Date: November 27, 2008

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MEDIA RELEASE

SCOTIA GROUP JAMAICA REPORTS 12 CONSECUTIVE YEARS OF RECORD RESULTS.

FISCAL 2008 HIGHLIGHTS

- **Net Income of $9,624 million, up 26% over the same period in 2007**
- **Net Income available to common shareholders of $9,391 million**
- **Earnings per share of $3.02**
- **Return on Average Equity 25.28%**
- **Productivity ratio of 54.07%**
- **Fourth Quarter dividend of 34 cents per share**

Scotia Group Jamaica Limited (Scotia Group) today reported record results for the fiscal year ended October 31, 2008 of $9,391 million net income available to common shareholders, an increase of $1,898 million or 25% when compared with the same period last year. We also delivered strong results for the fourth quarter with net income of $2,429, which was $122 million above the quarter ended July 31, 2008 and $303 million above the net income for the quarter ended October 31, 2007.

Earnings per share (EPS) for the year was $3.02, compared to $2.48 for last year, while the Return on Average Equity (ROE) remains very strong at 25.28%.

The Board of Directors today, approved an interim dividend of 34 cents per stock unit, payable on January 12, 2009 to stockholders on record at December 17, 2008.

Bruce F. Bowen, President and CEO said "Scotia Group's success in achieving record results was due to the consistent strategy of diversifying across all major business lines. This has been driven mainly by volume growth in loans and investments. With global financial markets in turmoil and the Jamaican market facing significant challenges, our core strengths in risk management and cost control have enabled us to minimize the impact on Scotia Group. During 2009, we will remain committed to these strengths while we focus on executing our strategic priority of delivering the best Customer Experience across all of our diverse businesses."

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

	$'Million	% Contribution
	Year to Date	Year to Date
The Bank of Nova Scotia Jamaica Limited (BNSJ)	5,939	63.24%
Scotia Jamaica Life Insurance Company Limited (SJLIC)	2,225	23.69%
Scotia DBG Investments Limited (Scotia DBG)	782	8.33%
Scotia Jamaica Building Society (SJBS)	445	4.74%
Net Income attributable to common shareholders	9,391	100.00%

REVENUES

Total Revenue comprising net interest revenue and other income was $28,560 million, an increase of $5,796 million or 25.46% from prior year.

NET INTEREST INCOME

Net interest income was $22,226 million, up $4,748 million when compared to last year. This is as a result of strong portfolio volume growth primarily in our retail loan portfolio. Interest income earned from securities also increased, due to improved interest margins and volume growth in deposits with banks, pledged assets and repurchase agreement portfolios.

OTHER REVENUE

Other revenue, excluding Insurance Premium Income, was $5,579 million, up $910 million when compared with last year. This was driven mainly by the one time income of $457MM resulting from the issue of common shares to Visa members consequent to the reorganization of Visa Incorporated, as well as, increases in foreign exchange trading income, securities trading income and electronic banking related fees. There was also Insurance Premium 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 $138 million when compared to the prior year. SJLIC reported gross premium income of $5.3 billion for the twelve 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 54.07%. 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 45.32%, which is significantly better than the international benchmark of 60%.

Non-interest Expenses, excluding Change in Policyholders' Reserve and Loan Loss Provisions, were $11,844 million, an increase of $2,225 million over last year of which $1,053 Million relate to the inclusion of Scotia DBG in the consolidated results. In the prior year Scotia DBG results were included for only six months. The remainder of $1,172 million was due to increased staff costs, amortization of the intangible assets resulting from the acquisition of DB&G in May 2007, premises 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 October 31, 2008 were $2,971 million. This was an increase of $862 million when compared to $2,109 million a year ago, and $365 million above the previous quarter ended July 31, 2008, which reflects the impact of the current economic conditions. The Scotia Group's non-performing loans now represent 3.28% of total loans and 1.06% of total assets compared to 2.72% and 0.80% respectively in prior year.

