Scotia DBG Investments

Annual Report 2010

Professional

Attentive

Success

Superior Service

Innovative

Open & Honest

Nimble

PASSION

Scotia DBG Investments

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Notice of Annual General Meeting

Scotia DBG Investments Limited

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Scotia DBG Investments Limited (the "Company") will be held on Wednesday, the 2nd day of March 2011 at 2:00 p.m. at the Jamaica Pegasus Hotel, 81 Knutsford Boulevard, Kingston 5, Jamaica for the following purposes, namely:-

1. To receive the audited accounts for the twelve (12) months ended October 31, 2010. To consider and (if thought fit) pass the following resolution:

   Resolution No. 1

   That the audited accounts for the twelve (12) months ended October 31, 2010 and the reports of the directors and auditors circulated with the notice convening the meeting be adopted.

2. To fix the remuneration of the auditors or to determine the manner in which such remuneration is to be fixed. To consider and (if thought fit) pass the following resolution:

   Resolution No. 2

   That the directors be and are hereby authorised to fix the remuneration of the auditors at a figure to be agreed.

3. To fix the remuneration of the directors or to determine the manner in which such remuneration is to be fixed. To consider and (if thought fit) pass the following resolution:

   Resolution No. 3

   That the directors be and are hereby authorized to fix their remuneration for the ensuing year.

4. To approve and ratify interim dividends. To consider and (if thought fit) pass the following resolution:

   Resolution No. 4

   That the interim dividends paid of 33 cents on April 8, 2010, 33 cents on July 8, 2010, 33 cents on October 7, 2010 and 33 cents on January 16, 2011 be and are hereby ratified.

Retirement of Directors

5. To consider and (if thought fit) pass the following resolutions:

   All Directors retire from Office pursuant to Article 100 (b) of the Articles of Association of the Company; Professor Stephen Vasciannie, Ms. Barbara Alexander, Mr. Bruce Bowen, Mr. Anthony Chang, Mrs. Angela Fowler, Dr. Anna Law, Miss Anya Schnoor, Mr. Anthony Woodward, Mr. Philip Martin and Mr. Daniel Wright.

   Resolution No. 5

   To approve the re-election or election of Directors recommended for appointment to the Board of Directors of the Company. To consider and (if thought fit) pass the following resolution:

(a) "That retiring Director Stephen Vasciannie be and is hereby re-elected a Director of the Company."

(b) "That retiring Director Barbara Alexander be and is hereby re-elected a Director of the Company."

(c) "That retiring Director Bruce Bowen be and is hereby re-elected a Director of the Company."

(d) "That retiring Director Anthony Chang be and is hereby re-elected a Director of the Company."

(e) "That retiring Director Angela Fowler be and is hereby re-elected a Director of the Company."

(f) "That retiring Director Anna Law be and is hereby re-elected a Director of the Company."

(g) "That retiring Director Anya Schnoor be and is hereby re-elected a Director of the Company."

(h) "That retiring Director Anthony Woodward be and is hereby re-elected a Director of the Company."

(i) "That retiring Director Philip Martin be and is hereby re-elected a Director of the Company."

(j) "That retiring Director Daniel Wright be and is hereby elected a Director of the Company."

6. To consider and if thought fit pass the following special resolution:

Resolution No. 6

"That the name of the Company be changed from Scotia DBG Investments Limited to Scotia Investments Jamaica Limited."

7. Any other business for which due notice has been given.

BY ORDER OF THE BOARD

Julie Thompson-James

Secretary
November 23, 2010

REGISTERED OFFICE
7 Holborn Road
Kingston 10

A Member entitled to attend and vote at this meeting may appoint a Proxy to attend and vote in his/her stead. A Proxy need not also be a Member of the Company. Enclosed is a Proxy Form for your convenience, which must be lodged at the Company's Registered Office at least forty-eight hours before the time appointed for holding a meeting. The Proxy Form shall bear the stamp duty of $100.00 before being signed. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person executing the Proxy.

The conductor of the Jamaica Philharmonic Orchestra, Franklin is passionate about music - its balance of artistic expression with mathematical precision and its profound impact on people's lives. At Scotia DBG, we strive for that same enthusiasm balanced with rigorous discipline to create a symphony of financial service for our clients.

Directors' **Report**

The Directors submit herewith the Statement of Consolidated Revenue, Expenses, Unappropriated Profits, Assets and Liabilities of the Company for the year ended October 31, 2010.

The Consolidated Statement of Revenue and Expenses shows pre-tax profit for the year of $2,445* Million from which there has been provided $957 Million for corporate income tax and deferred tax, leaving a balance of $1,487 Million.

The appropriation of earnings detailed in the financial statements includes an interim dividend of 33 cents per stock unit payable to stockholders on record as at December 15, 2010 payable on January 6, 2011. This brings the total distribution for the year to $1.32 per stock unit compared with $1.23 per stock unit for the period ended October 31, 2009.

*Figures rounded to nearest million

In view of the interim dividends paid, and to be paid, as aforementioned, the Directors do not recommend the declaration of a final dividend at the Annual General Meeting to be held on March 2, 2011.

Miss Muna Issa resigned from the Board of Directors on July 19, 2010. The Board wishes to express its appreciation to Miss Issa for her contributions to the Company during her tenure.

The Auditors, KPMG, have signified their willingness to continue in office.

Your Directors wish to thank the Management and Staff of the Company for their performance during the year under review.

On behalf of the Board

S.C. Vasciannie
Chairman
November 23, 2010

Statement to **Shareholders**

Anya Schnoor
CEO, Scotia DBG Investments Limited

The year ended October 31, 2010 was a particularly challenging year for Jamaica and your company. On behalf of the Board of Directors and the tremendous team at Scotia DBG Investments Limited (Scotia DBG), I would like to share with you our results for the year. Net profits for the year amounted to $1,487 million representing a decrease of $642 million over the $2,129 million that was reported for last year. Earnings per share declined from $5.03 to $3.51, down 30% over 2009. The Balance Sheet of your company also decreased from $74,011 million to $70,975 million, a decrease of 4%.

The financial results achieved this year were against the backdrop of an extremely difficult operating environment. In January 2010, the Government of Jamaica (GOJ) announced the launch of the Jamaica Debt Exchange Program (JDX) in an effort to reduce the cost of servicing the country's ballooning debt and to meet a necessary criterion for a new International Monetary Fund (IMF) agreement. The JDX program was supported by the entire financial services sector and Scotia DBG participated fully. The decision to participate however was not without its costs to the company as it saw an immediate deduction in Net Interest Income (NII) on its overall asset portfolio, as well as the lengthening of asset maturities. The danger however of not participating and supporting the GOJ efforts to restructure their debt profile, would have resulted in more difficult options for the country. The JDX therefore was a necessary tool to enable the country to have the breathing space to make other structural adjustments required to grow the economy.

The financial results achieved this year were against the backdrop of an extremely difficult operating environment.

In response to the JDX program and the resulting IMF agreement, your company took some key strategic decisions to cut costs and focus on its core wealth management business lines. In February 2010 we closed two branches; one in May Pen and the other in Ocho Rios and expanded our distribution reach through our continued partnership with the wider Scotiabank Group. In June 2010, we sold our Merchant Bank subsidiary to the Bank of Nova Scotia Jamaica Limited. This sale was necessary to realign Scotia DBG's focus on its core wealth management business and to create additional synergies across the Group. We also undertook various consolidation exercises which resulted in the outsourcing of our Information Technology functions and the further centralization of key operational functions in our Head Office. All of these decisions resulted in a reduction in our operating expenses by 10% this year versus 2009.

The agreement between the GOJ and the IMF has also brought new capital standards for the entire financial services industry with the prospect of even greater regulatory oversight to come. With this in mind, we also made the strategic decision to shift our focus from growing our traditional on-balance sheet repo products to our Unit

Statement to Shareholders

Trust and Mutual Fund products to position your company for the future. This strategic decision we feel is in the best long term interest of your company. During October 2009, we launched our Caribbean Income Fund to tremendous success. We also re-introduced the investing public to our Money Market and Premium Growth Unit Trust Funds and cemented our dominance of this market by increasing our overall market share to 62%, up from 49% last year. The tremendous growth in these key products uniquely positions Scotia DBG to continue its leading role as the premier choice for financial solutions to our valued clients.

2010 was also an important year for our capital market initiatives. During the year we were able to successfully conclude the privatization of Pegasus Hotels of Jamaica Limited. As the lead Broker and Advisors to the GOJ on this transaction we are proud of the professionalism and transparency brought to this privatization exercise. This important transaction is the beginning of our efforts to increase our presence in the capital markets business segment as we continue to diversify our revenue base towards non-interest income sources.

During 2010, we also revamped our customer service standards and renewed our focus on enhanced service delivery, grounded in the knowledge that safety and preservation of wealth are of utmost priority in a post-JDX era. It was indeed a challenging year, but our passion for service and excellence undergirded our performance and the successes recorded at all levels.

As we emerge from this period of instability, we still have to face the reality that the future outlook for the economic environment is by no means stable. We will have to remain keenly focused on the five critical strategic imperatives established last year to guide us as we move forward:

1) **Expansion of our distribution channels. This will be accomplished through our continued partnership with the Scotiabank Group as well as opportunities for external sales.**
2) **Focus on non-interest revenue streams. This will be achieved through our continued expansion of our asset management and capital market services.**
3) **Operational Efficiency. This will be facilitated by looking for opportunities to enhance efficiencies and leveraging the infrastructure of the wider Scotiabank Group both locally and internationally.**
4) **Improve our Technology Platform. This will be realized by focusing on new tools which will aid in enhancing customer experience and overall operating efficiency.**
5) **Continued focus on people development. This will be made possible by improving our training facilities and enhancing the development of our middle management team.**

During 2011, we will also begin an important project to upgrade our key information technology infrastructure. This project, which is expected to last 24 months, will allow your company to deliver an enhanced client experience while achieving greater operational efficiencies.

As we look to the future it is clear that the outlook for 2011 is by no means certain. While the JDX program and the IMF agreement have brought the country some elements of stability, there continues to be negative real GDP growth in our economy. This is the major issue that the country faces and it will require a unique partnership among all stakeholders to find sustainable solutions to this persistent challenge. The unprecedented opportunity that the JDX program provided Jamaica should not be seen as the answer to all our problems. The hard work has really just begun. We must unite as we did in January 2010 and work together to build a better Jamaica for future generations to come.

Finally, I wish to thank our customers, board of directors, and shareholders for the tremendous support they have shown over the past year. The entire team at Scotia DBG will continue to work hard to make Scotia DBG the best it can be and we look forward to continuing to allow you to **"Earn More, Keep More"**.

Anya M. Schnoor
Chief Executive Officer
Scotia DBG Investments Limited

Corporate **Profile**

An integral area of Scotia DBG is our cadre of talented, experienced and motivated professionals

Scotia DBG Investments Limited is a subsidiary of Scotia Group Jamaica Limited (Scotiabank Group) and represents the wealth management arm of the Group.

Scotia DBG currently offers the widest array of wealth management products and services in Jamaica which includes:

- **Money Market Investment Products**
- **Unit Trust & Mutual Funds**
- **Stockbrokerage & Equity Trading Services**
- **Pension & Asset Management Services**
- **Trust Services**
- **Cambio Services**

Scotia DBG is also an authorized primary dealer, through which the Bank of Jamaica (BOJ) conducts its open market trading operations. At Scotia DBG we provide a compelling alternative for individuals and institutions island-wide, by providing them with an elite financial services portal.

We pride ourselves on having a personal touch with our clients, while remaining committed to their financial goals and needs, through the provision of customized financial planning and enterprising financial solutions.

At Scotia DBG we are committed to a positive customer experience. With four main branches, 1 sub branch and Investment Advisors positioned in 35 Scotiabank locations, we offer our clients convenience. Our website, that is updated daily, as well as our state of the art call centre ensures our clients have the necessary information at their fingertips to make informed portfolio decisions.

An integral strength of Scotia DBG is our cadre of talented, experienced and motivated professionals, who deliver the firm's menu of products and services based on comprehensive training. Investment Advisors are accredited both locally and internationally by the Financial Services Commission and the Canadian Securities Institute respectively. The senior management team led by Chief Executive Officer, Anya Schnoor provides strategic direction and ensures that the highest standards of business practice and ethics are maintained. Overall policy and direction is established by an astute and experienced Board of Directors comprised of Stephen Vasciannie (Chairman), Anya Schnoor (CEO), Bruce Bowen, Barbara Alexander, Anthony Chang, Angela Fowler, Dr. Anna Law, Philip Martin and Anthony Woodward.

Corporate Profile

We pride ourselves on having a personal touch with our clients, while remaining committed to their financial goals and needs

AWARDS

Scotia DBG provides exclusive asset management services to individuals and institutional clients. The institution currently has $118.9 billion in funds under management, through an innovative family of financial products and services. Scotia DBG has received various awards over the years, with the most recent being **2nd Runner-Up for Best Practices - Website (Stockbrokerage) from the Jamaica Stock Exchange.**

Additionally, in the September 2010 Issue of Investor's Choice Magazine, **Scotia DBG was named Champion Company of 2009.** Their article, which was the cover story for the issue, stated that Scotia DBG, **"The Champion Company, has been one of the leading entities amongst the new kids on the block"**.

It further stated that **"this company (Scotia DBG) outperformed all competitors by a huge margin, which by itself is indicative of the quality of management. Its performance was so outstanding that its closet rival trailed behind by 119 percent and the third place runner-up by 175 percent".**

Board of Directors

Professor Stephen Vasciannie
Chairman

Professor Vasciannie is the Principal of the Norman Manley Law School and a member of the International Law Commission of the United Nations. Professor Vasciannie was appointed Chairman of Scotia DBG Investments Limited Board of Directors on December 14, 2006. He is a member of the Board of Directors for The Bank of Nova Scotia Jamaica Limited and the Scotia Jamaica Life Insurance Company Limited. He is a graduate of the Universities of Oxford and Cambridge and the University of the West Indies. Since 2006, he has been a member of the United Nations International Law Commission, Geneva, and served as the Rapporteur for the 2010 Session of the Commission. He is a member of the Jamaican Bar Association, the American Society of International Law, the British Institute of International and Comparative Law, and has served as a member of the Inter-American Juridical Committee.

Anya Schnoor
CEO, Scotia DBG Investment Limited

Miss Anya Schnoor is the Chief Executive Officer of Scotia DBG Investments and has over 18 years of experience in the areas of wealth management and banking. She holds an MBA from Barry University and a BA in Finance and International Business from Florida International University. Anya currently serves as the President of the Jamaica Security Dealers Association. She also sits on the Boards of Scotia DBG Fund Managers Limited, Asset Management Company Limited, Scotia DBG Caribbean Income Fund, The Jamaica Stock Exchange and The Jamaica Cricket Development Foundation. In addition she also is a member of Scotiabank Jamaica's Asset and Liability Committee (ALCO) and the Finance Committee of Heart Trust NTA.

Bruce Bowen

Mr Bruce Bowen, President and CEO of The Bank of Nova Scotia Jamaica Limited, was appointed to the Board of Scotia Group Jamaica Limited effective November 27, 2008. He is a member of the Executive and Pension Committees of the Board and is also a Director of The Bank of Nova Scotia Jamaica Limited, The Scotia Jamaica Building Society, Scotia Jamaica Life Insurance Company and Scotiabank Jamaica Foundation. He is a graduate of the Wilfrid Laurier University in Waterloo, Ontario, Canada.

Barbara Alexander

Ms. Barbara Alexander is the Managing Partner in the law firm Myers, Fletcher and Gordon. Ms. Alexander's practice areas have been in banking and finance, international and local hotel development, real estate and commercial law. Ms. Alexander is also a Member of the Board of Directors of The Bank of Nova Scotia Jamaica Limited, Scotia Group Jamaica Limited, The Scotia Jamaica Building Society and Scotia DBG Fund Managers Limited of which she is the Chairperson. Ms. Alexander is a graduate of the University of the West Indies, a member of the Board of Governors of CVSS/United Way of Jamaica and a Director of The Arts Foundation of the Edna Manley College.

Anthony Chang

Mr. Anthony Chang was appointed to the Board of Directors on December 14, 2006. He is the Group Managing Director of Lasco Distributors Limited and a member of the Board of Directors of The Bank of Nova Scotia Jamaica Limited and the Scotia Jamaica Life Insurance Company Limited. He is a graduate of York University; Richard Ivey School of Business, University of Western Ontario; and Wharton Business School, University of Pennsylvania. He is also the recipient of the Hubert Humphrey Fellow at American University.

Angela Fowler

Mrs. Angela Fowler was appointed to the Board of Directors on July 25, 2007. She is an Attorney-at-Law and partner at Livingston, Alexander & Levy practicing in the areas of commercial law, estate and corporate tax planning, pensions and employee benefit schemes. She is a graduate of the Norman Manley Law School, the University of the West Indies, and the Convent of Mercy Academy, (Alpha). Professionally, she is a member of the Jamaican Bar Association and represents her firm in the Private Sector Organization of Jamaica. She is currently the Deputy Chairman of the Jessie Ripoll Primary School Board, and is a former member of the University Hospital Board of Management and the Independent Schools' Committee of the Ministry of Education.

Board of Directors

Dr. Anna Law

Dr. Anna Law was appointed to the Board of Directors on July 25, 2007. Dr. Law is also a Director of The Scotia Jamaica Building Society and the Managing Director of Align International Limited. She is an Orthodontist by profession. She is a First Class Honours graduate of Tufts University where she earned her Doctor of Medicine and a Bachelor of Science in Chemistry. She is also a graduate of the University of Washington, where she earned a Certificate in Orthodontic and a Masters in Dentistry. She serves on various professional societies including the World Federation of Orthodontists, Jamaica Dental Association, American Association of Orthodontists and is a volunteer orthodontist to underprivileged children in the public health system.

Philip Martin

Mr. Philip Martin has been a member of the Board of Directors since 1992 and was a senior partner and shareholder in Dehring Bunting and Golding Limited now Scotia DBG. He is the Managing Director and Chief Executive Officer of Caribbean Fencing Limited, Deputy Chairman of Sportsmax Limited and International Media Content. He is an entrepreneur and business professional with years of experience in creating businesses spanning investments, media, real estate and agriculture. Mr. Martin has done several management courses at the College of Arts, Science and Technology, now The University of Technology. He serves on the boards of Caribbean Sports Marketing and Wealthy Investors Limited.

