Scotia DBG Investments

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MEDIA RELEASE

SCOTIA DBG INVESTMENTS POSTS SIX-MONTH EARNINGS OF $748 MILLION.

SECOND QUARTER 2010 HIGHLIGHTS

- **Net income of $202 million**
- **Earnings per share of $0.48**
- **Capital Adequacy Ratio of 231%**
- **Productivity ratio of 37.02%**
- **Second quarter dividend of 33.0 cents per share**

Scotia DBG Investments Limited (SDBG) today reported its unaudited financial results for the six months ended April 30, 2010. Net income for the period amounted to $748 million, representing a decline of 18% from the same period last year. The decline in revenue was primarily attributable to a fall in net interest income as a result of the participation in the JDX program. The after-tax results for the second quarter were also impacted by the recognition of deferred taxes on net interest receivable balances which totalled $206 million for the quarter. This recognition policy commenced this fiscal year.

Profit before tax for the second quarter amounted to $583 million, representing a 14% decline from the $678 million earned in the comparative period last year, and a 26% decline in results quarter over quarter. On a pre-tax basis six-month net profit was actually up 17% or $199 million over the comparative period last year.

Earnings per share (EPS) for the six-month period was $1.77 compared to the $2.15 earned for the same period last year.

In commenting on the results for the six month period, Anya Schnoor CEO of SDBG stated that “Our full participation in the Government of Jamaica’s Debt Exchange (JDX) offer was completed in February 2010 and as expected, there has been a consequent reduction in our net interest income for the second quarter. As part of our strategy to diversify our revenue base we have been adjusting our business model away from our reliance on net interest income. This strategy has been succeeding. Our funds under management, which includes off-balance sheet portfolios, grew by $1.7 billion over the quarter and now stands at $112 billion. This also represents growth of more than $9 billion over the past year. We continue to dominate the unit trust and mutual fund industry and our market share at the end of April 2010 was over 50% of total assets under management of the industry.

In addition, as part of our strategic realignment of our core business and to improve overall efficiencies, we entered into a sale agreement with the Bank of Nova Scotia Jamaica Ltd. to sell our 100% shareholding in Scotia DBG Merchant Bank. The sale will be completed before the end of June 2010. This sale, along with the closure of two of our branches in May Pen and Ocho Rios in February 2010 will allow us to improve our efficiency while reinforcing our strategic focus on our core business of providing wealth management solutions to our clients."

REVENUES

Total revenues comprising net interest revenue and other income was $925 million for the quarter, a decrease of $71 million from the same period last year and down $206 million or 18% when compared to the last quarter. This decline in revenue was primarily attributable to a fall in net interest income as a result of the participation in the JDX program.

Net Interest Income

Net interest income for the quarter amounted to $738 million, a decrease of 12% from the $835 million reported last year. The results were also lower than the $995 million earned for the first quarter. The JDX initiative which was completed in February resulted in a significant decline in asset yields during the quarter.

Other Revenue

Other revenue, which includes fee income and net foreign exchange trading income, was $179.9 million for the quarter, up $19 million or 12% from the $160.9 million reported for the same period last year. These results also improved by $38 million or 27% over the first quarter. The company continues to record strong growth in the Caribbean Income Fund and in unit trust sales and the quarter's results were also boosted by higher fee income on managed funds.

NON-INTEREST EXPENSES AND PRODUCTIVITY

The company continued to focus on expense control throughout the year. Our productivity ratio (non-interest expense as a percentage of net revenue) - a key measure of cost efficiency - was 33.20% for the six-month period, a marginal improvement from the 33.81% last year, despite the decline in net revenues.

Non-interest expense amounted to $343 million for the quarter, and was in line with the $340 million spent in the previous quarter. The quarter's results were $25 million or 8% greater than the same period last year, and this was due primarily to increased staff costs as well as a general increase in other operating costs over the period.

BALANCE SHEET

Total assets at the end of the quarter stood at $70 billion a decrease of $2 billion or 2.9% over the same period last year. This decrease in the asset base is in keeping with the shift in our business model to act as broker and facilitate the direct placement of repos for our institutional clients off balance sheet as well as some migration into our Unit Trust and Mutual Fund products over the past year.

CAPITAL

The strength of our capital base is evident with total shareholders equity standing at $8.3 billion at the end of the quarter. This represented an increase of $1.97 billion or 31% over the equity reported as at the end of the comparative period last year and was also up $208 million or 3% over the previous quarter. Our investment reserve continues to improve due to sustained recovery of bond prices as interest rates continue to fall. At the end of the quarter, our capital adequacy ratio remained strong at 231%, significantly above the 10% statutory requirement.

