

MEDIA RELEASE

August 25, 2011



SCOTIA GROUP JAMAICA REPORTS THIRD QUARTER RESULTS

THIRD QUARTER 2011 HIGHLIGHTS (YEAR TO DATE)

- **Net Income of \$7,963 million**
- **Net Income available to common shareholders of \$7,674 million**
- **Earnings per share of \$2.47**
- **Return on Average Equity of 18.22%**
- **Productivity ratio of 53.01%**
- **Third quarter dividend of 37 cents per share**

Scotia Group Jamaica Limited (Scotia Group) today reported net income of \$2,524 million for the third quarter ended July 31, 2011. This is \$164 million above the quarter ended July 31, 2010, and \$228 million below the previous quarter ended April 30, 2011. For the nine months ended July 31, 2011, net income was \$7,963 million, \$142 million above \$7,821 million for the same period last year.

Earnings per share (EPS) for the nine months was \$2.47 compared to \$2.44 for the same period last year. The Return on Average Equity (ROE) was 18.22%.

The Board of Directors today approved a third interim dividend of 37 cents per stock unit payable on October 6, 2011, to stockholders on record at September 14, 2011.

Bruce Bowen, President and CEO said "Scotiabank continues to lead the market in reducing lending rates which has correspondingly led to the growth of our loan portfolio. This strategy evidences our commitment to supporting economic growth and increased production in Jamaica. In the upcoming months we will launch new products and services as we continue to focus on meeting the needs of our customers while driving growth and value for our shareholders."



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

\$'Million	2011	% Contribution
The Bank of Nova Scotia Jamaica Limited (BNSJ)	3,518	46%
Scotia Jamaica Life Insurance Company Limited (SJLIC)	2,807	36%
Scotia Investment Jamaica Limited (SIJL, formerly Scotia DBG)*	969	13%
Scotia Jamaica Building Society (SJBS)	391	5%
Non-trading subsidiaries	(11)	0%
<small>* Excludes minority interest</small>		
Net Income attributable to common shareholders	7,674	100%

REVENUES

Total operating income, comprising net interest income and other revenue, was \$22,964 million, representing a decline of \$16 million or 0.07% relative to prior year.

NET INTEREST INCOME

Net interest income for the period was \$16,823 million, down \$648 million or 3.71% when compared to last year. The decline in interest margins was due to the significantly lower yields earned on the securities and loan portfolios year over year, as market interest rates continued to trend downwards.

OTHER REVENUE

Other revenue for the period was \$6,141 million, up \$633 million when compared with the prior year. This was primarily due to increased fee and commission income and net gains from securities trading, resulting from increased trading activity.

OPERATING EXPENSES AND PRODUCTIVITY

Our productivity ratio (operating expense/total revenue) - a key measure of cost efficiency - was 53.01%, compared to 53.18% in 2010. Operating Expenses was \$11,221 million for the period, representing an increase of \$338 million or 3% over prior year. The containment in expense growth reflects our continued efforts of improving efficiencies throughout our operations.



CREDIT QUALITY

Non-performing loans at July 31, 2011 totaled \$4,045 million, down \$45 million below prior year, and \$178 million below the previous quarter ended April 30, 2011. This reduction is due to recoveries made during the quarter, coupled with strong credit policy and loan administration procedures, which have ensured stability in the portfolio. Non-performing loans now represent 3.95% of total gross loans compared to 4.17% one year ago and 4.20% as at April 30, 2011. The Group's total loan loss provision at July 31, 2011 was \$4,194 million, providing over 100% coverage of the total non-performing loans.

BALANCE SHEET

Total assets increased year over year by \$19 billion to \$334 billion as at July 31, 2011. This was due mainly to the growth of \$6.7 billion in cash resources, \$6.2 billion in investments and pledged assets, and \$6 billion in the loan portfolio. Customer liabilities (deposits, repo liabilities and policyholder's funds) stood at \$256 billion, \$9.3 billion above prior year, reflecting continued confidence in Scotiabank despite challenging market conditions.

CAPITAL

Total shareholders equity grew to \$62 billion, \$9 billion more than the prior year. We continue to maintain a strong capital position to enable us to take advantage of future growth opportunities.

OUR COMMITMENT TO COMMUNITY

Scotiabank's commitment to being a good corporate citizen was evident during the quarter through the many projects it continued to support. One main area of focus was community leadership through the sponsorship of the Jamaican leg of the Caribbean Canadian Emerging Leader's Dialogue (CCELD). The dialogue exposed emerging leaders from the Caribbean and Canada to "ideas, issues and people with the intent of engaging dialogue and fundamentally changing the world in which we live."

