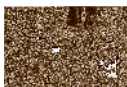




Scotia Group Jamaica Limited

Cultivating the  
gains from the past  
for a brighter future

1960  
First Cash  
Dispensing Machine



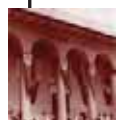
1966  
New Kingston  
Branch Opened



1989  
Scotiabank's  
100th Anniversary



2011  
Scotiabank was the first to market  
with launch of Mobile Banking App



1962  
Jamaica declared  
Independence



1969  
Scotiabank's Flying 'S'  
and wordmark were introduced



1996  
Scotiabank established  
Scotiabank Foundation



2012  
Scotiabank supported 50 schools  
and awarded 50 scholarships in  
celebration of Jamaica 50



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# Ten Year Statistical Review

- Scotia Group Jamaica Ltd.

	2012	2011	2010
<b>BALANCE SHEET DATA \$'000</b>			
TOTAL ASSETS	358,209,421	332,041,259	325,823,953
PERFORMING LOANS	117,973,642	94,719,222	91,599,243
NON-PERFORMING LOANS	4,551,026	5,257,217	4,215,254
INVESTMENTS & OTHER EARNING ASSETS	198,905,245	200,539,453	200,362,102
DEPOSITS BY THE PUBLIC	160,994,182	144,670,083	145,664,085
SECURITIES SOLD UNDER REPURCHASE AGREEMENT	45,384,758	44,700,992	45,025,585
STOCKHOLDERS' EQUITY	64,552,213	60,310,619	53,155,381
<b>PROFITS AND DIVIDENDS \$'000</b>			
PROFIT BEFORE TAX	14,850,277	14,244,620	14,417,094
NET PROFIT AFTER TAX ATTRIBUTABLE TO STOCKHOLDERS	10,159,045	10,193,390	10,405,649
DIVIDENDS PAID AND PROPOSED	4,698,475	4,605,128	4,605,128
NUMBER OF STOCK UNITS AT YEAR-END <sup>(1)</sup>	3,111,573	3,111,573	3,111,573
<b>FINANCIAL RATIOS</b>			
EARNINGS PER STOCK UNIT <sup>(1)</sup> - \$	3.26	3.28	3.34
PRICE EARNINGS RATIO	6.51	7.59	6.09
DIVIDENDS PER STOCK UNIT <sup>(1)</sup> - \$	1.51	1.48	1.48
DIVIDEND YIELD <sup>(1)</sup>	6.69%	6.48%	7.08%
DIVIDEND PAYOUT RATIO	46.25%	45.18%	44.26%
RETURN ON AVERAGE EQUITY	16.11%	17.59%	20.78%
RETURN ON ASSETS AT YEAR-END	2.86%	3.07%	3.19%
<b>OTHER DATA</b>			
TIER 1 CAPITAL (Bank only) <sup>(2)</sup> \$'000	17,122,852	16,526,173	15,959,189
CAPITAL ADEQUACY RATIO (Bank only) <sup>(2)</sup>	11.74%	14.95%	15.40%
STOCK PRICE AT YEAR-END <sup>(1)</sup>	21.23	24.90	20.35
PRICE CHANGE FROM LAST YEAR	-14.76%	22.36%	10.72%
CHANGE IN JSE INDEX FROM LAST YEAR	-5.72%	14.30%	3.46%
NUMBER OF STAFF	2,315	2,337	2,283
EXCHANGE RATE US\$1.00=J\$	90.805	86.2778	85.3825
INFLATION RATE YEAR-OVER-YEAR	6.17%	7.26%	10.37%

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

(2) Capital Adequacy ratio and Tier 1 Capital are calculated per Bank of Jamaica Regulations.

2009	2008	2007	2006	2005	2004	2003
315,555,872	280,284,251	263,125,631	199,840,115	183,460,578	168,167,649	147,653,177
88,591,281	86,726,366	74,557,390	58,578,711	57,324,645	52,420,106	47,111,019
3,587,030	2,970,714	2,109,177	1,009,003	918,164	1,039,396	963,695
194,182,553	167,116,031	162,688,005	120,465,837	107,526,232	90,600,604	78,502,267
141,877,096	130,673,257	131,017,687	113,279,538	107,546,636	98,810,819	87,067,332
46,120,207	40,206,572	31,530,287	18,234,105	17,319,240	18,546,429	15,292,996
45,724,655	37,940,932	34,373,330	27,389,555	23,524,953	20,605,017	17,651,197
15,379,659	13,119,095	10,167,221	9,315,624	8,329,812	8,172,633	7,307,403
11,152,199	9,390,739	7,492,854	6,798,908	5,885,586	5,856,057	5,456,670
4,325,086	4,045,044	3,649,313	3,132,138	2,927,232	2,707,689	2,561,328
3,111,573	3,111,573	3,111,573	2,927,232	2,927,232	2,927,232	2,927,232
3.58	3.02	2.48	2.32	2.01	2.00	1.86
5.13	6.68	8.56	9.51	10.51	12.62	4.80
1.39	1.30	1.19	1.07	1.00	0.93	0.88
8.13%	5.58%	5.08%	5.15%	3.88%	4.41%	9.78%
38.78%	43.07%	47.26%	46.07%	49.74%	46.24%	46.94%
26.35%	25.28%	24.01%	26.35%	26.33%	29.85%	34.22%
3.53%	3.35%	2.85%	3.40%	3.21%	3.48%	3.70%
14,932,460	14,159,189	11,450,000	10,700,000	9,950,000	9,200,000	8,450,000
17.84%	17.86%	16.29%	20.68%	22.89%	24.32%	23.49%
18.38	20.22	21.25	22.06	21.14	25.26	8.95
-9.08%	-4.85%	-3.67%	4.35%	-16.31%	182.18%	14.30%
-14.06%	-5.85%	15.85%	-16.10%	-1.50%	72.46%	46.93%
2,273	2,235	2,190	1,895	1,843	1,864	1,851
89.1037	76.1253	71.0493	66.4118	63.9315	61.7698	60.2623
7.18%	25.34%	9.01%	6.49%	19.02%	12.27%	14.13%



# Shareholders' Report

- Scotia Group Jamaica Ltd.

## Dear Fellow Shareholders,

2012 has been a remarkable year for Jamaica with the observation of fifty years of self-governance. This was marked by celebration and self examination at national and personal levels. A symbolic testament to the maturity and achievements of the country was the strong performance of Jamaica's Olympic and Paralympic teams in London, which resulted in historic wins and a positive global perception and awareness of Jamaica. Scotiabank, having operated in Jamaica for 123 years, has been with the Jamaican people every step of the journey to this important milestone. On behalf of all our stakeholders, we would like to say Happy 50<sup>th</sup> Anniversary to Jamaica, land we love.



