Scotia DBG Investments

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MEDIA RELEASE

SCOTIA DBG INVESTMENTS LIMITED POSTS SOLID THIRD QUARTER RESULTS

THIRD QUARTER 2009 HIGHLIGHTS (Year to Date)

- **Net income of $1,396 million**
- **Earnings per share of $3.30**
- **Return on average equity – 29.75%**
- **Productivity ratio of 35.05%**
- **Third quarter dividend of 30.0 cents per share**

Scotia DBG Investments Limited (SDBG) today reported its unaudited financial results for the nine months ended July 31, 2009. Net income for the third quarter amounted to $486 million, representing a 62% increase over the $299 million earned in the comparative period last year. The results for this quarter were $40 Million below the previous quarter as a result of a one-off impairment provision of $69 million relating to a repurchase agreement contract with Lehman Brothers Group. We do not expect any further impairment provisions of this nature.

The nine month results of $1,396 Million were $460 Million or 49% above the comparative period last year. Earnings per share (EPS) for the quarter was $1.15 compared to $1.24 at the end of the previous quarter. Year-to-date EPS was $3.30 and the company's return on average equity (ROE) remains solid at 29.75%.

CEO of SDBG, Anya Schnoor, in commenting on the results stated, "As we head into the fourth quarter, our results to date during a fiscal year that has been characterised by severe international and local economic challenges, augers well for the achievement of major business objectives. This quarter has seen some stability in the financial system but the rate of economic growth is still expected to remain sluggish in the upcoming months. We continue to enjoy strong customer confidence and intend to focus on further initiatives to drive growth while maintaining a keen focus on cost containment and our sound risk management principles."

REVENUES

Total revenue comprising of net interest revenue and other income was $998 million for the quarter, up marginally from the $996 million in the previous quarter.

Net Interest Income
Net interest income for the third quarter of 2009 amounted to $863 million, a 3% increase over the $835 million reported for the second quarter, and 73% greater than the earnings of $363 million for the comparative period last year. This is as a result of continued good interest margins coupled with strong portfolio volume growth.

Other Revenue
Other revenue, which includes fee income and net foreign exchange trading income was $135 million for the three month period down 16% from the $161 million reported for the previous quarter. The inactivity on the bond and equity markets continued throughout the quarter and has had a negative effect on fee income derived from our investment management services.

NON-INTEREST EXPENSES AND PRODUCTIVITY
The company continued to leverage one of its key strengths by focusing on expense control over the quarter. Our productivity ratio (non-interest expense as a percentage of net revenue) - a key measure of cost efficiency - was 35.05% for the period, a notable improvement over the 39.33% for the same period last year.

Non-interest expenses amounted to $372 million for the quarter, an increase of $53.9 million or 17% over the previous quarter. This was driven primarily by an impairment provision of $69 million made during the quarter. Excluding this provision, operating expenses would have been below the previous quarter by $15.7 million or 5%.

BALANCE SHEET
Total assets at the end of the quarter stood at $72.1 billion up from the $65.99 billion at the start of the year. This increase in the asset base is mainly as a result of continued growth in cash resources, and investments.

CAPITAL
SDBG's capital base at the end of the quarter remains solid with total shareholders equity standing at $7.0 billion. This represented an increase of $757 million or 11.9% over the equity reported as at April 30, 2009 and up by $844 million over the comparative prior period. The fall in Government of Jamaica Global Bond prices over the past year resulted in a deterioration in our investment reserve but there was a slight recovery during the quarter which saw the reserves moving to a negative $153 million at July 31, 2009 relative to a negative $558 million at April 30, 2009. Our capital adequacy ratio remains strong at 183% which is significantly above the 10% statutory requirement.

DIVIDEND
At the Board of Directors meeting on August 25, 2009 the Board approved a third interim dividend of 30.0 cents per stock unit, payable on October 8, 2009, to stockholders on record as at September 16, 2009.

COMMITMENT TO THE COMMUNITY
Scotia DBG Investments continues to demonstrate a commitment to Jamaica and the communities in which it operates. During this quarter, we hosted a Corporate Seminar which focused on the review of the National Budget and the implications for Companies. We continued to focus on our objective of educating our investors to make better investment decisions by undertaking several other initiatives which included the radio programme "Your Financial Coach" which offered information on financial planning.

SDBG echoes the sentiments of the Scotiabank Group, in thanking all of our stakeholders for their continued support. To our clients, thank you for your loyalty and allowing us to be your most trusted financial advisor. To our shareholders, thank you for the commitment, trust and confidence. To our employees, our continued success is as a result of great execution by our dedicated and skilled team. Your consistent focus on customer satisfaction will ensure that we continue to deliver superior customer service.