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 $884 million, of which $612 million is specific and $272 million is general.

The loan loss provision as determined by Regulatory Requirement is $2,186 million. Over the years, we continue to experience significant growth in the loan portfolio, however the loan loss provision has remained relatively stable. This is 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 $17 Billion or 6.52% to $280 Billion as at October 31, 2008. The Group's performing loans were $88 billion, up $12 Billion or 16% 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 $4 Billion.

Deposits grew to $140 billion, up $2 billion 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, $3.4 Billion more than prior year. 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 on the areas of Student Care and Health Care. During the last quarter, we branded the three areas in which we focus support - Health, Education and Community, into a Care Programme with more defined areas. These are Renal Care, Cancer Care, Accident & Emergency Care, Scoliosis Care, Student Care, and Community Care. The Bank and the Scotiabank Foundation donated a combined $14.1 million to new and on-going projects in these areas.

In Accident and Emergency Care, we handed over a new Vital Signs Monitor and Tubal Ligation Single Puncture Diagnostic Video System, valued at $4.4 million, to the Savanna-La-Mar Hospital in September. We also installed new air conditioning units at the Scotiabank Centennial Accident and Emergency Unit, at the University Hospital of the West Indies. At the Bustamante Hospital for Children, the ScotiaVolunteers handed over a new park on National Labour Day this year. In Scoliosis Care we purchased supplies valued at $2.5 million for corrective surgeries for children suffering from Scoliosis at the Kingston Public Hospital. In Cancer Care we continued our maintenance of the Jamaica Cancer Society's Mobile Mammography Unit.

Under Student Care, we launched our "Street Smart! Street Safe!" Road Safety programme at the Half Way Tree Transportation Center and handed over material and equipment to the police to support their road safety programmes in schools. Among the donations were a new truck valued at $ 2.9 million to be used for the transportation of their props and equipment to schools, and new uniforms for the 150 School Crossing Wardens island wide. We continued our Scholarship Programme at the University of the West Indies and awarded 16 new scholarships valuing $4.8 million to outstanding performers in the 2008 Grade Six Achievement Test. Additionally, we donated computers, audio visual equipment and desks to 16 schools islandwide valued at $2.3 million.

SMALL AND MEDIUM ENTERPRISE FUND

In September, Scotiabank announced a $400 million fund to provide financing for Small and Medium Enterprise Development. The Fund provides a total of $100 million for start-up businesses (ScotiaRunning Start) at a rate of 9.875%; $100 million for the MSME Alliance (Scotia MSME Alliance Fund) at a rate of 8.625% - 10.875%; and $200 million for new and existing enterprises (Scotia Business Builder) at a rate of 8.625% -12.125%. We anticipate that during the coming year this will provide significant support for the Small and Medium Enterprise sector.

AWARDS

During November 2008 Scotiabank Jamaica was honoured as the "Best Foreign Exchange Bank for 2009" in Jamaica by Global Finance magazine, recognizing the leading role played by Scotia Group in supporting the foreign exchange needs of the commercial and corporate sector in the country.