**Brian Porter**  
*President*  
*The Bank of Nova Scotia*

## Operating Environment

Slow economic growth continued to weigh on the business climate throughout 2012. Record low interest rates coupled with significant pricing pressure caused downward momentum on interest margins. The thrust of the Government to cut the budget deficit saw a raft of new revenue measures during the year, which resulted in a significant increase in our operating expenses. Despite this challenging environment, your company recorded net profit of \$10.575 billion for the year, driven by strong growth in our core lending business.

## Strong Balance Sheet

Your company continues to be well capitalized, with all of the operating subsidiaries exceeding prudential requirements. Our proven risk management capabilities continue to serve us well as we seek to preserve Scotia Group's position as the leading financial services company in Jamaica. This hard earned reputation gives our clients the comfort that they are "safe with us" while they "discover what's possible" when they interact with a strong, stable and successful institution.

## Business Segment Highlights

We have been very disciplined and deliberate about sticking to our core business principles and playing to our strengths as we seek to fulfil our mission of helping

our clients to be financially better off. To better serve our retail clients, we upgraded and replaced over 200 ATMs for the year. We continued to enhance our internet banking platform and mobile banking applications, which led to a significant increase in the number of customers using both services.

We continue to innovate in the area of product development to better serve the diverse needs of our large and varied client base. During the year, Scotia Investments introduced the first true Money Market Fund in Jamaica, and Scotia Insurance launched Lifetime Security and Life Shelter, two

exciting new insurance products.

Our aggressive push in the mortgage market has been rewarded with an increase in our market share. We are excited by the prospects in this area of our business as more Jamaicans turn to Scotiabank to help them purchase their homes.

Scotiabank's business customers saw improved electronic banking services with enhancements to our state of the art "Scotia Online for Business" and expanded merchant services capabilities. Much focus has been placed on improving customer relationship management and reducing turnaround times for loan applications, with good success.

## The Way Forward

The Jamaican economy faces further challenges that will keep us operating within a difficult environment for the coming year. Economic uncertainties gripping more developed economies will challenge the country's efforts to extricate itself from the recent experience of low growth.

Against this background, we will stay focussed on five key priorities to ensure that we deliver superior value to our shareholders.

We will seek to deepen relationships with our customers and ensure that we are providing the right solutions and offering the best advice. By maintaining a customer centric approach and leveraging our expertise in banking, insurance and investments, we are well-positioned to help our customers be financially better off.

We will continue to invest in our people to ensure that we have the best team to execute on our business plans. In a difficult operating environment, successful execution of strategy takes on added importance as we seek to deliver strong financial results.

We will maintain our focus on operating efficiencies by reviewing processes and systems, consolidating functions across the Group and providing our customers with more convenient and cost effective channels to do business with us.

We will generate profitable and sustained revenue growth and build long term shareholder value by expanding our product offering in our Life Insurance and Investment subsidiaries, and will enter new market segments.

Finally, we remain committed to our disciplined and systematic approach to risk management. Our



**Bruce Bowen**  
*President & CEO*  
*Scotia Group Jamaica Ltd.*

reputation of being a safe and stable institution increases in significance during uncertain economic times. This important capability gives us a significant competitive advantage in a difficult operating environment.

With our strong brand, robust capital levels, and our ability to leverage Scotiabank's international capabilities, we are well positioned to navigate the business environment. The fact is, we have faced challenges many times throughout our 123 year history in Jamaica. Our long and proud record of returning value to shareholders speaks to the indomitable spirit of Scotiabankers to rise above challenges, even when they appear daunting.

We are confident that our strategic priorities, building upon the strong foundation we have built over 123 years, will ensure that we maintain our legacy of being the leading financial services company in Jamaica.

We would like to thank our valued clients and all Scotiabankers for helping us produce another year of solid performance. Our loyal customers continue to make our organization an important part of their daily lives by relying on us for their financial needs. We are truly thankful for the enormous trust our customers continue to place in us.

A handwritten signature in black ink, appearing to read 'B. Porter', written over a horizontal line.

Brian Porter  
*President*  
*The Bank of Nova Scotia*

A handwritten signature in black ink, appearing to read 'Bruce Bowen', written over a horizontal line.

Bruce Bowen  
*President & CEO*  
*Scotia Group Jamaica Limited*

# Corporate Governance

One of the primary responsibilities of the Board of Directors is to ensure that the Group and its subsidiaries have a robust and effective corporate governance framework, which is vital to the preservation of shareholder value and confidence in the Group.

In fulfilling this responsibility, the Board adopts an enterprise-wide approach to corporate governance by ensuring adherence to a uniform set of corporate governance policies and procedures throughout the Group, deviating only where required by laws and regulations relevant to a particular subsidiary.

The Corporate Governance Policy is reviewed annually by the Board to ensure that it remains relevant and is in keeping with best practices locally and internationally. A copy of the Group's Corporate Governance Policy is available on our website at <http://www.scotiabank.com>.

## Board Responsibility

The Board's primary responsibility is to oversee the management of the Company and provide effective governance over the Company's affairs. In so doing, it must strive to balance the interests of the Group's diverse constituents including its shareholders, customers, employees and the communities in which it operates. At all times, the Directors are expected to exercise sound independent business judgment in what they reasonably believe to be in the best interest of the Company. In discharging that obligation, Directors may rely on the expertise of the Company's Senior Management, its outside advisors and auditors.

The responsibility of the Board is outlined in an approved Board mandate which includes the following key duties and functions:

- Develop the Group's approach to corporate governance and its principles and guidelines;
- Oversee and approve the Group's strategic

direction, the organisational structure and succession planning of senior management;

- Evaluate the actual operating and financial results of the Group against the Group's business objectives, business strategy and plans;
- Identify the principal business risks, review and approve key risk management policies and practices and oversee the implementation of appropriate systems to enable compliance with such policies;
- Oversee the integrity of the Group's internal controls and management information systems.

## Board Composition

As at October 31, 2012, the Board is comprised of eleven (11) Directors and is chaired by Mr. Brian Porter, a Non-Executive Chairman.

Our Directors have diverse skill sets, experience and backgrounds which include local and international experience in finance and audit, strategic management, banking, human resources and education, legal and risk management and are recognized as strong leaders in their respective fields of work. Our Directors take care in ensuring that decisions are made after fulsome open discussion at the Board level and careful deliberation of relevant information.

Seven (7) of our eleven (11) Directors are independent of Scotia Group, its parent, subsidiaries and affiliates and ten (10) of our Directors are non-executive Directors.

## Committees of the Group and subsidiary Board

The Board has delegated certain responsibilities to its Audit & Conduct Review Committee and its Executive & Enterprise Risk Committee. The Board of the Bank of Nova Scotia Jamaica Limited, which is the main hiring arm of the Group, has appointed a Human Resource & Pension Committee.

