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# **MEDIA RELEASE**

## **SCOTIA GROUP JAMAICA REPORTS SOLID FIRST QUARTER RESULTS**

### **FIRST QUARTER 2010 HIGHLIGHTS**

- **Net Income of \$2,774 million, up 12% over the same period in 2009**
- **Net Income available to common shareholders of \$2,658 million**
- **Earnings per share of \$0.85**
- **Return on Average Equity of 22.94%**
- **Productivity ratio of 52.30%**
- **First quarter dividend of 37 cents per share**

Scotia Group Jamaica Limited (Scotia Group) today reported solid first quarter results of \$2,658 million net income available to common shareholders, an increase of \$259 million or 11% when compared with the same period last year, and \$27 million below the quarter ended October 31, 2009.

Earnings per share (EPS) for the quarter was \$0.85, compared to \$0.77 last year, while the Return on Average Equity (ROE) remains very strong at 22.94%.

The Board of Directors today approved a first interim dividend of 37 cents per stock unit payable on April 8, 2010, to stockholders on record at March 15, 2010.

Bruce Bowen, President and CEO said “Scotia Group Jamaica continues to report solid earnings due to the Group’s strong capital and liquidity positions, and diverse business lines. These strengths and diversity have augured well for the Group, as despite a decline in the Net Income of the Bank, increased contributions from the Insurance and Wealth Management subsidiaries ensured that the overall results of the Group continues to satisfy our stakeholders”

The contribution to net income (excluding other comprehensive income) by major subsidiaries is outlined below:-

	\$'Million	% Contribution
	Year to Date	Year to Date
The Bank of Nova Scotia Jamaica Limited (BNSJ)	1,136	42.74%
Scotia Jamaica Life Insurance Company Limited (SJLIC)	1,010	38.00%
Scotia DBG Investments Limited (Scotia DBG)*	391	14.71%
Scotia Jamaica Building Society (SJBS)	121	4.55%
* Excludes minority interest		
<b>Net Income attributable to common shareholders</b>	<b>2,658</b>	<b>100.00%</b>

## REVENUES

Total Revenue, comprising net interest revenue and other income, was \$7,920 million, representing an increase of \$792 million or 11% from the prior year.

## NET INTEREST INCOME

Net interest income for the quarter was \$6,568 million, up \$970 million when compared to last year. This is due to strong growth in earning assets combined with improved interest margins.

## OTHER REVENUE

Other revenue for the quarter was \$1,352 million, down 11.6% when compared with prior year. This is due to lower fee income on deposit and payment services, as well as reduced revenue from securities and foreign exchange trading income, which has been impacted by the conditions in the financial markets.

## NON-INTEREST EXPENSES AND PRODUCTIVITY

Our productivity ratio (non-interest expense/total revenue) - a key measure of cost efficiency - was 52.30%. Non-interest Expenses, excluding Loan Loss Provisions, were \$3,716 million, up \$330 million (9.75%) over last year. This was due mainly to increased staff, premises and computer-related expenses.

## CREDIT QUALITY

Non-performing Loans at January 31, 2010 totaled \$3,666 million, up \$115 million over January 31, 2009, and \$79 million above the previous quarter ended October 31, 2009. The year over year increase reflects the difficulties being faced by borrowers, especially retail loan customers. The growth in non-performing loans has been controlled, as the Group continues to apply strong credit risk management measures, as well as derived benefits from the Customer Assistance Program, which was implemented in 2009 to assist customers experiencing short term cash flow difficulties. Scotia Group's non-performing loans now represent 3.90% of total gross loans and 1.14% of total assets compared to 3.96% and 1.21% respectively one year ago.

The IFRS Loan Loss Provisioning requirements are computed using a different methodology from the Bank of Jamaica 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 at January 31, 2010 as determined by IFRS is \$1,143 million, compared to \$925 million at January 31, 2009 and \$1,086 million as of October 31, 2009. The loan loss provision as determined by Regulatory Requirement is \$3,131 million.

## **BALANCE SHEET**

Total assets increased year over year by \$28.6 billion or 9.78% to \$321 billion as at January 31, 2010. The Group's loan portfolio totaled \$93 billion, up \$4 billion over the previous year, with growth reflected mainly in the commercial loan portfolio. Investments and pledged assets also increased by \$24.9 billion. Customer liabilities (deposits, repurchase liabilities and policyholder's funds) grew to \$254 billion, up \$17.6 billion from the previous year, reflecting continued confidence in Scotiabank despite challenging market conditions.