Anthony Woodward

Mr. Anthony Woodward was appointed to the Board of Directors on July 25, 2007. He is presently the Senior Vice President – Treasury, Latin America & the Caribbean with Scotiabank, Toronto. Prior to his current position, he was involved with Treasury, Investments and Trading for both Scotiabank and Scotia Capital. He also has over 21 years experience in Bond Trading. He is a graduate of Queens University.

1.
Dr. Adrian Stokes
VP Strategic Planning, Projects and Product Development

A former Commonwealth Scholar, Adrian Stokes graduated from the University of Manchester in July of 2005 where he obtained a PhD in International Finance. He has extensive experience trading a variety of assets in the international capital markets and has significant experience in the structured products market having done a number of deals with some of the major international players. Adrian is currently the Vice President of Strategic Planning, Projects and Product Development at Scotia DBG. He brings a wealth of experience to the team from his background in negotiating large corporate transactions with some of the major international investment banks.

2.
Paulo Almeida
VP Business Support

Paulo Almeida brings 20 years of operational and banking experience gained from various management positions with Scotiabank Group's Canadian, US, Caribbean and Latin American divisions. Paulo joined Scotia DBG in December 2009 and is responsible for Scotia DBG Business Support Group. The group is comprised of the Operations, Central Support , Security and Facilities Management, Compliance, Information Technology, and Human Resources Units. Paulo is responsible for aligning these various support Units to deliver enhanced service quality, efficiency and productivity throughout the group.

3.
Vanessa Reid Boothe
VP Sales & Service; GM Asset Management Company Limited

Vanessa Reid-Boothe is charged with driving the sales and delivery channel strategy for Scotia DBG and motivating her team to continue to provide exceptional service. Vanessa is also responsible for the ongoing strategic development of the Easy Own brand. She has over ten years banking and investments experience covering foreign exchange and fixed income trading, commercial and corporate credit loan structuring, deal origination and collections. Vanessa holds two First Class Honours degrees, one a MSc. in Marketing from the Zicklin School of Business and the other a BSc in Management Studies form the University of the West Indies.

4.
Lissant Mitchell
Chief Operating Officer

Lissant Mitchell has over 17 years experience in the Investment, Treasury and Banking industries. He joined Scotia DBG Investments in October 2007 as SVP Treasury & Capital Markets and was appointed Chief Operating Officer in October 2010. He is responsible for the business and operational infrastructure of ScotiaDBG, including the areas of Treasury & Trading as well as the firm's Asset Management division that covers the Pensions and Fund Management businesses. Lissant has served as the President of the Primary Dealers Association and currently sits on the Scotiabank and Scotia DBG Asset & Liability Committees as well as the Group's Managed Funds Investment Committee. He is also a director of Scotia DBG Fund Managers Limited, Scotia DBG Fund Managers Inc, Scotia DBG Caribbean Income Fund, and Alternate Director for the Jamaica Stock Exchange.

Senior Management

7.
Andrea Tinker
VP & Chief Financial Officer

Andrea Tinker has overall responsibility for the design, development and implementation of all the financial aspects of the group. She ensures the integrity of financial reporting through implementation of adequate controls, performance measurement and monitoring. Andrea is a member of the Association of Chartered Certified Accountants with over 20 years in the accounting profession. She is also a Director of the Scotia DBG Caribbean Income Fund.

5.
Anya Schnoor
Chief Executive Officer

Anya Schnoor is the Chief Executive Officer of Scotia DBG Investments and has over 18 years of experience in the areas of wealth management and banking. She holds a MBA from Barry University and a BA in Finance and International Business from Florida International University.

Anya currently serves as the President of the Jamaica Security Dealers Association. She also sits on the Boards of Scotia DBG Investments Limited, Scotia DBG Fund Managers Limited, Asset Management Company Limited, Scotia DBG Caribbean Income Fund, The Jamaica Stock Exchange and The Jamaica Cricket Development Foundation. In addition she also is a member of Scotiabank's Asset and Liability Committee (ALCO) and the Finance Committee of Heart Trust NTA.

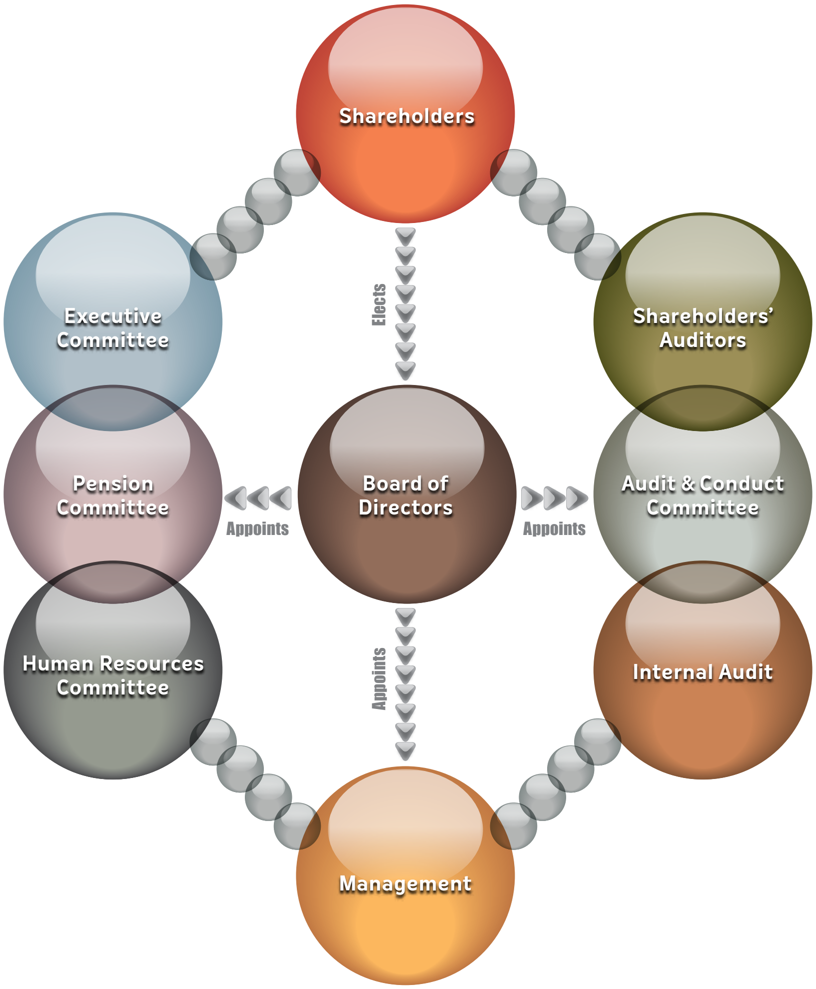
6.
Brian Frazer
VP Asset Management;
GM Scotia DBG Funds Managers Ltd

With over 12 years of experience in the financial services industry, Brian Frazer has wide-ranging experience in trading, treasury, asset management, risk management and operations. In his current role as Vice President, Asset Management, Brian is responsible for developing the strategic direction and focus for the investment management, corporate trust, unit trusts and mutual funds business lines. Brian earned his undergraduate degree in Accounting and Economics at The University of the West Indies and received professional training in accounting, asset/liability and risk management both locally and overseas. Brian is a Chartered Financial Analyst (CFA) Charterholder and is a member of the CFA Institute and the CFA Society of Trinidad and Tobago.

Scotia DBG Investments

Corporate Governance

Corporate Governance Structure Scotia Group



Introduction

Scotia DBG Investments Limited (and its subsidiaries Scotia DBG Fund Managers Limited, Scotia DBG Fund Managers Inc. and Asset Management Limited) is committed to formulating and effecting policies and procedures to guarantee that it maintains high standards of corporate governance to ensure that it continues to achieve sustained business growth to enhance shareholder value and protect the interest of all stakeholders.

The focus of the corporate governance policies and procedures include the selection of Board members, standards of business conduct and ethical behaviour, Board oversight and management, risk management, liquidity funding management and disclosure.

The corporate governance policies are reviewed on an annual basis by the Board after it conducts its annual evaluation of Board performance over the year. This assessment allows individual Directors to evaluate the performance of other Directors and Chairpersons of the Board and its Committees, to comment on the operations of the Board and its Committees and on the level of information provided by Management to the Board during the year. It is the result of this assessment which contributes to shaping and redefining our corporate governance policy from year to year. In addition, our policies and procedures are subject to review as and when required by laws, regulations or international best practices.

Board Selection

Individuals who are selected to join our Board are considered based on the following criteria:-

- Prominence in business, institutions and professions
- Integrity, honesty and the ability to generate public confidence
- Ability to demonstrate sound and independent business judgment
- Financial literacy
- Knowledge and appreciation of public issues and familiarity with local, national and international affairs
- Knowledge of the business of the Company; and
- The ability to devote sufficient time to the Board and Committee work

All Directors automatically retire from the Board at each Annual General Meeting after serving a term of one year. The Board may however recommend to shareholders that a Director be elected or re-elected (as the case may be) at the Annual General Meeting of the Company. The Board may appoint Directors during the year. Directors may be appointed to the Board prior to attaining the age of 70.

Board Composition

The current Board is comprised of nine (9) members and pursuant to the Company's Articles of Association, the Board can increase the number of its members at any time to accommodate its changing needs or to refresh its Board composition.

The Board is chaired by a Non Executive Chairman. The majority of the Board is comprised of independent Directors to ensure that the Board is managed for the long term benefit of its stakeholders, shareholders, employees and customers. As at October 31, 2010, six (6) of the nine (9) members of the Board of Directors are non-executive independent Directors.

Independent Directors do not represent a substantial shareholding in the Company and do not have an employment relationship with the Company, its parent, subsidiaries or affiliates.

The current Directors of the Board are Professor Stephen Vasciannie (Chairman), Ms. Barbara Alexander, Mr. Bruce Bowen, Mr. Anthony Chang, Mrs. Angela Fowler, Dr. Anna Law, Mr. Philip Martin, Miss Anya Schnoor and Mr. Anthony Woodward.

Director Education

New Directors are provided with information on the Company and their duties and responsibilities and have the opportunity to meet with senior management, attend seminars and presentation on the Company's business and operations.

Directors Bruce Bowen and Angela Fowler attended a symposium on Corporate Governance under the theme "A Safe Harbour in Challenging Times".

Board Expertise

Board Member	Independent (I)/Non-Independent (NI)	General Management	Finance & Audit	Stategic Management	Banking	H.R. & Education	Legal
Prof. Stephen Vasciannie	I	√		√		√	√
Anya Schnoor	NI	√	√	√	√	√	
Bruce Bowen	NI	√	√	√	√		
Barbara Alexander	I	√		√			√
Anthony Chang	I	√	√	√			
Angela Fowler	I	√		√		√	√
Dr. Anna Law	I	√		√		√	
Philip Martin	I	√		√			
Anthony Woodward	NI	√	√	√	√		

Duties and Responsibilities

The Board has an approved mandate which includes the following key duties and functions, some of which are delegated to Subcommittees of the Board:-

- To develop the Company's approach to corporate governance and its corporate governance principles and practices
- To oversee and approve the strategic direction of the Company, its succession planning and organization structure
- To identify the principal business risk and review and approve key policies and practices (including credit risks, capital risk management, market risk management, investment management, liquidity and funding management) for the long term management of the Company
- To oversee the integrity of the Company's internal controls and management information system
- To monitor and review the performance of executive management, the performance of the Company and review its financial performance

In keeping with the mandate of the Board, Management meets with the Board to consider the Company's strategic direction and focus.

Standards of Business Conduct & Ethical Behaviour

Directors, officers and employees of the Company are expected to adhere to the Company's Guidelines for Business Conduct. These Guidelines outline the rules and expectations regarding proper conduct and ethical behaviour including following the law wherever the Company conducts business, avoiding conflicts of interests, honest conduct and integrity and ensuring that the Company's transactions and communications are accurate and confidential.

In addition, directors, senior management officers and their connected parties are subject to the Company's "Insider Trading Policy" in respect of trading in the securities of the Company which prohibits trading in the Company's securities during particular intervals and require disclosure of all trades in the Company's securities by them or by their connected parties.

All employees and Directors of the Company are required to provide written certification of their compliance with the Company's Guidelines for Business Conduct.

Disclosure

The Company is committed to providing timely, accurate and balanced disclosure of financial results, significant developments and other material information about the Company to shareholders, the Financial Services Commission and the Jamaica Stock Exchange.

Board Committees

The Board has two (2) established Committees; the Audit & Conduct Review Committee and the Human Resources Committee each with clearly defined terms of reference.

Audit & Conduct Review Committee

Members of the Audit & Conduct Review Committee are appointed by the Board which determines its terms of reference. In accordance with its terms of reference the Audit & Conduct Committee oversight responsibilities include:-

- Reviewing the quarterly and consolidated financial statements of the Company to ensure the integrity of the Company's financial reporting, disclosures and system of internal control over financial reporting
- Ensuring the Company's compliance with legal and regulatory requirements
- Monitoring the Company's internal audit and external audits
- Developing and implementing policies to identify and resolve conflicts of interest which may arise from transactions conducted by the Company.

Independence of the Audit & Conduct Review Committee

To maintain the independence of the composition of the Audit & Conduct Review Committee, the following are requirements for membership on this Committee:-

No Member of the Committee should:-

- Own more than 2% of the shares in the Company or any of its subsidiaries
- Receive any compensation from the Company other than usual Director's fees
- Have a material relationship with the Company or any of its senior management officers (save and except a customer of the Company in the normal course of business and on the usual terms and conditions which govern the products and services offered by the Company to the public).

Frequency of Meetings

The Audit & Conduct Review Committee meets quarterly and consists of four (4) Non-Executive members. The Committee members are Mr Anthony Chang (Chair), Ms. Barbara Alexander, Mrs. Angela Fowler and Mr. Philip Martin.

The Human Resources Committee

Members of the Human Resources Committee are appointed by the Board which determines its terms of reference. This Committee's remit includes the following:-

- Compensation to be paid to Senior Executives and other Board appointed officers of the Company, the general criteria and design of the Company's incentive/bonus schemes and the basis of distribution of incentives.
- Review of the senior level organisational structure and staffing of the Company
- Approval of the incentive pay awarded to staff under the Company incentive/bonus scheme.

Sandro resolves to create beauty all around him as he employs an impeccable work ethic and unwavering commitment to perfection. His environmental, landscape and sculptural works are of the highest quality. That same work ethic and commitment to perfection drives Scotia DBG as we skillfully craft innovative products and services for our clients.

The Committee members are Ms Barbara Alexander (Chair), Professor Stephen Vasciannie, Dr. Anna Law and Mr. Bruce Bowen. Three (3) of the four (4) members of the Committee are Independent Directors.

Board & Committee Meeting Register

The attendance of the Directors at Board, Committee and Annual General Meetings is reflected in the Table below:-

	Position	Board Meetings	Audit & Conduct Review Committee	Human Resources Committee	Annual General Meeting
Number of Meetings for the Year		5	4	2	1
Stephen Vasciannie	Non-Executive	4	-	2	1
Barbara Alexander	Non-Executive	4	3	2	1
Bruce Bowen	Executive	5	-	2	1
Anthony Chang	Non-Executive	5	3	-	-
Angela Fowler	Non-Executive	5	4	-	1
Anna Law	Non-Executive	3	-	1	1
Anya Schnoor	Executive	5	-	-	1
Anthony Woodward	Executive	4	-	-	-
Philip Martin	Non-Executive	4	2	-	1

Customer Creed

We commit to you, our most valued customer, that we will always:

Treat you with the greatest consideration, respect and courtesy – We will:

Acknowledge you - Use eye contact, a warm greeting and a smile. Assess and anticipate your needs; Listen attentively to your requests or complaints; Offer an appropriate service response; Avoid jargon, technical terms and acronyms; Ensure that you feel comfortable in our environment; Thank you for your business.

Maintain Confidentiality – We will:

Never divulge information about you to any unauthorized third party; Be sensitive to your unique situation by showing understanding and compassion; Utilize discretion in handling your personal information.

Respond Punctually – We will:

Answer the telephone within 3 rings with a SMILE; Ensure our voicemail is cleared at least twice a day and messages returned within 2 hours of retrieval; Acknowledge letters, emails and faxes in writing within 24 hours of receipt; Ensure that you are acknowledged by an officer within 10 minutes of entering a branch; Keep appointments at the agreed time; Provide timely and accurate service to both our internal and external customers.

Take Responsibility – We will:

Identify ourselves, our organization and department by name; Show a positive attitude and willingness to help; Ensure that when you are making telephone enquiries you do not have to interface with more than two persons; Never pass you waiting without enquiring about your need; Take responsibility for providing the appropriate solutions, escalating only if necessary; Address enquiries, requests, referrals and problems promptly and efficiently; Follow through with you to ensure that you are satisfied with the resolution or solution.

Act Professionally – We will:

Adhere to rules and regulations governing the financial industry; Observe and adhere to Scotiabank's code of conduct, policies and procedures; Adhere to Scotiabank's dress code; Demonstrate thorough knowledge of products and services; Clearly and simply communicate appropriate financial solutions and alternative courses of action; Always demonstrate sincere interest in you; Carry ourselves with dignity both on and off the job; Leave out-of-office messages if we are away from office for more than 24 hours.

SERVICE

Sales & Service Team

L-R

Annette Philpotts
Branch Manager
Kingston

Kariann Hepburn
Branch Manager
Mandeville

Kaylene Grant Patterson
Branch Manager
Montego Bay

Sherene Todd
Branch Manager
Constant Spring

Year in Review 2010

INTERNATIONAL MARKET

For the year in review there were a number of challenges which confronted the global economy, with the ripples being felt in the local markets. A slow US recovery, a European debt crisis and fading monetary and government stimulus were some of the major themes which triggered volatility in the global markets.