We have adopted a modified version of the definition of independent director from the PSQJ Corporate Governance Code. A Director is not considered independent if:

1. The Director has been an employee of the Company within the last five years;
2. The Director is, or has been within the last three years, an employee or executive officer of any company within the Group or its parent company;
3. The Director has received or receives additional remuneration from the Company apart from a director's fee, participates in the company's share option plan or performance related pay scheme, or is a member of the Company's pension scheme;
4. The Director has close family ties with any of the Company's advisors, directors or senior employees;
5. The Director represents a significant shareholder.



The Table below highlights independent and non-independent Directors and their respective skill sets.

BOARD EXPERTISE							
	Independent (I)/ Non-Independent (NI)	Finance & Audit	Strategic Management	Banking	H.R. & Education	Legal	Risk Management
Barbara Alexander	I		✓		✓	✓	
Bruce Bowen	NI	✓	✓	✓			✓
Anthony Chang	I	✓	✓				
Sylvia Chrominska	NI	✓	✓	✓	✓		✓
Jeffrey Hall	I		✓			✓	✓
Charles Johnston, CD	I	✓	✓				
Joseph M. Matalon, CD	I	✓	✓	✓			
Warren McDonald, JP	I	✓	✓				
Claude Norfolk	NI	✓	✓	✓	✓		
Brian Porter	NI	✓	✓	✓			✓
Dr. Herbert Thompson, CD	I	✓	✓		✓		✓
Prof. Stephen Vasciannie*	I		✓		✓	✓	✓

\*Prof. Stephen Vasciannie resigned effective June 11, 2012

### Audit and Conduct Review Committee

The Terms of Reference of the Group's Audit and Conduct Review Committee are reviewed by the Committee and approved by the Board. The Committee has oversight responsibility for the Group and the Bank in relation to the following areas:

- The integrity of the financial reporting of the Bank and the Group, and system of internal controls
- Ensuring compliance with legal and regulatory requirements
- The performance of the internal audit and external auditors
- The identification and resolution of conflict of interest which may arise from transactions conducted by the Group and its subsidiaries

Prior to the adjournment of Committee meetings, time is reserved for the Chairman of the Committee to meet independently with the Internal and External Auditors to discuss any areas of concerns. The Audit Committee reviewed and recommended for approval (where relevant) the following items during the year:-

- Management Accounts for the Group and the Bank
- Audited Financial Statements
- Internal Audit Plan
- Engagement Letter of the External Auditors
- External Audit Fees
- Internal Audit Reports

- Regulatory Examination Reports and Management Response
- Connected Party List & Transactions
- Compliance Reports
- Management Letter from the External Auditor

### Executive & Enterprise Risk Committee

In accordance with its Terms of Reference, the Executive & Enterprise Risk Committee has oversight of the following areas:-

- Corporate Strategy and Annual Profit Plans of the Group and its subsidiaries
- Review of Board nominees prior to appointment
- Appointment and/or reappointment of the Auditors
- Review of the Corporate Governance Policy
- Enterprise wide risk management
- Review of Board performance

The principal activities undertaken by the Committee during the year included the review and recommendation to the Board of the following matters:-

- Annual Profit Plan
- Amendments to Committee Terms of Reference
- Evaluation of Board performance
- Quarterly Press Releases on financial results
- Market, Operational, Credit and Liquidity Risk Reports
- Revised Risk Management Policies and Limits
- Corporate Governance Policy

## THE BANK OF NOVA SCOTIA JAMAICA LIMITED

### Human Resources and Pension Committee

The Human Resources and Pension Committee has oversight responsibility for the following staff welfare and compensation matters:

- Staff compensation, including incentive programmes
- Senior level organisational structure and staffing
- Mandates for the negotiation of collective bargaining agreements
- Performance of the Executive Team
- Pension Plan design and Investment policies
- Monitoring Fund performance against its policies, objectives and strategies
- Appointment and/or removal of the Sponsor Trustees of the Pension Fund
- Review of actuarial reports, audited financial statement of the Fund and proposed changes to the Pension Plan Rules and benefits

During the year, the Committee reviewed and recommended to the Board for approval where necessary the following matters:-

- Pension Fund Administrative and Fund Management fees
- Revised Terms of Reference
- Collective Bargaining Strategy for 2012
- Overall Pension Fund performance
- Pension Plan enhancements
- Senior Management changes
- Executive Team performance

### Director Orientation & Training Opportunities

Our Directors are exposed to continuous education about the Group, its subsidiaries, business lines and products. This year, Directors participated in tours of local subsidiary operations as well as a tour of the international operations of the Group's parent Company, The Bank of Nova Scotia, Canada. Directors also participated in Strategic Retreats held by subsidiaries.

All Directors have access to and are encouraged to meet with the Chairman, the Chief Executive Officer and Senior Management. At Board meetings, time is reserved for independent discussion between the Chairman and independent directors.

Senior Management members are invited to Board meetings to make presentations on various topics in an effort to expose Directors to the operations of the Group and afford them an opportunity to pose questions to and interact with Senior Management.

### Appointment, Term, Election & Retirement of Directors

All Directors automatically retire from the Board at each Annual General Meeting (AGM) and are elected or re-elected (as the case may be) by the shareholders of the Company on the recommendation of the Board.

Any director employed to the Company shall cease to be a director upon termination of any employment contract with the Company, except that the former CEO may, if specifically requested to do so by the Board, continue to serve on the Board for a defined period of time.

### Attendance Record for Directors

	Annual General Meeting (SGJL)	Board Meeting (SGJL)	Audit & Conduct Review (SGJL & BNSJ)	Executive & Enterprise Risk (BNSJ)	Human Resources & Pension (BNSJ)
Number of Meetings	1	6	4	4	3
Barbara Alexander	1	6	4	-	3
Bruce Bowen	1	6	-	4	3
Anthony Chang ●	1	6	4	3	-
Sylvia Chrominska	1	5	-	3	-
Jeffrey Hall ☐	1	5	-	-	2
Charles Johnston, CD ■	1	5	2	3	-
Warren McDonald, JP	1	6	4	-	3
Joseph M. Matalon, CD**	1	4	-	-	-
Claude Norfolk	1	5	-	-	3
Brian Porter	1	4	-	-	-
Dr. Herbert Thompson, CD	1	6	-	4	3
Prof. Stephen Vasciannie*	1	2	1	-	-

● Audit & Conduct Review Committee, Chairman

■ Executive & Enterprise Risk, Chairman

☐ Human Resources & Pension, Chairman

\*\* Appointed March 12, 2012

\* Resigned June 11, 2012

## Director Compensation

The Board determines the form and amount of Directors' Compensation based on peer reviews, with the aim of recruiting and retaining qualified and experienced candidates. Directors who are employees of any of the subsidiary companies are not compensated in their capacity as directors.

The compensation structure for directors include an annual retainer fee and per meeting fees as reflected in the Table of Fees (below).