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 year ended	
(Audited)	October	July	October	October	October
($ millions)	2008	2008	2007	2008	2007
GROSS OPERATING INCOME	**10,363**	**9,826**	**8,929**	**39,119**	**31,689**
INTEREST INCOME					
Loans and deposits with banks	6,161	4,676	3,782	20,204	14,661
Securities	2,618	3,714	3,579	12,581	11,742
	8,779	8,390	7,361	32,785	26,403
INTEREST EXPENSE					
Deposits and repurchase agreements	2,810	2,659	2,594	10,559	8,925
Net interest income	5,969	5,731	4,767	22,226	17,478
Provision for credit losses	(334)	(227)	(124)	(759)	(526)
Net interest income after provision for credit losses	5,635	5,504	4,643	21,467	16,952
Net fee and commission income	954	901	829	3,799	3,119
Insurance premium income	187	180	174	755	617
Gains less losses from foreign currencies	267	261	361	1,136	1,067
Other operating income	176	94	204	644	483
	1,584	1,436	1,568	6,334	5,286
TOTAL OPERATING INCOME	**7,219**	**6,940**	**6,211**	**27,801**	**22,238**
OPERATING EXPENSES					
Staff costs	1,580	1,608	1,490	6,408	5,403
Premises and equipment, including depreciation	572	547	411	2,146	1,508
Amortisation of intangible assets	76	55	135	241	135
Changes in policyholders' reserves	730	732	640	2,838	2,452
Other operating expenses	823	770	779	3,049	2,573
	3,781	3,712	3,455	14,682	12,071
PROFIT BEFORE TAXATION	**3,438**	**3,228**	**2,756**	**13,119**	**10,167**
Taxation	**(956)**	**(864)**	**(547)**	**(3,495)**	**(2,557)**
PROFIT AFTER TAXATION	**2,482**	**2,364**	**2,209**	**9,624**	**7,610**
ATTRIBUTABLE TO:					
Stockholders of the company	2,429	2,307	2,126	9,391	7,493
Minority interest	53	57	83	233	117
	2,482	**2,364**	**2,209**	**9,624**	**7,610**
Earnings per share based on 3,111,572,984 shares (cents)	**78**	**74**	**68**	**302**	**248**
Return on average equity (annualised)	**25.59%**	**24.61%**	**25.16%**	**25.28%**	**24.01%**
Return on assets (annualised)	**3.47%**	**3.22%**	**3.23%**	**3.35%**	**2.85%**
Productivity ratio	**54.48%**	**54.96%**	**56.49%**	**54.07%**	**55.34%**
Productivity ratio (excluding Life Insurance Business)	**45.95%**	**45.90%**	**47.70%**	**45.32%**	**45.81%**

Scotia Group Jamaica Ltd.
Consolidated Balance Sheet

	Year ended October 31	Year ended October 31
Audited		
($ millions)	**2008**	**2007**
ASSETS		
CASH RESOURCES	56,048	55,104
INVESTMENTS		
Held To Maturity	36,154	39,225
Financial assets at fair value through profit and loss	117	1,125
Securities available for sale	19,559	21,646
	55,830	61,996
PLEDGED ASSETS	45,489	34,665
CAPITAL MANAGEMENT AND GOVERNMENT SECURITIES FUND	13,217	14,060
GOVERNMENT SECURITIES UNDER REPURCHASE AGREEMENT	408	1,156
LOANS, AFTER MAKING PROVISIONS FOR LOSSES	89,697	76,667
OTHER ASSETS		
Customers' Liability under acceptances, guarantees and letters of credit	6,919	7,829
Real estate and equipment at cost, less depreciation	2,911	2,702
Deferred Taxation	242	-
Taxation Recoverable	1,012	1,293
Retirement Benefit Asset	5,402	4,840
Other assets	821	286
Intangible Assets	2,288	2,528
	19,595	19,478
TOTAL ASSETS	**280,284**	**263,126**
LIABILITIES		
DEPOSITS		
Deposits by public	130,673	131,018
Other deposits	9,235	6,860
	139,908	137,878
OTHER LIABILITIES		
Acceptances, guarantees and Letters of Credit	6,919	7,829
Liabilities under repurchase agreements	39,897	31,530
Promissory Notes	380	607
Capital Management and Government Securities Fund	14,992	14,060
Redeemable Preference Shares	100	100
Deferred Taxation	1,581	1,794
Retirement Benefit Obligation	931	723
Assets Held in Trust on behalf of Participants	50	53
Other liabilities	5,209	5,228
	70,059	61,924
POLICY HOLDERS' FUND	30,561	27,015
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
Reserve Fund	3,200	3,161
Retained Earnings Reserve	7,310	5,993
Capital Reserve	9	-
Loan Loss Reserve	1,301	1,046
Other Reserves	13	27
Investment Cumulative Remeasurement result from Available for Sale Financial Assets	(2,105)	(212)
Unappropriated Profits	21,643	17,789
	37,941	34,374
Minority Interest	1,815	1,935
	39,756	36,309
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**280,284**	**263,126**