There was a continued focus on the environment during the third quarter and the Bank donated \$2.5 million to Protect the Environment Trust (PET) and Jeffrey Town Farmers Association who copped the top two prizes in the Scotia Ecco Awards and the National Solid Waste Management Agency (NSWMA) for its clean schools competition.

During the quarter, the ScotiaFoundation and Scotiabank donated approximately \$10 million to Student Care, Health Care and Community Care projects.

In Student Care the Foundation disbursed approximately \$1 million to a number of schools in the breakfast feeding programme and to recipients of the Scotia Shining Star Scholarship, both at the secondary and tertiary levels.



In Health Care the Foundation continued its maintenance of the Scotiabank Accident and Emergency Unit at the University Hospital of the West Indies and Scotiabank's Haemodialysis Unit at the Cornwall Regional Hospital. Approximately \$3.5 million was disbursed on health care during the quarter.

In Community Care, the Foundation continued its support of residents at the Golden Age Home and Scotiabank made charitable donations to various community initiatives totaling approximately \$3 million, including a donation to Breds Treasure Beach Foundation to construct a basketball court for the community.

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
Period ended July 31, 2011

Unaudited (\$ 000)	For the three months ended			For the nine months ended	
	July 2011	April 2011	Restated July 2010	July 2011	Restated July 2010
Gross Operating Income	9,445,293	9,541,279	9,708,457	28,878,127	32,710,508
Interest Income	7,434,028	7,385,997	7,987,440	22,736,918	27,202,001
Interest Expense	(1,860,310)	(1,921,419)	(2,587,970)	(5,914,414)	(9,731,110)
Net Interest Income	5,573,718	5,464,578	5,399,470	16,822,504	17,470,891
Impairment losses on loans	(354,524)	(110,430)	(455,100)	(950,717)	(1,338,465)
Net interest income after impairment losses	5,219,194	5,354,148	4,944,370	15,871,787	16,132,426
Net fee and commission income	1,162,304	1,197,754	1,128,958	3,472,858	2,895,054
Insurance revenue	416,415	593,053	384,838	1,502,760	1,563,410
Net foreign exchange trading income	283,987	279,750	276,731	869,257	830,069
Net gain /(losses) on financial assets	88,680	5,478	(1,358)	110,086	20,048
Other revenue	59,879	79,247	(68,152)	186,248	199,926
	2,011,265	2,155,282	1,721,017	6,141,209	5,508,507
Total Operating Income	7,230,459	7,509,430	6,665,387	22,012,996	21,640,933
Operating Expenses					
Salaries and staff benefits	2,062,886	2,145,418	1,779,835	6,236,522	5,907,208
Property expenses, including depreciation	525,587	471,931	485,415	1,468,439	1,440,505
Amortisation of intangible assets	50,503	50,548	41,214	151,703	124,495
Other operating expenses	1,122,069	1,060,172	1,134,533	3,364,749	3,410,897
	3,761,045	3,728,069	3,440,997	11,221,413	10,883,105
Profit before taxation	3,469,414	3,781,361	3,224,390	10,791,583	10,757,828
Taxation	(945,754)	(1,029,255)	(864,835)	(2,828,339)	(2,936,719)
Profit for the period	2,523,660	2,752,106	2,359,555	7,963,244	7,821,109
Attributable to:-					
Stockholders of the Parent Company	2,425,911	2,656,391	2,290,836	7,673,969	7,598,577
Non-Controlling Interest	97,749	95,715	68,719	289,275	222,532
Earnings per share based on 3,111,572,984 shares (cents)	78	85	74	247	244
Return on average equity (annualized)	16.66%	18.95%	18.30%	18.22%	21.01%
Return on assets (annualized)	2.90%	3.15%	2.90%	3.06%	3.21%
Productivity ratio	54.26%	50.36%	54.72%	53.01%	53.18%




Scotia Group Jamaica Limited
Consolidated Statement of Comprehensive Income
Period ended July 31, 2011


Unaudited (\$ 000)	For the three months ended			For the nine months ended	
	July 2011	April 2011	Restated July 2010	July 2011	Restated July 2010
Profit for the period	2,523,660	2,752,106	2,359,555	7,963,244	7,821,109
Other comprehensive income					
Unrealised gains on available for sale financial assets	1,404,154	637,817	152,487	2,548,666	1,468,568
Realised gains on available for sale financial assets	(38,754)	(2,000)	6,168	(50,050)	(197,745)
	1,365,400	635,817	158,655	2,498,616	1,270,823
Taxation	(263,503)	(86,389)	(5,251)	(430,197)	(380,355)
Other comprehensive income, net of tax	1,101,897	549,428	153,404	2,068,419	890,468
Total comprehensive income for the period	3,625,557	3,301,534	2,512,959	10,031,663	8,711,577
Attributable to:-					
Stockholders of the Parent Company	3,516,688	3,191,534	2,444,398	9,715,224	8,455,707
Non-Controlling Interest	108,869	110,000	68,561	316,439	255,870



