Date: August 21, 2008

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MEDIA RELEASE

SCOTIA GROUP JAMAICA POSITIVE THIRD QUARTER EARNINGS MOMENTUM ON TRACK TO DELIVER 12 CONSECUTIVE YEARS OF INCREASED PROFITABILITY.

THIRD QUARTER 2008 HIGHLIGHTS (Year to Date)

- Net Income of $7,142 million, up 32% over the same period in 2007
- Net Income available to common shareholders of $6,962 million
- Earnings per share of $2.24
- Return on Average Equity 25.61%
- Productivity ratio of 53.92%
- Third Quarter dividend of 32 cents per share

Scotia Group Jamaica Limited (Scotia Group) today reported net income available to common shareholders of $2,307 million for the third quarter, this was $213 Million below the quarter ended April 30, 2008 and $333 Million above the net income for the quarter ended July 31, 2007. For the nine months ended July 31, 2008 net income available to common shareholders was $6,962 Million compared to $5,367 Million, an increase of 29.7%, for the same period last year.

William E. Clarke, President and CEO said “Scotia Group continues to demonstrate strong performance in all business lines. This is attributable to the talent and energy of our staff and continued improvements to the customer experience, combined with strong expense control and risk management. As we move into the fourth quarter, our priorities remain clear: executing on our strategic initiatives to drive growth, expense discipline, and generating revenue and earnings growth to achieve another record year of profitability for our shareholders. “

The contribution to net income by our subsidiaries are outlined below:-

	$'Million	% Contribution
	Year to Date	Year to Date
The Bank of Nova Scotia Jamaica Limited (BNSJ)	4,434	63.69%
Scotia Jamaica Life Insurance Company Limited (SJLIC)	1,586	22.78%
Scotia DBG Investments Limited (Scotia DBG)	603	8.66%
Scotia Jamaica Building Society (SJBS)	339	4.87%
Net Income attributable to common shareholders	6,962	100.00%

Earnings per share (EPS) for the quarter was $0.74, compared to $0.63 for last year and $0.81 for the previous quarter. Year to date EPS was $2.24, while the Return on Average Equity (ROE) annualized remains very strong at 25.61%.

The Board of Directors today, approved an interim dividend of 32 cents per stock unit, payable on October 2, 2008 to stockholders on record at September 10, 2008.

REVENUES

Total Revenue comprising net interest revenue and other income was $21,007 million, an increase of $4,577 million or 27.86% from prior year.

NET INTEREST INCOME

Net interest income was $16,257 million, up $3,546 million when compared to last year. This is as a result of strong portfolio volume growth primarily in our retail portfolio. Interest income earned from securities also increased, due to improved interest margins and volume growth in the investment and repurchase agreement portfolios.

OTHER REVENUE

Other revenue, excluding Insurance Premium Income, was $4,182 million, up $907 million when compared with last year. This was driven mainly by the growth in foreign exchange trading income, securities trading income and electronic banking related fees. There was also one time income of $249MM resulting from the redemption of Visa Class C shares from the IPO of Visa Incorporated. Insurance Premium is attributable to ScotiaMINT, the interest sensitive life insurance policy and Creditor Life insurance, marketed by SJLIC. Combined net premium income for both products increased by approximately $124 million when compared to prior year. SJLIC reported gross premium income of $3.9 billion for the nine month period.

NON-INTEREST EXPENSES AND PRODUCTIVITY

The Group continues to pay close attention to expense control and risk management. Our productivity ratio (non-interest expense as a percentage of total revenue) - a key measure of cost efficiency - was 53.92%. If insurance premium and related actuarial expenses were excluded, to recognize the significant dissimilarities between the revenue/expense pattern of the insurance business and the other financial services offered by the Scotiabank group, the productivity ratio for the period was 45.10%, which is significantly better than the international benchmark of 60%.

