INTRODUCTION

Before I commence my comments, I wish to take this opportunity to express thanks and appreciation to our former chairman; Rob Pitfield, who so ably conducted the affairs of this meeting and the affairs of Scotia Group Jamaica since 2003. We thank him for his insight and direction. It is also my pleasure to welcome our new chairman; Brian Porter, and to assure him that the entire Team is committed to maintaining Scotia Group’s position as the ‘Financial Institution of Choice’ in Jamaica.

It is also my pleasure to welcome our two new directors; Sylvia Chrominska and Claude Norfolk, and to thank all of the customers and friends that joined us at a Special Welcome Cocktail on Monday night to welcome Brian, Sylvia and Claude to Jamaica.

The past year will be remembered as one of our most trying in recent memory. Our fiscal year 2010 started in November 2009 at a time that there was serious pressure on the JMD, market interest rates were almost 20%, unemployment was rising, the economy was contracting and economists were not yet certain how much worse things would get before they started to improve.

During the year Jamaica entered into a formal Standby Agreement with the IMF, the country restructured its domestic debt under the Jamaica Debt Exchange and Scotia Group Jamaica exchanged almost J$100 Billion of securities/notes in the JDX.

As our fiscal year ended in October 2010, Jamaica had seen more than 6 months of stability in market interest rates and foreign exchange rates.
Notwithstanding the unprecedented challenges during 2010, the fact that we have weathered the storm with such resilience – as a country, a people and an organization – only confirms what we all know so well; that Jamaica is an outstanding nation in every respect, and Scotia Group Jamaica is an exceptional Bank. I am very proud to have the privilege of leading a team that continues to remain true to our mission of being the Financial Institution of Choice by providing quality products and excellent service in order to help our customers be financially better off.

This morning I am pleased to share with you the results of our efforts over the fiscal year ended October 2010, as well as the first quarter of 2011.
FINANCIALS

Net Profit

Scotia Group recorded Net Income of $10.4 Billion for the fiscal year ended October 31, 2010. While this was less than the $11.1 Billion reported for fiscal 2009, it is still the second highest earnings ever reported by the Bank and allows us to boast a 10 year Compound Annual Growth Rate (CAGR) in earnings of 15.1%.

The biggest impact on earnings last year was as a result of the JDX. In February 2010 we exchanged GOJ securities yielding average rates of 17% for new securities with average yields of more than 600bps lower. We also saw significant declines in Benchmark interest rates. For example, T-Bill rates, a reference rate against which the largest corporate and public sector customers borrow, fell by almost 1000 basis points from 17.04% at the start of the fiscal year to 7.92% at the end of the year.

This, of course, had a significant impact on our interest revenues. However, through careful management of interest margins and tight expense management, we were able to withstand the impact and still post credible results.
Earnings per Share

In keeping with the trend in Earnings, Earnings Per Share (EPS) fell for the fiscal year 2010. The EPS was $3.34, compared with $3.58 the year before. Still, over the past 10 years EPS has recorded a CAGR of 14.4% after adjusting for Bonus Issues.

Growth in revenue

Notwithstanding the significant negative impact of the JDX, total revenues were down only 2% over fiscal 2009. This can be attributed to prudent management of our interest margins, together with the diverse revenue streams enjoyed by the Group. We achieved a compound annual growth rate (CAGR) of 15% over the five year period ending October 2010.
Impairment Losses on Loans

Another significant impact on earnings the past few years has been Provisions for Credit Losses or Impairment losses on loans. In 2009 we experienced a significant increase in PCL’s as Jamaica’s economy plunged into recession and unemployment rose. During 2009 we reached out to customers experiencing difficulties and looked for ways to assist borrowers get through the recession.

For 2010, we saw an improvement in loan losses, which fell by $275MM or 15%, compared to 2009. This decline was primarily due to a reduction retail loan losses, especially credit card write offs, together with an increase in recoveries.
Non-interest Expenses

Non-interest expenses totaled $14,479 million in 2010, representing an increase of $593MM or 4.3% over 2009. Salaries and personnel expenses were $7,694 million, an increase of only $91 million or 1.1% over 2009. This limited growth in overhead expenses is due to a combination of tight control of overtime and vacancies across the Group, together with the results of contract renegotiations with a number of suppliers during 2009 and 2010.