- Slow US recovery
- European debt crisis
- Fading stimulus
- Global volatility

North America

While the US economy rebounded from the recession, details of the US Federal Reserve Bank (Fed) minutes revealed concerns of deflation being a real threat to the American economy. The unemployment rate stood at 9.6% for the greater part of the year and the slow pace of job creation increased fears of a double-dip recession. As corporate America maintained a cautious stance, cash balances on balance sheets rose to record levels. Additionally, as the stimulus measures of July 2009 faded it became increasingly obvious that the Fed or Treasury would have to intervene (again) to buoy the pace of US recovery. However, with mid-term elections in November 2010, it seemed the Fed was not going to receive any assistance from the US treasury with stimulus measures. To compound matters further, interest rates were already up against the zero bound, implying that the Fed's options were limited and so called unconventional measures were going to be the order of the day. Towards the end of the year, the market increasingly speculated that the Fed was likely to grow its balance sheet (printing money) by implementing another

round of quantitative easing (QE2) to shore up the US economy, thus devaluing the US currency.

The US equity market stood up well considering the significant headwinds, partly due to increased risk appetite which was driven by speculation of Fed printing money, which would lead to a weaker US dollar in the short term. Additionally, companies in the technology and commodities sectors continued to prosper, somewhat driven by the developing countries which continued to display solid growth. The financials also gradually showed signs of recovery supporting the uptick in the equity market.

Europe

The sovereign debt crisis in Europe escalated in early 2010. Portugal, Ireland, Italy, Greece and Spain were confronted with contraction in their economies, rising unemployment, soaring fiscal deficits and spiralling debt. The deterioration in fundamentals resulted in considerable volatility in most global asset classes.

In early May 2010, the European Union (EU) implemented a bailout plan which amounted to EURO 750 billion, referred to as the "EU bazooka" being placed in the market. This was used to relieve the most affected countries in the EU. This package was aimed at reinforcing the unity of the Eurozone and solidifying the strength of the Euro. The most indebted of the countries (relative to GDP), Greece, received EURO 60 billion through the aid program which was jointly financed by the EU and the International Monetary Fund (IMF). In exchange for the bailout, they were forced to implement severe austerity measures to restore the country to a sustainable fiscal path. The long-term benefits of the bailout are still being analysed but the sovereign will be forced to get its books in order, potentially stifling growth in the near term.

Greece – forced to implement STRONG austerity measures...

Gold and Crude Oil

While the Euro and the USD exhibited significant volatility in the currency market, the precious metal, gold catapulted 18% higher from USD 1103.80 per troy ounce to USD 1,306.19 per troy ounce. In the final weeks of October 2010, Crude trended higher with the expectation that the US Federal Bank would intervene in the market shortly. Though crude benefitted from the weaker US dollar, it should be noted that this trend could be easily reversed, as fundamental demand and supply of crude has not changed that much. Gold may continue to benefit from "flight to safety" sentiments as the US and European economies struggle.

LOCAL ECONOMY

Money Market

BANK OF JAMAICA Interest Rates	30 days	*60 days	*90 days	*120 days	*180 days
Previous Rate (November 2009)	12.50%	13.00%	15.50%	15.70%	17.00%
Current Rate (October 2010)	8.00%	n/a	n/a	n/a	n/a
Change (basis points)	-450	n/a	n/a	n/a	n/a

**On January 12, 2010, the BOJ removed Certificates of Deposit with tenors for 60 days to 180 days from the market*

The Jamaican Dollar Fixed Income market has been largely characterized by the persistent downtrend in interest rates combined with increased levels of liquidity throughout the fiscal year. At the start of the year, the Bank of Jamaica (BOJ) removed from the market all tenors beyond thirty days for its Open Market Instruments. This signalled to the market that BOJ would be on an aggressive interest rate cutting path.

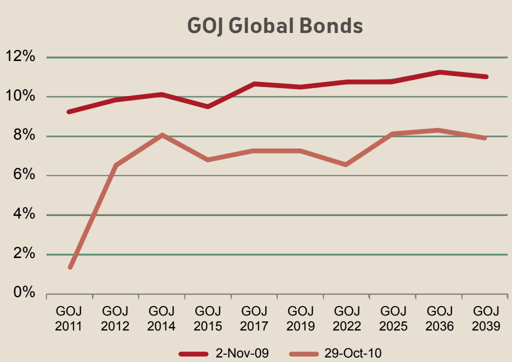
The Ministry of Finance (MOF) embarked on steep measures to reduce the country's huge debt burden through the Jamaica Debt Exchange Programme (JDX). This resulted in the yields on Government of Jamaica (GOJ) securities declining from an average of 19.00% to approximately 12.00% when the JDX settled. Following the debt exchange, coupled with efforts by BOJ, there was a significant reduction in the number of securities available on the market. These initiatives fuelled a sharp rise in liquidity levels in the domestic market and contributed to the downward spiral in interest rates. The market also

Year in Review 2010

saw an improvement in some of the key macroeconomic indicators, which included the strengthening of the Jamaican Dollar and an improving primary surplus balance.

Global Bond Market

Over the past year, the Global Bond Market recorded a recovery in prices driven primarily by strong demand in the Emerging Market (EM) amid high levels of liquidity. The GOJ bonds continue to demonstrate resilience despite the sluggish recovery in the global financial markets.



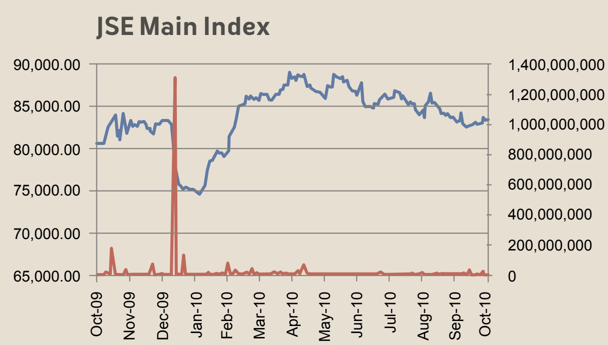
This is due in part to the improvement in the country's debt dynamics following the Jamaica Debt Exchange Programme earlier this year. Further, the bond market has been bolstered by the overall improvement in several key macroeconomic indicators given Jamaica's Stand-by Agreement with the International Monetary Fund (IMF). As a result, there were strong increases in prices across the spectrum of the curve, and particularly for the long-term bonds. During the period, the market also saw an uptick in the demand for EM bonds predominantly from overseas traders and investors, given strong levels of global liquidity and the move out of risky assets in some developed countries.

Looking ahead, GOJ bond prices will be impacted by the ability of the government to continue meeting the IMF quarterly targets as well as investors' appetite for Emerging Market (EM) assets. So far, GOJ bonds have benefitted from a general positive tone for EM assets. This general positive tone has led to a significant tightening in EM spreads, which increased the risk of a retracement in the short term.

Stock Market

For the year ended October 29, 2010, the Jamaican stock market saw increases across the board, amidst declines in the level of interest rates throughout the period. The JSE Main Index increased by 3.5% from 80,567.52 points at the start of the financial year to close the year at 83,352.14 points. The JSE Select Index and the JSE All Jamaica Composite also posted increase for the year as their values rose 16.7% and 18.8% respectively to 2,098.40 points and 77,745.11 points.

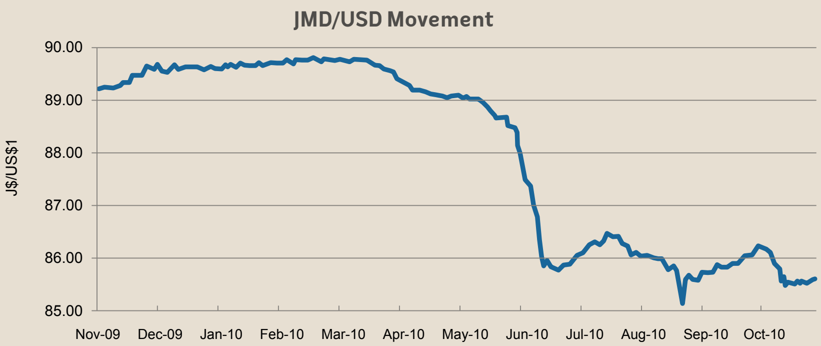
Indices	Level	Change	% Change
JSE Main Index	83,352.14	2,784.62	3.5%
All Ja Composite	77,745.11	12,297.60	18.8%
JSE Select	2,098.40	300.49	16.7%



Foreign Exchange

For the period November 1, 2009 to October 29, 2010, the Jamaican dollar gained $3.58 or 4.0% against its US dollar counterpart. The Jamaican dollar closed the period at an average selling rate of J$85.62/US$1. The local currency remained relatively stable in the early stages but started showing signs of appreciation in April 2010. Most of the appreciation occurred during the ensuing quarter, with that period registering a 3.90% gain for the Jamaican dollar. For the remaining months of the year, the local currency fluctuated around J$86/US$1.

The local currency's relative stability was directly due to the fall-off in the demand for the US currency coupled with the increasing support from the Central Bank. BOJ intervened in the foreign exchange market on numerous occasions during this period, eroding the country's Net International Reserves (NIR) to a low in February 2010 of US$1.56 billion. However, following the IMF approval and the first drawdown payout of US$650 million, NIR levels have rebounded coming very close to the $2 billion mark in October 2010.



For the period, the local currency also gained against the British Pound, rising by 7.3% to $136.18/£1 from $146.97/£1 at the beginning of the year. Conversely, the Jamaican dollar lost 1.5% to the Canadian dollar as the exchange rate moved from $82.91 at November 1 to $84.16 at the end of the year.

The medium term trajectory for the JMD/USD will depend on future IMF tests and the resuscitation of economic growth. Local inflation will also be a factor given the disinflationary environment in the US. An inability to increase economic growth will adversely impact the fiscal accounts, which could spill over into the FX market and cause the JMD to depreciate against the USD. Relatively higher inflation in Jamaica will also cause upward pricing pressure on JMD/USD.

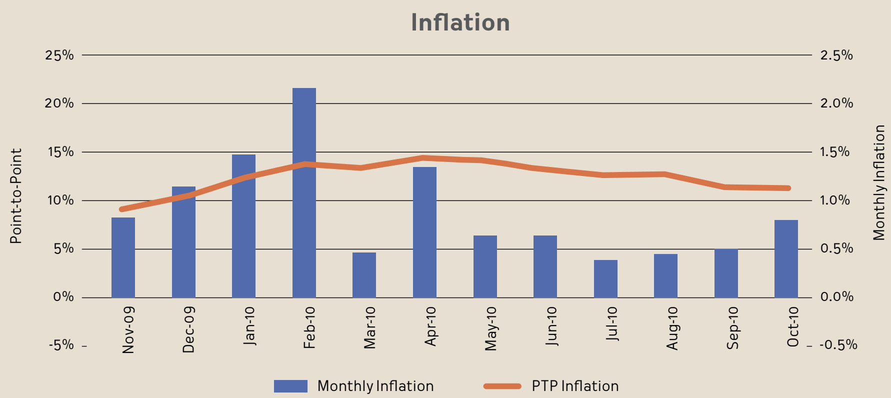
Inflation

The trends in monthly inflation over the period of November 2009 to October 2010 were erratic. The year commenced at a moderate level, but subsequent months saw inflation rates climbing to new heights on the back of increased taxes, oil price fluctuations, and higher public transportation costs. Inflation for February peaked at 2.2%, representing the largest monthly increase since July 2008 when oil prices soared to US$147/bbl. In the months following, inflation decelerated falling to as low as 0.4% for the months of July and August but regained strength in October (0.8%) due to the unfavourable effects of Tropical Storm Nicole and the prolonged rainfall during that month.

"I believe that education is the pathway to lifting Jamaica from a culture of poverty... to one of self-sustenance and self -governance". So says this Principal of a leading corporate area high school. Similarly, Scotia DBG is committed to empowering and guiding our clients to fulfill their highest financial aspirations.

The sharp spikes in price levels over the period resulted in the calendar year to October 31 inflation amounting to 9.0% above the 8.1% a year ago. Similarly, 12-month inflation stood at 11.2%, exceeding the 7.7% inflation rate for the corresponding period last year. Fiscal year-to-date inflation on the other hand closed at 4.7%, 2% below the 6.7% inflation rate recorded at the end of October 2009.

Going forward, agricultural supply shocks arising from adverse weather conditions are expected to place upward pressure on price levels in the short term. However, over a long run horizon inflation is expected to subside amid a relatively stable foreign exchange market and weakened domestic demand.

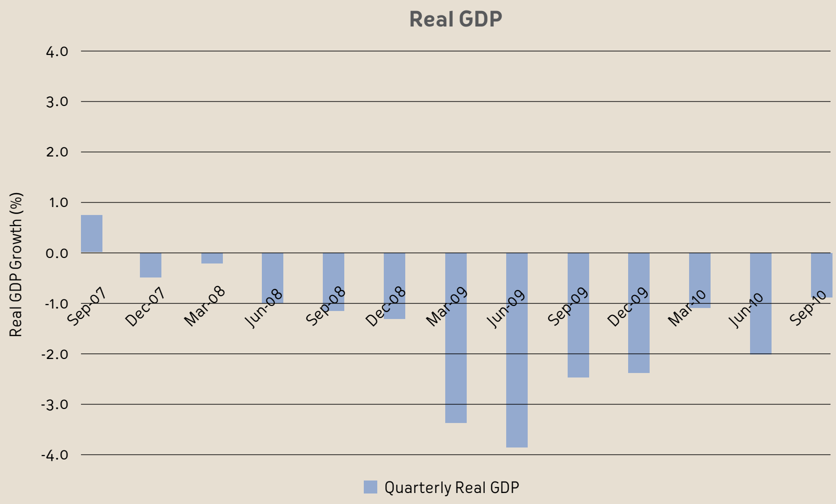


Gross Domestic Product (GDP)

During the financial year, the contraction in the Jamaican economy persisted albeit at a slower pace, extending the negative growth existing since the fourth quarter of 2007. The lagging effects of unfavourable weather conditions and the global downturn continued to hurt both the goods producing and service sectors.

Growth in the Productive sector shrank following continued lower output from two of the four sub-sectors. Agriculture was the lone sub-sector that advanced in the earlier months, recuperating from the effects of the spate of tropical storms and heavy rainfall endured in prior years. The Mining segment registered consecutive quarterly improvements with growth levels rising to positive territory in the April–June 2010 quarter. The Manufacturing and Construction segments however, saw downtrends in their respective productivity levels throughout the period.

The Service sector also grappled during the period with worsening performances by most sub-sectors. This was further exacerbated in the April - June quarter when the Financial & Insurance and the Hotels & Restaurant sub-sectors recorded downturns. The former experienced declines in earnings due to the reduced income emanating from JDX and the weak economic backdrop while the latter was affected by softened visitor arrivals.



Although some improvements in the local landscape are evident, the rate of growth for the Jamaican economy is expected to remain sluggish in the near term, due in part to the absence of countercyclical policies to stimulate the economy and recurrent weaknesses in key industries.

Agriculture was the lone sub-sector that advanced in the earlier months...

Fiscal Performance

Revenue shortfall and higher than programmed interest payments resulted in the Central Government's fiscal deficit surpassing the initial budget by over J$42 billion for the fiscal year 2009/10. The deficit amounted to J$121 billion or -10.9% of GDP well above the target of -6% of GDP.

For the first seven months fiscal year 2010/11 however, there have been notable improvements in the fiscal accounts to date, corroborating the Government of Jamaica (GOJ) commitment to placing the county's finances on a sustainable path. The fiscal deficit amounted to J$45.8 billion, J$9.68 billion better than planned for the period of April 1, 2010 to October 31, 2010. This turnaround stemmed largely from the Jamaica Debt Exchange (JDX) and the resultant implementation of the IMF loan program. Interest costs were slashed J$4.16 billion and non-interest spending fell behind target by J$9.42 billion.

However, lower-than-anticipated revenue flows to GOJ coffers partly offset this over-performance in spending. Revenue and Grants for the period totaled J$169 billion, trailing forecast by J$3.91 billion. Non-Tax emerged the only revenue category that outpaced budget, reflecting a surplus of J$0.36 billion. All other revenue categories fell below budget in particular, Grants and Tax revenues, which registered shortfalls of J$3.57 billion and J$0.4 billion respectively for the period.

Despite this early outperformance of the fiscal balance, it is anticipated that meeting the 2010/11 budget will be difficult due mainly to persistent weak economic growth that will depress future tax revenues.

Corporate Social **Responsibility**

Scotia DBG Investments remains committed to the welfare of our youth. Education and Sports were among our key areas of youth development. We see ourselves as active social partners in shaping the lives of our children for a better Jamaica.

Lissant Mitchell, COO Scotia DBG and Daniel Wright, SVP and Head of International Wealth Management at Scotiabank Toronto share a light moment with the children at the unveiling of the Trenchtown Reading Pavillion on August 24, 2010

Education Outreach

Over the last year, our focus has been centered on two major outreach projects for education: Trench Town Reading Centre and Caribbean Christian Centre for the Deaf. In addition, we have also supported the Jamaica National Children's Home through an outreach project aimed at renovating a section of the home and providing supplies of books and clothing for the children.

Scotia DBG, in collaboration with the Scotia Wealth Management division, participated in a project aimed at expanding the facilities of the Trench Town Reading Centre. A "Reading Pavilion" was constructed and served as an additional class room to host the growing number of children who attend classes at the Centre. The Pavilion allows the facility to accommodate up to 100 children for the daily after school reading and homework programmes.

The curriculum is mainly focused on pre-primary students and young teenagers and includes guided reading exercises and art classes. The Centre was established in 1993 for the Trenchtown citizens and children from surrounding communities. Over the last two years, we have sponsored two Annual Spelling Bee finals at the centre. We began an active relationship with Caribbean Christian Centre for the Deaf as a direct response to a public plea that the school had made in the media requesting financial support. The school is the only one of its kind in Jamaica and it also serves a resource for deaf students across the Caribbean region. There are currently 70 students enrolled at school. Students are prepared for CXC and CAPE examinations on an annual basis. Scotia DBG hosted a Christmas treat for the students and made a donation of computers for the computer lab.