Non-interest Expenses excluding Change in Policyholders' Reserve and Loan Loss Provisions, were $8,793 million, an increase of $1,988 million over last year of which $758 Million relate to the inclusion of Scotia DBG in the consolidated results, in prior year Scotia DBG results were included for only three months. The balance of $1,230 million was due to increased staff costs, amortization of the intangible assets resulting from the acquisition of DB&G in May 2007, and computer related expenses. Policyholders Reserves for ScotiaMINT's life insurance fund is directly attributed to the business in force.

CREDIT QUALITY

Non-performing Loans at July 31, 2008 were $2,606 million, of which $790 million relates to the consolidation of Scotia DBG. The non-performing loans for the BNSJ Group were $1,815 million, this was an increase of $590 million when compared to $1,226 million a year ago, and $279 million above the previous quarter ended April 30, 2008, which is a reflection of the trend in the economy. The BNSJ Group's non-performing loans now represent 2.35% of total loans and 0.82% of total assets compared to 1.76% and 0.62% respectively in prior year. Scotia DBG's non-performing loans decreased by $10 million over the previous quarter, and represents 1.23% of their total assets.

The IFRS Loan Loss Provisioning requirements are computed using a different methodology from the Regulatory requirement. The difference in the amount computed under the two methodologies is reported as Loan Loss Reserve in the equity component of the Balance Sheet. The Group's loan loss provision as determined by IFRS is $872 million, of which $670 million is specific and $202 million is general.

The loan loss provision as determined by Regulatory Requirement is $2,044 million, of which $398 million relates to provisions established by Scotia DBG. BNSJ Group's loan loss provision is $1,646 million. Over the years, we continue to experience significant growth in the loan portfolio, however the loan loss provision has remained relatively stable, due to Scotiabank's strong credit policy and loan administration procedures, which has ensured the high quality of the loan portfolio.

BALANCE SHEET

Total assets increased year over year by $31 Billion or 12% to $287 Billion as at July 31, 2008, which was mainly contributed to growth in the deposit portfolio which was utilized to fund increases in the cash resources and loan portfolios. The Group's performing loans were $80 billion, up $7 Billion or 10% over the previous year, as we continue to experience growth in retail lending, and have also seen an improvement in the demand for commercial loans. Investments, pledged assets and repurchase agreements increased by $7 Billion. Retirement Benefit Asset represents the net of the present value of pension obligation and the fair value of the pension plan assets as determined by independent actuaries.

Deposits grew to $149 billion, up $16 billion or 12.31% from the previous year, reflecting continued confidence in Scotiabank.

CAPITAL

Scotia Group's capital base continues to be very strong. Total shareholders equity grew to $40 billion, $5 Billion more than prior year, this was due mainly to $3.7 billion accumulated in the retained earnings. We continue to maintain a strong capital position to enable us to take advantage of future growth opportunities.

OUR COMMITMENT TO THE COMMUNITY

Scotiabank continues to demonstrate its commitment to Corporate Social Responsibility through various activities focusing mainly on the youth and the socially disadvantaged in our society.

On June 16, we marked the 10th Anniversary of Scotia Jamaica Life Insurance Company Limited with several activities which celebrated and recognized the loyalty and dedication of our customers since 1998. A special 10th Anniversary Scholarship was awarded for outstanding performance in the Grade Six Achievement Test.

On Teacher's Day in May, 285 Scotia Volunteers taught Conflict Resolution in schools island wide; on National Reading Day they read in schools, libraries, and hospitals; and on National Labour Day they established a garden and park for patients and staff at the Bustamante Hospital for Children. The Bank also hosted 125 children of staff members in the 8th Annual Take Our Kids To Work Day.

During the quarter, the Scotiabank Jamaica Foundation launched its Scoliosis Care programme which will provide $7.5 million over five years to fund the cost of corrective surgery for children with Scoliosis up to the age of 18 years. Scoliosis is a 's' shaped curvature of the spine often seen in adolescents, which causes severe pain, respiratory complications, and deformity if left untreated. The Foundation also launched its Cancer Care programme in which rural branches host the Mobile Mammography Unit in their community to provide free breast cancer screening for women.