Scotia DBG Investments

STATEMENT OF CONSOLIDATED REVENUES AND EXPENSES

Unaudited ($000's)	For the three months ended July 2009	April 2009	July 2008	For the nine months ended July 2009	July 2008
GROSS OPERATING INCOME	**2,871,460**	**2,682,028**	**1,962,623**	**7,860,916**	**5,595,037**
Interest income	2,736,046	2,521,159	1,812,117	7,406,584	5,017,697
Interest expense	(1,834,761)	(1,685,791)	(1,316,888)	(5,047,278)	(3,626,397)
Net Interest Income	**901,285**	**835,368**	**495,229**	**2,359,306**	**1,391,300**
Provision for loan loss	(38,476)	(204)	4,548	(40,127)	(8,818)
Net interest income afer provision for loan loss	**862,809**	**835,164**	**499,777**	**2,319,179**	**1,382,482**
Net fee and commission income	64,674	73,458	69,026	189,611	212,620
Gains less losses from foreign currencies	39,569	57,827	21,759	159,709	149,391
Gains less losses on securities trading	31,148	29,422	57,282	84,468	208,727
Other Income	23	162	2,439	20,544	6,602
	135,414	**160,869**	**150,506**	**454,332**	**577,340**
TOTAL OPERATING INCOME	**998,223**	**996,033**	**650,283**	**2,773,511**	**1,959,822**
OPERATING EXPENSES					
Salaries, pension contributions and other staff benefits	182,253	175,009	127,606	528,721	414,868
Property expenses, including depreciation and amortisation	42,453	37,139	59,783	121,290	141,038
Impairment loss	69,712	-	-	69,712	-
Other operating expenses	77,489	105,847	83,047	252,360	214,891
	371,907	317,995	270,436	972,083	770,797
PROFIT BEFORE TAXATION	**626,316**	**678,038**	**379,847**	**1,801,428**	**1,189,025**
Taxation	(140,742)	(152,535)	(80,932)	(405,135)	(252,827)
NET PROFIT	**485,574**	**525,503**	**298,915**	**1,396,293**	**936,198**
Earnings per stock unit - Basic (cents)	**115**	**124**	**71**	**330**	**221**
Return on average equity	**28.97%**	**34.52%**	**19.01%**	**29.75%**	**20.18%**
Productivity ratio	**37.26%**	**31.93%**	**41.59%**	**35.05%**	**39.33%**

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CONSOLIDATED BALANCE SHEET

Unaudited ($000's)	Nine months ended 31 July 2009	Year ended October 31 2008	Nine months ended 31 July 2008
ASSETS			
CASH RESOURCES	1,300,394	1,108,263	1,801,473
INVESTMENTS			
Financial assets at fair value through statement of revenue and expenses	105,755	116,951	308,342
Securities available-for-sale	831,147	619,939	1,514,262
	936,902	736,890	1,822,604
PLEDGED ASSETS	65,560,896	59,179,709	55,988,487
LOANS, AFTER MAKING PROVISIONS FOR LOSSES	2,955,626	3,406,966	3,370,701
LEASES AND HIRE PURCHASE CONTRACTS	117,496	137,730	100,261
OTHER ASSETS			
Customers' liabilities under guarantees	650,717	691,078	622,414
Tax recoverable	310,968	119,266	107,633
Sundry assets	66,766	182,176	216,874
Property, plant and equipment at cost, less depreciation	80,282	102,934	127,661
Intangible assets at cost, less amortisation	19,210	27,992	30,600
Deferred tax assets	118,292	241,791	-
Goodwill	61,723	61,723	61,723
	1,307,958	1,426,960	1,166,905
TOTAL ASSETS	**72,179,272**	**65,996,518**	**64,250,431**
LIABILITIES			
DEPOSITS			
Deposits by the public	2,872,381	3,755,354	3,903,663
CAPITAL MANAGEMENT ACCOUNT & GOVERNMENT SECURITIES FUND OBLIGATIONS	15,754,241	14,991,522	15,665,801
OTHER LIABILITIES			
Promissory notes	57,339	380,312	589,481
Guarantees issued	650,717	691,078	622,414
Liabilities under repurchase agreements	45,117,835	40,012,879	36,916,627
Other liabilities	205,363	238,257	118,503
Taxation payable	370,562	70,004	5,015
Deferred taxation	25,508	13,270	113,764
Assets held in trust on behalf of participants	43,093	71,938	77,371
	46,470,417	41,477,738	38,443,175
STOCKHOLDERS' EQUITY			
Share capital	1,911,903	1,911,903	1,911,903
Statutory reserve fund	93,976	93,976	75,212
Retained earnings reserve	346,551	346,551	240,224
Cumulative remeasurement result from available-for-sale financial assets	(153,022)	(408,666)	248,361
Loan loss reserve	21,967	21,967	57,266
Capital reserve	22,075	22,075	22,075
Reserve for own shares	(49,948)	(78,635)	(82,870)
Retained profits	4,888,731	3,862,733	3,765,621
	7,082,233	5,771,904	6,237,792
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**72,179,272**	**65,996,518**	**64,250,431**