Male and Female Athlete of the year Hon. Usain Bolt, OJ and Shelley-Ann Frazer, OD along with Anya Schnoor CEO of Scotia SDBG Investments, Bruce Bowen, President & CEO of The Bank of Nova Scotia Jamaica Ltd. and Howard Aris, CD, President of the Jamaica Athletic Association pose for the cameras at the Inaugural Golden Cleats Awards hosted on December 8, 2009

Sports Outreach

Last year, Scotia DBG partnered with the Scotia Wealth Division to support the development of sports through the hosting of the inaugural Golden Cleats Awards in association with the Jamaica Amateur Athletic Association (JAAA). The Golden Cleats Awards recognized the top performing athletes in the country, awarding titles of Male and Female Athlete of the Year, based on annual performances both locally and internationally. In addition, we sought to engage the support of corporate Jamaica to raise funds through the sale of tickets to attend the Awards event. Funds raised from the event were used to purchase much needed equipment to improve the training conditions for the athletes and also to enhance Jamaica's ability to host international meets through the provision of world class equipment.

Employees of the Quarter 2010

Quarter 1 Floyd Richards, Kingston

Floyd Richards is a very versatile sales officer - serving multiple Scotiabank branches and maintaining excellent rapport with internal and external clients in all locations. His BNSJ Satellite team members include him in all their team activities - including, sales, volunteerism and community programs. Floyd is knowledgeable about the compliance requirements of his job and consistently delivers quality work. The epitome of a Junior Investment Advisor, Floyd arranges for regular client calls to conduct portfolio reviews and recommend diversified portfolios to meet his clients' financial objectives. Going the 'extra-mile' has become his normal 'modus operandi', evidenced by him visiting his clients on weekends and discussing their financial planning and investment needs. He is truly a pleasure to work with!

Quarter 2 Nicola Reid, Mandeville

Nicola is responsible and always ready to assist the Sales Officers with their clients when they are not in office. She is very willing and is known for her "can do" attitude. Her emphasis on good customer service has improved client retention and gained her good prospects through referrals from her existing clients. Although Nicola is the newest member of the Mandeville team, she has come up the curve quickly as she displays much discipline in her execution and is extremely driven. An excellent team player, Nicola shows great initiative and never shies away from a task.

Quarter 3 Sara Ying, Kingston

Sara joined Scotia DBG Investments in 2005 and currently holds the position of Senior Securities Officer within the Centralized Support Unit (CSU). In her role, Sara has consistently demonstrated the highest level of both internal and external customer service. She goes above and beyond the call of duty to ensure that the client's concerns are promptly dealt with. Sara's positive attitude, dedication to her team, along with her commitment to her job exemplify the core values of the organization. Sara portrays a very caring, responsible, generous and willing attitude towards her work and in helping her colleagues. She assists all her team members and completes her tasks in a timely manner.

Quarter 4 Venora Blair, Montego Bay

Venora has always displayed a positive and willing attitude towards any task assigned to her. She is pro-active in her duties and has the company's interest at heart, always thinking of ways to conserve scarce resources so the company can save. Venora takes her work very seriously and ensures that all tasks are performed as efficiently as possible. She is willing to assist clients both internally and externally without hesitation and always displays true spirit and commitment. She has refererred clients which resulted in booked sales. She is willing to go the extra mile even beyond normal banking hours and to learn new tasks.

Best of the Best Awardees 2010

Each year, Scotiabank Group recognises employees for their exemplary sales and service performance. Meet the "Best of the Best" employees for 2010 from Scotia DBG.

Stephanie Shaw – Manager, SDBG Asset Management Division

Stephanie demonstrates the Scotiabank Group's core values and is a role model for junior staff, contributing to the development of her team members. This includes providing over the phone assistance to sales officers, and always being eager to assist her colleagues, irrespective of the task. She takes ownership for her client relationships and effectively manages all matters relating to her clients' accounts. Stephanie took an active interest in her personal development by preparing for and sitting the CFA level 3 exam in June 2010.

Joelle Smith – Investment Advisor, Kingston Branch

Joelle Smith's commitment to her team is unwavering. She exemplifies integrity and the One Team One Goal approach. She has earned the respect of her peers, who view her as a leader and seek her out for guidance in both sales and service related areas. She is a month-over-month top-producing Investment Advisor and the Customer Experience Champion for her branch. She consistently seeks new ways to improve her team's service delivery. It is her normal routine for her to go the 'extra-mile' for her clients and she is very competent, especially when serving busy professionals.

Nicola Warren – Manager, Treasury and Trading

Nicola Warren has proactively sought new challenges after joining the team as a money market trader, mastering the bond trading desk and then the FX desk. During her time in the Treasury Unit Nicola has stood out as the "go to" person due to her extensive knowledge. She has been an invaluable presence in the unit and has been designated the title of "the voice of Treasury" by her team members. Nicola's efforts extend beyond the workplace and she gives of her time to community development, by volunteering at various outreach and support events.

Richard Thompson – Relationship Officer, Montego Bay Branch

Richard has been an exceptional team player and has been a tower of strength in assisting other team members in executing deals and providing general support whenever necessary. He participates in all branch events and is a member of the Scotia football team. Richard consistently reviews his clients' portfolio and based on their needs, he has been diversifying their portfolio to better reflect their objectives. This resulted in the growth of their investments and also resulted in his having a loyal customer base.

Best of the Best Honour Roll

Isan Barnaby
Kingston Branch

Odeon Wilmot
Montego Bay Branch

Naomi Anderson
Kingston Branch

Nerisse Pottinger
Kingston Branch

Sharon Lawrence
Asset Management Company Ltd.

Cameshia Beam
Montego Bay Branch

Michelle Cotterell
Signature Investments/Constant Spring

Karrian Hepburn
Mandeville Branch

Rashidi Thomas
Kingston Branch

Joy Thomas
Sav Sub Branch to Mandeville

Kenisha Dwyer-Powell
Mandeville Branch

Stephanie Salmon
Finance Dept.

Latoya Virgo
Montego Bay Branch

Carla Thomas
Finance Dept.

Jillian Evans
Signature Investments/Constant Spring

Daniel Thompson
Kingston Branch

Nicola Reid
Mandeville Branch

Our Moments

ABOVE:

Financial Services Commission Expo

Michelle Cotterell, Senior Investment Advisor, Scotia DBG Investments discusses investment opportunities with Mr Sushil Jain at the Financial Services Expo held at the Jamaica Pegasus Hotel in September.

LEFT:

Signature Soiree

Sherene Todd, Assistant Vice President, Signature Investments greets Professor Anthony Clayton as Senior Investment Advisor, Xandria Wauchope-Lee looks on at the Scotia DBG Signature Cocktails hosted at the Scotiabank Group Financial Centre in September.

MOMENTS

Jamaica Observer Food Awards
Celebrity Guest Chef, Marco Pierre White shares a light moment with Anya Schnoor, CEO Scotia DBG Investments and Monique Todd, Vice President - Marketing, Public and Corporate Affairs, Scotiabank Group.

Scotia DBG Investments Chicks and Balances Event
Phillip Nash, Assistant Vice President of Information Technology, pours a glass of champagne for guests Erica and Erroleen Anderson at the Scotia DBG Chicks and Balances Cocktails hosted at the Terra Nova Hotel in August.

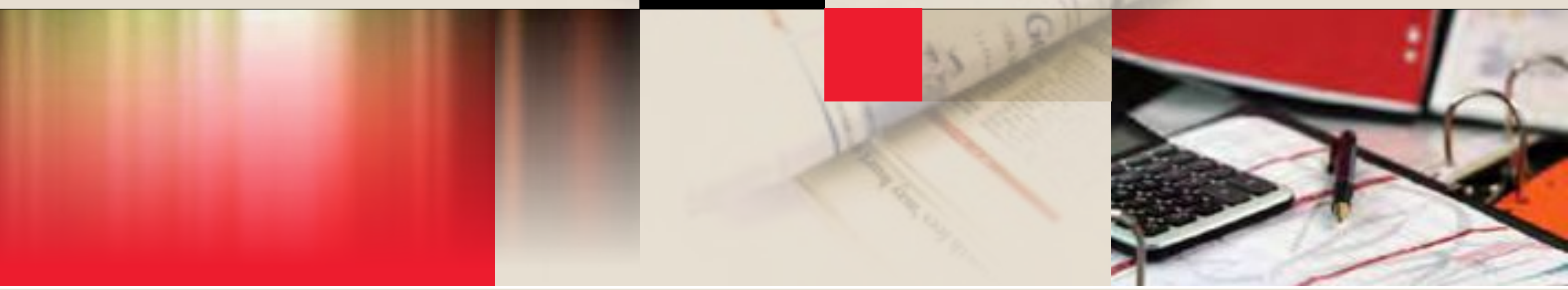
Strawberry Hill High Stakes Backgammon Tournament
Vanessa Reid-Boothe, Vice President of Sales and Service at Scotia DBG, smiles for the camera with winner Michael Hirst (left) and Oliver Mair, Sales & Marketing Manager of Best Dressed Foods, Jamaica Broilers Group at the Strawberry Hill High Stakes Backgammon Tournament hosted in March 2010.

Financial Highlights 2010

J$	2001	2002	2003	2004	2005
	('000)	('000)	('000)	('000)	('000)
Profit and Loss Account					
Gross Operating Revenue	1,424,279	2,323,909	3,544,374	4,540,765	4,069,059
Net Interest Revenue	218,332	202,911	279,042	320,434	630,313
Other Operating Revenues	276,246	406,239	473,165	871,722	1,026,682
Other Operating Expenses	376,299	426,874	509,850	644,549	846,042
Net Profit attributable to members	111,625	180,216	239,418	538,595	802,642
Balance Sheet					
Total Assets	9,365,262	13,999,646	22,106,116	23,652,828	28,422,734
Total Liabilities	8,926,126	13,469,051	21,127,171	22,273,979	26,300,422
Total Stockholder's Equity	361,923	530,595	978,945	1,378,849	2,122,312
Total Funds Under Management	11,797,808	15,947,502	22,851,218	24,564,132	30,697,330
Outstanding Shares*	112,500,000	112,501,040	122,129,514	276,825,714	290,385,731
Key Financial Ratios					
Earnings per share (cents)	0.99	1.60	1.96	1.95	2.76
Book Value per share	3.22	4.72	8.02	4.98	7.31
Efficiency Ratio	76%	70%	68%	54%	51%
Return on Average Equity	45%	50%	45%	55%	58%
Return on Average Asset	1%	2%	1%	2%	3%
Net Profit Growth (% growth)	86%	61%	33%	125%	49%
Asset Growth (% growth)	6%	49%	58%	7%	20%
Equity Growth (% growth)	45%	47%	84%	41%	54%
Average Equity	306,111	446,259	754,770	1,178,897	1,750,581
Average Assets	9,085,447	11,682,454	18,052,881	22,879,472	26,037,781
Net Revenue	494,578	609,150	752,207	1,192,156	1,656,646

**Weighted average number of ordinary stock*

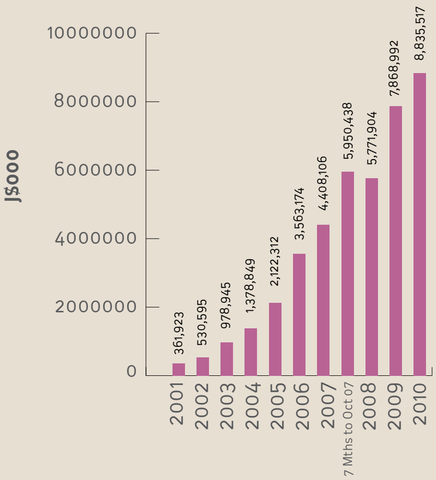
***Based on annualised Net profit after tax for 7 months ended October 2007*



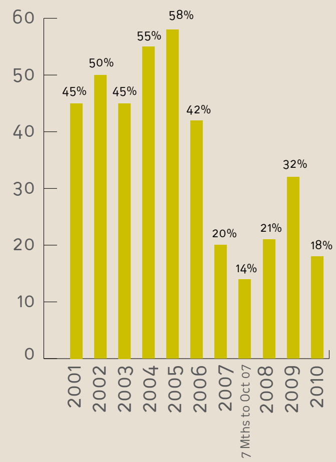
		7 MONTHS TO OCTOBER	OCTOBER		
2006	2007	7 Mths to Oct-2007	2008	2009	2010
(‘000)	(‘000)	(‘000)	(‘000)	(‘000)	(‘000)
4,157,027	4,228,630	3,399,152	7,624,186	10,797,433	8,044,063
773,844	854,915	724,633	1,960,014	3,359,099	3,105,843
1,041,599	745,971	340,353	642,217	657,105	701,072
929,014	930,863	595,607	1,062,059	1,360,236	1,228,395
882,319	702,955	686,295	1,239,480	2,128,870	1,487,348
30,572,360	37,749,263	56,352,603	65,996,518	74,010,727	70,974,893
27,009,186	33,341,157	50,402,165	60,224,614	66,323,735	62,139,376
3,563,174	4,408,106	5,950,438	5,771,904	7,686,992	8,835,517
31,720,431	38,519,109	84,480,969	96,790,241	109,433,421	118,884,463
303,194,744	309,258,639	374,364,997	423,194,765	423,194,765	423,194,765
2.85	2.27	1.83	2.93	5.03	3.51
11.75	14.25	15.89	13.64	18.16	20.88
51%	57%	57%	41%	34%	33%
42%	20%	14%	21%	32%	18%
3%	2%	1%	2%	3%	2%
10%	-20%	**67%	5%	72%	-30%
8%	23%	49%	17%	12%	-4%
68%	24%	35%	-3%	33%	15%
2,842,743	3,985,640	5,179,272	5,090,005	6,729,448	8,261,255
29,497,547	34,160,812	47,050,933	51,872,891	70,003,623	72,492,810
1,815,443	1,630,965	1,053,094	2,599,695	3,944,492	3,672,952

Financial Highlights 2010

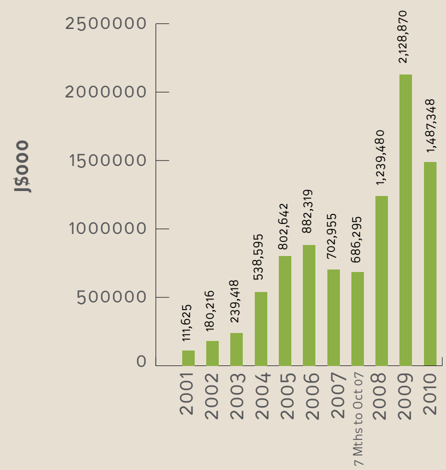
SDBG Stockholders' Equity



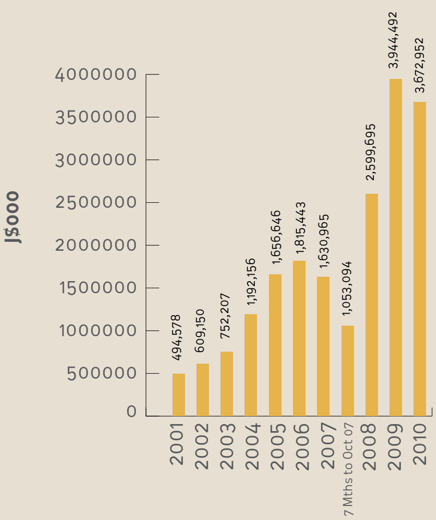
SDBG Return on Average Equity



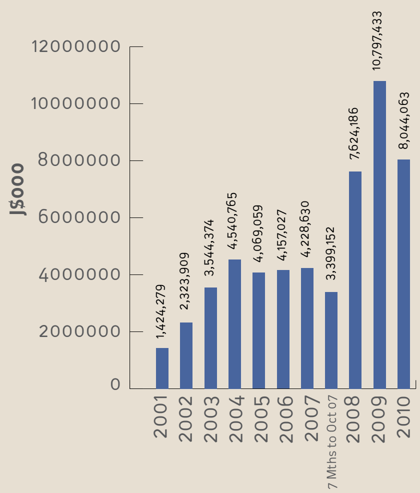
SDBG Net Profit



SDBG Net Revenue



SDBG Gross Operating Revenue



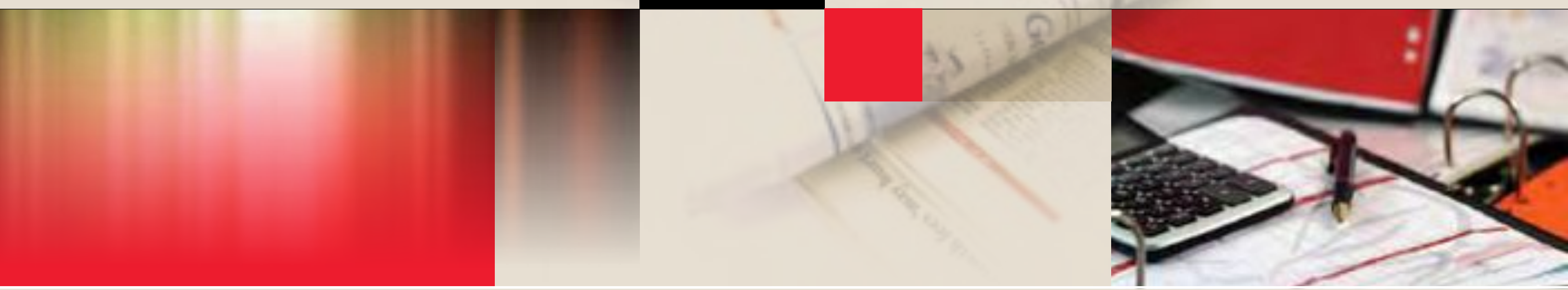
Stockholders' Equity
Stockholders' Equity represents the equity stake currently held on the books by a firm's ordinary shareholders. It is calculated either as a firm's total assets minus its total liabilities or as share capital plus retained earnings minus treasury shares.

Return on Average Equity
A measure of a company's profitability that indicates the profit per unit of equity invested in the company. Return on Equity is often calculated by dividing net income by average shareholders' equity. Average shareholders' equity is calculated by adding the shareholders' equity at the beginning of a period to the shareholders' equity at period's end and dividing the result by two.