The Grand Final of the Scotiabank Speak Up! Speak Out! National Primary Schools HIV and AIDS Debating Competition was held also in May with Corinaldi Avenue Primary School, Montego Bay taking the Championship trophy over Lannaman's Preparatory School. They debated the moot 'Owners of television stations and producers of sexually explicit programmes should be held responsible for the anti-social behaviours of young viewers.'

The 5th Annual Scotiabank Lecture Series was held in June featuring 2006 Nobel Peace Prize Laureate and Managing Director of the Grameen Bank, Dhaka Bangladesh, Professor Muhammad Yunus. The Lecture was entitled, 'Eradicating Poverty Through Small & Micro Enterprises.'

Both the Bank and the Foundation donated a combined $24 million to new and on-going projects supporting Education, Health, and Community Development.

Our staff members through fundraising activities also donated $2.5 million towards the purchase of a new Intra Aortic Balloon Pump, used mainly for treating cases of stroke and heart attack, for the University Hospital of the West Indies and the Bank provided a matching amount.

BRANCH EXPANSION

On May 15, we broke ground for the construction of the Scotia Financial Center on Constant Spring Road, St. Andrew. This new premises will house the 41st Scotiabank Branch, as well as offices of Scotia DBG Investments, Scotia Private Client Group and an office of Scotia Jamaica Life Insurance Company Limited.

AWARDS

Scotiabank Jamaica was awarded the '2008 Best Bank in Jamaica' by the Euromoney Magazine and received two awards for Corporate Social Responsibility from the Jamaica Employers' Federation and the Private Sector Organization of Jamaica.

Scotia Group 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 great execution by our team of skilled and dedicated employees and their consistent focus on customer satisfaction. We thank them for their professionalism, commitment and for being a great team.

CONSOLIDATED FINANCIAL STATEMENTS

Scotia Group Jamaica Limited
Statement of Consolidated Revenues & Expenses

	For the three months ended			For the nine months ended	
Unaudited	**July**	**April**	**July**	**July**	**July**
($ millions)	**2008**	**2008**	**2007**	**2008**	**2007**
GROSS OPERATING INCOME	**9,826**	**9,668**	**8,676**	**28,756**	**22,761**
INTEREST INCOME					
Loans and deposits with banks	4,676	5,200	3,869	14,043	10,879
Securities	3,714	2,689	3,376	9,963	8,163
	8,390	7,889	7,245	24,006	19,042
INTEREST EXPENSE					
Deposits and repurchase agreements	2,659	2,535	2,682	7,749	6,331
Net interest income	5,731	5,354	4,563	16,257	12,711
Provision for credit losses	(227)	(115)	(101)	(425)	(402)
Net interest income after provision for credit losses	5,504	5,239	4,462	15,832	12,309
Net fee and commission income	901	982	748	2,845	2,290
Insurance premium income	180	198	152	568	444
Gains less losses from foreign currencies	261	313	293	869	706
Other operating income	94	286	238	468	279
	1,436	1,779	1,431	4,750	3,719
TOTAL OPERATING INCOME	**6,940**	**7,018**	**5,893**	**20,582**	**16,028**
OPERATING EXPENSES					
Staff costs	1,608	1,503	1,411	4,828	3,913
Premises and equipment, including depreciation	547	628	434	1,574	1,097
Amortisation of intangible assets	55	55	-	165	-
Changes in policyholders' reserves	732	711	647	2,108	1,812
Other operating expenses	770	675	711	2,226	1,795
	3,712	3,572	3,203	10,901	8,617
OPERATING PROFIT	**3,228**	**3,446**	**2,690**	**9,681**	**7,411**
Share of profits in associated company	-	-	-	-	-
PROFIT BEFORE TAXATION	**3,228**	**3,446**	**2,690**	**9,681**	**7,411**
Taxation	**(864)**	**(861)**	**(682)**	**(2,539)**	**(2,010)**
PROFIT AFTER TAXATION	**2,364**	**2,585**	**2,008**	**7,142**	**5,401**
ATTRIBUTABLE TO:					
Stockholders of the company	2,307	2,520	1,974	6,962	5,367
Minority interest	57	65	34	180	34
	2,364	**2,585**	**2,008**	**7,142**	**5,401**
Earnings per share based on 3,111,572,984 shares (cents)	**74**	**81**	**63**	**224**	**172**
Return on average equity (annualised)	**24.61%**	**27.74%**	**25.34%**	**25.61%**	**24.29%**
Return on assets (annualised)	**3.22%**	**3.57%**	**3.06%**	**3.24%**	**2.77%**
Productivity ratio	**54.96%**	**51.69%**	**55.12%**	**53.92%**	**54.89%**
Productivity ratio (excluding Life Insurance Business)	**45.90%**	**42.91%**	**45.48%**	**45.10%**	**45.07%**