## Guidelines for Business Conduct

The Board of Directors, the management and all employees of the Group, its subsidiaries and affiliates are required to observe the Group's Guidelines for Business Conduct and in this regard, annual certification of due compliance is required.

The Guidelines for Business Conduct outline the Group's rules and expectations regarding proper business conduct and ethical behaviour of directors, officers and employees of the subsidiaries, including:

- following the law wherever the Group and its subsidiaries do business;
- avoiding putting themselves or any of the subsidiaries in a conflict of interest;
- conducting themselves honestly and with integrity;
- keeping the subsidiaries' transactions, communications and information accurate, confidential and secure, and all customers' assets safe; and
- treating everyone fairly and equitably - whether customers, suppliers, employees or others who deal with the Group and its subsidiaries.

In keeping with the established code of conduct, Board members and senior management of the Group's subsidiaries are subject to our "insider trading policy" in respect of trading in the securities of the Company, its subsidiaries and affiliates.

## Boards' Annual Self Evaluation

The Group's Board and the Boards of its subsidiaries conduct an annual self-evaluation of performance during the year. Directors are required to complete a questionnaire which tests a wide range of topics regarding the effectiveness of the Board governance. The topics include the quality of the information provided by management, the effectiveness of the operation of any Committee and a performance assessment of the Board and Chairperson during the year.

The results are reviewed in detail by the Executive and Enterprise Risk Committee and appropriate action is taken to remedy any areas of concern or areas requiring improvement. In response to feedback received last year, we implemented paperless Board reporting as well as greater Director participation in the Strategy Retreats of the subsidiaries, this year.

Scotia Group remains committed to good corporate governance practices and shall continue to comply with the law and regulations, international best practices and guidance from the Jamaica Stock Exchange, the Bank of Jamaica, the Financial Services Commission and other regulators.

Fee Structure					
<i>expressed in JMD</i>	SGJL	BNSJ			
	Retainer (per annum)	Retainer (per annum)	Board (per meeting)	Audit & Conduct Review Committee (per meeting)	Other Committees (per meeting)
Board Chairman	200,000	2,250,000			
Committee Chair (other than Audit)	100,000	1,250,000			
Audit Committee Chair	100,000	1,500,000			
Audit Committee Members	100,000	1,000,000			
Directors	100,000	850,000	\$50,000	\$60,000	\$45,000

The fees shown above for SGJL represent the *Retainer Fee* which is the only fee that is payable by SGJL to its Directors. However, all the directors of SGJL are common to the Board of The Bank of Nova Scotia Jamaica Limited (BNSJ) which is the leading subsidiary and as such the Table above also captures the *Retainer and Attendance fees* payable by BNSJ to the same directors.

# Scotia Group Jamaica Limited

## Board of Directors

### B. Porter, *Chairman*



Mr. Brian Porter is President\* of the parent Company, The Bank of Nova Scotia and he oversees all of the Bank's business lines. He joined Scotiabank in Toronto in 1981 and held a variety of management positions, including Deputy Chairman, Scotia Capital, Executive Vice President and Chief Risk Officer, and Group Head, International Banking.

Mr. Porter was appointed Chairman of Scotia Group Jamaica Limited on March 2, 2011 and The Bank of Nova Scotia Jamaica Limited on November 25, 2010.

\*As at November 1, 2012

Mr. Porter is the past Chairman of the Investment Dealers Association of Canada (IDA), and a member of the Faculty of Management Board of Advisors, Dalhousie University. He received a Bachelor of Commerce degree from Dalhousie University and is a graduate of the Advanced Management Program of Harvard Business School.

### B. F. Bowen



Mr. Bruce Bowen is the President & CEO of Scotia Group Jamaica Limited since November, 2008. Mr. Bowen held a similar position at Scotiabank de Puerto Rico.

He began his career with Scotiabank in 1990 in the International Division. His career at Scotiabank has exposed him to various areas in banking and has taken him on assignments for Scotiabank in the Cayman Islands, Trinidad & Tobago, Jamaica and Puerto Rico.

Mr. Bowen was appointed to the Board of Scotia Group Jamaica Limited on November 27, 2008 and is a member

of the Executive & Enterprise Risk and Human Resources & Pension Committees of the Board. He was recently appointed Chairman of Scotia Investments Jamaica Limited. He is also a Director of The Bank of Nova Scotia Jamaica Limited, The Scotia Jamaica Building Society, Scotia Jamaica Life Insurance Company Limited, Scotiabank Jamaica Foundation and Scotia Jamaica Microfinance Company Limited.

Mr. Bowen holds an Honours Bachelor of Business Administration degree from the Wilfrid Laurier University in Waterloo, Ontario, Canada.

### B. A. Alexander



Ms. Barbara Alexander was appointed to the Board on November 26, 2007. She has been a practicing Attorney-at-Law since 1976 and became a Partner in the law firm Myers, Fletcher & Gordon in 1980. She is now the Managing Partner of the firm. Her experience includes Banking and Finance, Project Finance, Real Estate and Commercial Law. She is a member of the Audit & Conduct Review Committee and the Human Resources & Pensions Committee of the Board. She also serves on the Board of The Bank of Nova Scotia Jamaica

Limited, Scotia Investments Jamaica Limited, Scotia Asset Management (Jamaica) Limited, The Scotia Jamaica Building Society, United Way of Jamaica and the Arts Foundation of the Edna Manley College.

Ms. Alexander is a graduate of the University of the West Indies and is a member of the Jamaican Bar Association and the Law Society of England, United Kingdom.

### A. V. Chang



Mr. Anthony Chang is a Director of Lasco Distributors Limited and Lasco Manufacturers Limited. He is also a Director of Digicel Jamaica and Consolidated Bakeries Jamaica Limited. Mr. Chang was appointed to the Board of The Bank of Nova Scotia Jamaica Limited on February 5, 2001. He is the Chairman of the Audit & Conduct Review Committee and a member of the Executive & Enterprise Risk and Human Resources & Pension Committees of the Board. Mr. Chang is the Chairman of Scotia Jamaica Life Insurance Company Limited and a Director of Scotia Investments Jamaica Limited.

He is a graduate of the Richard Ivey School of Business, University of Western Ontario. He is also the recipient of the Hubert H. Humphrey fellow at American University, Washington DC which was awarded by the Government of the United States of America. He has done professional courses with several organizations some of which include York and Wharton Universities.

#### S. D. Chrominska



Ms. Sylvia Chrominska joined Scotiabank in 1979 and has served in several capacities including Senior Vice-President, Corporate Credit and Executive Vice-President, Human Resources. In 2008, she was appointed Group Head, Global Human Resources and Communications. She has been a Banker for 33 years.

She serves on the Board of Directors of Emera Inc., and The Bank of Nova Scotia Jamaica Limited and is a member of the Executive & Enterprise Risk Committee of the Board.