## **CAPITAL**

Scotia Group's capital base continues to be very strong. Total shareholders equity grew to \$49 billion, \$8.6 billion more than the prior year. We continue to maintain a strong capital position to enable us to take advantage of future growth opportunities.

## **INVESTING IN JAMAICA**

The Bank welcomed and hosted noted Chief Economist, Dr. Warren Jestin, from Scotiabank, Toronto. He made presentations to members of Government and the Opposition including the Prime Minister, members of the Private Sector Organization of Jamaica, young entrepreneurs, and students studying economics at the University of the West Indies. He spoke on "The current state of the world financial system and prospects for recovery." This provided an unique opportunity particularly for young entrepreneurs and students to have one on one communication with a leader in their field, on the impact of the world crisis on the Jamaican economy.

## **OUR COMMITMENT TO THE COMMUNITY**

The Scotiabank Group continued its outreach activities with donations totaling \$16 million during the quarter. Of this amount, the Scotiabank Jamaica Foundation donated \$9.7 million to support on-going Health Care programs at the Scotiabank Centennial Accident and Emergency Unit at the University Hospital of the West Indies, Jamaica Cancer Society, and the Scotiabank Jamaica Foundation Accident and Emergency Unit at the Port Antonio Hospital. In Student Care, support was given in the form of CSEC bursaries to high school students and an on-going scholarship award at the Northern Caribbean University. Other donations comprised \$3.8 million to the Shaggy Dare to Care Foundation, \$2 million from staff and the Bank to the Dare To Care Home of the Mustard Seed Community, and \$600,000 to community activities island wide.

## **HAITIAN RELIEF EFFORT**

The Bank made a cash donation to the Jamaica Red Cross for the Haitian recovery effort, and played a significant role in collecting relief supplies in response to the crisis. All branches island wide were designated collection centers for medical supplies, clothing and food; we facilitated the opening of two public accounts for the collection of cash donations and another for cash donations from staff for colleagues in Haiti.

## **SCOTIA VOLUNTEERS**

Some 250 volunteers gave their time as parking attendants, escorts, gatekeepers and table hosts at the Shaggy Dare to Care Concert to raise funds for the Bustamante Hospital for Children. During the period volunteers also assisted the Salvation Army in sorting and packaging relief supplies for the Haitian earthquake victims, hosted Christmas Treats at 28 locations, and operated a Christmas House for kids at the Emancipation Park for several days leading up to Christmas.

## **AWARDS**

During the quarter, the Bank was the proud recipient of the Keys to the City of Kingston from the Mayor of Kingston and the Best Bank award from the Latin Finance magazine. The Bank was also one of several Scotiabank locations, to share in the My Hero Award from AID FOR AIDS International for efforts in fighting HIV and AIDS, as well as, received two awards from Scotiabank International for philanthropy. In the Jamaica Stock Exchange's Best Practices Awards, Scotiabank Group and Scotia DBG shared the first runner up Award for Best Annual Report; Scotia DBG was first runner up for the Best Website for a stockbrokerage, was second runner up for the Best Website for a listed company; Scotiabank Group was second runner up for Best Practices Corporate Disclosure and Investor Relations; and Scotia DBG emerged joint winner of the prestigious Govenner General Award.

## **OUTLOOK FOR THE YEAR**

As announced last month, the Group made the decision to fully participate in the Government of Jamaica's Debt Exchange (JDX) Offer. In commenting on this, Bruce Bowen, President and CEO said "As we look ahead it is clear that the JDX will have a negative impact on net interest income in the near future, and that our business will experience many challenges due to the sluggish economic environment. To address this, we will accelerate our plans to increase operational efficiencies and improve our overall cost structure, while identifying new revenue opportunities through enhanced products and services that meet our customers needs. We will continue to keep a strong focus on risk management and customer experience as we seek to grow our business. The future will be challenging, but we are confident that we have the right team and strategy in place to ensure that Scotia Group remains the premier financial services provider in Jamaica".

Scotia Group Jamaica takes this opportunity to thank all of our stakeholders. To our customers, thank you for your loyalty and your business. To our shareholders, thank you for the commitment, trust and confidence you continue to show in us. Our continued success is as a result of great execution by our team of skilled and dedicated employees and we thank them for their professionalism, commitment and for being a great team.