Scotia Group Jamaica Ltd.
Consolidated Balance Sheet

Unaudited *($ millions)*	Period ended July 31 2008	Year ended October 31 2007	Period ended July 31 2007
ASSETS			
CASH RESOURCES	68,649	55,104	53,300
INVESTMENTS			
Held To Maturity	32,730	39,225	32,595
Financial assets at fair value through statement of revenue and expenses	308	1,125	516
Securities available for sale	22,801	21,646	22,257
	55,839	61,996	55,368
PLEDGED ASSETS	43,948	34,665	39,234
CAPITAL MANAGEMENT AND GOVERNMENT SECURITIES FUND	15,667	14,060	12,736
GOVERNMENT SECURITIES UNDER REPURCHASE AGREEMENT	605	1,156	1,425
LOANS, AFTER MAKING PROVISIONS FOR LOSSES	82,109	76,667	74,228
OTHER ASSETS			
Customers' Liability under acceptances, guarantees and letters of credit	7,339	7,829	7,628
Real estate and equipment at cost, less depreciation	2,863	2,702	2,672
Taxation Recoverable	1,209	1,293	1,008
Retirement Benefit Asset	5,189	4,840	4,692
Other assets	767	286	1,539
Intangible Assets	2,364	2,528	2,084
	19,731	19,478	19,623
TOTAL ASSETS	**286,548**	**263,126**	**255,914**
LIABILITIES			
DEPOSITS			
Deposits by public	140,139	131,018	124,719
Other deposits	8,802	6,860	7,890
	148,941	137,878	132,609
OTHER LIABILITIES			
Acceptances, guarantees and Letters of Credit	7,339	7,829	7,628
Liabilities under repurchase agreements	36,755	31,530	34,182
Promissory Notes	589	607	795
Capital Management and Government Securities Fund	15,666	14,060	12,736
Redeemable Preference Shares	100	100	100
Deferred Taxation	1,807	1,794	1,490
Retirement Benefit Obligation	878	723	664
Assets Held in Trust on behalf of Participants	52	53	40
Other liabilities	4,930	5,269	4,747
	68,116	61,965	62,382
POLICY HOLDERS' FUND	29,585	26,974	26,335
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	6,570	6,570	6,570
Reserve Fund	3,186	3,161	3,161
Retained Earnings Reserve	6,928	5,993	5,693
Loan Loss Reserve	1,149	1,046	808
Other Reserves	18	27	27
Investment Cumulative Remeasurement result from Available for Sale Financial Assets	(646)	(212)	(91)
Unappropriated Profits	20,763	17,789	17,106
	37,968	34,374	33,274
Minority Interest	1,938	1,935	1,314
	39,906	36,309	34,588
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**286,548**	**263,126**	**255,914**