DIVIDEND

At the Board of Directors meeting on May 26, 2010 the Board approved an interim dividend of 33.0 cents per stock unit, payable on July 8, 2010, to stockholders on record as at June 16, 2010.

NON-FINANCIAL HIGHLIGHTS

During the quarter we hosted our third in the series of Corporate Seminars/ webinars on March 19th featuring the Right Honorable Bruce Golding, Prime Minister of Jamaica as the Guest Speaker. The seminar focused on Multilateral Funding and the Impact on the Jamaican economy, and was streamed live on our website and Facebook. In addition, we hosted an outside broadcast which aired on Power 106 FM and brought segments of the seminar to radio listeners.

A series of three budget webinars were also hosted between April 13 and April 27, 2010. The webinars focused on the review and analysis of the National Budget and investment strategies in a post JDX economic environment. This was our first series of webinars and was quite successful as customers were able to view these series live and they also had the opportunity to ask and have their questions answered during the sessions.

SDBG also participated in the Kingston Money Expo held at the Hilton Kingston Hotel, where we made presentations about wealth creation and the Jamaican economy.

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

CONSOLIDATED STATEMENT OF INCOME

Unaudited ($000's)	For the three months ended April 2010	January 2010	April 2009	For the six months ended April 2010	April 2009
GROSS OPERATING INCOME	2,009,355	2,650,927	2,682,028	4,660,282	4,989,455
Interest income	1,829,494	2,509,100	2,521,159	4,338,594	4,670,537
Interest expense	(1,091,542)	(1,513,655)	(1,685,791)	(2,605,197)	(3,212,517)
Net Interest Income	737,952	995,445	835,368	1,733,397	1,458,020
Impairment losses on loans	7,506	(5,572)	(204)	1,934	(1,651)
Net interest income after impairment losses	745,458	989,873	835,164	1,735,331	1,456,369
Net fee and commission income	98,352	81,138	73,458	179,490	124,937
Net foreign exchange trading income	27,116	36,878	57,827	63,994	120,139
Net gains/(losses) on financial assets classified as held for trading	5,215	6,733	(2,711)	11,948	(7,844)
Net gains on financial assets available for sale	9,458	-	-	9,458	-
Gains less losses on securities trading	38,953	8,651	32,133	47,604	61,165
Other Income	767	8,427	162	9,194	20,521
	179,861	141,827	160,869	321,688	318,918
TOTAL OPERATING INCOME	**925,319**	**1,131,700**	**996,033**	**2,057,019**	**1,775,287**
				-	-
OPERATING EXPENSES					
Salaries and staff benefits	191,521	215,142	175,009	406,663	346,468
Property expenses, including depreciation	53,903	32,468	33,955	86,371	71,986
Amortisation of intangible assets	2,082	2,540	3,184	4,622	6,850
Other operating expenses	95,070	90,284	105,847	185,354	174,871
	342,576	340,434	317,995	683,010	600,175
PROFIT BEFORE TAXATION	**582,743**	**791,266**	**678,038**	**1,374,009**	**1,175,112**
Taxation	(380,605)	(245,702)	(152,535)	(626,307)	(264,393)
PROFIT FOR THE PERIOD	**202,138**	**545,564**	**525,503**	**747,702**	**910,719**
PROFIT AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY	**202,138**	**545,564**	**525,503**	**747,702**	**910,719**
Earnings per stock unit - Basic (cents)	**48**	**129**	**124**	**177**	**215**
Return on average equity	**9.87%**	**27.66%**	**34.52%**	**18.64%**	**30.44%**
Productivity ratio	**37.02%**	**30.08%**	**31.93%**	**33.20%**	**33.81%**

Scotia DBG Investments

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited ($000's)	For the three months ended April 2010	For the three months ended April 2009	For the six months ended April 2010	For the six months ended April 2009
Profit for the period	202,138	525,503	747,702	910,719
Other comprehensive income				
Unrealised gains/(losses) on available for sale securities	335,952	114,151	319,183	(218,158)
Realised gains on available for sale securities	(100,648)	(6,401)	(100,648)	(6,401)
	235,304	107,750	218,535	(224,559)
Taxation	(78,427)	(35,914)	(72,838)	74,845
Other comprehensive income, net of tax	156,877	71,836	145,697	(149,714)
Total comprehensive income for the period	359,015	597,339	893,399	761,005
TOTAL COMPREHENSIVE INCOME AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY	359,015	597,339	893,399	761,005