Scotia Group Jamaica Limited

Consolidated Statement of Income

Period ended January 31, 2010	For the three months ended		
	January 2010	October 2009	January 2009
<i>Unaudited</i> (\$ millions)			
<b>GROSS OPERATING INCOME</b>	<b>11,988</b>	<b>12,494</b>	<b>10,988</b>
Interest Income	10,636	11,060	9,458
Interest Expense	(4,068)	(4,397)	(3,860)
Net interest income	6,568	6,663	5,598
Impairment losses on loans	(426)	(569)	(364)
Net interest income after impairment losses	6,142	6,094	5,234
Net fee and commission income	824	861	907
Insurance premium income	205	202	194
Net foreign exchange trading income	283	254	385
Net gains / (losses) on financial assets classified as held for trading	7	44	(5)
Net gains on financial assets available for sale	-	5	3
Other revenue	33	68	46
	1,352	1,434	1,530
<b>Total Operating Income</b>	<b>7,494</b>	<b>7,528</b>	<b>6,764</b>
<b>Operating Expenses</b>			
Salaries and staff benefits	2,113	2,038	1,868
Property expenses, including depreciation	437	674	342
Amortisation of intangible assets	42	1	57
Other operating expenses	1,124	1,083	1,119
	3,716	3,796	3,386
<b>Profit before taxation</b>	<b>3,778</b>	<b>3,732</b>	<b>3,378</b>
Taxation	(1,004)	(878)	(903)
<b>Profit for the period</b>	<b>2,774</b>	<b>2,854</b>	<b>2,475</b>
<b>Attributable to:</b>			
Stockholders of the Parent Company	2,658	2,685	2,399
Minority Interest	116	169	76
Earnings per share based on 3,111,572,984 shares (cents)	85	86	77
Return on average equity (annualized)	22.94%	23.94%	25.01%
Return on assets (annualized)	3.31%	3.40%	3.28%
Productivity ratio	52.30%	53.91%	52.61%



**Scotia Group Jamaica Limited**


**Consolidated Statement of Comprehensive Income**

**Period ended January 31, 2010**

<b>Unaudited (\$ millions)</b>	<b>January 2010</b>	<b>January 2009</b>
Profit for the period	2,774	2,475
Other Comprehensive Income		
Unrealised losses on available for sale financial assets	(425)	(801)
Actuarial gains on defined benefit pension plan	145	105
Other actuarial losses	(102)	(59)
	(382)	(755)
Taxation	113	221
Other comprehensive income, net of tax	(269)	(534)
<b>Total comprehensive income for the period</b>	<b>2,505</b>	<b>1,941</b>
<b>Attributable to:-</b>		
<b>Stockholders of parent company</b>	<b>2,391</b>	<b>1,916</b>
<b>Minority Interest</b>	<b>114</b>	<b>25</b>

Scotia Group Jamaica Ltd.  
Consolidated Balance Sheet  
January 31, 2010

<i>Unaudited</i> (\$ millions)	Period ended January 31	Year ended October 31	Period ended January 31
	2010	2009	2009
<b>ASSETS</b>			
<b>CASH RESOURCES</b>	61,034	59,032	64,005
<b>INVESTMENTS</b>			
Held To Maturity	54,515	47,777	34,250
Financial assets at fair value through profit and loss	47	105	98
Securities available for sale	25,998	26,669	23,634
	<u>80,560</u>	<u>74,551</u>	<u>57,982</u>
<b>PLEGGED ASSETS</b>	64,311	66,813	61,953
<b>GOVERNMENT SECURITIES UNDER REPURCHASE AGREEMENT</b>	-	556	300
<b>LOANS, AFTER MAKING PROVISIONS FOR LOSSES</b>	92,751	92,178	88,763
<b>OTHER ASSETS</b>			
Customers' Liability under acceptances, guarantees and letters of credit	9,120	9,357	6,697
Real estate and equipment at cost, less depreciation	3,478	3,434	2,990
Deferred Taxation	42	101	357
Taxation Recoverable	1,280	1,127	950
Retirement Benefit Asset	5,983	5,827	5,516
Other assets	421	461	710
Intangible Assets	2,078	2,119	2,232
	<u>22,402</u>	<u>22,426</u>	<u>19,452</u>
<b>TOTAL ASSETS</b>	<b>321,058</b>	<b>315,556</b>	<b>292,455</b>
<b>LIABILITIES</b>			
<b>DEPOSITS</b>			
Deposits by public	147,678	141,877	138,826
Other deposits	10,364	10,771	10,024
	<u>158,042</u>	<u>152,648</u>	<u>148,850</u>
<b>OTHER LIABILITIES</b>			
Acceptances, Guarantees and Letters of Credit	9,120	9,357	6,697
Liabilities under repurchase agreements	44,167	46,120	40,392
Promissory Notes	42	55	421
Capital Management and Government Securities Fund	16,251	15,899	15,713
Redeemable Preference Shares	100	100	100
Deferred Taxation	2,101	2,232	1,473
Retirement Benefit Obligation	1,220	1,132	982
Assets Held in Trust on behalf of Participants	42	44	42
Other liabilities	5,224	5,617	5,796
	<u>78,267</u>	<u>80,556</u>	<u>71,616</u>
<b>POLICY HOLDERS' FUND</b>	35,481	34,408	31,372
<b>SHAREHOLDERS' EQUITY</b>			
<b>Capital and reserves attributable to the company's shareholders</b>			
Capital- Issued and fully paid, 3,111,572,984			
Ordinary stock units, no par value	6,570	6,570	6,570
Reserve Fund	3,221	3,218	3,200
Retained Earnings Reserve	9,927	9,610	8,610
Capital Reserve	9	9	9
Loan Loss Reserve	1,988	1,716	1,585
Other Reserves	13	13	13
Investment Cumulative Remeasurement result from Available for Sale Financial Assets	(1,539)	(1,242)	(2,623)
Unappropriated Profits	26,776	25,831	21,432
	<u>46,965</u>	<u>45,725</u>	<u>38,796</u>
<b>Minority Interest</b>	2,303	2,219	1,821
	<u>49,268</u>	<u>47,944</u>	<u>40,617</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>321,058</b>	<b>315,556</b>	<b>292,455</b>