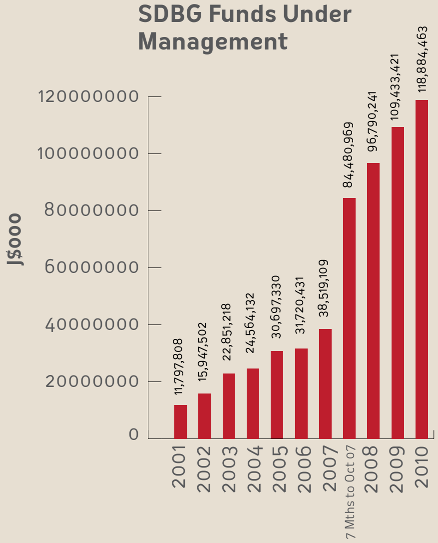
Return on Assets (ROA)
An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. ROA is calculated by dividing a company's annual earnings by its total assets. ROA tells what earnings were generated from invested capital (assets). The ROA figure gives investors an idea of how effectively the company is converting the money it has to invest into net income.

Net Income (NI)
A company's total earnings (or profit) which is calculated by taking revenues and adjusting for operating costs, depreciation, interest, taxes and other expenses. The number is found on a company's income statement and is an important measure of how profitable the company is over a period of time. The measure is also used to calculate earnings per share. Net Income is often referred to as "the bottom line" since net income is listed at the bottom of the income statement.

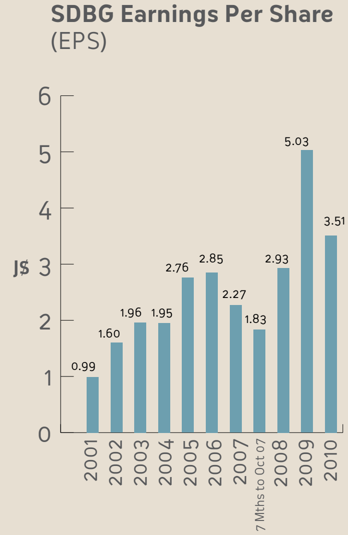
Net Revenue
The amount of money that a company actually receives during a specific period, excluding discounts and deductions for returned merchandise.



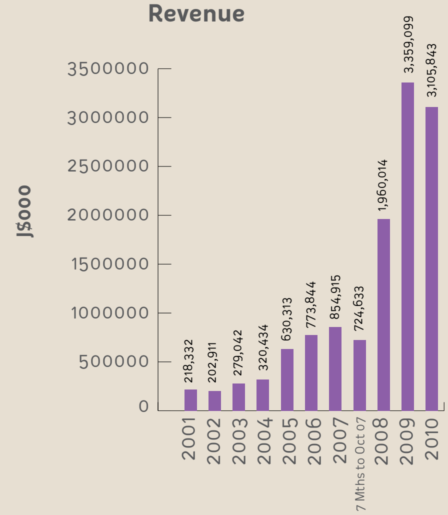
SDBG Funds Under Management



SDBG Earnings Per Share (EPS)



SDBG Net Interest Revenue



Gross Operating Revenue
The amount of profit realized from a business' own operations, but excluding operating expenses (such as cost of goods sold) and depreciation from gross income. This does not include items such as investments in other firms, taxes or interest expenses. In addition, nonrecurring items such as cash paid for a lawsuit settlement are often not included.

Earnings Per Share (EPS)
The portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share are generally considered to be the single most important variable in determining a share's price. EPS is also a major component of the price-to-earnings valuation ratio.

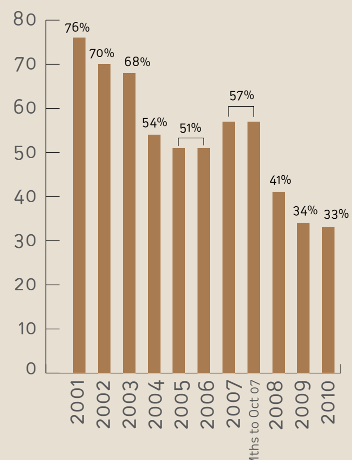
Efficiency Ratio
A ratio used to evaluate the overhead structure of a financial institution. The efficiency ratio gives us a measure of how effectively a bank is operating. Efficiency is usually an acceptable measure of profitability as the more efficient banks are those that are able to generate increased profits while containing increases in operating costs. The efficiency ratio may be calculated in a number of ways, but the most common is non-interest expense divided by total revenue less interest expense (net revenue). An increasing efficiency ratio means the company is losing a larger percentage of its income to expenses. If the ratio is getting lower, it is good for the bank and its shareholders.

Net Interest Income
Net Interest Income (NII) is the difference between the interest income to the bank on loans and the interest payments made by the bank to the customers on the deposits.

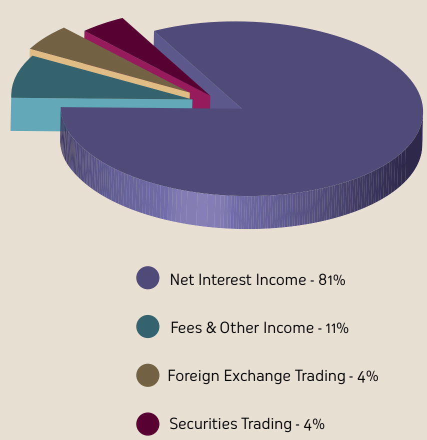
NII = (Interest payments on assets) - (interest payments on liabilities)

Depending on the bank's specific portfolio of assets and liabilities (fixed or floating rate), the banks NII can be more or less sensitive to the changes in interest rates.

SDBG Efficiency Ratio



SDBG Net Revenue Composition
Year ended October 2010



Scotia DBG Investments

Investors' Digest

We believe that informed clients make better financial decisions. As such, we felt that it was important for us to provide our clients with relevant financial advice and staged several forums to accomplish this objective, while leveraging traditional and on-line channels to widen the communication channel. Our webinars and corporate seminars were streamed live via the Scotia DBG and Facebook websites and showcased the depth of our research capabilities. As an innovator, one of our campaigns this year also highlighted the addition of the blackberry messenger channel as a means of communicating with our clients, providing them with immediate access to financial advice, at their fingertips.

JDX

Considering the short and long-term benefits to Jamaicans, Scotia DBG, being an entity that prides itself on longer–term strategic vision, willingly participated 100% in the Jamaica Debt Exchange, by surrendering some J$30.2 billion equivalent high yielding bonds in exchange for bonds with significantly lower interest rates.

The historic JDX program, which we were a part of, resulted in significant cost savings for Jamaica's Fiscal Budget, creating room for the Government to redirect the funds saved to other areas of national priority.

Without the JDX, default / restructuring would have resulted in a more catastrophic impact on the economy and the investments of Jamaicans.

"The alternative to reducing interest rates is too unpleasant to entertain and would cause dramatic and far reaching damage to Jamaica's real economy and the value of your investments in our securities" - Hon. Minister Shaw at JDX Launch.

Scotia DBG's participation in the JDX, along with other investors, has resulted in an improved credit rating for Jamaica. Now, the country can borrow funds locally and internationally at cheaper rates, due to less concerns about its ability to repay.

Improved credit profile of GOJ debt instruments in the short to medium term.

"Standard & Poor's expects to assign a 'B-' sovereign credit rating and 'B-' debt ratings to the new bonds upon the completion of the debt restructuring and issuance of the new bonds, which is scheduled for Feb. 16, 2010" – S&P dated Jan-16-2010

WebLinks

Scotia DBG Webinar Series Sept. 1, 2010
Topic: Jamaica is set to pass the 2nd quarter IMF test. What are the investment implications?

Facebook Question: Will the IMF make Jamaica less appealing or more appealing to investors?
Response by Dr. Adrian Stokes, VP, Strategic Planning & Projects: "*...it augurs well for Jamaica from a foreign investor point of view...(Jamaican) global bond prices have gapped down and spreads have narrowed significantly and that's exactly because of the stamp of approval that the IMF brings...*"

Direct Link:
http://www.scotiadbg.com/video_theatre/video20100906_imf.php

Scotia DBG Webinar Series April 27, 2010
Topic: Post Budget Summary and Market Insights for 2010 / 2011

Facebook Question: What are the best investment vehicles in the face of the current economic environment?
Response by Brian Frazer, GM Scotia DBG Fund Managers & VP Asset Management: "*...definitely to diversify across asset classes - give yourself exposure to equity markets that do well in a low interest rate environment...*"

Direct Link:
http://www.scotiadbg.com/video_theatre/video20100427_budget_review2.php

Scotia DBG Webinar Series April 20, 2010
Topic: Charting your investment strategies in a Post JDX World

Facebook Question: Do you offer opportunities to clients to buy directly in the US stock market and if so, what's the cost structure?
Response by Lissant Mitchell, COO: "*...as part of an investment management company we sell various funds which gives you the exposure to various asset allocations outside of Jamaica (which gives exposure to the US, Canadian and other emerging markets)...*"

Direct Link:
http://www.scotiadbg.com/video_theatre/video20100420_charting_invest_strategy_JDX_Vr2.php

Scotia DBG Corporate Seminar March 19, 2010
Topic: Multilateral Funding & The Jamaican Economy

Excerpt from Address by Anya Schnoor, CEO Scotia DBG Investments: *(In reference to the importance of the recent lifting of the moratorium on the issuance of new unit trust funds) "...unit trust funds are an important means through which the savings and investments of many small and indeed large investors within the economy can be mobilized efficiently into the appropriate productive investment opportunities within the economy..."*

Direct Link:
http://www.scotiadbg.com/video_theatre/video2010_multilateral.php

Management Discussion & Analysis

MD&A Table of Contents

PRINCIPAL ACTIVITIES

Scotia DBG Investments Limited (Scotia DBG) is a subsidiary of Scotia Group Jamaica Limited and offers the widest range of wealth management and brokerage products in Jamaica. We also provide exclusive asset management services to retail and institutional clients and manage a cambio operation. We are a Primary Dealer for the Bank of Jamaica (BOJ), through which the BOJ conducts its open market trading operations.

Scotia DBG has approximately $118.9 Billion in total funds under management as at 31 October 2010 and is regulated by the Financial Services Commission (FSC) and the Bank of Jamaica. We have 4 island-wide branches and a sub-branch in Savanna-la-mar.

BUSINESS LINE STRATEGY

The main focus of our strategy is to realign the Scotia DBG business model into one that produces a truly diversified income stream and a risk adjusted return in line with the expectation of all our stakeholders. To effectively achieve these objectives, Scotia DBG will leverage the strengths of the wider Scotiabank Group internationally and develop a suite of products and services that provides effective solutions to clients, while reducing our reliance on net interest income. In 2011 we will therefore remodel our business into four main revenue centres:

- **Treasury Operations**
- **Retail Brokerage**
- **Capital Markets**
- **Asset Management Services**

Professor Stephen Vasciannie
Chairman

PASSION for Professionalism:

Delivering knowledgeable advice in a professional manner with respect for the clients needs.

"The amateur works until they get something right. The professional works until they can't go wrong."
— *Julie Andrews Edwards*

Strategic Imperatives

We believe that the business model re-alignment will allow us to focus effectively on our long term strategic imperatives:

1. Distribution Channels

We will provide an enhanced sales and service process by refining our distribution strategy so as to align it succinctly to specific target markets. We also plan to strengthen our sales management training and coaching process to ensure that our clients continue to receive the best possible advice to meet their individual needs. This will be achieved by:

- *Developing and implementing a customer relationship management model*
- *Conducting client research and implementing solutions based on the needs of the varying client segments*
- *Deploying a client communication programme that seeks to reinforce Scotia DBG's position as the industry's most trusted financial advisor.*

2. Non Interest Revenue

We intend to develop a wider range of attractive off Balance Sheet fee-based products. This goal will be accomplished through the introduction of new managed funds and products designed to target specific client needs. Our enhanced Capital Market division will also provide additional impetus in our drive to grow non-interest revenue.

3. Operational Efficiency

It is our intention to focus on improving our efficiency which is a strategic advantage for our company. We will also continue to enhance our risk management capabilities and benchmark our key performance indicators against our peer group and international best practice standards.

4. Technology Platform

During the new financial year, we will continue on the overall project to implement a new IT platform for the company. It is anticipated that this project will continue into 2012 and its main goals will be to increase growth and enhance operational efficiency by providing a stable platform to support new product initiatives and effective reporting.

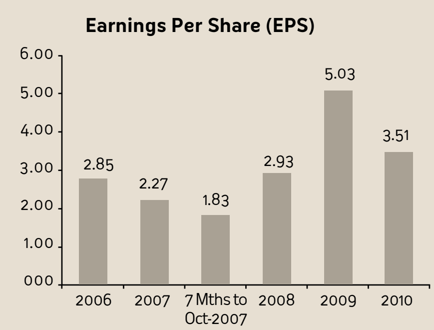
5. People

Our continuing strategy is to align employee objectives with those of the organization; recruit and retain top talent and develop people and teams by providing robust employee development, reward, recognition and compensation programmes.

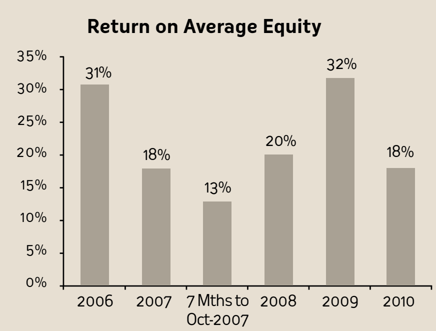
Financial Results Overview

The 2010 financial year was unprecedented as it was highlighted by the Government of Jamaica's Debt Exchange (JDX) offer. During the first quarter, the company made the important decision to take part in this offer cognizant that there would be a negative impact on future net interest income. Our after tax results for the year was $1.487 billion and represented a strong performance given the significant reduction in earning asset yields since the JDX.

Earnings per share (EPS) decreased to $3.51 down from $5.03 for the previous year.



The company's return on average equity (ROE) was 17.84% at the end of the financial year.

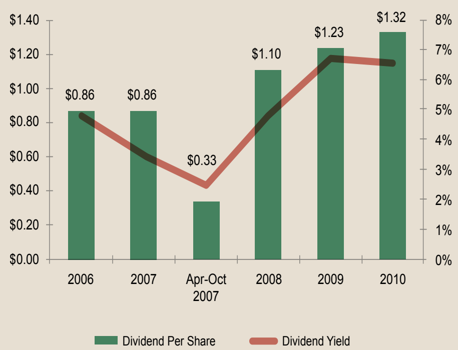


Strong Shareholder Returns

Shareholders received quarterly dividends during 2010 totalling $559 million, up 12.5% from the $497 million paid out for the previous year. Our solid financial performance continues to drive positive shareholder returns, and we remain committed to achieving sustainable, long term earnings growth.

Dividend Payments

We are committed to the payment of dividends to shareholders in line with our capital adequacy needs. The maintenance of adequate levels of capital is a critical component of our risk management practices. On a quarterly basis the Board considers dividend payments to shareholders. Any dividend payment made is paid from the realized earnings of Scotia DBG. Total dividends paid during the year amounted to $1.32 per share with a dividend yield of 6.44%.



Financial Performance

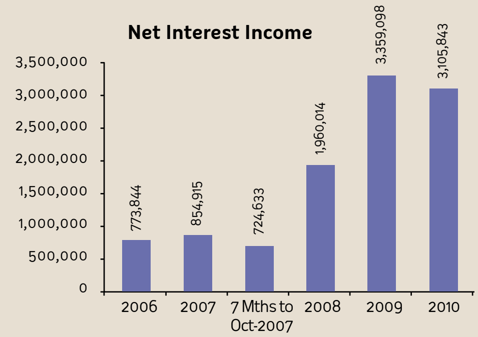
Total Revenues

Total revenue, comprising of net interest income and other revenues totalled $3.76 billion for the year, a decrease of $185 million or 5% over the same period last year. The decline was influenced primarily by the general reduction in interest rates on Government and Bank of Jamaica securities after the JDX which resulted in lower portfolio yields.

Net Interest Income

Net interest income for the year amounted to $3.1 billion, a decrease of $260 million or 7.7% over the $3.36 billion earned in prior year.

Total interest income earned for the year was $7.3 billion, a decrease of $2.8 billion over the previous year. Average yields on J$ earning assets decreased from 20.33% last year to 10.06% this year, however the average volumes increased by 2% to $41.2 billion. The average yields on our US$ earning assets also decreased from 7.92% last year to 6.61% this year while the average volumes fell by 1% to US$269.2 million.



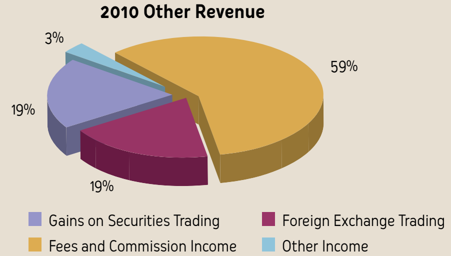
Total interest expense decreased by $2.5 billion to $4.2 billion at the end of 2010 indicative of lower J$ liability rates which moved in line with BOJ rates during the year. The company's net interest margin on its J$ earning assets portfolio was 2.85% down from 4.86% at the end of the previous year indicative of thinner margins in the lower interest rate environment. The net interest margin on the company's US$ earning assets portfolio also declined from 3.87% last year to 3.84% this year.

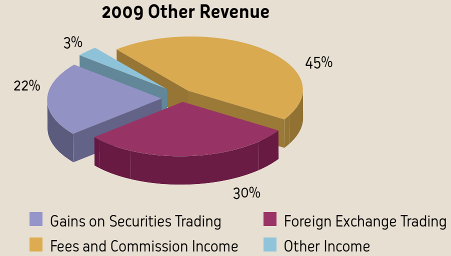
	2010	2009
	$000's	**$000's**
Interest Income	7,342,990	10,140,328
Interest Expense	(4,237,147)	(6,781,229)
Net Interest Income	**3,105,843**	**3,359,099**

The Bank of Jamaica initiated several interest rate cuts during the year, against the backdrop of a strengthened Jamaican dollar, the expected achievement of inflationary targets and the surpassing of net international reserve benchmarks under the current Stand-By programme with the International Monetary Fund (IMF). Earning asset yields continued to trend downward in line with the lower interest rate environment and, as we head into the next financial year, we will continue as part of our overall strategy, to adjust our business model away from reliance on net interest income.

