Scotia DBG Investments

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MEDIA RELEASE

SCOTIA DBG INVESTMENTS SURPASSES $1 BILLION IN EARNINGS

YTD 2010 HIGHLIGHTS

- **Net income of $1,086 million**
- **Earnings per share of $2.57**
- **Capital adequacy ratio of 153%**
- **Productivity ratio of 33.92%**
- **Third quarter dividend of 33.0 cents per share**

Scotia DBG Investments Limited (SDBG) today reported its unaudited financial results for the nine months ended July 31, 2010. Net income for the third quarter amounted to $338 million representing an increase of $136 million over the previous quarter but down 30% over the same period last year. This reduction year over year is primarily due to reductions in our net interest income as a result of our participation in the Jamaica Debt Exchange (JDX) program, increased taxation charges as well as increased provisioning on our credit portfolio.

Earnings per share (EPS) for the quarter was $0.80 compared to $0.48 at the end of the previous quarter and represented an increase of $0.32 or 67%. Year-to-date return on average equity was 17.78%.

Anya Schnoor, CEO said “Our third quarter results continue to show strong financial performance within the industry. The improvement in our third quarter performance over the second quarter confirms that the decisions taken earlier in the year to consolidate our branch network, cut operating expenses and aggressively grow our non interest revenue business are beginning to bear fruit. Our dominant position in the unit trust and mutual fund industry is the foundation on which our new business model is being developed and during the upcoming quarters the company will continue to provide clients with new and innovative products which will drive our fee based revenue. This fiscal year has been filled with unprecedented local economic challenges and as we head into the fourth quarter, we will maintain our focus on ultimately achieving another year of solid returns to our stakeholders.”

REVENUES

Total revenues comprised of net interest revenue and other income was $742 million for the quarter, representing a decrease of $256 million from the same period last year and also down $183 million when compared to the last quarter. During the quarter, the company prudently took additional loan loss provisions of $55 million in respect of our non-accrual loan portfolio which contributed to these overall results.

Net Interest Income

Net interest income for the quarter amounted to $691 million, a decrease of 6% from the $737 million reported for the previous quarter. The results were also lower than the $901 million earned for the same period last year. Our asset yields continued to decline during the quarter as a result of our full participation in the JDX initiative as well as the reduction in interest rates generally on Government and Bank of Jamaica securities.

Other Revenue

Other revenue, which includes fee income and net foreign exchange trading income, was $106 million for the quarter, down $29 million or 21% from the $135 million reported for the same period last year. These results were also down by $73 million over the second quarter. The third quarter results include one-off charges totalling $86.8 million related to the previously reported sale of our subsidiary, SDBG Merchant Bank. These charges were primarily due to transactions costs as well as the write off of goodwill. Excluding this one-off event, other revenues were up $58 million or 42% over the same period last year and also up $13 million or 7% over the previous quarter. The company continues to record strong Caribbean Income Fund and unit trust sales and the quarter's results were boosted by higher fee income on these managed funds as well as improved foreign exchange income.

NON-INTEREST EXPENSES AND PRODUCTIVITY

The company continued to focus on expense control throughout the quarter. Our productivity ratio (non-interest expense as a percentage of net revenue) - a key measure of cost efficiency - was 33.92% for the nine-month period to date. Despite the decline in net revenues, this represented an improvement over the 35.05% for the same period last year.

Non-interest expense amounted to $267 million for the quarter, and was an improvement over the $342 million spent during the previous quarter. The quarter's results were $105 million or 28% lower than the same period last year, and this was due primarily to lower personnel expenses as well as a reduction in other operating costs.

BALANCE SHEET

Total assets at the end of the quarter stood at $66.6 billion, a decrease of $5.56 billion or 7.7% over the same period last year. This decrease in the asset base was largely influenced by the disposal of SDBG Merchant Bank during the quarter. There has also been a reduction in total assets due to the migration of funds into our Unit Trust and Mutual Fund products as a part of our strategy to transition to our new business model.

CAPITAL

The strength of our capital base is evident with total shareholders equity standing at $8.5 billion at the end of the quarter. This represented an increase of $1.42 billion or 20% over the equity reported as at the end of the comparative period last year and was also up $209.6 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 153%, significantly above the 10% statutory requirement.