Prior to 2010, expenses had been growing at a 5 year CAGR of 17%, and we are therefore extremely pleased that we’ve managed to break that trend and contain our growth in operating expenses to only 4.3%, particularly when inflation was 10.4% last year.
Mr. Bruce Bowen, President and CEO, Scotia Group Jamaica
Annual General Meeting, Jamaica Pegasus Hotel
March 2, 2011

Productivity
Our productivity ratio, which measures total non-interest expenses as a percentage of total revenue, stood at 52.72% for 2010. This represents an unfavourable increase over 2009, and is attributable to the fact that total revenues declines while total Operating Expenses increased, albeit marginally.

CONTRIBUTION BY SUBSIDIARIES

Looking at the contribution to total Group earnings from key business lines, Retail and Commercial Banking (BNSJ) continues to be the largest contributor at 48%, with after tax profits of just over $5 Billion.
Our life insurance subsidiary, SJLIC, performed well again this year, increasing its contribution to Group profits from 31% in 2009 to 37% in 2010 due to steady growth in policy sales, effective management of the existing book of policies, and tight expense management.

ScotiaDBG and our Building Society contributed the remaining 15%.
Q1/2011 Performance

Yesterday, Scotia Group Jamaica announced its financial results for the quarter ended January 31, 2011.

For our first quarter we posted net income of $2.687 billion, compared to $2.804 billion for the same quarter last year; a reduction of 4% year over year. Results for Q1/2010 reflected the very high interest rates on securities received prior to the JDX. Against this background, the limited reduction in earnings is a result of continued prudent management of interest margins and tight expense controls.

Specifically, Net Interest Income reduced $784 million or 12% year over year due to the decrease in market rates. However, this was partially offset by an increase of $230 million or 87% in Insurance Revenue and a $336 million or 29% increase in other Non Interest Revenue. Total Operating Expenses of $3,733 million were essentially flat over Q1/2010.

Earnings per share for the quarter were $0.83, compared to $0.86 for the same period last year.

Return on Average Equity was 19.16%, representing a decrease from 23.20% last year. However, the directors have declared a first quarter dividend of 37 cents per share, which is consistent with last year.
Subsidiary Contribution

For the first quarter, the contribution by the insurance and investment subsidiaries increased to 41% and 13% respectively when compared with the contributions for the fiscal year ending October 2010.

SJLIC’s Net Income for the quarter was $1.065 Billion, up by $55 Million when compared with the same quarter last year. Reductions in Net Interest Income have been more than offset by increased Insurance Revenues as new products introduced during fiscal 2010 start having a meaningful impact on the company’s bottom line.

Scotia DBG Investment’s Net Income for the quarter, after minority interests was $321 million, a reduction of 16% over Q1/2010. Scotia Investments has seen a significant negative impact on Net Interest Income as a result of the JDX. However, strong growth in the Company’s unit trust and mutual fund business together with a reduction in total Operating Expenses year over year were able to mitigate the extent of the reduction.

In the Bank, Net income was $1.07 Billion, down $95 Million when compared to last year.
Growth in Assets

Total Assets grew by $10 Billion between 2009 and 2010, and stabilized in the first quarter of 2011 at almost $326 Billion.

Over the past year our loan book grew by $1.2 Billion, due to aggressive sales efforts in both the retail and commercial banking divisions.

Shareholders’ Equity

Shareholders’ equity grew to $55 Billion, as a result of the internally generated profits. Scotia Group Jamaica continues to enjoy the strongest capital base of any financial institution in Jamaica, and puts us in a good position to capitalize on any growth or expansion opportunities that may arise.

We also continue to comfortably exceed capital adequacy requirements in all our business lines, despite the increase in risk weightings on foreign currency denominated GOJ debt, which increased from 0% at the beginning of the year to 37.5% by the end of December 2010.
Record of Consistent Dividends

We continued our consistent dividend payments during 2010, providing a reliable source of cash flow to meet the needs of our shareholders.

For the first quarter, we maintained the dividend at 37 cents per share, and if we use the Stock price at close of business last Friday, this dividend would equate to an annualized yield of 6.9%.
AN AWARD WINNING INSTITUTION

18 Local & International Awards
Over the past year Scotiabank received 4 major awards from 2 international organizations – Global Finance Magazine and the Euromoney Awards for Excellence:

1. Best Consumer Internet Bank, Country winner
2. Best FX Provider
3. Best Emerging Market Bank
4. Best Bank in Jamaica

The Group also won 3 awards in the Jamaica Stock Exchange Best Practices Awards for:

1. Best Practices Corporate Disclosure and Investor Relations
2. Best Practices - PSOJ Corporate Governance
3. Best Practices Website – Stockbrokerage

This year AMCHAM introduced its Corporate Social Responsibility awards and Scotiabank Group was the number one organization receiving the AMCHAM Jamaica Award for Excellence 2010 – First place.