In 2007, Ms. Chrominska was inducted in the Hall of Fame of Canada's Top 100 Most Powerful Women. In 2010, she was the inaugural recipient of the Catalyst Canada Honours in the category of Human Resources/Diversity Leader. Most recently, in 2012, Sylvia was honoured by Women Against MS for her support in the fight to end multiple sclerosis, as well as her broader philanthropic contributions. She was recognized as one of Canada's Top 25 Women of Influence for 2012 by Women of Influence, Inc., and by Evanta as a Top 10 Breakaway Leader, an award that celebrates North American leaders who are changing the face of Human Resources.

#### J. M. Hall



Mr. Jeffrey Hall is The Chief Executive Officer of Jamaica Producers Group Limited and has worked with that Company since 2002. Mr. Hall was appointed to the Board of Scotia Group Jamaica Limited and The Bank of Nova Scotia Jamaica Limited (BNSJ) on November 26, 2007. He is the Chairman of the Human Resources & Pension Committee of BNSJ. Mr. Hall currently serves as a director of Scotia Investments Jamaica Limited, Kingston Wharves Limited, Junior Achievement, Blue Power Group Limited, the Agro Investment Corporation, The

Institute of Jamaica and Jamaica Investment Promotions (JAMPRO). He has practiced as an Attorney-at-Law and has served as a Director of the Jamaica Stock Exchange and the Bank of Jamaica.

Mr. Hall is a graduate of Harvard Law School, Harvard University and Washington University. He holds a Bachelor's degree in Economics from the Washington University and a Masters in Public Policy from Harvard University.

#### C. H. Johnston, CD



Mr. Charles Johnston is the Chairman and Managing Director of Jamaica Fruit and Shipping Company Limited and Chairman of Jamaica Producers Group.

He was appointed to the Board of The Bank of Nova Scotia Jamaica Limited on August 22, 2002 and is the Chairman of the Executive & Enterprise Risk Committee and a member of the Audit & Conduct Review Committee.

Mr. Johnston is a graduate of the Wharton School of Finance & Commerce at the University of Pennsylvania.

#### W. A. McDonald, JP



Mr. Warren McDonald is the Managing Director and Chief Executive Officer of Berger Paints Jamaica Ltd. Mr. McDonald is also the Regional Managing Director for Berger in the Caribbean and supervises the Berger subsidiaries in Trinidad & Tobago, and Barbados.

He was appointed to the Board of Scotia Group Jamaica Limited on March 15, 2007 and The Bank of Nova Scotia Jamaica Limited (BNSJ) on February 5, 2001. Mr. McDonald is currently a member of the Audit & Conduct Review Committee and the Human Resources & Pension Committees of BNSJ.

Mr. McDonald is the 1st Vice-President of the Jamaica Chamber of Commerce. He is an Honours graduate in Economics from the University of the West Indies, a Fellow of the Chartered Association of Certified Accountants of the United Kingdom and the Institute of Chartered Accountants of Jamaica. He has also completed senior management programmes at Harvard Graduate School of Business Administration in the USA – Columbia University Graduate School of Business and Cranfield School of Management, UK.

Mr. McDonald has served in senior management positions in the Manufacturing sector for over thirty-five (35) years.



### J. M. Matalon, CD



Mr. Joseph M. Matalon is Chairman of ICD Group Limited and the Development Bank of Jamaica. He holds directorships on a number of other Boards including the Gleaner Company Limited, CGM Gallagher, West Indies Home Contractors Limited, WIHCON Properties Limited, Prime Asset Management Limited, Matalon Homes Limited, The Tony Thwaites Wing of the University Hospital of the West Indies, KLE Group and US based International Youth Foundation.

Mr. Matalon also serves as Honorary Chairman of St. Patrick's Foundation, which supports charitable activities in inner-city communities. He is Chairman of the Board of Governors of

Hillel Academy and a member of the regional Investment Advisory Committee of the University of the West Indies.

He served as President of the Private Sector Organisation of Jamaica (PSOJ) during the period 2009 to 2012, and has also served on a number of special national committees established to advise the Government on financial and economic matters.

Mr. Matalon is a graduate of the London School of Economics and Political Science.

### C. S. Norfolk



Mr. Claude Norfolk is the Senior Vice-President, International Banking - Caribbean Region of The Bank of Nova Scotia. He has been a Banker for 37 years.

He is Chairman of Scotiabank Caribbean Holdings and Vice-President of Scotiabank's affiliate, Maduro & Curriel's Bank in the Netherland Antilles.

Mr. Norfolk serves on the Boards of Scotiabank Trinidad & Tobago Limited, Scotiatrust and Scotia Merchant Bank Trinidad and Tobago Limited, where he is a member of the

Audit Committee. He also sits on the Boards of Scotiabank Bahamas Limited and The Bank of Nova Scotia Jamaica Limited and is a member of the Human Resources & Pension Committee.

Mr. Norfolk is a fellow of the Institute of Canadian Bankers and has a Masters of Business Administration, Financial Services from Dalhousie University and holds the ICD. D certification for Corporate Directorship 2010.

### Dr. H. J. Thompson, CD



Dr. Herbert Thompson is the Pro Chancellor of the University College of the Caribbean. He was appointed to the Board of The Bank of Nova Scotia Jamaica Limited on August 19, 1998 and is a member of the Executive & Enterprise Risk Committee and the Human Resources & Pension Committee of the Board. Dr. Thompson is also Chairman of the Board of Scotia Jamaica Building Society.

Dr. Thompson is a motivational speaker and an author. He is a graduate of Northern Caribbean University, the University of the West Indies, with a Doctorate in Philosophy, (PhD) Biochemistry, and Masters in Physiology from Loma Linda University.

### Prof. S. C. Vasciannie



Professor Stephen Vasciannie was the former Principal of the Norman Manley Law School. He was appointed a Director of The Bank of Nova Scotia Jamaica Limited on September 1, 2005, and was a member of the Audit and Conduct Review Committee. Professor Vasciannie was a director of Scotia Jamaica Life Insurance Company Limited and Chairman of Scotia Investments Jamaica Limited.

He is a graduate of the Universities of Oxford, Cambridge and the University of the West Indies. Professor Vasciannie resigned from the Group's Boards and committees on June 11, 2012 to take up an assignment as Jamaica's Ambassador to the United States of America.

# Executive Management Committee

## **Bruce Bowen**

*President and CEO, Scotiabank Group*

Bruce Bowen is the President and CEO, Scotia Group Jamaica Limited. He assumed this position on November 1, 2008, coming from Scotiabank de Puerto Rico where he held a similar position.



Bruce Bowen began his career with Scotiabank in 1990 in the International Division. His career at Scotiabank has exposed him to various areas in banking and has taken him on assignments for Scotiabank in the Cayman Islands, Trinidad & Tobago, Jamaica and Puerto Rico.