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

	Period ended July 31	Year ended October 31	Period ended July 31
<i>Unaudited (\$ thousands)</i>	2011	2010	2010
ASSETS			
CASH RESOURCES	58,667,535	59,047,790	52,012,949
INVESTMENTS			
Held to maturity	13,454,060	14,469,613	15,965,923
Financial assets at fair value through profit and loss	255,489	127,895	113,958
Available for sale	74,311,307	71,311,343	69,502,756
	88,020,856	85,908,851	85,582,637
PLEGGED ASSETS	66,143,393	64,029,461	63,208,074
GOVERNMENT SECURITIES UNDER REPURCHASE AGREEMENT	1,102,476	200,116	251,227
LOANS, AFTER MAKING PROVISIONS FOR LOSSES	100,372,718	95,814,497	94,392,635
OTHER ASSETS			
Customers' Liability under acceptances, guarantees and letters of credit	6,294,318	6,261,025	6,646,124
Property, plant, and equipment	3,690,068	3,574,295	3,458,069
Deferred Taxation	12,101	12,101	15,295
Taxation Recoverable	954,220	1,472,234	1,257,210
Retirement Benefit Asset	7,117,917	6,641,659	6,295,869
Other assets	446,403	932,432	569,745
Intangible Assets	1,720,099	1,873,416	1,959,652
	20,235,126	20,767,162	20,201,964
ASSETS CLASSIFIED AS HELD FOR SALE	-	56,076	-
TOTAL ASSETS	334,542,104	325,823,953	315,649,486
LIABILITIES			
DEPOSITS			
Deposits by public	147,162,188	145,664,085	142,376,133
Other deposits	10,706,878	11,214,723	11,546,752
	157,869,066	156,878,808	153,922,885
OTHER LIABILITIES			
Acceptances, Guarantees and Letters of Credit	6,294,318	6,261,025	6,674,576
Liabilities under repurchase agreements	44,900,279	45,025,585	40,913,268
Promissory Notes	2,405	7,982	7,957
Capital Management and Government Securities Fund	14,348,103	15,156,808	15,174,366
Redeemable Preference Shares	100,000	100,000	100,000
Deferred Taxation	3,277,462	2,844,640	2,774,089
Retirement Benefit Obligation	1,814,628	1,502,123	1,407,729
Assets Held in Trust on behalf of Participants	44,608	41,827	41,920
Other liabilities	5,400,522	5,515,063	5,290,772
	76,182,325	76,455,053	72,384,677
POLICY HOLDERS' FUND	38,419,134	36,891,170	36,234,766
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	-	6,109	-
SHAREHOLDERS' EQUITY			
Capital and reserves attributable to the company's shareholders			
Capital- Issued and fully paid, 3,111,572,984			
Ordinary stock units, no par value	6,569,810	6,569,810	6,569,810
Reserve Fund	3,248,591	3,248,591	3,248,591
Retained Earnings Reserve	11,041,770	10,741,770	10,741,770
Capital Reserve	9,383	9,383	9,383
Loan Loss Reserve	2,219,535	2,093,499	1,996,690
Other Reserves	12,892	12,892	12,892
Investment Cumulative Remeasurement result from Available for Sale Financial Assets	2,429,372	388,117	(384,965)
Unappropriated Profits	33,885,391	30,091,319	28,532,338
	59,416,744	53,155,381	50,726,509
Minority Interest	2,654,835	2,437,432	2,380,649
	62,071,579	55,592,813	53,107,158
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	334,542,104	325,823,953	315,649,486