  
Director

  
Director



Consolidated Statement of Changes in Shareholders' Equity  
January 31, 2010

<i>Unaudited \$millions</i>	Share Capital	Reserve Fund	Retained Earnings Reserve	Capital Reserve	Other Reserves	Loan Loss Reserve		Unappropriated Profits	Total	Minority Interest	Total Equity	
<b>Balance at 31 October 2008</b>	<b>6,570</b>	<b>3,200</b>	<b>7,310</b>	<b>9</b>	<b>13</b>	<b>1,301</b>		<b>(2,105)</b>	<b>21,643</b>	<b>37,941</b>	<b>1,815</b>	<b>39,756</b>
Net profit	-	-	-	-	-	-	-	11,078	11,078	453	11,531	
<b>Other Comprehensive Income</b>	-	-	-	-	-	-	-	-	-	-	-	
Fair value gains on available-for-sale investments, net of tax	-	-	-	-	-	-	863	-	863	59	922	
Actuarial gains/ (losses), net of tax	-	-	-	-	-	-	-	74	74	-	74	
<b>Total comprehensive Income</b>	-	-	-	-	-	-	863	11,152	12,015	512	12,527	
Transfer to Retained Earnings Reserve	-	-	2,300	-	-	-	-	(2,300)	-	-	-	
Transfer to Loan Loss Reserve	-	-	-	-	-	415	-	(415)	-	-	-	
Transfer to Reserve Fund	-	18	-	-	-	-	-	(18)	-	-	-	
Net movement in reserves for minority interests	-	-	-	-	-	-	-	-	-	6	6	
Dividends Paid	-	-	-	-	-	-	-	(4,231)	(4,231)	(114)	(4,345)	
<b>Balance at 31 October 2009</b>	<b>6,570</b>	<b>3,218</b>	<b>9,610</b>	<b>9</b>	<b>13</b>	<b>1,716</b>		<b>(1,242)</b>	<b>25,831</b>	<b>45,725</b>	<b>2,219</b>	<b>47,944</b>
Net profit	-	-	-	-	-	-	-	2,658	2,658	116	2,774	
<b>Other Comprehensive Income</b>	-	-	-	-	-	-	-	-	-	-	-	
Fair value losses on available-for-sale investments, net of tax	-	-	-	-	-	-	(297)	-	(297)	(2)	(299)	
Actuarial gains/ (losses), net of tax	-	-	-	-	-	-	-	30	30	-	30	
<b>Total comprehensive Income</b>	-	-	-	-	-	-	(297)	2,688	2,391	114	2,505	
Transfer to Retained Earnings Reserve	-	-	317	-	-	-	-	(317)	-	-	-	
Transfer to Loan Loss Reserve	-	-	-	-	-	272	-	(272)	-	-	-	
Transfer to Reserve Fund	-	3	-	-	-	-	-	(3)	-	-	-	
Net movement in reserves for minority interests	-	-	-	-	-	-	-	-	-	2	2	
Dividends Paid	-	-	-	-	-	-	-	(1,151)	(1,151)	(32)	(1,183)	
<b>Balance at 31 January 2010</b>	<b>6,570</b>	<b>3,221</b>	<b>9,927</b>	<b>9</b>	<b>13</b>	<b>1,988</b>		<b>(1,539)</b>	<b>26,776</b>	<b>46,965</b>	<b>2,303</b>	<b>49,268</b>