Bruce was appointed to the Board of Scotia Group Jamaica Limited on November 27, 2008 and is a member of the Executive & Enterprise Risk and the Human Resources & Pension Committees of the Board. He was recently appointed Chairman of Scotia Investments Jamaica Limited. He is also a Director of The Bank of Nova Scotia Jamaica Limited, The Scotia Jamaica Building Society, Scotia Jamaica Life Insurance Company Limited, Scotiabank Jamaica Foundation and Scotia Jamaica Microfinance Company Limited.

Bruce holds an Honours Bachelor of Business Administration degree from Wilfrid Laurier University in Waterloo, Ontario, Canada.

## **Monique French**

*Senior Vice-President  
Credit Risk Management*

As the Senior Vice-President - Risk Management, Monique French is responsible for the structure, risk profile, and quality of the retail, small business, commercial and corporate credit portfolios of Scotiabank Group.



Monique possesses over a decade of experience in Corporate Banking, Treasury & Derivatives, Credit & Market Risk Management, and Risk Policy & Governance. During her career, she has held Senior Management positions in Risk Management and Treasury, and has led or served on industry and private sector committees/boards.

Monique holds a BSc Accounting Degree (First Class Honours) 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 has completed the Canadian Securities Course, and she is a CFA Charter Holder and an IBM Scholar. Monique has represented Jamaica at the national level in sports and currently serves as a Justice of the Peace for Kingston.

Monique is a member of the Asset and Liability Committee (ALCO) & Investment Committees, and an alternate Director for The Bank of Nova Scotia Jamaica Limited.

## **Michael Jones**

*Senior Vice-President  
Human Resources*

Michael Jones has held key roles across the company, including Manager-Accounting, Assistant General Manager - Operations, and currently Senior Vice-President - Human Resources, Scotiabank Group.



He completed under-graduate studies in Banking at CAST/University of Technology and holds a MSc in Social Sciences from the University of Leicester, and a MBA (Distinction) from the Manchester Business School/University of Wales. He is a graduate of the Executive Human Resource Management programme of the University of Michigan, a graduate Associate of both the UK Chartered Institute of Bankers (ACIB), and the Institute of Chartered Secretaries and Administrators (ACIS).

Michael is a Director of the Scotiabank Jamaica Foundation and is Chairman of the ScotiaBRIDGE Board of Trustees. He serves the wider community as President of the Human Resource Management Association of Jamaica, Chair of the Jamaica Institute of Financial Services and the Jamaica Bankers Association's Education Committee. He also serves as a member of the Private Sector Organization of Jamaica's Education Committee and is a Director of the UWI Career and Placement Board. A lover of nature, he serves as a Director on the Hope Gardens/Nature Preservation Foundation.

## **Lissant Mitchell**

*Senior Vice President  
Wealth Management  
& Chief Executive Officer  
- Scotia Investments Jamaica Limited*

Lissant Mitchell has over 19 years experience in the local financial industry. He joined Scotia Investments in October 2007 as Senior Vice-President Treasury & Capital Markets, was promoted to Chief Operating Officer in October 2010, and appointed Senior Vice-President, Wealth Management - Scotiabank Group Jamaica & Chief Executive Officer - Scotia Investments Jamaica Limited on November 1st, 2011.



Lissant has served as the President of the Primary Dealers Association and is currently the Secretary of the Jamaica Securities Dealers Association. Lissant also sits on Scotiabank's and Scotia Investments' Asset & Liability Committees as well as the Group's Managed Funds Investment Committee. He is also a director of Scotia Investments Jamaica Limited, Scotia Asset Management Jamaica Limited, Scotia Caribbean Income Fund, and the Jamaica Stock Exchange.

Lissant holds a MBA from the University Of Manchester, and a BSc in Accounting and Economics from the University of the West Indies.

## Executive Management Committee (continued)

**Rosemarie Pilliner**  
*Executive Vice-President  
Operations & Shared Services*



Rosemarie Pilliner currently holds the position of Executive Vice-President, Operations and Shared Services. She has direct responsibility for Lending Services, Processing Support, Procurement, Operations and Shared Services, Security & Investigations, Facilities Management among other functional areas.

Rosemarie has extensive knowledge of Scotiabank's core operations. Her wide-ranging expertise spans varying positions within the organization, including management positions in central operations, Branch Manager and Assistant General Manager of the System Support Centre.

Rosemarie has benefited from several management training courses to hone her credit, leadership, operations and organization developmental skill sets. She currently sits on the Board of the Scotiabank Jamaica Foundation.

**H. Wayne Powell**  
*Executive Vice-President  
Retail Banking*



A career banker of many years, Wayne Powell is Executive Vice-President, Retail Banking with responsibility for the management of the Branch Network, Small and Medium Business Banking, Customer Experience and Non-Branch Sales. 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, Chairman of the Scotiabank Jamaica Foundation and serves on several additional corporate boards. In 2010, Wayne was inducted as a Life Member of the Cambridge Who's Who Registry of Executives, Professionals and Entrepreneurs.

**Michael Thompson**  
*Senior Vice-President\**  
*Corporate & Commercial Banking (CCBC)*



Mr. Thompson is a career banker and has held several leadership positions in retail, commercial and merchant banking. He has distinguished himself as a sales leader with a passion for working with teams to achieve their goals. Mr. Thompson has received several awards for his outstanding achievement in sales (loans and investments) in both Canada and Jamaica. Mr. Thompson joined the CCBC team in January 2011 and was responsible for the overall success of the Corporate & Commercial Business line within the country. Prior to his current role, Mr. Thompson served as District Vice-President, Metro North, Assistant General Manager, Business Development, CCBC, as well as Senior Relationship Manager, CCBC.

Mr. Thompson holds a Banking Diploma from the Chartered Institute of Bankers, London, England and a Bachelor of Business Administration (Finance) from the University of the District of Columbia, U.S.A. He has also completed the Diploma program in Bank Management at the Sparbanks Universitetet, Stockholm, Sweden as well as a Project Management Course at York University, Toronto, Canada.

\* Demitted office on April 30, 2012 to take up his new post as Regional Director, Sales & Service - English Caribbean & Central America.

**Monique Todd**  
*Vice-President*

*Marketing, Public & Corporate Affairs*



Monique Todd leads the Marketing, Public & Corporate Affairs team with responsibility for formulating and directing the Group's marketing, public and corporate affairs strategies to improve brand equity, positioning and portfolio growth.

Monique has over 15 years experience in marketing with 10 of those years specifically focused in the financial industry. She joined Scotiabank in 2006 as Senior Marketing Manager and during her tenure her role was expanded to Marketing Director for Wealth Management.