DIVIDEND
At the Board of Directors meeting on August 24, 2010 the Board approved an interim dividend of 33.0 cents per stock unit, payable on October 7, 2010, to stockholders on record as at September 15, 2010.

NON-FINANCIAL HIGHLIGHTS
During the quarter we participated in the Annual JSDA Luncheon held at the Terra Nova Hotel. The Hon. Bruce Golding, was the guest speaker. The event was well attended and received notable post-media coverage.

MARKETING ACTIVITES
SDBG renewed its platinum sponsorship of the Jamaica Observer Food Awards which included participation and photo opportunities at the Chef Marco Pierre White's Masters Cooking Class, The Foodie Seminar, and the Awards. We leveraged our sponsorship through participation in interviews on CVM TV, JNN, Fame FM, press coverage in the Jamaica Observer, on-site branding, and presentation of awards.

Scotia DBG also launched the "Renaming of the Unit Trust" Competition on Facebook in April which was open to members of the public. The public participated in voting for their favourite names. The final winners were selected internally and presentations made to these winners in May.

CORPORATE SOCIAL RESPONSIBILITY
SDBG continues to demonstrate commitment to corporate social responsibility through the support of programs aimed at building a bright future for our children. During the quarter, in partnership with our International Wealth Management Division, the construction of a reading pavilion, aimed at extending the existing library facility at the Trench Town Reading Center, was completed. The Center can now host and benefit a greater number of children.

SDBG employees also volunteered their time and energy in support of our major Labour Day project. The initiative, which builds on our wider community care program, was the painting of the cafeteria and kitchen at the Caribbean Christian Center for the Deaf.

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 July 2010	For the three months ended April 2010	For the three months ended July 2009	For the nine months ended July 2010	For the nine months ended July 2009
GROSS OPERATING INCOME	1,659,266	2,009,355	2,871,460	6,319,549	7,860,916
Interest income	1,552,880	1,829,494	2,736,046	5,891,474	7,406,584
Interest expense	(861,613)	(1,091,542)	(1,834,761)	(3,466,810)	(5,047,278)
Net Interest Income	691,267	737,952	901,285	2,424,664	2,359,306
Impairment losses on loans	(55,232)	7,506	(38,476)	(53,299)	(40,127)
Net interest income after impairment losses	636,035	745,458	862,809	2,371,365	2,319,179
Net fee and commission income	114,641	98,352	64,674	294,130	189,611
Net foreign exchange trading income	42,964	27,116	39,569	106,958	159,709
Net gains/(losses) on financial assets classified as held for trading	(1,360)	5,215	(6,819)	10,589	(1,025)
Net gains on financial assets available for sale	-	9,458	-	9,458	-
Gains less losses on securities trading	28,373	38,953	37,967	75,977	85,493
Other revenue	(78,232)	767	23	(69,037)	20,544
	106,386	179,861	135,414	428,075	454,332
TOTAL OPERATING INCOME	**742,421**	**925,319**	**998,223**	**2,799,440**	**2,773,511**
				-	-
OPERATING EXPENSES					
Salaries and staff benefits	137,814	191,521	182,253	544,478	528,721
Property expenses, including depreciation	42,334	53,903	39,492	128,705	111,479
Amortisation of intangible assets	1,886	2,082	2,961	6,508	9,811
Impairment loss	-	-	69,712	-	69,712
Other operating expenses	84,550	95,070	77,489	269,903	252,360
	266,584	342,576	371,907	949,594	972,083
PROFIT BEFORE TAXATION	**475,837**	**582,743**	**626,316**	**1,849,846**	**1,801,428**
Taxation	(137,601)	(380,605)	(140,742)	(763,908)	(405,135)
PROFIT FOR THE PERIOD	**338,236**	**202,138**	**485,574**	**1,085,938**	**1,396,293**
PROFIT AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY	**338,236**	**202,138**	**485,574**	**1,085,938**	**1,396,293**
Earnings per stock unit - Basic (cents)	**80**	**48**	**115**	**257**	**330**
Return on average equity (annualized)	**16.10%**	**9.87%**	**28.97%**	**17.78%**	**29.75%**
Productivity ratio	**35.91%**	**37.02%**	**37.26%**	**33.92%**	**35.05%**