Director　　　　　　Director

SCOTIA GROUP JAMAICA LIMITED

Consolidated Statement of Changes in Shareholders' Equity

Unaudited

$millions	Share Capital	Reserve Fund	Retained Earnings Reserve	Other Reserves	Loan Loss Reserve	Cumulative Remeasurement result from Available for Sale financial assets	Unappropriated Profits	Total	Minority Interest	Total Equity
Balance at 31 October 2006	**2,927**	**3,159**	**5,243**	**27**	**807**	**275**	**14,952**	**27,390**	**-**	**27,390**
Unrealised Gains/(Losses) on available-for-sale investments, net of taxes	-	-	-	-	-	(454)	-	**(454)**	-	**(454)**
Realised (Gains)/Losses on available-for-sale investments transferred to Statement of Revenue & Expenses	-	-	-	-	-	(33)	-	**(33)**	-	**(33)**
Net profit	-	-	-	-	-	-	7,493	**7,493**	117	**7,610**
Transfer to Reserve Fund	-	2	-	-	-	-	(2)	**-**	-	**-**
Transfer to Loan Loss Reserve	-	-	-	-	239	-	(239)	**-**	-	**-**
Issue of Preference Shares	-	-	-	-	-	-	(100)	**(100)**	-	**(100)**
Issue of Shares	3,643	-	-	-	-	-	-	**3,643**	-	**3,643**
Transfer to Retained Earnings Reserve	-	-	750	-	-	-	(750)	**-**	-	**-**
Minority interests' net assets of acquired subsidiaries	-	-	-	-	-	-	-	**-**	1,912	**1,912**
Dividends Paid	-	-	-	-	-	-	(3,565)	**(3,565)**	(94)	**(3,659)**
Balance at 31 October 2007	**6,570**	**3,161**	**5,993**	**27**	**1,046**	**(212)**	**17,789**	**34,374**	**1,935**	**36,309**
Unrealised Gains/(Losses) on available-for-sale investments, net of taxes	-	-	-	-	-	(396)	-	(396)	(68)	**(464)**
Realised (Gains)/Losses on available-for-sale investments transferred to Statement of Revenue & Expenses	-	-	-	-	-	(38)	-	(38)	(8)	**(46)**
Net profit	-	-	-	-	-	-	6,962	6,962	180	**7,142**
Movement of reserves relating to subsidiary	-	-	-	(9)	-	-	-	(9)	-	**(9)**
Transfer to Reserve Fund	-	25	-	-	-	-	(25)	-	-	**-**
Net movement in reserves for minority interests	-	-	-	-	-	-	-	-	(26)	**(26)**
Transfer to Loan Loss Reserve	-	-	-	-	103	-	(103)	-	-	**-**
Transfer to Retained Earnings Reserve	-	-	935	-	-	-	(935)	-	-	**-**
Dividends Paid	-	-	-	-	-	-	(2,925)	(2,925)	(75)	**(3,000)**
Balance at 31 July 2008	**6,570**	**3,186**	**6,928**	**18**	**1,149**	**(646)**	**20,763**	**37,968**	**1,938**	**39,906**

Scotia Group Jamaica Limited
Condensed Consolidated Statement of Cash Flows

(Unaudited) *($ millions)*	Nine Months Ended July 31, 2008	Nine Months Ended July 31, 2007
Cash flows provided by / (used in) operating activities		
Net Income	7,142	5,401
Adjustments to net income		
Depreciation	293	303
Impairment losses on loans	425	402
Amortisation of intangible assets	165	-
Other, net	586	399
	8,611	6,505
Changes in operating assets and liabilities		
Loans	(5,751)	(14,938)
Deposits	8,816	11,216
Policyholders reserve	2,611	2,626
Other, net	(23,269)	4,802
	(8,982)	10,211
Cash flows provided by / (used in) investing activities		
Investments	(10,289)	(27,922)
Repurchase Agreements, net	5,702	15,855
Property, plant and equipment, net	(450)	(626)
	(5,037)	(12,693)
Cash flows used in financing activities		
Issue of Share Capital	-	3643
Dividends paid	(3,000)	(2,715)
	(3,000)	928
Effect of exchange rate on cash and cash equivalents	89	1,078
Net change in cash and cash equivalents	(16,930)	(476)
Cash and cash equivalents at beginning of year	30,434	25,623
Cash and cash equivalents at end of period	**13,504**	**25,147**
Represented by :		
Cash resources	68,649	53,300
Statutory reserves at Bank of Jamaica	(11,427)	(10,068)
Less amounts due from Bank of Jamaica greater than ninety days	(30,992)	(10,862)
Less amounts due from other banks greater than ninety days	(8,622)	(3,789)
Less accrued interest on cash resources	(1,455)	(270)
Cheques and other instruments in transit, net	(2,649)	(3,164)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**13,504**	**25,147**