Monique holds a Bachelor of Business Administration, Honours from Wilfrid Laurier University in Ontario, Canada. Monique is the Co-Chair of the Jamaica Bankers Association Marketing & Public Relations Committee and is the Past Chair of the Insurance Association of Jamaica's Public Relations Committee. She also serves as a member of the Bank's Service Management Committee and Product Pricing ALCO Committee; and Scotia Jamaica Life Insurance Company Limited's Investment Advisory Committee. She is also a Director of the Scotiabank Jamaica Foundation.

**Hugh Reid**  
*President*

*Scotia Jamaica Life Insurance Co. Ltd.*

Hugh Reid has a wealth of experience in the financial sector and in his current capacity he is responsible for driving the growth and profitability of Scotia Insurance.



Prior to joining Scotiabank Group, Hugh held the post of Senior Vice-President & Chief Operating Officer at Victoria Mutual Building Society. He has also held executive level positions at National Housing Trust, Prime Life Assurance Company, and the former Life of Jamaica.

Hugh currently holds a Masters of Science in Accounting and a Bachelor of Science in Economics from the University of the West Indies. He is also a Fellow of the Life Management Institute (US), Institute of Chartered Accountants (Jamaica) and the Chartered Association of Certified Accountants (UK). Hugh is also a Fellow of the Jamaican Institute of Management in recognition of his sterling service to the private and public sectors as well as the Kiwanis movement. He currently serves as an independent member on the Audit sub-committee of the Early Childhood Commission.

**Jacqueline Sharp**  
*Senior Vice-President  
Chief Financial Officer &  
Chief Administrative Officer*

In her current role, Jackie Sharp is responsible for various functions including Financial and Regulatory reporting, Financial Risk Management, Strategic Planning, Legal, Compliance, and oversight of the Systems Support Centre for the Group. She has over 19 years experience in the financial services industry, and has worked with Scotiabank since 1997 in several areas including Treasury, Finance, Private Banking and as head of Scotia Jamaica Life Insurance Company Limited.



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 Boards of Scotia Asset Management (Ja.) Ltd. and Scotia Ja. MicroFinance Co. Ltd, and is Chair of the Board of Trustees of BNSJ's Pension Plan. Jackie also serves as the Treasurer of the Private Sector Organization of Jamaica.

**Gary-Vaughn White**  
*Vice-President  
Treasury*

Gary-Vaughn White was appointed Vice President Treasury effective February 1, 2012. In this role he is responsible for the strategic management of the Group's treasury operations, investment and trading activities, foreign exchange trading activities, and Treasury Risk Management.



Gary is a career Scotiabanker who has worked in several subsidiaries across the Group. He has been the Senior Financial Analyst at Scotia Jamaica Life Insurance Company Limited; Manager in charge of Finance and Operations at the Scotia Jamaica Building Society, and Director, Treasury & Foreign Exchange Trading for The Bank of Nova Scotia Jamaica Limited. His breadth of experience is soundly undergirded by successful academic achievements which include possession of a B.Sc. in Actuarial Science and a M.Sc. in Economics from the University of the West Indies.

**Gladstone Whitelocke**  
*Vice-President Non-Branch Sales  
& General Manager  
The Scotia Jamaica Building Society*

Gladstone Whitelocke has been with Scotiabank for over 25 years with a career that has spanned Retail Banking, Loan Recoveries, Project Management, and Residential Mortgages. He also received extensive training overseas in the Domestic Bank, in the areas of Retail & Commercial Lending and Mortgages.



In his current role, Gladstone is responsible for the Group's mortgage loan business as well as retail business development in non-branch environments.

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 holds an MBA (Finance) from Manchester Business School.

Gladstone currently serves on the Asset and Liability Committee of Scotia Group Jamaica Limited.



# Management's Discussion and Analysis

## OVERVIEW

### PRINCIPAL ACTIVITIES

Scotia Group Jamaica Limited (Scotia Group) is one of the largest banking and financial service organizations in Jamaica, with assets of \$358 billion as at October 31, 2012. Scotia Group delivers banking, mortgage-financing, microfinancing, investment and insurance services, through its main subsidiaries to a wide base of personal, commercial, corporate and government clients across Jamaica.

Scotia Group has delivered 123 years of high quality financial services to Jamaica and is supported by a network of some 49 offices and 2,315 employees. Our parent company, The Bank of Nova Scotia, is headquartered in Toronto, Canada.

Financial Highlights (\$ Millions)		
	2012	2011
Total Assets	358,209	332,041
Investment Securities	159,340	157,018
Loans, net of provisions for losses	122,525	99,976
Deposits by the public	160,994	144,670
Liabilities under repurchase agreements and other client obligations	59,560	58,942
Policyholders' Fund	41,680	39,020
Shareholders' Equity	64,552	60,311
Net Profit after tax	10,575	10,618
Return on equity	16.11%	17.59%
Earnings per share (cents)	326	328
Dividend per share (cents)	151	148

### Strategic Imperatives

Our strategic imperatives are the roadmap for our continued long-term success, as we continue to navigate the challenging Jamaican economic environment. Our strategic goals are aligned to benefit our customers, shareholders, staff and Jamaica.

#### (1) Sustainable Revenue Growth

Under this strategy, we grew our mortgage loan portfolio and diversified our mix of revenue streams. We will continue to improve collaboration across all our business lines within the Group to deliver integrated solutions for our clients' needs.

We will also strategically focus on the under-served near-banked segment of the population, developing channels and product offerings to this segment in a manner that is relevant to our customer's needs as well as being efficient for the Group.

#### (2) Client Intimacy

We continued to focus on customer service initiatives and network infrastructure improvements throughout the year. Going forward, we will focus on staff empowerment to ensure customer centric solutions and complaint resolution at the first point of contact. We will also continue to strive to deliver a seamless and consistent customer experience across all companies within our Group.

#### (3) Operational Efficiency

We have kept our productivity ratio fairly stable during the past year. We did this through consistent expense management leveraging our size across the Group and regionally in most procurement initiatives. We also continued to consolidate key support functions across the Group and the Caribbean region, creating centres of excellence and improving efficiency in our operations.

#### (4) High Performance Culture

Central to ensuring sustainability of our business is the nurturing of a high performance culture across the organization. With this in mind, we focused on continuous leadership development and building the desired leadership competencies within the team. We also continued to focus on identifying and developing top talent, and recruiting the right people for the right job.

Our strategy is grounded in robust risk management culture where risks must be understood, measured and managed. Our risk management framework incorporates risk principles and policies which continue to guide the management of our business lines to obtain long-term sustainable earnings.

We are confident about our strategic direction and our ability to execute based on our committed team and infrastructure, which is supported by the global strength of Scotiabank, and the strength of our capital base.



## GROUP FINANCIAL PERFORMANCE

### Total Revenue

Total revenue was \$32,065 million in 2012, an increase of 5.2% or \$1.60 billion over the prior year. Our Treasury and Corporate and Commercial Banking divisions had the largest percentage growth year-over-year with 20.2% and 7.2% increases respectively. Revenues from our Retail and Investment Management businesses both increased by 6% as a result of strong retail lending growth and increased foreign exchange trading, Mutual Fund / Unit Trust revenues and fees earned from our Capital Market activities. Our Insurance division registered a decline in operating revenues as a result of lower interest revenue in 2012.