Scotia DBG Investments

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended		For the nine months ended	
Unaudited ($000's)	July 2010	July 2009	July 2010	July 2009
Profit for the period	338,236	485,574	1,085,938	1,396,293
Other comprehensive income				
Unrealised gains on available for sale securities	6,745	610,780	325,928	392,622
Realised gains on available for sale securities	(7,776)	(2,774)	(108,424)	(9,175)
	(1,031)	608,006	217,504	383,447
Taxation	344	(202,649)	(72,494)	(127,803)
Other comprehensive income, net of tax	(687)	405,357	145,010	255,644
Total comprehensive income for the period	337,549	890,931	1,230,948	1,651,937
TOTAL COMPREHENSIVE INCOME AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY	337,549	890,931	1,230,948	1,651,937

Scotia DBG Investments

CONSOLIDATED BALANCE SHEET

Unaudited ($000's)	Period ended July 31 2010	Year ended October 31 2009	Period ended July 31 2009
ASSETS			
CASH RESOURCES	1,201,812	1,548,018	1,300,394
INVESTMENTS			
Financial assets at fair value through profit and loss	113,958	105,369	105,755
Securities available-for-sale	15,000	825,782	831,147
	128,958	931,151	936,902
PLEDGED ASSETS	63,521,827	67,189,656	65,560,896
LOANS, AFTER MAKING PROVISIONS FOR LOSSES	410,118	2,726,008	2,955,626
LEASES AND HIRE PURCHASE CONTRACTS	51,769	111,457	117,496
OTHER ASSETS			
Customers' liability under guarantees	778,435	716,292	650,717
Taxation recoverable	286,238	424,271	310,968
Other assets	133,498	107,063	66,766
Property, plant and equipment at cost, less depreciation	58,340	77,260	80,282
Intangible assets	9,930	16,495	19,210
Deferred taxation	10,557	101,333	118,292
Goodwill	26,113	61,723	61,723
	1,303,111	1,504,437	1,307,958
TOTAL ASSETS	**66,617,595**	**74,010,727**	**72,179,272**
LIABILITIES			
DEPOSITS			
Deposits by the public	-	2,644,024	2,872,381
CAPITAL MANAGEMENT ACCOUNTS & GOVERNMENT SECURITIES FUND	15,174,366	15,899,029	15,754,241
OTHER LIABILITIES			
Promissory notes	7,957	54,826	57,339
Guarantees issued	778,436	716,292	650,717
Liabilities under repurchase agreements	41,337,630	46,256,737	45,117,835
Other liabilities	212,227	292,215	205,363
Taxation payable	318,363	392,703	370,562
Deferred taxation	244,072	22,375	25,508
Assets held in trust on behalf of participants	37,347	45,534	43,093
	42,936,032	47,780,682	46,470,417
STOCKHOLDERS' EQUITY			
Share capital	1,911,903	1,911,903	1,911,903
Reserve fund	-	117,038	93,976
Retained earnings reserve	-	477,235	346,551
Cumulative remeasurement result from available-for-sale financial assets	(6,301)	(151,311)	(153,022)
Loan loss reserve	-	21,967	21,967
Capital reserve	22,075	22,075	22,075
Reserve for own shares	(44,299)	(52,518)	(49,948)
Unappropriated profits	6,623,819	5,340,603	4,888,731
	8,507,197	7,686,992	7,082,233
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**66,617,595**	**74,010,727**	**72,179,272**