Other Income

Other income, which represents all non-interest income, is comprised mainly of fee and commissions, foreign exchange trading income, gains on securities trading and other revenues. Other income was $701 million for the year, up $44 million relative to the $657 million for the same period last year. The overall increase in other income was boosted by a 39% increase in fee and commission income year over year. We recorded strong growth in our Caribbean Income Fund and also in unit trust sales and the year's results were also boosted by improved securities trading income.





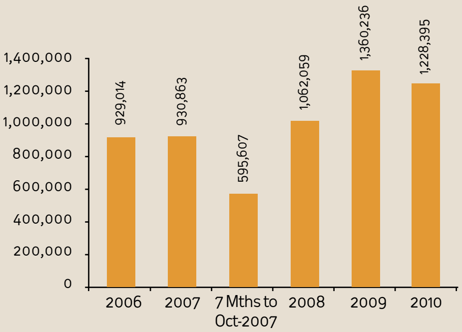
PASSION for Attentiveness:

The ability to satisfy and anticipate clients' needs while being proactive and detail oriented.

"The difference between mediocrity and excellence is attention to detail."
— Sebastian J. Barbarito

Non-interest Expenses

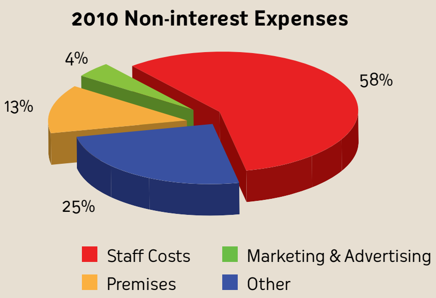
Non-interest expenses excluding loan loss provisions amounted to $1.23 billion for the year, a decrease of $132 million or 10% over last year.



The decrease in non-interest expenses year over year was impacted primarily by a reduction in general operating costs. Total staff costs increased marginally by 1% year over year. These positive factors were driven by the consolidation of our branch network and the re-engineering of our operating structure throughout 2010.

	2010	2009
	$000's	$000's
Salaries, pension contributions and other staff benefits	718,524	712,925
Property expenses, including depreciation and amortisation	167,841	168,819
Impairment Loss	-	69,713
Other expenses	342,030	408,779
Non-interest Expense	**1,228,395**	**1,360,236**

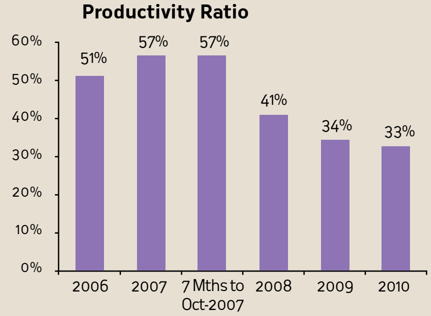
The following charts show the composition of non-interest expenses by major expense type for both current and prior year:



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 during 2010. This was successfully completed and the annual results include one-off charges totalling $86.6 million related to transaction costs as well as the write-off of goodwill.

Productivity

Our productivity ratio (non-interest expense as a percentage of net revenue) - a key measure of cost efficiency - was 33.44% for the year. This ratio continues to improve when compared to the 34.48% for the same period last year. This improvement is indicative of the Group's successful efforts throughout the year to effectively leverage the Scotiabank network to derive greater efficiencies.



PASSION for Success :

Achieving Success by being the top performing company that always achieves clients' objectives and shareholder values.

"Success is the sum of small efforts, repeated day in and day out..."
— *Collier, Robert*

Taxes

In 2010, the provision for income and deferred taxes was $957 million up $502 million from last year. The expense was in keeping with recorded profits for this financial year as well as the commencement of recognition of deferred tax on net interest receivable balances. Additionally, there was also the impact of the utilisation of tax losses in prior year.

Credit Quality

The company's non-performing loans as at October 31, 2010 totalled $705 million; a decrease of $175 million or 20% over prior year. The sale of the Merchant Bank contributed primarily to the lower numbers and there was the credit risk approved write-off of several long outstanding accounts which had already been provided for fully. The company sought to maintain tight control of delinquency levels throughout the year. Consequently, there were no significant accounts classified NAL during the year although additional provisions were taken in respect of certain existing accounts given prevailing economic conditions and the expectation of recoveries. Going forward, the company will maintain its conservative credit underwriting policies.

Total loan loss provisions at the end of the year stood at $366 million in line with the $366 million for last year. The loan loss provisions are determined by IFRS and are based on the present value of the expected future cash flows that may arise from a restructured payment arrangement with the debtors or the foreclosure less costs from obtaining a sale for the collateral. As at the end of the financial year, total loan loss provisions represented 51.9% of total non-performing loans (2009: 41.5%).

Summary of Quarterly Results

The quarterly results reflect changing conditions across each quarter, particularly the negative impact on income following the JDX at the beginning of Q2. Scotia DBG posted improved net earnings each quarter subsequent to the JDX initiative and achieved steady growth in shareholder's equity throughout 2010.

	2010				**2009**			
($ Millions)	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Gross Operating Income	2,651	2,009	1,659	1,638	2,307	2,682	2,871	2,937
Total Operating Income	1,132	925	742	874	779	996	998	1,171
Operating Expenses	340	343	267	279	282	318	372	388
Net Profit	546	202	338	401	385	526	485	733
Earnings per share (cents)	$1.29	48c	80c	95c	91c	$1.24	$1.15	$1.73
ROE (percentage)	27.66%	9.87%	16.10%	18.52%	26.51%	34.52%	28.97%	39.68%
Total Assets	72,860	70,050	66,618	70,975	67,611	72,115	72,179	74,011
Stockholder's Equity	8,089	8,298	8,507	8,836	5,853	6,325	7,082	7,687

Management Discussion & Analysis 2010

Financial Condition

ASSETS

Total assets decreased year over year by $3.03 billion or 4% to $70.97 billion as at October 31, 2010. This decrease in the balance sheet was impacted by the disposal of the Merchant Bank and also a reduction in repurchase agreement balances. The company's repo portfolio declined due to the migration of funds into our unit trust and mutual fund products as part of our strategy to transition to our new business model.

Cash Resources

Cash resources stood at $3,899 million as at October 31, 2010 compared to $1,569 million at the end of last year. These balances are retained at levels which allow us to honour cash outflow obligations and respond effectively to unexpected circumstances.

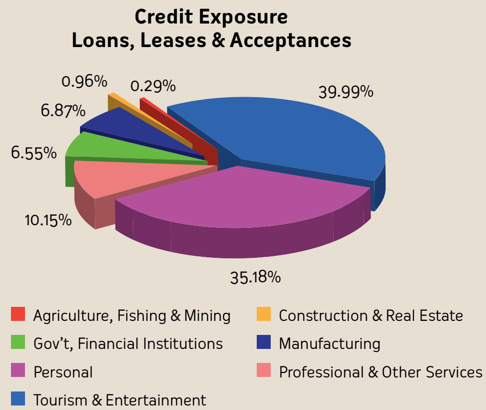
Securities

Total investment securities fell 4% to $65.1 billion over the year driven by the reduction in our repurchase agreements. Pledged assets decreased by 3% to $64.9 billion and represented 99.6% of total investment securities at year-end compared with 98.63% at the previous year-end. The available-for-sale portfolio decreased by $713 million to $112 million, due to the sale of the Merchant Bank.

	2010		2009	
	$000's	%	$000's	%
Financial assets at fair value through statement of profit and loss	127,895	0.20	105,369	0.16
Pledged assets	64,889,175	99.60	67,189,656	98.63
Investment securities: available-for-sale	112,292	0.20	825,782	1.21
Total securities	**65,129,362**	**100.00**	**68,120,807**	**100.00**

Loans

Loans after allowances for impairment losses amounted to $412 million, down $2.29 billion from $2.7 billion for the prior comparable period. The reduction was impacted primarily by lower volumes as a result of the exclusion of our Merchant Bank operations which was consolidated into BNSJ during the year.



Loans are diversified across industry sectors and are primarily extended to customers within Jamaica. The Group's credit exposure for loans at their carrying values as categorised by the various sectors show the highest concentration among personal and the tourism and entertainment industry.

LIABILITIES

Total liabilities at the end of the financial year were $62.1 billion, decreasing $4.2 billion or 6% from the $66.3 billion at the end of 2009. This decline in total liabilities stemmed primarily from decreases in repurchase agreements of $1.1 billion and deposits of $2.6 billion associated with the Merchant Bank sale.

Obligations related to repurchase agreements, capital management and government securities funds

Securities sold under repurchase agreements were $45 billion at the end of the financial year while capital management and government securities funds were $15 billion.

Paulette Bellamy
Violinist

The violin is a subtle instrument. If, like Paulette, you dedicate your love, time and energy to it, you can coax it to sing like an angel - but an unpracticed hand will make it scream in protest. We at Scotia DBG have the dedication and experience to handle our clients' finances with the finesse and skill they deserve.

FUNDS UNDER MANAGEMENT - Off Balance Sheet

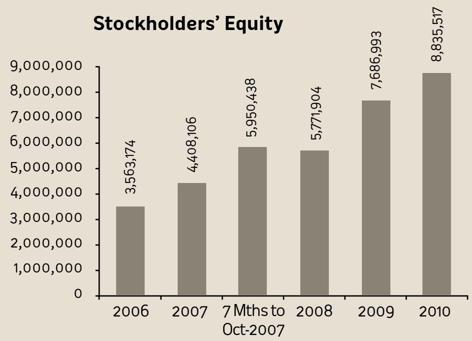
Throughout the year, we maintained our dominant position in the unit trust and mutual fund industry. There were positive inflows into our managed funds, signalling the general transition of our sales focus to off balance sheet products. Our money market fund ended the year with fund values in excess of $11 billion making it the largest Fund of its kind in the island. We also had commendable growth in our recently launched Caribbean Income Fund (CIF) and at the end of the year, this Fund has impressively surpassed US$38 million.

Funds managed on a non-recourse basis on behalf of investors and for which the Group has no equitable rights or interest, totalled $15.4 billion at the end of October 2010, up $7.9 billion or 105% over the $7.5 billion last year. This movement was driven by a combination of volume growth due to increased net sales across all Funds during the year as well as an appreciation in the value of the assets in these Funds.

As at October 31, 2010, assets held in a fiduciary capacity over which the Group provides investment management, advisory, custody, trustee and corporate administration services to third parties totalled $61 billion. This represented an increase of $3.8 billion over last year. The increase was influenced by contributions to the Fund over the year as well as an appreciation in the value of the assets in the Funds.

SHAREHOLDER'S EQUITY

The strength of our capital base is evident with total shareholders equity standing at $8.8 billion at the end of the year. This represented an increase of $1.1 billion or 15% over the equity reported as at the end of last year. The improvement over prior period was influenced by both retained earnings and positive investment reserve adjustments arising from improved bond prices in the market during the financial year.



CAPITAL MANAGEMENT

Our capital adequacy ratio, a ratio between our capital base and the aggregate of our risk weighted assets (balance sheet items, off-balance sheet items and foreign exchange exposure) remains strong at 100.16%. This is significantly above the statutory requirement of 10%.

Subsidiary & Divisional **Reports**

AMCL was able to maintain a portfolio of 86% good accounts throughout the year...

Asset Management Company Limited (AMCL)

Due to the slow down in the local economy and the consequent reduction in consumer spending, the loan portfolio declined in value to close the year at J$47.6 million, compared to book value of J$60.7 million at October 2009.

Despite these challenges, AMCL was able to maintain a portfolio of 86% good accounts throughout the year, with high risk at 5%. This spoke to the strength of the credit and collections policies pursued by the company.

AMCL offers hire purchase credit using the EasyOwn brand to the clients of 7 vendor partners across 16 locations islandwide. AMCL continues to underwrite the credit, provide the financing and collect on the loans. Gross operating revenue stood at J$28.8 million at October 2010, which represents 89% of earnings in the previous financial year (J$32.3 million). Profit before tax at October was J$8.0 million, 74% of the October 2009 earnings of J$10.8 million. During the year, some 1464 clients applied for Easy Own Credit limits, resulting in just over 800 loans totalling J$44.9 million being approved.

Scotia DBG Fund Managers Limited

The preceding year marked significant milestones for the Unit Trust Industry. As a precursor to The Ministry of Finance's removal of the ten year moratorium on the registration on new unit trust funds on February 18, 2010, the Financial Services Commission issued requirements for new Unit Trust Funds in a bid to streamline regulations consistent with what obtains in other markets. Additionally, in August 2010, the financial industry enjoyed an additional boost, as the four Fund Managers managing the ten Unit Trust Funds in the industry were issued with Tax Exemption Certificates. Going forward, this should curb the growth of recoverable withholding tax outstanding for these Funds and allow the Fund Managers to redeploy cash flows into interest bearing initiatives for their unitholders.

With these changes promoting further financial market development, we anticipate significant growth for the industry, as new Fund Managers enter the market and existing Fund Managers fortify themselves with new and innovative products.

Barbara Alexander

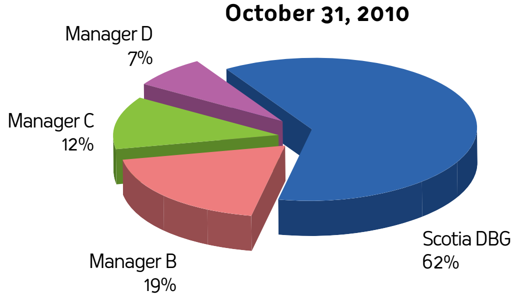
PASSION for Superior Service:

Always providing prompt service that is personalized, accurate and timely.

"The only certain means of success is to render more and better service than is expected of you, no matter what your task may be."
— Og Mandingo

The year was a good one for Scotia DBG Fund Managers (SDBG FM), which cemented its dominance in the $19.8 billion unit trust market, boasting a 62% market share as at October 31, 2010. This represented an increase of 13 percentage points over last year's 49% market share in a $13.52 billion industry. The growth in the unit trust industry was driven primarily by SDBG FM's aggressive marketing initiatives which expanded their assets under management by 83%. Accordingly, during the fiscal year, SDBG FM contributed $160 million to the revenues of Scotia DBG Investments Limited compared to $92.3 million the previous year.

Unit Trust Market Share October 31, 2010

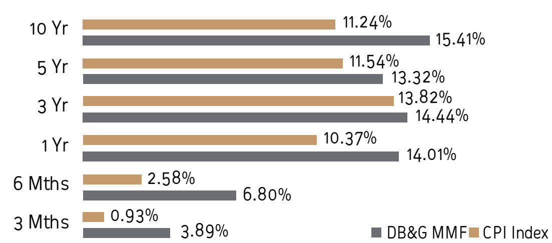


DB&G Unit Trust Money Market Fund (DB&G MMF)

There are five (5) Fixed Income Unit Trust Funds in the market valuing $16.35 billion as at October 31, 2010, one of which is a US dollar indexed fund. The DB&G MMF boasts the # 1 position in the Jamaican dollar fixed income market in terms of performance as well as size. The Fund is the largest fixed income based unit trust Fund, having 68% of market share as at October 31, 2010 compared to 55% the prior year. The Fund ballooned by 89% to $11B as at October 31, 2010 primarily from net cash inflows to the Fund which were deployed in relatively attractively priced fixed income securities.

Despite the downward trajectory of market rates which left interest rates at record lows over the last 12 months to October 31, 2010, unit holders of DB&G MMF earned a competitive return of 14.01% compared to inflation of 11.2% which translates to a positive real return of 2.81%.

Compound Growth Rate of Return - As at October 31, 2010



DB&G Premium Growth Fund (DB&G PGF)

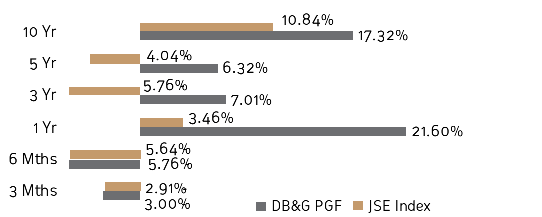
The equity based unit trust market grew by 21% to $2.98 billion as at October 31, 2010, highlighting the recovery of the stock market since that time and heralding the anticipated growth for the market given the downward trend of interest rates in the fixed income market.

Over the last twelve months, the DB&G PGF grew by 41% resulting in a net asset value of $1.19 billion as at October 31, 2010, driven primarily by the slight boost in the stock market in the first half of 2010, which encouraged a number of investors to rebalance their portfolios into equities. Unit-holders of the Fund enjoyed a 12 month rate of return as at October 31, 2010, of 21.6% which significantly out-performed the JSE Main Index return of 3.5%. The Fund accounted for 40% of the equity based unit trust market

Subsidiary & Divisional
Reports

The (Caribbean Income) Fund recorded a return of 10.71% for the 12 months ended October 31, 2010...

Compound Growth Rate of Return - As at October 31, 2010



as at October 31, 2010, shaving market share from the other Funds in the industry and threatening the position of the # 1 Fund in terms of size. As at October 31, 2010, the DB&G PGF was the second largest fund of its type in Jamaica.

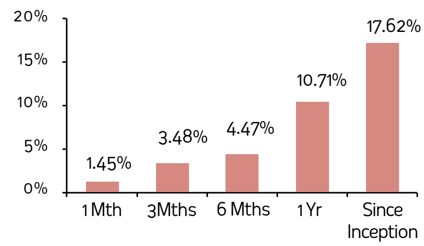
Scotia DBG Caribbean Income Fund

The new "kid on the block", launched in Jamaica in October 2009, has done tremendously well, and as at October 31, 2010 has a net asset value of US$38 million. Investors took advantage of this tax-free instrument, and have been rewarded with very attractive returns. The Fund recorded a return of 10.71% for the 12 months ended October 31, 2010, constituted by a dividend yield of 2.85% and a capital gain of 7.86%, while its calendar year-to-date return was 14.12%.

The Fund is mainly invested in Caribbean Sovereigns with exposure to the Latin American market as well as a few corporates resulting in 33 holdings as at October 31, 2010. The benchmark for the Caribbean Income Fund, referred to as Scotia Caribbean Bond Index was finalized in September 2010. The Bond Index captures the investable universe of assets of the Fund and will be used as the yard stick for the performance of the Fund going forward.