Director Director

Consolidated Statement of Changes in Shareholders' Equity

Audited

$millions	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	Minority Interest	Total Equity
Balance at 31 October 2006	**2,927**	**3,158**	**5,243**	**-**	**27**	**807**	**275**	**14,953**	**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	-	-	-	-	-	-	(1,850)	-	(1,850)	(218)	**(2,068)**
Realised (Gains)/Losses on available-for-sale investments transferred to Statement of Revenue & Expenses	-	-	-	-	-	-	(43)	-	(43)	(8)	**(51)**
Net profit	-	-	-	-	-	-	-	9,390	9,390	233	**9,623**
Movement of reserves relating to subsidiary	-	-	-	-	(9)	-	-	-	(9)	-	**(9)**
Transfer of reserves relating to liquidation of subsidiary	-	-	-	9	(5)	-	-	(4)	-	-	**-**
Transfer to Reserve Fund	-	39	-	-	-	-	-	(39)	-	-	**-**
Net movement in reserves for minority interests	-	-	-	-	-	-	-	-	-	(25)	**(25)**
Transfer to Loan Loss Reserve	-	-	-	-	-	255	-	(255)	-	-	**-**
Transfer to Retained Earnings Reserve	-	-	1,317	-	-	-	-	(1,317)	-	-	**-**
Dividends Paid	-	-	-	-	-	-	-	(3,921)	(3,921)	(102)	**(4,023)**
Balance at 31 October 2008	**6,570**	**3,200**	**7,310**	**9**	**13**	**1,301**	**(2,105)**	**21,643**	**37,941**	**1,815**	**39,756**

Scotia Group Jamaica Limited
Condensed Consolidated Statement of Cash Flows

(Audited)

($ millions)	Year Ended October 31, 2008	Year Ended October 31, 2007
Cash flows provided by / (used in) operating activities		
Net Income	9,624	7,610
Adjustments to net income		
Depreciation	363	366
Impairment losses on loans	759	526
Gain on sale of subsidiary	-	(188)
Amortisation of intangible assets	241	135
Other, net	(19,181)	(15,029)
	(8,194)	(6,580)
Changes in operating assets and liabilities		
Loans	(13,669)	(17,440)
Deposits	574	17,716
Securities sold under repurchase agreement	8,079	13,248
Financial assets at fair value through statement of revenue & expenses	1,008	(890)
Policyholders reserve	3,547	3,265
Other, net	5,272	13,181
	(3,383)	22,500
Cash flows provided by / (used in) investing activities		
Investments	(5,097)	(41,482)
Repurchase Agreements, net	715	27,229
Property, plant and equipment, net	(578)	(705)
Acquisition of subsidiary	-	(4,912)
Liquidation of subsidiary	18	-
	(4,942)	(19,870)
Cash flows used in financing activities		
Issue of Share Capital	-	3,642
Dividends paid	(4,022)	(3,659)
	(4,022)	(17)
Effect of exchange rate on cash and cash equivalents	272	2,198
Net change in cash and cash equivalents	(12,075)	4,811
Cash and cash equivalents at beginning of year	30,434	25,623
Cash and cash equivalents at end of period	**18,359**	**30,434**
Represented by :		
Cash resources	56,048	55,104
Statutory reserves at Bank of Jamaica	(11,054)	(10,601)
Less amounts due from Bank of Jamaica greater than ninety days	(20,743)	(11,009)
Less amounts due from other banks greater than ninety days	(9,383)	(4,950)
Less accrued interest on cash resources	(1,479)	(414)
GOJ treasury bills, repos and bonds less than ninety days	7,648	5,541
Cheques and other instruments in transit, net	(2,678)	(3,237)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**18,359**	**30,434**