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	-	-	-	-	-	-	-	1,396,293	1,396,293
Other comprehensive income									
Unrealised gains on available-for-sale securities, net of tax	-	-	-	261,761	-	-	-	-	261,761
Realised gains on available-for-sale securities	-	-	-	(6,117)	-	-	-	-	(6,117)
Total comprehensive income	**-**	**-**	**-**	**255,644**	**-**	**-**	**-**	**1,396,293**	**1,651,937**
Divdends paid	-	-	-	-	-	-	-	(370,295)	(370,295)
Own shares sold by ESOP	-	-	-	-	-	-	28,687	-	28,687
Balance as at 31 July 2009	**1,911,903**	**93,976**	**346,551**	**(153,022)**	**21,967**	**22,075**	**(49,948)**	**4,888,731**	**7,082,233**
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	-	-	-	-	-	-	-	1,085,938	1,085,938
Other comprehensive income									
Unrealised gains on available-for-sale securities, net of tax	-	-	-	217,296	-	-	-	-	217,296
Realised gains on available-for-sale securities	-	-	-	(72,286)	-	-	-	-	(72,286)
Total comprehensive income	**-**	**-**	**-**	**145,010**	**-**	**-**	**-**	**1,085,938**	**1,230,948**
Transfer from loan loss reserve	-	-	-	-	(21,967)	-	-	21,967	-
Divdends paid	-	-	-	-	-	-	-	(418,962)	(418,962)
Own shares sold by ESOP	-	-	-	-	-	-	8,219	-	8,219
Transfer from retained earnings reserve	-	-	(477,235)	-	-	-	-	477,235	-
Transfer from reserve fund	-	(117,038)	-	-	-	-	-	117,038	-
Balance as at 31 July 2010	**1,911,903**	**-**	**-**	**(6,301)**	**-**	**22,075**	**(44,299)**	**6,623,819**	**8,507,197**

Scotia DBG Investments

CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS

	Nine months ended July 31	Nine months ended July31
Unaudited ($000's)	**2010**	**2009**
Cash flows provided by/(used in) operating activities		
Net income	1,085,938	1,396,293
Adjustments to net income:		
Depreciation	21,525	26,919
Amortisation of intangible assets	6,508	9,811
Impairment losses on loans	53,299	109,840
Loss on disposal of subsidiary	86,810	-
Other, net	(1,660,900)	(1,953,783)
	(406,820)	(410,920)
Changes in operating assets and liabilities		
Pledged assets	3,963,811	(11,059,061)
Securities sold under repurchase agreements	(3,808,246)	4,306,266
Financial assets at fair value through profit and loss	(8,588)	11,196
Other, net	3,165,293	651,474
	2,905,450	(6,501,045)
Cash flows provided by investing activities		
Investment securities	(270,947)	166,273
Disposal of subsidiary, net of cash disposal	302,493	-
Property, plant and equipment, Intangibles, net	(3,898)	(5,683)
	27,648	160,590
Cash flows used in financing activities		
Dividends paid	(418,962)	(370,295)
	(418,962)	(370,295)
Effect of exchange rate on cash and cash equivalents	(136,933)	593,089
Net change in cash and cash equivalents	2,377,203	(6,117,661)
Cash and cash equivalents at beginning of year	2,828,590	8,173,546
Cash and cash equivalents at end of period	**5,205,793**	**2,055,885**
Represented by:		
Cash resources	1,201,812	1,300,394
Less: statutory reserves at Bank of Jamaica	-	(230,603)
Less: amounts due from Bank of Jamaica greater than ninety days	(145,659)	(179,595)
Less: accrued interest on cash resources	(1,537)	(10,067)
GOJ treasury bills, repurchase agreements and bonds less than ninety days	4,151,177	1,175,756
Cash and cash equivalents at end of period	**5,205,793**	**2,055,885**

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 000's	2009 000's	2010 000's	2009 000's
Securities sold under repurchase agreements	44,988,854	46,454,781	38,703,085	42,932,569
Capital management fund and government securities fund	15,483,882	15,270,681	15,174,366	15,754,241
Securities with BOJ and other financial institutions	3,049,091	3,835,435	2,634,545	2,185,266
	63,521,827	65,560,897	56,511,996	60,872,076

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 July 31, 2010, these funds aggregated $13,143,743,000 (October 31, 2009: $7,547,284,000).

The Group also manages pension and trust funds with a total asset value of $41,660,074,000 as at July 31, 2010.

11. Disposal of Subsidiary

On June 1, 2010 the Group completed the sale of its 100% shareholdings in Scotia SDBG Merchant Bank to The Bank of Nova Scotia Jamaica Limited. This subsidiary contributed profit before tax of $120,967,000 to the Group for the period November 1, 2009 to May 31, 2010.