### Net Interest Income

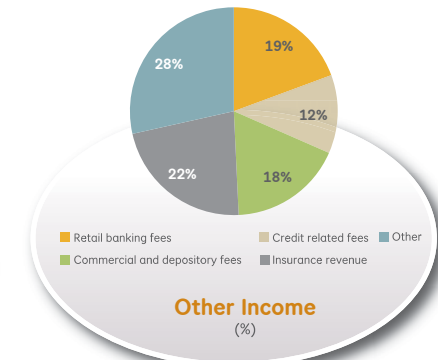
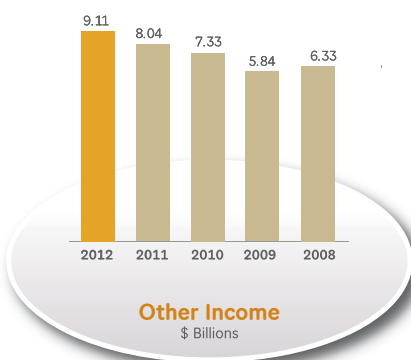
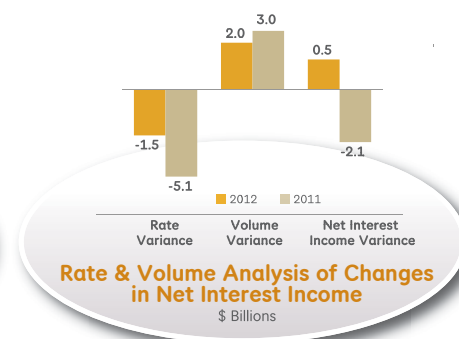
Net Interest Income was \$22,954 million in 2012, up \$525 million from last year. The Group's average earning assets increased by 5% to \$322,540 million, while the net interest margin (net interest income as a percentage of average earning assets) declined relative to prior year by 26 basis points to 7.04%. Year-over-year, the growth in volumes contributed a positive \$1,984 million to the changes in net interest income, which more than offset the negative impact from declining asset yields of \$1,459 million.

### Other Income

Other income, defined as all income other than interest income, was \$9,110 million this year, up \$1,072 million over last year. Commensurate with our loan growth during the year, credit related fees increased by \$329 million, followed by growth in insurance fee income of \$128 million and commercial and depository fees of \$248 million.

### Total Revenue

	2012 \$'000's	2011 \$'000's	Change \$'000's	Change %
Retail Banking	13,169,807	12,425,165	744,642	6%
Corporate & Commercial Banking	6,993,951	6,524,034	469,917	7%
Treasury	2,875,094	2,392,034	483,060	20%
Insurance Services	4,456,605	5,285,973	(829,368)	-16%
Investment Management Services	4,106,162	3,873,755	232,407	6%
Other	463,413	( 33,885)	497,298	100%+
Total Revenues	32,065,032	30,467,076	1,597,956	5%



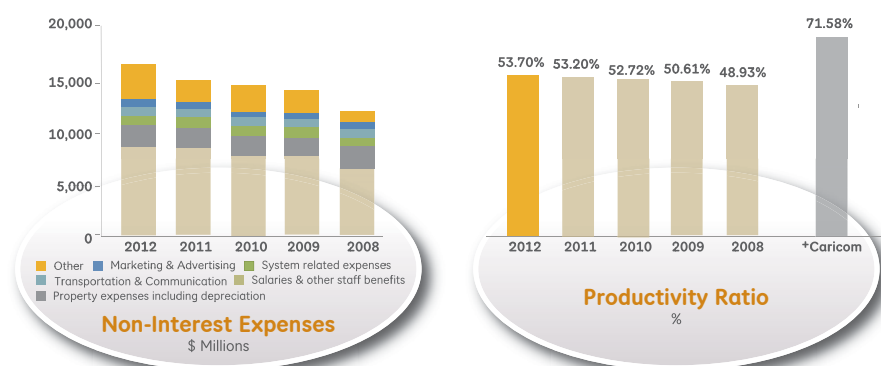
## Non-Interest Expenses

Non-Interest Expenses for the year totalled \$16,369 million, up \$1,532 million or 10.3% over last year. We continued our focus on expense management during the year as we continued to manage supplier relationships, consolidate support functions and rationalize our Branch network.

Our salaries and employee benefits costs, the largest component of our expenses, were \$8,544 million, up \$250 million or 3% over last year due to effective management of our resources.

Property expenses including depreciation was up \$84 million or 4.3% over last year, transportation and communication costs grew by \$60 million or 7%, and our system related expenses declined by 10% or \$101 million over the past year as we reaped the benefits of upgrades to our system infrastructure in 2011. Marketing and advertising expenses increased 12% or by \$76 million due to activities related to the launch of four new products, increased philanthropic programmes and activities related to our Jamaica 50 celebrations. Other operating expenses increased by \$847 million over the past year largely due to costs related to the new asset tax regime and increased legal provisions.

Our productivity ratio, total operating expense (including loan loss provisions) as a percentage of total revenue, increased marginally to 53.70% from 53.20% in 2011. The decline in productivity in 2012 is attributable to the net effect of our growth in operating costs of 6.1%, outpacing our growth in revenues of 5.2%



+ Caricom - Data from Trinidad Central Bank and Barbados Central Bank

## Taxation Charge (\$'000)

	2012	2011	2010	2009
Profit Before Taxes	14,850,277	14,244,620	14,417,094	15,379,659
Current Income Tax:				
Income tax calculated at 33 1/3%	3,350,706	2,615,111	2,691,532	2,681,103
Income tax calculated at 30%	303,438	237,560	197,563	194,427
Premium tax calculated at 3%	141,886	112,800	96,444	81,383
Investment Income tax calculated at 15%	337,505	501,632	664,339	447,420
Adjustment for over provision of prior years' charge	(2,772)			
	4,130,743	3,467,103	3,649,878	3,404,333
Deferred Income Tax	144,423	159,862	65,449	369,867
Taxation Charge	4,275,186	3,626,965	3,715,327	3,774,200

## Taxes

In 2012, the provision for current and deferred taxes was \$4,275 million, up \$648 Million or 18% from last year.

## Credit Quality

Our performance as it relates to credit quality reflects the impact of several strategies undertaken by the Group to mitigate our risk. We continued to proactively work with all customers challenged by the weak economic environment. We enhanced our loan underwriting policies and tightly managed our past-due loans throughout the year.

Impairment losses on loans for the year was \$845 million, down \$540 million or 39% from last year. This was largely due to relative stability in loan delinquency coupled with recoveries on non-performing loans as we continued our strong collections efforts during the year.