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

Audited

For the period ended October 31, 2008

($ millions)	**Treasury**	**Retail Banking**	**Corporate Banking**	**Investment Management Services**	**Insurance Services**	**Other**	**Eliminations**	**Group Total**
Gross External Revenues	7,174	12,367	6,658	6,980	5,898	42	-	39,119
Revenues from other segments	(4,030)	2,074	2,005	201	8	4,010	(4,268)	-
Total Revenues	3,144	14,441	8,663	7,181	5,906	4,052	(4,268)	39,119
Expenses	(79)	(10,476)	(6,305)	(5,758)	(3,328)	(169)	115	(26,000)
Unallocated expenses								
Profit Before Tax	3,065	3,965	2,358	1,423	2,578	3,883	(4,153)	**13,119**
Income tax expense								(3,495)
Net profit								**9,624**

Consolidated Balance Sheet

As at October 31, 2008

($ millions)	**Treasury**	**Retail Banking**	**Corporate Banking**	**Investment Management Services**	**Insurance Services**	**Other**	**Eliminations**	**Group Total**
Segment assets	72,424	51,384	51,406	66,621	39,533	9,931	(17,599)	273,700
Unallocated assets								6,584
Total Assets								280,284
Segment liabilities	1,504	81,995	69,429	59,857	30,759	304	(8,248)	235,600
Unallocated liabilities								4,928
Total liabilities								240,528
Other Segment items:								
Capital Expenditure	-	349	220	10	3	9		591
Impairment losses on loans	-	795	(41)	5	-	-		759
Depreciation	-	183	127	24	5	24		363

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

Audited

($ millions)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
	For the period ended October 31, 2007							
Gross External Revenues	6,781	9,470	6,066	4,583	4,539	38	212	31,689
Revenues from other segments	(4,237)	2,807	1,434	211	15	4,746	(4,976)	-
Total Revenues	2,544	12,277	7,500	4,794	4,554	4,784	(4,764)	31,689
Expenses	(108)	(8,929)	(5,546)	(4,142)	(2,870)	(87)	160	(21,522)
Unallocated expenses								
Profit Before Tax	2,436	3,348	1,954	652	1,684	4,697	(4,604)	**10,167**
Income tax expense								(2,557)
Net profit								**7,610**

Consolidated Balance Sheet

($ millions)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
	As at October 31, 2007							
Segment assets	80,780	45,144	46,192	60,215	33,702	10,007	(18,384)	257,656
Unallocated assets								5,470
Total Assets								263,126
Segment liabilities	236	78,957	71,525	51,692	27,129	302	(7,564)	222,277
Unallocated liabilities								4,540
Total liabilities								226,817
Other Segment items:								
Capital Expenditure	-	310	226	356	9	5		906
Impairment losses on loans	-	486	37	3	-	-		526
Depreciation	-	197	132	18	5	14		366

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.

<u>New standard and amendment to published standard implemented during the year</u>

IFRS 7, Financial Instruments: Disclosures and the Complementary Amendment to IAS 1, Presentation of Financial Statements-Capital Disclosures are effective for reporting periods beginning on or after January 1, 2007. IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure of risks arising from financial instruments including specified minimum disclosures about credit risk, liquidity risk and market risk including analysis of sensitivity to market risk.

During the year, one of the company's subsidiaries, Scotia DBG Investments Limited, adopted *the Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures* which came into effect October 2008.

The amendment permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit and loss by the entity upon initial recognition) out of the fair value through profit and loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The reclassification utlised the fair value as at September 30, 2008.

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 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.

<u>Financial Assets at Fair Value through Profit and Loss</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.

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, financial assets at fair value through profit and loss 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. **Capital Reserve**
This represents the gain on liquidation of subsidiary Scotia Jamaica General Insurance Brokers Limited effective October 31, 2008

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 five 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 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.