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

Unaudited	For the period ended July 31, 2008							
($ millions)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Gross External Revenues	5,379	9,042	4,909	5,104	4,278	44	-	28,756
Revenues from other segments	(3,249)	1,717	1,557	148	6	2,994	(3,173)	-
Total Revenues	2,130	10,759	6,466	5,252	4,284	3,038	(3,173)	28,756
Expenses	(57)	(7,719)	(4,643)	(4,155)	(2,469)	(137)	105	(19,075)
Unallocated expenses								
Profit Before Tax	2,073	3,040	1,823	1,097	1,815	2,901	(3,068)	**9,681**
Income tax expense								(2,539)
Net profit								**7,142**

Consolidated Balance Sheet

	As at July 31, 2008							
($ millions)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	87,601	50,065	46,018	64,882	37,842	9,987	(15,927)	280,468
Unallocated assets								6,080
Total Assets								286,548
Segment liabilities	1,310	81,958	77,490	57,482	29,709	308	(6,584)	241,673
Unallocated liabilities								4,969
Total liabilities								246,642
Other Segment items:								
Capital Expenditure	-	236	192	6	-	8		442
Impairment losses on loans	-	482	(72)	15	-	-		425
Depreciation	-	142	98	31	3	19		293

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

Unaudited

For the period ended July 31, 2007

($ millions)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Gross External Revenues	4,895	6,921	4,418	3,010	3,314	15	188	22,761
Revenues from other segments	(3,075)	2,066	1,041	128	16	3,842	(4,018)	-
Total Revenues	1,820	8,987	5,459	3,138	3,330	3,857	(3,830)	22,761
Expenses	(88)	(6,508)	(4,072)	(2,712)	(2,130)	(51)	211	(15,350)
Unallocated expenses								
Profit Before Tax	1,732	2,479	1,387	426	1,200	3,806	(3,619)	**7,411**
Income tax expense								(2,010)
Net profit								**5,401**

Consolidated Balance Sheet

As at July 31, 2007

($ millions)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	77,930	41,941	46,343	60,147	33,026	9,731	(19,780)	249,338
Unallocated assets								6,576
Total Assets								255,914
Segment liabilities	331	76,721	68,577	53,114	26,808	52	(8,476)	217,127
Unallocated liabilities								4,199
Total liabilities								221,326
Other Segment items:								
Capital Expenditure	-	181	236	9	8	-		434
Impairment losses on loans	-	354	47	1	-	-		402
Depreciation	-	144	97	52	4	6		303

1. Identification

Scotia Group Jamaica Limited (the Company) is a 71.78% subsidiary of The Bank of Nova Scotia (100%), 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 DBG Investments Limited (77.01%).

2. Basis of presentation

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards. 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 operation 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Comparative information

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

3. Financial Assets

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

<u>Financial Assets at Fair Value through Statement of Revenue and Expenses</u>
This category includes a financial asset acquired principally for the purpose of selling in the short term or if so designated by management.

<u>Loans and receivables</u>
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.

<u>Held-to-Maturity</u>
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.

<u>Available-for-sale</u>
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, financial assets at fair value through statement of revenue and expenses are carried at fair value. Loans and receivables investment is carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 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 equity.

Interest calculated using the effective interest method is recognized in the statement of revenue and expenses.

4. Insurance 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.

5. Loan loss provision
A 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 reprice 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 balance sheet.

6. 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 Revenue and Expenses, and the net of the present value of the pension obligation and the fair value of the plan assets, is reflected as an asset on the Balance Sheet.

Other post-retirement obligations – The Group provides post retirement healthcare and group life insurance benefits to retirees. The method of accounting used to recognize the liability is similar to that for the defined benefit pension plan.

Defined contribution plan- contributions to this plan are charged to the Statement of Revenue and Expenses in the period to which they relate.

7. 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.

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

9. 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.

10. Segment reporting
The Group is organized into five main business segments:

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

Transactions between the business segments are on normal commercial terms and conditions.