Director Director

Unaudited ($000's)	Share Capital	Reserve Fund	Retained Earnings Reserve	Cumulative Re-measurement Result from Available-for- sale Financial Assets	Loan Loss Reserve	Capital Reserve	Reserve for own shares	Unappropriated Profits	Total
Balances as at 31 October 2007	**1,911,903**	**75,212**	**240,224**	**577,221**	**57,266**	**22,075**	**(88,746)**	**3,155,283**	**5,950,438**
Unrealised losses on available-for-sale investments									
transferred to statement of revenues and expenses	-	-	-	(948,610)	-	-	-	-	(948,610)
Realised gains on available-for-sale investments									
transferred to statement of revenues and expenses	-	-	-	(37,277)	-	-	-	-	(37,277)
Loan loss reserve transfer	-	-	-	-	(35,299)	-	-	35,299	-
Dividends paid	-	-	-	-	-	-	-	(442,238)	(442,239)
Net profit for the period	-	-	-	-	-	-	-	1,239,480	1,239,480
Own shares sold by ESOP	-	-	-	-	-	-	10,111	-	10,111
Transfer to retained earnings reserve	-	-	106,327	-	-	-	-	(106,327)	-
Transfer to reserve fund	-	18,764	-	-	-	-	-	(18,764)	-
Movement for the year	-	18,764	106,327	(985,887)	(35,299)	-	10,111	707,450	(178,534)
Balances at October 31, 2008	**1,911,903**	**93,976**	**346,551**	**(408,666)**	**21,967**	**22,075**	**(78,635)**	**3,862,733**	**5,771,904**
Unrealised gains on available-for-sale investments									
transferred to statement of revenues and expenses	-	-	-	261,761	-	-	-	-	261,761
Realised gains on available-for-sale investments									-
transferred to statement of revenues and expenses	-	-	-	(6,117)	-	-	-	-	(6,117)
Divdends paid	-	-	-	-	-	-	-	(370,295)	(370,295)
Net profit for the period	-	-	-	-	-	-	-	1,396,293	1,396,293
Own shares sold by ESOP	-	-	-	-	-	-	28,687	-	28,687
Movement for the year	-	-	-	255,644	-	-	28,687	1,025,998	1,310,329
Balances at July 31, 2009	**1,911,903**	**93,976**	**346,551**	**(153,022)**	**21,967**	**22,075**	**(49,948)**	**4,888,731**	**7,082,233**

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited ($000's)	Nine months ended July 31 2009	Nine months ended July 31 2008
Cash flows used in operating activities		
Net income	1,396,293	936,198
Adjustments to net income:		
Depreciation	36,730	50,241
Impairment losses	109,840	8,818
Other, net	(1,953,783)	(1,138,474)
	(410,920)	(143,217)
Changes in operating assets and liabilities		
Pledged assets	(11,495,866)	(9,017,038)
Securities sold under repurchase agreements	4,610,459	4,937,470
Other, net	795,283	1,939,484
	(6,501,044)	(2,283,301)
Cash flows provided by investing activities		
Investment securities	166,273	253,899
Property, plant and equipment, net	(5,683)	(16,998)
	160,590	236,901
Cash flows used in financing activities		
Dividends paid	(370,295)	(325,860)
	(370,295)	(325,860)
Effect of exchange rate on cash and cash equivalents	593,089	10,170
Net change in cash and cash equivalents	(6,117,660)	(2,362,090)
Cash and cash equivalents at beginning of year	8,173,546	4,062,375
Cash and cash equivalents at end of period	**2,055,886**	**1,700,285**
Represented by:		
Cash resources	1,300,394	1,801,473
Less: Statutory reserves at BOJ	(230,603)	(146,799)
Interest bearing deposits with Central Bank greater than ninety days	(179,595)	(25,685)
Accrued interest on cash resources	(10,067)	(854)
Government of Jamaica treasury bills and bonds	1,175,757	72,150
Cash and cash equivalents at end of period	**2,055,886**	**1,700,285**

1. Identification

Scotia DBG Investments Limited is a 77.01% subsidiary of Scotia Group Jamaica Limited, which is incorporated and domiciled in Jamaica. The Bank of Nova Scotia, which is incorporated and domiciled in Canada, is the ultimate parent.

2. Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards, and they also comply with the provisions of the Companies Act. These financial statements are presented in Jamaican dollars, which is the Group's functional currency.

Basis of consolidation

The consolidated financial statements include the financial statements of all subsidiaries, including the Employee Share Ownership Plan (ESOP) classified as a special purpose entity. The results of the ESOP are not material to the Group.

Comparative Information

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

3. Financial assets

The company and the group classify their financial assets in the following categories: financial assets at fair value through profit and loss; loans and receivables; and available-for-sale. Management determines the classification of its investments at initial recognition.

- *Financial Assets at Fair Value through Profit and Loss*
  This category includes financial assets acquired primarily for the purpose of short term trading or as otherwise determined 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, goods or services directly to a debtor with no intention of trading the receivable.

- *Available-for-Sale*
  Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or equity prices.

Financial instruments are measured initially at cost, including transaction costs. Subsequent to initial recognition, all available-for-sale instruments and financial assets at fair value through profit and loss are measured at fair value, except that any available-for-sale instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured, is stated at cost, including transactions costs, less impairment losses. Gains and losses arising from changes in the fair value of available-for-sale instruments are recognized directly in equity, while gains and losses arising from changes in the fair value of trading securities are included in the statement of revenues and expenses in the period in which they arise. Interest calculated using the effective interest method is recognized in the statement of revenue and expenses.

Consequent on the adoption of the Amendment to IAS 39 and IFRS 7, the company and the group have reclassified certain investments from available-for-sale to loans and receivables. Management has determined that the criteria for reclassification has been met; in particular, these investments meet the definition of loans and receivables as they are not quoted in an active market and it has the intention and ability to hold these assets for the foreseeable future or until maturity.

These reclassified investments are measured at amortised cost, determined as being the fair value at the date of the reclassification. The cumulative gains or losses, previously recognised in equity, are recognised in profit or loss over the remaining life of the instruments using the effective interest rate method.

4. Pledged assets

Assets are pledged as collateral under repurchase agreements; capital management fund and government securities fund obligations; as well as mandatory reserve deposits held with The Bank of Jamaica.

i. All repurchase agreements mature within twelve (12) months and are conducted under terms that are usual and customary to standard securities borrowing and repurchase agreements.
ii. The capital management fund and the government securities fund are managed on a non-recourse basis, on behalf of investors.
iii. Included in other balances are Government of Jamaica Local Registered Stocks and Investment Bonds valued at $133,400,000 (October 31, 2008:$ 310,671,000) held by the Bank of Jamaica as security for the Group against possible shortfalls in the operating account.

	Asset		Related Liability	
	2009 000's	2008 000's	2009 000's	2008 000's
Securities sold under repurchase agreements	46,454,781	35,135,273	42,300,389	33,526,414
Capital management fund and government securities fund	15,270,680	15,667,446	15,754,241	15,665,801
Securities with BOJ and other financial institutions	3,835,435	5,185,768	2,817,445	3,390,213
	65,560,896	55,988,487	60,872,075	52,582,428

5. Impairment loss

Scotia DBG Investments has an outstanding liability to Lehman Brothers (Europe) arising out of a repurchase agreement entered into during the normal course of business, whereby GOJ EURO denominated bonds were pledged as security. It is considered doubtful that the excess of the value of these pledged assets held over the liability will be recovered, in light of the insolvency proceedings that have since been initiated with respect to members of the Lehman Brothers Group. Consequently, a full provision for this excess of $69,712,429 (EUR 561,183) has been made in the financial statements.

6. 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 the last reprice date of the loan.

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

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment loss.

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

Segment information is presented in respect of the Group's business segments. The primary business segments are based on the company's management and internal reporting structure. The Group operated in three principal geographical areas, Jamaica, Trinidad and the Cayman Islands. However, the vast majority of the Group's total revenues arise in Jamaica, based on the geographical location of its clients. The vast majority of the Group's assets are also located in Jamaica. At this time there are no material segments into which the Group's business may be broken down.

11. Share capital

The authorised share capital of the company is 1,200,000,000 (October 31, 2008: 1,200,000,000) ordinary shares.

12. Earnings per share

Basic earnings per stock unit is calculated on the group net profit after taxation for the period divided by the number of stock units in issue of 423,194,765 (October 31, 2008: 423,194,765).

13. Managed funds

Scotia DBG Fund Managers Limited, a wholly owned subsidiary, manages funds, on a non-recourse basis, on behalf of investors. The Group has no legal or equitable right or interest in these funds and, accordingly, they have been excluded from the financial statements.

At July 31, 2009, these funds aggregated $5,773,319,000 (October 31, 2008: $5,928,184,000).

The Group also manages pension and trust funds with a total asset value of $34,909,693,000 as at July 31, 2009.