Scotia DBG Investments

CONSOLIDATED BALANCE SHEET

Unaudited ($000's)	Period ended April 30 2010	Year ended October 31 2009	Period ended April 30 2009
ASSETS			
CASH RESOURCES	1,948,262	1,548,018	1,818,088
INVESTMENTS			
Financial assets at fair value through profit and loss	52,166	105,369	97,192
Securities available-for-sale	269,544	825,782	811,773
	321,710	931,151	908,965
PLEDGED ASSETS	63,920,665	67,189,656	64,700,735
LOANS, AFTER MAKING PROVISIONS FOR LOSSES	2,287,000	2,726,008	3,121,094
LEASES AND HIRE PURCHASE CONTRACTS	95,254	111,457	128,493
OTHER ASSETS			
Customers' liability under guarantees	824,238	716,292	620,959
Taxation recoverable	364,365	424,271	226,535
Other assets	137,951	107,063	97,768
Property, plant and equipment at cost, less depreciation	62,158	77,260	90,368
Intangible assets	11,873	16,495	16,541
Deferred taxation	14,785	101,333	323,949
Goodwill	61,723	61,723	61,723
	1,477,093	1,504,437	1,437,844
TOTAL ASSETS	**70,049,984**	**74,010,727**	**72,115,219**
LIABILITIES			
DEPOSITS			
Deposits by the public	2,159,246	2,644,024	3,332,280
CAPITAL MANAGEMENT ACCOUNTS & GOVERNMENT SECURITIES FUND	15,699,450	15,899,029	15,625,129
OTHER LIABILITIES			
Promissory notes	38,637	54,826	62,739
Guarantees issued	824,238	716,292	620,959
Liabilities under repurchase agreements	42,160,246	46,256,737	45,630,588
Other liabilities	271,503	292,215	193,920
Taxation payable	293,122	392,703	272,547
Deferred taxation	256,880	22,375	15,725
Assets held in trust on behalf of participants	49,066	45,534	36,387
	43,893,692	47,780,682	46,832,865
STOCKHOLDERS' EQUITY			
Share capital	1,911,903	1,911,903	1,911,903
Reserve fund	120,855	117,038	93,976
Retained earnings reserve	498,868	477,235	346,551
Cumulative remeasurement result from available-for-sale financial assets	(5,614)	(151,311)	(558,380)
Loan loss reserve	21,967	21,967	21,967
Capital reserve	22,075	22,075	22,075
Reserve for own shares	(56,004)	(52,518)	(43,262)
Unappropriated profits	5,783,546	5,340,603	4,530,115
	8,297,596	7,686,992	6,324,945
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**70,049,984**	**74,010,727**	**72,115,219**

Director

Director

Scotia DBG Investments

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

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
Balance as at 31 October 2008	**1,911,903**	**93,976**	**346,551**	**(408,666)**	**21,967**	**22,075**	**(78,635)**	**3,862,733**	**5,771,904**
Net profit	-	-	-	-	-	-	-	910,719	910,719
Other comprehensive income									
Unrealised losses on available-for-sale investments, net of taxes	-	-	-	(145,446)	-	-	-	-	(145,446)
Realised gains on available-for-sale investments	-	-	-	(4,268)	-	-	-	-	(4,268)
Total comprehensive income	**-**	**-**	**-**	**(149,714)**	**-**	**-**	**-**	**910,719**	**761,005**
Divdends paid	-	-	-	-	-	-	-	(243,337)	(243,337)
Own shares sold by ESOP	-	-	-	-	-	-	35,373	-	35,373
Balance as at 30 April 2009	**1,911,903**	**93,976**	**346,551**	**(558,380)**	**21,967**	**22,075**	**(43,262)**	**4,530,115**	**6,324,945**
Balance as at 31 October 2009	**1,911,903**	**117,038**	**477,235**	**(151,311)**	**21,967**	**22,075**	**(52,518)**	**5,340,603**	**7,686,992**
Net profit	-	-	-	-	-	-	-	747,702	747,702
Other comprehensive income									
Unrealised gains on available-for-sale investments, net of taxes	-	-	-	212,799	-	-	-	-	212,799
Realised gains on available-for-sale investments	-	-	-	(67,102)	-	-	-	-	(67,102)
Total comprehensive income	**-**	**-**	**-**	**145,697**	**-**	**-**	**-**	**747,702**	**893,399**
Divdends paid	-	-	-	-	-	-	-	(279,309)	(279,309)
Own shares sold by ESOP	-	-	-	-	-	-	(3,486)	-	(3,486)
Transfer to retained earnings reserve	-	-	21,633	-	-	-	-	(21,633)	-
Transfer to reserve fund	-	3,817	-	-	-	-	-	(3,817)	-
Balance as at 30 April 2010	**1,911,903**	**120,855**	**498,868**	**(5,614)**	**21,967**	**22,075**	**(56,004)**	**5,783,546**	**8,297,596**

