss

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 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, and may be sold in response to needs for liquidity or changes in interest rates or equity prices.

Available-for-sale investments and financial assets at fair value through profit and loss 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 trading securities 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 recognized directly in the statement of comprehensive income. Interest calculated using the effective interest method is recognized in the statement of revenue and expenses.

**4. Pledged Assets**

Assets are pledged as collateral under Repurchase Agreements, Capital Management Fund, and Government Securities Fund obligations, as well as clearing house transactions.

(\$millions)	<u>Asset</u>		<u>Related Liability</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Securities sold under repurchase agreements	51,371,868	49,093,428	44,700,992	45,025,585
Securities with other financial Institutions and clearing houses	<u>794,640</u>	<u>578,561</u>	<u>-</u>	<u>-</u>
	52,166,508	49,671,989	44,700,992	45,025,585
Capital management and government securities funds	<u>13,204,540</u>	<u>14,357,472</u>	<u>14,241,114</u>	<u>15,156,808</u>
	<u>65,371,048</u>	<u>64,029,461</u>	<u>58,942,106</u>	<u>60,182,393</u>



**SCOTIA GROUP JAMAICA LIMITED**  
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**5. Insurance and investment contracts**

Insurance contracts are those contracts that transfer significant insurance risks. 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.

**6. Loan loss provision**

IFRS loan loss 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 statement of financial position.

**7. Employee benefits**

The Group operates both a defined benefit and a defined contribution pension plan, the assets of which are held in separate trustee-administered funds.

**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 statement of income in such a manner as to spread the regular cost over the service lives of the employees in accordance with the advice of the actuaries. The asset or liability is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service costs.

**Other post-retirement obligations –** The Group provides post retirement healthcare and group life insurance benefits to retirees. This is measured based on the present value of the estimated future cash outflow, using estimated discount rates based on market interest rates.

**Defined contribution plan-** contributions to this plan are charged to the statement of income in the period to which it relates.

**8. 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.

**9. Property, plant and equipment**

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

**10. 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.

**11. Segment reporting**

The Group is organized into six main business segments:

- Retail Banking – incorporating personal banking services, personal customer current accounts, saving deposits, 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 Group's liquidity and investment management function, management of correspondent bank relationships, as well as foreign currency trading;
- Investment Management Services- incorporating investments, unit trusts, pension and other fund management, brokerage and advisory services, and the administration of trust accounts.
- Insurance Services – incorporating the provision of life and medical insurance, individual pension administration and annuities;
- Other operations of the Group comprise non trading entities.

Transactions between the business segments are on normal commercial terms and conditions. The Group's operations are located mainly in Jamaica.