 Director


 Director

SCOTIA GROUP JAMAICA LIMITED

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

Unaudited (\$thousands)	Share Capital	Reserve Fund	Retained Earnings Reserve	Capital Reserve	Other Reserves	Loan Loss Reserve	Cumulative Remeasurement result from Available for Sale financial assets	Unappropriated Profits	Total	Non-controlling Interests	Total Equity
Balance at 31 October 2009	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	-	-	-	-	-	-	-	7,598,577	7,598,577	222,532	7,821,109
Other Comprehensive Income											
Unrealised gains on available-for-sale securities, net of taxes	-	-	-	-	-	-	988,973	-	988,973	49,956	1,038,929
Realised gains on available-for-sale securities, net of taxes	-	-	-	-	-	-	(131,843)	-	(131,843)	(16,618)	(148,461)
Total Comprehensive Income	-	-	-	-	-	-	857,130	7,598,577	8,455,707	255,870	8,711,577
Transfer to Retained Earnings Reserve	-	-	1,131,349	-	-	-	-	(1,131,349)	-	(109,717)	(109,717)
Transfer to Loan Loss Reserve	-	-	-	-	-	280,940	-	(280,940)	-	(5,050)	(5,050)
Transfer to Reserve Fund	-	30,724	-	-	-	-	-	(30,724)	-	(26,907)	(26,907)
Net movement in reserves for non-controlling interests	-	-	-	-	-	-	-	-	-	143,562	143,562
Dividends Paid	-	-	-	-	-	-	-	(3,453,853)	(3,453,853)	(96,318)	(3,550,171)
Balance at 31 July 2010	6,569,810	3,248,591	10,741,770	9,383	12,892	1,996,690	(384,965)	28,532,338	50,726,509	2,380,649	53,107,158
Balance at 31 October 2010	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	-	-	-	-	-	-	-	7,673,969	7,673,969	289,275	7,963,244
Other Comprehensive Income											
Unrealised gains on available-for-sale securities, net of taxes	-	-	-	-	-	-	2,068,302	-	2,068,302	33,486	2,101,788
Realised gains on available-for-sale securities, net of taxes	-	-	-	-	-	-	(27,047)	-	(27,047)	(6,322)	(33,369)
Total Comprehensive Income	-	-	-	-	-	-	2,041,255	7,673,969	9,715,224	316,439	10,031,663
Transfer to Retained Earnings Reserve	-	-	300,000	-	-	-	-	(300,000)	-	-	-
Transfer to Loan Loss Reserve	-	-	-	-	-	126,036	-	(126,036)	-	-	-
Net movement in reserves for non-controlling interests	-	-	-	-	-	-	-	-	-	(2,716)	(2,716)
Dividends Paid	-	-	-	-	-	-	-	(3,453,861)	(3,453,861)	(96,320)	(3,550,181)
Balance at 31 July 2011	6,569,810	3,248,591	11,041,770	9,383	12,892	2,219,535	2,429,372	33,885,391	59,416,744	2,654,835	62,071,579



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

Unaudited \$000	2011	Restated 2010
Cash flows provided by / (used in) operating activities		
Profit for the year	7,963,244	7,821,109
Items not affecting cash:		
Depreciation	354,730	337,923
Impairment losses on loans	950,717	1,338,465
Amortisation of intangible assets	151,703	124,495
Loss on sale of subsidiary	5,761	-
Other, net	(13,997,972)	(14,456,518)
	(4,571,817)	(4,834,526)
Changes in operating assets and liabilities		
Loans	(5,521,569)	(3,554,537)
Deposits	683,600	(302,206)
Policyholders reserve	1,527,964	1,826,890
Securities sold under repurchase agreement	(371,499)	(4,097,662)
Financial Assets at fair value through profit and loss	(127,594)	(8,588)
Other, net	18,367,791	36,026,082
	9,986,876	25,055,453
Cash flows provided by / (used in) investing activities		
Investments	(1,277,170)	(5,598,873)
Repurchase Agreements, net	351,092	1,423,277
Disposal of subsidiary, net of cash	10,173	-
Property, plant and equipment, Intangibles, net	(466,696)	(361,365)
	(1,382,601)	(4,536,961)
Cash flows used in financing activities		
Dividends paid	(3,550,181)	(3,550,171)
	(3,550,181)	(3,550,171)
Effect of exchange rate on cash and cash equivalents	225,468	(163,161)
Net change in cash and cash equivalents	5,279,562	16,805,160
Cash and cash equivalents at beginning of period	34,794,864	15,796,210
Cash and cash equivalents at end of period	40,074,426	32,601,370
Represented by :		
Cash resources	58,667,535	52,012,949
Less statutory reserves at Bank of Jamaica	(15,884,657)	(15,847,568)
Less amounts due from other banks greater than ninety days	(5,501,873)	(6,312,513)
Less accrued interest on cash resources	(100,979)	(92,806)
Reverse repurchase agreements and bonds less than ninety days	5,007,744	5,824,121
Cheques and other instruments in transit, net	(2,113,344)	(2,982,813)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	40,074,426	32,601,370



SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

July 31, 2011

Unaudited

(\$ 000's)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	3,404,324	8,669,057	3,919,062	2,927,565	4,034,724	8,981	-	22,963,713
Revenues from other segments	(1,599,960)	596,221	1,013,893	3,879	11,385	3,455,726	(3,481,144)	-
Total Revenues	1,804,364	9,265,278	4,932,955	2,931,444	4,046,109	3,464,707	(3,481,144)	22,963,713
Expenses	(52,275)	(6,954,534)	(3,429,178)	(928,940)	(664,619)	(16,541)	(126,043)	(12,172,130)
Unallocated expenses								
Profit Before Tax	1,752,089	2,310,744	1,503,777	2,002,504	3,381,490	3,448,166	(3,607,187)	10,791,583
Taxation								(2,828,339)
Profit for the period								7,963,244

Consolidated Balance Sheet

(\$ 000's)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	80,614,191	62,174,240	54,365,424	71,587,097	59,720,101	10,631,443	(12,382,706)	326,709,790
Unallocated assets								7,832,314
Total Assets								334,542,104
Segment liabilities	-	90,654,755	76,358,715	61,656,448	39,399,840	247,474	(3,680,995)	264,636,237
Unallocated liabilities								7,834,288
Total liabilities								272,470,525
Other Segment items:								
Capital Expenditure	-	293,907	187,675	27,010	1,764	-		510,356
Impairment losses on loans	-	916,962	64,240	(30,485)	-	-		950,717
Depreciation and amortisation	-	224,488	110,378	166,907	4,255	405		506,433



SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

July 31, 2010

Unaudited

(\$ 000's)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	4,802,100	7,197,194	4,100,158	2,661,007	4,219,963	(1,024)	-	22,979,398
Revenues from other segments	(2,357,396)	1,279,295	1,092,804	(24,263)	(1,336)	3,472,148	(3,461,252)	-
Total Revenues	2,444,704	8,476,489	5,192,962	2,636,744	4,218,627	3,471,124	(3,461,252)	22,979,398
Expenses	(48,770)	(6,953,693)	(3,517,041)	(904,994)	(657,255)	(25,383)	(114,434)	(12,221,570)
Unallocated expenses								
Profit Before Tax	2,395,934	1,522,796	1,675,921	1,731,750	3,561,372	3,445,741	(3,575,686)	10,757,828
Taxation								(2,936,719)
Profit for the period								7,821,109

Consolidated Balance Sheet

(\$ 000's)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	82,948,849	53,488,204	55,691,106	70,002,526	53,188,592	10,098,628	(17,080,795)	308,337,110
Unallocated assets								7,312,376
Total Assets								315,649,486
Segment liabilities	580,000	90,361,700	74,861,778	59,443,500	37,615,491	438,152	(6,727,041)	256,573,580
Unallocated liabilities								5,968,748
Total liabilities								262,542,328
Other Segment items:								
Capital Expenditure	-	190,526	166,555	5,788	-	-		362,869
Impairment losses on loans	-	1,145,557	148,646	44,262	-	-		1,338,465
Depreciation and amortisation	-	206,825	104,359	138,111	4,155	8,968		462,418



SCOTIA GROUP JAMAICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2011

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%).

2. Basis of presentation

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). New and revised standards that became effective this year did not have any material impact on the financial statements and the accounting policies are consistent with those applied in the audited financial statements for the year ended October 31, 2010. These financial statements are presented in Jamaican dollars, which is the Group's functional currency.

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.

Comparative information

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. The Statement of Income for 2010 was restated to reclassify actuarial gains and losses on the defined benefit pension plan from other comprehensive income, in order to comply with IFRS.

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.



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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</u>	<u>Liability</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Securities sold under repurchase agreements	45,351,777	44,988,855	39,046,194	38,278,724
Securities with other financial institutions and clearing houses	<u>7,084,799</u> 52,436,576	<u>3,592,188</u> 48,581,043	<u>5,854,085</u> 44,900,279	<u>2,634,544</u> 40,913,268
Capital management and government securities funds	<u>13,706,817</u> <u>66,143,393</u>	<u>14,627,031</u> <u>63,208,074</u>	<u>14,348,103</u> <u>59,248,382</u>	<u>15,174,366</u> <u>56,087,634</u>

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.



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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 three months, 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 investment management;
- 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.

12. Disposal of subsidiary

On May 2, 2011, Scotia Investments Jamaica Limited sold 100% interest in its wholly owned subsidiary, Asset Management Company Limited. This followed an approval in 2010 by the Board of Directors to sell the company.

13. Subsequent Event

On August 12, 2011 at an extraordinary annual 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 has now been approved by the Court.