Since the Fund's launch, shareholders have received a full year of dividend payments with total cash outflow of US$0.1015 on every share. The Fund's quarterly distribution has provided investors with a consistent and stable tax-free income stream. This is consistent with the Fund's investment objectives which the Fund Managers will continue to pursue within the framework of diversifying the portfolio as well as providing attractive growth potential for shareholders.

CIF Returns as at: October 31, 2010



Performance data was determined to be from the date management and custodian fees started to be paid by the Fund - Mar 31, 2009 but the Fund has been in existence since March 29, 2006.

SCOTIA DBG ASSET MANAGEMENT DIVISION

Investment Management Services

The Asset Management Unit had funds under management of $38.2 billion as at October 31, 2010, a growth of 19% compared to the $32 billion under management at the end of the previous year. Pension funds and foundations grew to $38.1 Billion while personal trust and investment management accounts amounted to $130 Million.

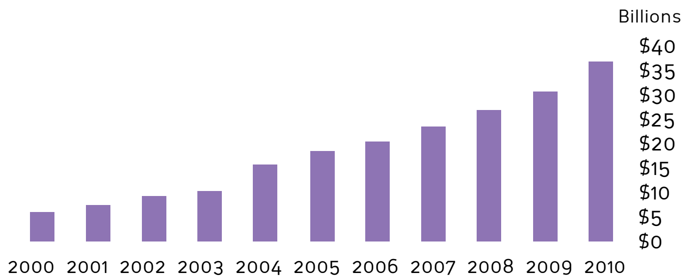
In February, our managed funds participated in the Jamaica Debt Exchange (JDX) programme which

PASSION for Innovation:

Thinking outside of the Box, challenging the status quo while demonstrating boldness to venture into new frontiers.

"To innovate does not necessarily mean to expand; very often it means to simplify."
— M. Russell Ballard

Scotia DBG Investments Ltd
Growth of Pension Funds Under Management
As at October 31, 2010



brought significant changes to the local fixed income landscape. Consistent with the objectives of the programme, the new instruments lowered the average interest rate and extended the average maturity of the fixed income portfolios. Our investment strategy for the funds under our management emphasized increased exposure to growth-oriented investments in order to boost the potential for real growth and returns.

Despite the Government's challenging fiscal situation, we were able to recover a significant amount of withholding tax refunds for our clients during the year. This helped to improve our clients' performances as we were able to invest these funds which were previously earning zero returns.

During the year, we implemented improvements in our financial reporting services which have assisted our pension clients in meeting their regulatory reporting requirements. Our plans for next year include further enhancements to our reporting capabilities as we strive for greater efficiency and improved service.

Fee revenues from investment management as at October 31, 2010 contributed over $100 Million to the revenues of Scotia DBG Investments Limited. This represented a 13% increase compared to prior year revenues. The Unit will continue its focus on growing revenues by expanding its services to both institutional and individual clients. Leveraging existing relationships within the Scotiabank Group will be a key factor in this thrust along with increasing external awareness and visibility for the products and services available to clients through this Unit.

The unit also provides corporate trust services to large institutional clients with Assets Under Administration (AUA) of over J$4.97 billion, generating revenues of just under J$26 million.

Mutual Funds

Scotia DBG offers investors a choice of two families of Mutual Funds. These are the Scotiabank Mutual Funds and the CI Investments funds. Through these funds, Scotia DBG controls 23% of the mutual fund market in Jamaica, moreover, when the Scotia DBG Caribbean Income Fund is included, this number increases to 43% of the industry (as at July 2010). The Funds (excluding the Caribbean Income Fund) have a net asset value in excess of US$34.33 million (as at October 2010). Globally, the market has experienced a net inflow of funds, as investors have gravitated towards the fixed income, and to a lesser extent, the balanced funds, while shunning the equity funds in the face of continued uncertainty.

Locally, in the aftermath of the JDX, investors have actively sought alternative investments with a view to diversifying their portfolios globally and regionally. Investors who entered into the Funds recommended by Scotia DBG in the last twelve months would have earned mostly positive returns. In accordance with clients changing needs, the company will continue to provide our clients with a wide array of investment options.

Subsidiary & Divisional **Reports**

BUSINESS SUPPORT GROUP

The Business Support Group was created in early 2010 and brought the Centralized Support Unit, Information Technology, Compliance, Operational Support and Human Resource Administration Teams under one umbrella. Through this structural re-organization, we were better able to place emphasis on generating operational efficiencies, continuously improving internal service and lending greater support to Scotia DBG's Sales and Business Lines on a daily basis.

Major achievements were recorded during the year, including the overall management of the Jamaica Debt Exchange project and dematerialization of Government of Jamaica Bonds through the Central Securities Depository (CSD). Gains were also realized in the area of economies of scale with the operational realignment of the May Pen and Ocho Rios Branches, the digitization of documentation for Scotia DBG's entire customer base and the implementation of centralized processing to support "satellite" sales and service points located in BNSJ Branches.

Technological advancements were leveraged in deriving operational effectiveness, leading to the implementation of an automated solution to manage customer enquiries and service requests. We also reduced our operating costs and improved our efficiencies by fully integrating Scotia DBG's Information Technology resources and systems into the Scotiabank Group's Systems Support Centre, a much larger and more robust infrastructure.

Human Resources

At Scotia DBG, building employees' ownership of the organization remains the central goal of the HR Department. Tools such as job design, rewards and recognition, performance management, employee career development and succession planning were utilized to bring about this desired behaviour. Our "can do" organisational culture and nurturing climate, coupled with equipping our team members with the requisite behavioural and technical competencies, underpinned our efforts to create an enabling environment. The end result is a demonstrated commitment and passion on the part of our employees to serve our internal and external customers with distinction.

Compliance

As a leading investment house in Jamaica with international reach, we take our fiduciary responsibilities seriously. One of our mandates is to ensure full adherence and compliance with global and local regulatory frameworks. This core imperative falls under the direct purview of the Compliance Unit, which has taken the necessary steps to enhance anti-money laundering safeguards to negate against criminal and terrorist financing activities. The Compliance Unit facilitated comprehensive training of team members at all levels of the organization in the guiding principles of anti-money laundering, provided oversight of risk related activities, engaged in transaction monitoring and reporting as well as trade suitability assessments.

Information Technology (IT)

The IT team continued its collaborative work with internal clients to streamline operational processing and gain further efficiencies. This led to a number of time and cost management projects being completed during the year, including the roll out of an integrated copy/print/scan/e-mail system to better utilize network resources while reducing paper costs. There was also the successful completion of core systems "role swap" that greatly improved our business interruption and recovery capabilities as well as strengthened the overall management of our network infrastructure. In addition, IT also delivered post JDX financial and regulatory reporting requirements, as well as Anti-Money Laundering/Anti-Terrorist Financing and trade suitability management reporting.

Anya Schnoor speaking on the Post JDX Paradigm at the Members' Luncheon of the Jamaica Securities Dealers Association.

Angela Fowler

PASSION for Openness & Honesty:

Communicating clearly to our clients with integrity and honesty while maintaining confidentiality.

"Honesty pays dividends both in dollars and in peace of mind."
– B. C. Forbes: Truth Quotes

Marketing Department Report

The year began with the highly anticipated launch of Scotia DBG newest investment offering – Scotia DBG Caribbean Income Fund to the local market in November last year. An all media campaign, using the call to action of "Earn More, Keep More", was rolled out to build immediate awareness of this well-diversified Fund. The performance of the Fund to date indicated that the message of being able to keep more of one's earnings resonated with the market.

Throughout the year, we launched two other major advertising campaigns. We rolled out the Unit Trust campaign, which featured our number one ranked performing Money Market Fund on one hand and the superior performance of our Investment portfolio on the other.

Active client engagement was another focal point for us during the year and we stayed close to our customers, using such vehicles as forums, seminars, webinars and events to deliver on our value proposition of being "Your most trusted financial advisor". This year we incorporated a wellness theme, "Balance Your Portfolio and Your Life", into our investment seminars. These seminars underscored the need for investors to not only focus on their financial well-being, but to also pay keen attention to their fitness and nutritional needs.

Sales and Service Unit

The Sales and Service team kicked off the year in enthusiastic support of the newly launched Caribbean Income Fund. Following from an intensive training program which preceded the launch of this Fund, team members used our proprietary advisory tool - Investment Selector, to build portfolios for their clients and to recommend the Fund based on each customer's risk tolerance.

The team's stellar support of Scotia DBG's off balance sheet products was also demonstrated later in the year, when the sales team stood behind a doubling in the Money Market Fund, from $5.8 billion to end the year at $11 billion. Investment advisors continued to embrace the portfolio approach to investing, and by the end of the year, the sales team's performance resulted in an increased take up of off balance sheet products. This focus on off balance sheet offerings, a new sales platform for Scotia DBG, was supported by several reward and recognition programs throughout the year.

The realignment of the delivery channels serving our May Pen and Ocho Rios clients would not have been possible without the groundwork laid in prior years in leveraging the Scotiabank branch network. We were able to meet the needs of these customers by placing additional sales team members in Scotiabank branches within close proximity to the previously operated Scotia DBG branches in those locales. These operational changes led to an even more integrated team, bringing the number to over 30 team members placed in 35 Scotiabank branches island wide.

Scenes from Balance Your Portfolio and Your Life Seminar

Subsidiary & Divisional **Reports**

The Wealth Contact Centre, which was set up in the third quarter of fiscal 2009, has evolved into one of our main sales & service channels. All team members within this unit are standard bearers. High service standards have been set for the Call Centre and steps are being taken to ensure the deepening of the desired culture and behaviours, utilizing such tools as quality reviews, ongoing coaching and call statistics monitoring.

During the year, we launched the Scotia DBG Core Brand Values and Customer Experience program to staff. It was aimed at refocusing team members on the core brand values of Scotia DBG. Success, Trust and Enterprising were among those readily identified by team members, who used their creative talent to put these words to song at our Red Carpet event. This brought to the fore, the strategic importance of a distinguishing service culture. Team members re-committed to our Customer Experience Creed and the service standards embodied by Scotiabank Group "We-Care" pledge.

Treasury & Trading

The Treasury & Trading Unit comprises the Securities, Equity, Money Market and Cambio trading arms of the company. Its primary focus continued to be the development of investment opportunities and the formulation of strategies to increase market share across a broad range of asset classes. This saw us leveraging our partnerships with the Scotia International Group, and being able to offer unprecedented access to our clients to local, regional and international capital markets transactions this financial year. This approach has allowed Scotia DBG to maintain robust portfolio growth, while holding steadfast to the company's established profit and risk management objectives.

The cornerstone of our business model has always been prudent liquidity management. This has allowed Scotia DBG to position itself as a net lender to the market in the post- Jamaica Debt Exchange (JDX) environment. As we ride out the post-JDX waves, we will focus on our core strengths in Off Balance Sheet asset trading and fully leverage the synergies associated with being a member of the Scotiabank Group.

Strict limit monitoring controls have also allowed Scotia DBG's Treasury & Trading Unit to maintain its position as the number one Primary Dealer (as ranked by the Bank of Jamaica's Performance Index Score). As at October 2010, SDBG is reported to have captured an enviable market share of 19.00% of total Bank of Jamaica Open Market Operations and 25.80% of total Government of Jamaica Primary Market offers.

Moments from our Staff Red Carpet Service Delivery Event


Phillip Martin

PASSION for Nimbleness:

Thinking and acting quickly in the best interest of our clients, by being pro-active and responsive to changing global and local market conditions.

"It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change"
— *Charles Darwin*

Scotia DBG's Cambio Services continued to be distinguished by competitive pricing and unrivalled value-added offers. This unit is a major contributor to the development of the local market for third currencies, through active positioning in the Euro, Pound Sterling and Canadian Dollar currencies.

SDBG Merchant Bank Limited

On June 1, 2010, The Bank of Nova Scotia Jamaica Limited acquired 100% interest in Scotia DBG Merchant Bank, previously a wholly-owned subsidiary of Scotia DBG Investments Limited. This reorganization within Scotia Group Jamaica Limited was aimed at improving efficiencies across the Group, through the removal of duplicate products and services. Therefore, for the seven months prior to Scotia DBG Merchant Bank ceasing to be a subsidiary of Scotia DBG Investments, they contributed seven months profit before tax of $113 million (12 months 2009 amounted to $186MM).

The reduction in the profit before tax was also impacted by the decrease in interest income emanating from the Jamaica Debt Exchange (JDX) in February 2010. This resulted in significantly lower market rates on government securities when compared to the similar period last year.

Finance

The Finance Unit had another challenging yet successful year, underscored by increased regulatory reporting requirements arising from new standards established by the Financial Services Commission. The introduction of new weekly, monthly and quarterly regulatory reports placed special emphasis on integrating these unique requirements within the existing reporting structure. This was achieved seamlessly without comprising the integrity and timeliness of our financial reporting.

During the year, we worked closely with the Executive Team to provide a greater suite of financial information and analyses in the wake of the JDX and we continued to focus on operational efficiency through the internal reorganization of workflow processes and semi-automation of various reports.

As we look ahead to 2011, the Unit's strategic role will take prominence as we seek to provide enhanced support for the Company's planned initiatives and growth objectives.

On June 1, 2010, The Bank of Nova Scotia Jamaica Limited acquired 100% interest in Scotia DBG Merchant Bank...

Risk Management **Report**

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are predictable and consistent with the Company's objectives and risk tolerance, and that there is an appropriate balance between risk and reward in maximizing shareholder returns. To this end, Scotia DBG has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed in the business. These include credit, market, liquidity, operational and reputational risks. The risk management framework includes risk principles, organisational structures, and risk measurement and monitoring processes that are closely aligned with the activities of the business units. The framework is supported by a robust risk management culture perpetuated throughout the organization.

Each of the components in the framework is continually reviewed and updated to ensure that they are consistent with risk-taking activities, and remain relevant to the business and financial strategies of the Firm.

Scotia DBG's Risk Management Framework

Policies & Limits

Policies define the Firm's overall risk appetite, and are developed taking into account the Firms' strategic imperatives, the risk/reward trade-off and regulatory requirements. The policies are approved by the Board of Directors on at least an annual basis.

Limits are set for two purposes. First, limits control risk-taking activities within approved tolerance levels. Second, limits establish accountability for key tasks in the risk-taking process and establish the levels or conditions under which transactions may be approved or executed.

Guidelines

Guidelines are the directives provided to implement Policies as set out above.

Generally, these describe the facility types, aggregate facility exposures and conditions under which the Firm is prepared to do business. These may change from time to time, due to market or other circumstances. Risk-taking outside of these guidelines is usually approved by the Firm's Asset and Liability Committee (ALCO). ALCO ensures that risks are managed within the limits established by the Board of Directors. The ALCO meets at least once monthly to review risks, evaluate performance and provide strategic direction.

Processes & Standards

Processes are the activities associated with identifying, evaluating, documenting, reporting and controlling risk. Standards define the breadth and quality of information required to make a decision, and the expectations in terms of quality of analysis and presentation.

Measurement, Monitoring and Reporting

Measurement tools quantify risk across products and businesses and are used, among other things, to determine risk exposure. The Credit Risk Management and Market & Operational Risk units in the Scotiabank Group, which operate independently of the Business Lines, are responsible for developing and maintaining an appropriate suite of such tools to support the operations of Scotia DBG.

Reporting tools are also required to measure risk levels across products and businesses to ensure compliance with policies, limits and guidelines. This information is used by the Board and senior management to understand the Firm's risk profile and the performance of the portfolio. A comprehensive summary of the Firm's risk profile and performance of the portfolio against defined goals is presented quarterly to the Board of Directors.

Scotiabank Group Internal Audit independently monitors the effectiveness of risk management procedures and internal controls through periodic testing of the design and operation of the risk management function. Internal Audit reports independently to the Audit and Conduct Review Committee of the Board.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour a financial or contractual obligation to the Group. Credit risk is created in the Group's direct lending operations, and in its funding, investment and trading activities where counterparties have repayment or other obligations to the Firm.

Scotia DBG's credit risk is managed through strategies and policies that are approved by the Board of Directors. The credit risk strategy defines target markets and risk tolerances that are developed at Scotiabank Group level, and then further refined at the business line level. The objectives of the credit risk strategy are to ensure that for the Group, including the individual business lines:

- target markets and product offerings are well defined and understood,
- the risk parameters for new underwritings and for the portfolios as a whole are clearly specified, and consistently complied with,
- activities, including origination and syndication are managed in a manner to ensure the goals for the overall portfolio are met; and
- transactions are initiated and monitored within applicable limits

The Group's credit portfolio includes personal, commercial and public sector borrowers. Most private sector exposure is secured. The credit risk rating approaches applied meet the objectives of transparency and replicability in order to provide consistency in terms of credit adjudication, lending standards, and reporting of credit risk. The Group periodically reassesses its risk rating methodologies and risk framework and makes enhancements when necessary.

Market Risk

Market risk arises from changes in market prices and rates (including interest rates, credit spreads, equity prices, and foreign exchange rates), the correlations among them, and their levels of volatility.

The Firm assumes market risk in both its trading and non-trading (funding and investment) activities. The Firm holds portfolios with Debt and Equity investments. Debt investments primarily consist of government and corporate bonds. Equity investments include common and preferred shares, as well as a diversified portfolio of third-party managed funds. Trading activities are primarily customer focused, but also include a proprietary component. These portfolios expose the Firm to interest rate, foreign currency, credit spread and equity risks.

Market risk exposures are managed to achieve a balance between pursuing profitable opportunities and managing earnings volatility within a framework of sound and prudent practices. This is done through specific operating policies, and limits at the product, portfolio, business unit and business line levels and for the Firm in total. The Firm uses a variety of metrics and models to measure and control market risk exposures. The principal measurement techniques are Value at Risk (VAR), stress testing, sensitivity analysis and simulation modelling and gap analysis. Models are independently validated prior to implementation, reviewed periodically, and monitored continuously through back-testing analysis. To ensure compliance with policies and limits, market risk exposures are independently monitored on a continuous basis. Senior management, business units, ALCO, and the Board of Directors are provided with a series of daily, weekly, monthly and quarterly reports of market risk exposures by business line and risk type.