Scotia DBG Investments

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited ($000's)	Six months ended April 30 2010	Six months ended April 30 2009
Cash flows provided by/(used in) operating activities		
Net income	747,702	910,719
Adjustments to net income:		
Depreciation	15,034	18,515
Amortisation of intangible assets	4,622	6,850
Impairment losses on loans	(1,934)	1,651
Other, net	(1,107,788)	(1,193,627)
	(342,364)	(255,892)
Changes in operating assets and liabilities		
Pledged assets	4,841,652	(9,492,819)
Securities sold under repurchase agreements	(3,325,076)	5,037,965
Financial assets at fair value through profit and loss	53,203	19,759
Other, net	1,628,832	234,823
	2,856,247	(4,456,164)
Cash flows provided by/ (used in) investing activities		
Investment securities	749,367	(410,206)
Property, plant and equipment, Intangibles, net	766	(1,349)
	750,133	(411,555)
Cash flows used in financing activities		
Dividends paid	(279,309)	(243,337)
	(279,309)	(243,337)
Effect of exchange rate on cash and cash equivalents	(1,040)	538,494
Net change in cash and cash equivalents	3,326,031	(4,572,562)
Cash and cash equivalents at beginning of year	2,828,590	8,173,546
Cash and cash equivalents at end of period	**6,154,621**	**3,600,984**
Represented by:		
Cash resources	1,948,262	1,818,088
Less: statutory reserves at Bank of Jamaica	(171,986)	(240,893)
Less: amounts due from Bank of Jamaica greater than ninety days	(145,659)	(97,062)
Less: accrued interest on cash resources	(13,094)	(7,588)
GOJ treasury bills, repurchase agreements and bonds less than ninety days	4,537,098	2,128,439
Cash and cash equivalents at end of period	**6,154,621**	**3,600,984**

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

These consolidated financial statements have been 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 assets, liabilities and results of operation of the Company and its subsidiaries, and the Employee Share Ownership Plan (ESOP) which is classified as a special purpose entity. The results of the ESOP are not material to the Group. 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

This standard became effective for annual periods beginning on or after January 1, 2009. It requires the presentation of all non-owner changes in equity in one or two statements: either in a single statement of comprehensive income or in a statement of income and a statement of comprehensive income. The Group has adopted the two statements presentation.

IFRS 8 – Operating Segments

This standard became 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 to assess its performance. This standard did not have any material impact on the financial statements. At this time there are no material segments into which the Group's business may be broken down.

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; 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 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, 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 statement of comprehensive income, while gains and losses arising from changes in the fair value of trading securities are included in the statement of income in the period in which they arise. 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.

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 $NIL (2009:$133,400,000) held by the Bank of Jamaica as security for the Group against possible shortfalls in the operating account.

	Asset		Related Liability	
	2010	2009	2010	2009
	000's	000's	000's	000's
Securities sold under repurchase agreements	46,528,724	46,094,071	39,368,765	42,673,920
Capital management fund and government securities fund	14,181,196	14,603,266	15,699,450	15,625,129
Securities with BOJ and other financial institutions	3,210,745	4,003,398	2,791,481	2,956,668
	63,920,665	64,700,735	57,859,696	61,255,717

6. 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 the last re-price 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.

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. 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 April 30, 2010, these funds aggregated $11,335,800,000 (October 31, 2009: $7,547,284,000).

The Group also manages pension and trust funds with a total asset value of $40,813,552,000 as at April 30, 2010.

11. Subsequent Event

On May 3, 2010 Scotia DBG Investments entered into a sale agreement with the Bank of Nova Scotia Jamaica Limited to sell its 100% shareholding in Scotia DBG Merchant Bank. An independent valuation of Scotia DBG Merchant Bank was conducted by Deloitte Touche Tohmatsu and this valuation was used as the basis for determining the sale price of $879 million.