**Scotia Group Jamaica Limited**  
**Condensed Consolidated Statement of Cash Flows**  
**January 31, 2010**

<b>Unaudited</b> <b>(\$ millions)</b>	<b>2010</b>	<b>2009</b>
<b>Cash flows provided by / (used in) operating activities</b>		
Net Income	2,774	2,475
Adjustments to net income		
Depreciation	114	95
Impairment losses on loans	426	364
Amortisation of intangible assets	42	57
Other, net	(5,565)	(5,525)
	<u>(2,209)</u>	<u>(2,534)</u>
Changes in operating assets and liabilities		
Loans	(996)	617
Deposits	5,969	8,643
Policyholders reserve	1,073	810
Securities sold under repurchase agreement	(1,680)	377
Financial assets at fair value through profit & loss	59	19
Other, net	8,236	4,671
	<u>10,452</u>	<u>12,603</u>
<b>Cash flows provided by / (used in) investing activities</b>		
Investments	(1,284)	(6,278)
Repurchase Agreements, net	551	110
Property, plant and equipment, Intangibles, net	(157)	(174)
	<u>(890)</u>	<u>(6,342)</u>
<b>Cash flows used in financing activities</b>		
Dividends paid	(1,183)	(1,085)
	<u>(1,183)</u>	<u>(1,085)</u>
Effect of exchange rate on cash and cash equivalents	55	1,466
Net change in cash and cash equivalents	8,434	6,642
Cash and cash equivalents at beginning of year	15,796	18,359
<b>Cash and cash equivalents at end of period</b>	<b>24,230</b>	<b>25,001</b>
<b>Represented by :</b>		
Cash resources	61,034	64,005
Less statutory reserves at Bank of Jamaica	(17,923)	(16,179)
Less amounts due from Bank of Jamaica greater than ninety days	(16,793)	(19,108)
Less amounts due from other banks greater than ninety days	(2,927)	(6,409)
Less accrued interest on cash resources	(2,319)	(2,055)
GOJ Treasury bills, repurchase agreements and bonds less than ninety days	5,575	7,555
Cheques and other instruments in transit, net	(2,417)	(2,808)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>24,230</b>	<b>25,001</b>



# SCOTIA GROUP JAMAICA LIMITED

## Segment Reporting Information

### Consolidated Statement of Income

January 31, 2010

Unaudited

(\$ millions)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	2,006	2,159	1,313	1,073	1,368	1	-	7,920
Revenues from other segments	(1,157)	626	536	(11)	1	1,159	(1,154)	-
<b>Total Revenues</b>	<b>849</b>	<b>2,785</b>	<b>1,849</b>	<b>1,062</b>	<b>1,369</b>	<b>1,160</b>	<b>(1,154)</b>	<b>7,920</b>
Expenses	(17)	(2,219)	(1,395)	(313)	(154)	(6)	(38)	(4,142)
Unallocated expenses								
<b>Profit Before Tax</b>	<b>832</b>	<b>566</b>	<b>454</b>	<b>749</b>	<b>1,215</b>	<b>1,154</b>	<b>(1,192)</b>	<b>3,778</b>
Taxation								(1,004)
<b>Profit for the period</b>								<b>2,774</b>

### Consolidated Balance Sheet

(\$ millions)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	90,013	51,541	57,588	73,378	49,200	10,108	(17,734)	314,094
Unallocated assets								6,964
<b>Total Assets</b>								<b>321,058</b>
Segment liabilities	358	90,577	82,930	64,168	35,847	433	(8,153)	266,160
Unallocated liabilities								5,630
<b>Total liabilities</b>								<b>271,790</b>
<b>Other Segment items:</b>								
Capital Expenditure	-	87	70		-	-		157
Impairment losses on loans	-	399	31	(4)	-	-		426
Depreciation and amortisation	-	59	45	47	1	4		156