Other awards were from the CEIlesty International Film Festival for our Teller TV series on Cancer and the grand final of our Speak Up! Speak Out! And the Jamaica Business Council on HIV/AIDS recognized Scotiabank for its invaluable contribution to the Jamaica National HIV/AIDS Response within the Workplace
Scotiabank, through Scotiabank Jamaica Foundation, continued to show its commitment to Jamaica in the areas of Health, Education and Community.

For the period November 2009 to October 2010 the Foundation together with Scotia Group contributed $126 million to various programmes. We are pleased to advise that since the establishment of the Foundation in 1996, we have donated $690 million to various projects and programmes benefitting the people of Jamaica and in particular our children, through our Bright Future programme. This programme focuses on mainly educational initiatives that benefit our children and bring hope and inspiration.

This year we continued our programmes such as:

Health Care

- Scoliosis surgeries for 10 children at the Kingston Public Hospital
- Heart surgery equipment for the Bustamante Hospital for Children

Cancer Care

- Maintain the Jamaica Cancer Society's Mobile Mammography unit which provides screening for women mainly in rural Jamaica

Accident & Emergency Care

- Maintenance of the Scotiabank Accident and Emergency units at University Hospital of the West Indies and Port Antonio Hospital

Student Care

- 15 new scholarships for outstanding students in the GSAT
Ongoing support for 101 students on scholarships in high schools
Assistance for 100 students with payment of school examinations fees
Funding of the Scotiabank Chair in entrepreneurship at the University of Technology

Community Care
Support the building of shelter for the homeless and a basic school
Numerous projects in which our ScotiaVolunteers contributed to their communities including national Labour Day activities, reading to children on National reading day and acting as substitute teachers on National Teachers Day.
STRATEGIC ACCOMPLISHMENTS – 2010

During the year we achieved several strategic objectives:

**Mobile Banking** was launched in June 2010 and provides our customers with yet another alternative to view account balances, transfer funds between accounts and pay bills.

**Mobile POS** allows us to offer wireless services to merchants to give them greater flexibility in processing payments.

The **Scotia Retirement Income Fund** was launched in July 2010 and is an annuity (payout) product which provides a regular income stream to retirees during the course of their retirement.

**Capital Markets Advisory Services** – we created a Capital Markets Unit to provide additional services to our corporate and commercial clients seeking alternative funding options.

**Improvement in On-line Channel:** we invested in technology to improve the functionality on our retail on-line platform to give customers more options to do their banking at their convenience. These include: Cross currency transfers between accounts and credit card applications.

We continued to execute our ‘off-balance sheet’ strategy, and grew the **funds management business line** at Scotia DBG by 26% over the year, mainly through the growth of Unit Trust funds. As at the end of October our Unit Trust funds represent 62% of the total assets of the Unit Trust industry compared to 49% in 2009.
KEY STRATEGIC INITIATIVES – 2011

As we look forward to the rest of this financial year and into 2012 we will continue to focus on increasing profitability through the following key strategies:

• **Increase market share in under-represented segments**, including the retail mortgage, small business, and commercial segments. Our strategies will include offering new products, more efficient processes for faster response times, and increased staff training to help our staff become more effective in identifying client needs and offering customized solutions.

• Through this holistic needs identification process, together with a strong internal referral programme, we aim to **increase our share of each customer’s wallet and deepen our customer relationships**.

• And we’ll continue to work at **enhancing our Customer Experience**, as this remains a key priority for Scotiabank.

• We have initiatives underway to **expand our distribution channels** to provide more efficient and convenient options for customers to access financial products and services.

• And lastly, we will continue to **focus on our people development**. We intend to implement some key training programs to enhance their knowledge and leadership potential. Our people continue to be the foundation of which our success has been based. The over 2,500 team members of the Scotia Group are engaged in providing shareholders, customers and the wider Jamaican community with opportunities to achieve their financial goals and realize their dreams. I am extremely proud to lead a team that is world-class by any measure.
Mr. Bruce Bowen, President and CEO, Scotia Group Jamaica  
Annual General Meeting, Jamaica Pegasus Hotel  
March 2, 2011

- Our success at Scotiabank is founded on our people. It is attributable to their skills, motivation and passion to serve our customers. We value all our employees. One of our goals is to be recognized consistently as an employer of choice in Jamaica, and we strive for an always higher level of employee satisfaction and engagement.

We thank our Board members for the role they play in oversight as we strive to maintain and deepen our leadership position in the financial services sector. And we thank you, our shareholders, for your continued confidence in us and we assure you that we will work to make 2011 another profitable year for Scotia Group.