Segment Reporting Information

Consolidated Statement of Income

January 31, 2009

Unaudited

(\$ millions)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	1,954	2,204	1,270	684	1,011	5	-	7,128
Revenues from other segments	(936)	458	436	29	11	1,060	(1,058)	-
<b>Total Revenues</b>	<b>1,018</b>	<b>2,662</b>	<b>1,706</b>	<b>713</b>	<b>1,022</b>	<b>1,065</b>	<b>(1,058)</b>	<b>7,128</b>
Expenses	(15)	(1,867)	(1,373)	(249)	(178)	(17)	(51)	(3,750)
Unallocated expenses								
<b>Profit Before Tax</b>	<b>1,003</b>	<b>795</b>	<b>333</b>	<b>464</b>	<b>844</b>	<b>1,048</b>	<b>(1,109)</b>	<b>3,378</b>
Taxation								(903)
<b>Profit for the period</b>								<b>2,475</b>

Consolidated Balance Sheet

(\$ millions)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	84,825	51,596	50,031	67,898	40,929	10,389	(19,936)	285,732
Unallocated assets								6,723
<b>Total Assets</b>								<b>292,455</b>
Segment liabilities	2,808	85,223	76,027	61,143	31,567	769	(10,506)	247,031
Unallocated liabilities								4,807
<b>Total liabilities</b>								<b>251,838</b>
<b>Other Segment items:</b>								
Capital Expenditure	-	90	81	-	3	-	-	174
Impairment losses on loans	-	363	-	1	-	-	-	364
Depreciation and amortisation	-	41	40	65	1	5	-	152



# SCOTIA GROUP JAMAICA LIMITED

## Notes to the Consolidated Financial Statements

### January 31, 2010

#### 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.

##### **Comparative information**

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

#### 3. Significant new standards and amendments to published standards that became effective during the period:

IAS 1 (Revised) Presentation of Financial Statements, effective for annual periods beginning on or after January 1, 2009. It requires the presentation of all non-owners changes in equity in one or two statements: either in a single statement of comprehensive income or in a statement of income and statement of comprehensive income. The Group has adopted the two statement presentation.

IFRS 8 Operating Segments, effective for annual periods beginning on or after January 1, 2009. It replaces IAS 14, and sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates and its major customers. An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, and whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. This standard did not materially impact the Group's financial statements. The major segments are described in note 12.

#### 4. Financial Assets

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

##### Financial Assets at Fair Value through Profit and Loss

This category includes a financial asset acquired principally for the purpose of selling in the short term or if so designated by management.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable.

##### Held-to-Maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.



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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 income in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in the statement of comprehensive income. Interest calculated using the effective interest method is recognized in the statement of income.

**5. 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 (BOJ).

(\$millions)	<u>Asset</u>		<u>Related</u>	<u>Liability</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Securities Sold under Repurchase Agreements	45,601	39,090	44,167	37,612
Securities with BOJ and other Financial Institutions	<u>4,149</u> 49,750	<u>6,987</u> 46,077	- 44,167	<u>2,780</u> 40,392
Capital Management and Government Securities Funds	<u>14,561</u>	<u>15,876</u>	<u>16,251</u>	<u>15,713</u>
	<u>64,311</u>	<u>61,953</u>	<u>60,418</u>	<u>56,105</u>

**6. 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.

**7. Loan loss provision**

IFRS loan loss provision is established on the difference between the carrying amount and the recoverable amount of loans. The recoverable amount being the present value of expected future cash flows, discounted based on the interest rate at inception or last repriced date of the loan. Regulatory loan loss provisioning requirements that exceed these amounts are maintained within a loan loss reserve in the equity component of the balance sheet.

**8. 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 comprehensive income, 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.



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**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.

**9. 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.

**10. Property, plant and equipment**

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

**11. 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.

**12. Segment reporting**

The Group is organized into six main business segments:

- Retail Banking – incorporating personal banking services, personal customer current accounts, saving deposits, credit and debit cards, customer loans and mortgages;
- Corporate and Commercial Banking – incorporating non-personal direct debit facilities, current accounts, deposits, overdrafts, loans and other credit facilities and foreign currency transactions;
- Treasury – incorporating the Group's liquidity and investment management function, management of correspondent bank relationships, as well as foreign currency trading;
- Investment Management Services- incorporating investments, unit trusts, pension and other fund management, brokerage and advisory services, and the administration of trust accounts.
- Insurance Services – incorporating the provision of life and medical insurance, individual pension administration and investment management;
- Other operations of the Group comprise non trading subsidiaries.

Transactions between the business segments are on normal commercial terms and conditions. The Group's operations are located mainly in Jamaica.