Interest Rate Risk

Interest Rate Risk is the risk of loss due to changes in the level, slope and curvature of the yield curve, the volatility of interest rates and mortgage prepayment rates. The Firm actively manages its interest rate exposures with the objective of enhancing net interest income within established risk tolerances.

Interest rate risk arising from the Firm's funding and investment activities is managed in accordance with Board approved policies and global limits, which are designed to control the risk to income and economic value of shareholders equity. The income limit controls the effect of a specified shift in interest rates on the Firm's annual net income, while the economic value limit controls the impact of a specified change in interest rates on the present value of the Firm's net assets. Interest rate exposure in individual currencies is also controlled by gap limits. Gap analysis and sensitivity analysis are used to assess exposure and for planning purposes.

Foreign Currency Risk

Foreign currency risk is the risk of loss due to changes in spot and forward prices, and the volatility of currency exchange rates. This risk arises from trading activities and foreign currency operations. In its trading activities, the Firm buys and sells currencies in the spot market for its customers. The Firm also engages in forward trades as a mechanism to hedge currency positions on its balance sheet.

Foreign exchange gains and losses from these activities are included in other income. The Firm mitigates the effect of foreign currency exposures by financing its net investments with borrowings in the same currencies. Foreign currency risk arising from the Firm's foreign currency trading is subject to Board approved limits.

Equity Risk

Equity risk is the risk of loss due to changes in the prices and the volatility of individual equity instruments and equity indices. The Board sets limits on the level of exposure and diversification. This is a key strategy employed to reduce the impact of non-performance of a specific class of assets.

Liquidity Risk

Liquidity risk is the risk that the Firm is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to investors, settlement of repurchase transactions, and lending and investment commitments. This risk is managed within the framework of policies and limits that are approved by the Board of Directors. The Board receives reports on risk exposures and performance against approved limits. ALCO provides senior management oversight of liquidity risk and meets monthly to review the Firm's liquidity profile.

The key elements of our liquidity risk framework are:

- Measurement and modelling – the Firm's liquidity model measures and forecasts cash inflows and outflows on a daily basis. Risk is managed by a set of key limits over the maximum net cash outflow by currency over specified short-term horizons and a minimum level of core liquidity
- Funding diversification – the Firm actively manages the diversification of its liabilities by source, type of client, instrument and term
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements
- Core liquidity management – the Firm maintains a pool of highly liquid, unencumbered assets that can be readily sold or pledged to secure borrowings under stressed market conditions or due to company-specific events.
- The Firm also maintains liquid assets to support its intra-day settlement obligations in payment, depository and clearing systems
- Contingency planning – the Firm maintains a liquidity contingency plan that specifies an approach for analysing and responding to a liquidity crisis.

Operational Risk

Operational risk is the risk of loss, whether direct or indirect, to which the Firm is exposed due to external events, human error or the inadequacy or failure of processes, procedures, systems or controls. Operational risk, exists in each of the Firm's business and support activities, and can result in financial loss, regulatory sanctions and damage to the Firm's reputation.

Scotia DBG's operational risk management framework includes the following governing principles and fundamental components:

- accountability in the individual business lines for management and control of the significant operational risks to which they are exposed
- a robust internal control environment
- an effective organization structure through which operational risk is managed, including:
  - *a Board of Directors responsible for sound corporate governance*
  - *executive management with clearly defined areas of responsibility*
  - *a central operational risk management unit responsible for developing methods to identify, assess and monitor operational risks*
  - *independent specialist units responsible for developing methods to control/mitigate specific components of operational risk*

- separation of duties between key functions
- an independent internal Audit department responsible for verifying that significant risks are identified and assessed, and for evaluating the appropriateness of various controls
- Management of Compliance risk through an established network and process that includes monitoring regulatory changes; conducting compliance risk assessments; implementing policies and procedures; training; and monitoring and resolving issues.
- processes and controls to identify, assess, monitor and manage operational risk, including the following components:
  - *the Group's risk control self assessment programme.*
  - *the Group's centralized operational loss event database*
  - *the Group's business continuity management policies.*
  - *risk mitigation programmes, which use insurance policies to transfer the risk of high severity losses, where feasible and appropriate.*

Business Continuity Plan

Scotia DBG's Business Continuity Plan (BCP) details the responses to be undertaken in specified scenarios or events and indicates the levels of the resources required to ensure the continuity of key business functions in the event of disruptions. The BCP has been designed to ensure that the business is able to recover from disasters, and other disruptions, in the shortest time possible with as little disruption to our operations and by extension to our clients, therefore mitigating the risk of related losses.

The BCP is formulated to accommodate individual sub-plans for branches and critical business units and is aligned with the larger Scotiabank Group business continuity plan. The BCP is also stored centrally in a web-based repository and is supported directly by a dedicated team located in the Group's Toronto offices which facilitates plan distribution, sharing and updating. A cross functional Local Incident Management Team is responsible for monitoring the effective execution and overall management of the BCP at the point of business disruption.

There were several occasions during 2010 where SDBG had need to activate portions of it's Business Continuity Plan. These events included the Tivoli Incursion where we worked closely with the Scotia Group to provide backup resources and premises for displaced departments that were relocated, the activation of communication and hurricane preparedness protocols during both Tropical Storms Nicole and Tomas, and the use of disaster relocation plans as a base for the planned relocation of our core IT systems to the Scotia Group's larger and more robust IT location. In all cases, the plan proved to be effective in providing the frame work and protocols necessary to ensure that Scotia DBG's BCP previously noted objectives were met.

Reputational Risk

Reputational risk is the risk that negative publicity regarding the Firm's conduct or business practices, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures.

Reputational risk is managed and controlled throughout the Scotiabank Group by codes of conduct, governance practices and risk management programmes, policies, procedures and training. All Directors, officers and employees have a responsibility to conduct their activities in accordance with the Scotiabank Guidelines for Business Conduct, and in a manner that minimizes reputational risk. The activities of the Legal Department, Corporate Secretary, Marketing, Public & Corporate Affairs and Compliance departments are particularly oriented to the management of reputational risk. The Group has an established, Board-approved reputational risk policy, as well as policies and procedures for managing reputational and legal risk related to structured finance transactions.

A broad array of factors are considered when assessing transactions deemed to be susceptible to Reputational risk, so that the Group meets, and will be seen to meet, high ethical standards. These factors include: the extent, and outcome of legal and regulatory due diligence pertinent to the transaction; the economic intent of the transaction; the effect of the transaction on the transparency of a customer's financial reporting; the need for customer or public disclosure; conflicts of interest; fairness issues; and public perception.

Shareholdings

- as at 30 October 2010

10 Largest Shareholders

Shareholder	No. of Units	Percentage
Scotia Group Jamaica Limited	325,891,065	77.01
LOJ PIF Equity Fund	13,248,090	3.13
Mayberry West Indies Limited	8,319,607	1.97
Trading A/C - National Insurance Fund	7,021,597	1.66
Trading A/c-Long Term Securities Fund	2,162,567	0.51
Trustees DBG Employee Share Ownership Plan	1,798,028	0.42
Guardian Life Limited	1,682,166	0.40
JCSD Trustee Services Ltd. A/C #76579-02	1,439,006	0.34
Colsam Limited	1,255,000	0.30
MF&G Trust & Finance Limited A/C 528	1,245,472	0.29
TOTAL	**364,062,598**	**85.73**

Shareholdings of Senior Management & Connected Parties

Senior Managers	No. of Units
Almeida, Paulo	Nil
Anthony, Monique	Nil
Frazer, Brian	Nil
Morris, Jason	Nil
Fletcher, Christopher/Morris, Jason/Fletcher, Nereson	1,003
Mitchell, Lissant	Nil
Mitchell, Lissant/Mitchell, Matthew Craig	2,000
Mitchell, Lissant/Mitchell, Elmay M	2,000
Nash, Phillip	Nil
Schnoor, Anya	1,000
Stokes, Adrian	Nil
Reid-Boothe, Vanessa	4,175
Reynolds, Adrian	Nil
Tinker, Andrea	981

Shareholdings of Directors & Connected Parties

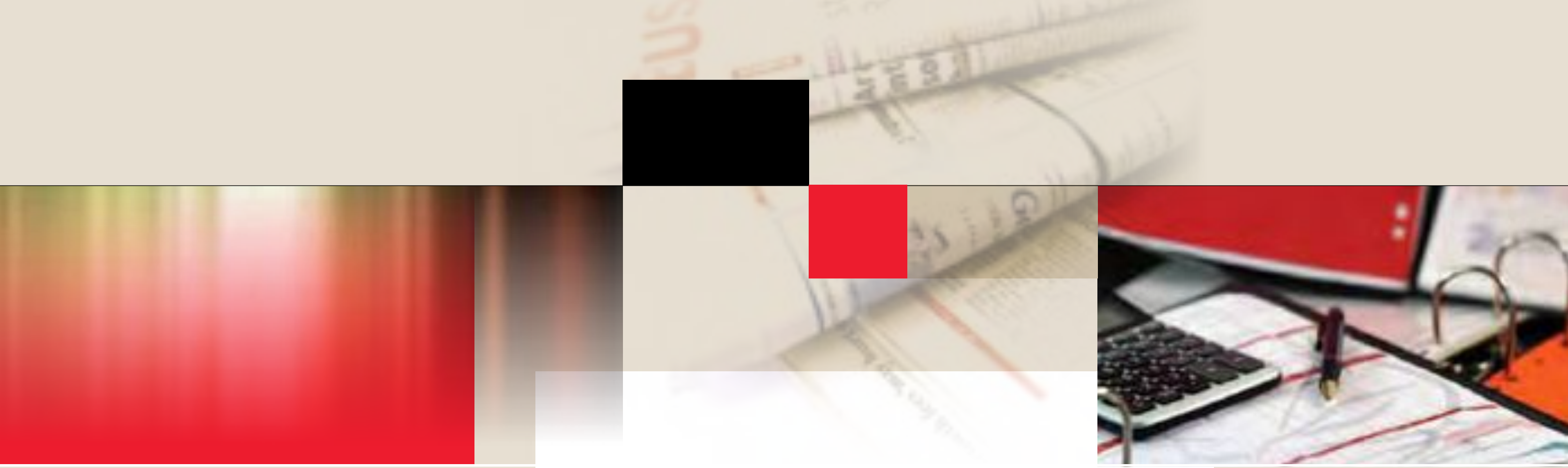
Directors	No. of Units	Connected Parties	No. of Units
Bruce Bowen	Nil		
Barbara Alexander	Nil	Before and After Limited Terrann Limited	Nil Nil
Anthony Chang	Nil	Jamaica Macaroni Factory Limited Consolidated Bakeries (Ja) Limited Mossel Jamaica Limited t/a Digicel T. Geddes Grant Limited General Accident Insurance Co. Ja. Limited	Nil Nil Nil Nil Nil
Philip Martin	Nil	Sandra Martin Wendy Martin Anna Kaye Martin Kathryn Greaux Marco Miret Sports Max Armour Metal Fencing Limited Keish Limited in USA Foreign Options Limited Southern Tools Limited Caribbean Fencing Limited IMC International Media Content Limited - St. Lucia Global Media Content Limited – Cayman	Nil Nil Nil Nil Nil Nil Nil Nil Nil Nil Nil Nil Nil
John Anthony Woodward	Nil		
Angela Fowler	Nil		
Anna Law	1,000		
Stephen Vasciannie	37,983		
Anya Schnoor	1,000		
Julie Thompson-James (Company Secretary)	Nil		
Trustees DBG Employee Share Ownership Plan	1,798,028		

Shareholding Mix as at 30 October 2010

SHAREHOLDINGS	NUMBER OF SHAREHOLDERS	TOTAL SHARES HELD	HOLDING %
Up to 500	466	130,897	0.03
501 to 2,000	810	1,035,250	0.24
2,001 to 5,000	602	2,126,350	0.50
5001 to 10,000	331	2,602,925	0.62
10,001 to 50,000	429	10,288,318	2.43
50,001 to 100,000	100	7,623,303	1.80
100,001 to 250,000	69	11,235,600	2.65
250,001 to 500,000	21	8,312,673	1.96
Over 500,000	32	379,839,449	89.76
TOTAL	**2,860**	**423,194,765**	**100.00**

Ordinary Shareholders as at 30 October 2010

CATEGORY	NUMBER OF SHAREHOLDERS	NUMBER OF UNITS
Insurance Companies	14	8,721,877
Pension Funds	23	6,667,042
Individual	2,662	32,286,867
Other	161	375,518,979
TOTAL	**2,860**	**423,194,765**



Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Members of
SCOTIA DBG INVESTMENTS LIMITED

Report on the Financial Statements

We have audited the financial statements of Scotia DBG Investments Limited ("the company") and the financial statements of the company and its subsidiaries ("the group"), set out on pages 59 to 135, which comprise the group and the company statements of financial position as at October 31, 2010, the group and the company statements of revenue and expenses, comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and consistently applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial positions of the group and the company as at October 31, 2010, and of the group's and the company's financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards, and comply with the Jamaican Companies Act.

Report on additional requirements of the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, proper returns have been received for branches not visited by us and the financial statements are in agreement with the accounting records and returns, and give the information required by the Jamaican Companies Act in the manner so required.

KPMG

Chartered Accountants
Kingston, Jamaica

November 23, 2010

Consolidated Statement of Revenue and Expenses

Year ended 31 October 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2010	2009
Net interest income and other revenue			
Interest from loans and deposits with banks		1,707,778	3,139,463
Interest from securities		5,635,212	7,000,865
Total interest income	6	7,342,990	10,140,328
Interest expense	6	(4,237,147)	(6,781,229)
Net interest income		3,105,843	3,359,099
Impairment adjustments on loans and leases	24	(47,153)	(71,712)
Net interest income after impairment adjustments on loans		3,058,690	3,287,387
Fee and commission income	7	406,461	291,985
Net foreign exchange trading income	8	136,074	196,749
Net gains on financial instruments at fair value		9,458	-
Net gains on financial instruments held for trading		11,094	42,517
Net gains on securities trading		115,609	104,484
Other revenue		22,376	21,370
		701,072	657,105
		3,759,762	3,944,492
Expenses			
Salaries, pension contributions and other staff benefits	9	718,524	712,925
Property expenses, including depreciation		154,928	156,293
Amortisation of intangible assets	29	12,914	12,526
Impairment loss on investment securities	10	-	69,713
Other operating expenses		342,030	408,779
	11	1,228,396	1,360,236
Loss on disposal of subsidiary	12	(86,810)	-
Profit before taxation	13	2,444,556	2,584,256
Taxation	14	(957,208)	(455,386)
Profit for the year	15	1,487,348	2,128,870
EARNINGS PER STOCK UNIT (expressed in $ per share)	16	3.51	5.03

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 October 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2010	2009
Profit for the year	15	1,487,348	2,128,870
Other comprehensive income:			
Unrealised gains on available-for-sale securities		424,650	402,470
Realised gains on available-for-sale securities		(107,077)	(16,457)
Other comprehensive income before tax		317,573	386,013
Taxation on other comprehensive income	30	(105,847)	(128,658)
Other comprehensive income after taxation		211,726	257,355
Total comprehensive income for the year		1,699,074	2,386,225

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Financial Position

October 31, 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2010	2009
ASSETS			
Cash resources			
Notes and coins of, deposit with, and money at call at, Bank of Jamaica	17	2,861,766	528,482
Government and bank notes other than Jamaica	18	18,986	28,471
Amounts due from other financial institutions	18	353,236	83,497
Accounts with parent and fellow subsidiaries	19	665,061	928,118
		3,899,049	1,568,568
Financial assets at fair value through profit or loss	20	127,895	105,369
Pledged assets	21	64,889,175	67,189,656
Loans, after allowance for impairment losses	22	411,796	2,705,458
Leases and hire purchase contracts receivable, after allowances for impairment losses	25	-	111,457
Investment securities			
Available-for-sale	26	112,292	825,782
Other assets			
Customers' liabilities under guarantees		940,667	716,292
Withholding tax recoverable, net		393,747	424,271
Sundry assets	27	50,087	107,063
Property, plant and equipment	28	52,371	77,260
Intangible assets	29	29,637	78,218
Deferred tax assets	30	12,101	101,333
		1,478,610	1,504,437
Assets classified as held for sale	31	56,076	-
		70,974,893	74,010,727

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Financial Position (Cont.)

October 31, 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2010	2009
LIABILITIES			
Deposits			
Deposits by the public	32	-	2,644,024
Capital management fund and government securities fund	33	15,156,808	15,899,029
Other liabilities			
Promissory notes	34	7,980	54,826
Guarantees issued		940,667	716,292
Securities sold under repurchase agreements	21	45,025,585	46,256,737
Other liabilities	35	272,492	292,215
Taxation payable		513,559	392,703
Deferred tax liabilities	30	178,805	22,375
Assets held in trust on behalf of ESOP participants	41	37,371	45,534
		46,976,459	47,780,682
Liabilities classified as held for sale	31	6,109	-
STOCKHOLDERS' EQUITY			
Share capital	36	1,911,903	1,911,903
Reserve fund	37(a)	-	117,038
Retained earnings reserve	37(b)	-	477,235
Cumulative remeasurement result from available-for-sale financial assets	38	60,415	(151,311)
Loan loss reserve	39	-	21,967
Capital reserve	40	22,075	22,075
Reserves for own shares-ESOP	41	(44,451)	(52,518)
Unappropriated profits		6,885,575	5,340,603
		8,835,517	7,686,992
		70,974,893	74,010,727

The financial statements on pages 59 to 135 were approved for issue by the Board of Directors on November 23, 2010 and signed on its behalf by:

Director
Professor Stephen Vasciannie

Director
Bruce Bowen

Director
Anya Schnoor

Secretary
Julie Thompson-James

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Stockholders' Equity
Year ended October 31, 2010
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	Share capital	Reserve fund	Retained earnings reserve	Cumulative remeasurement result from available-for-sale financial assets	Loan loss reserve	Capital reserve	Reserve for own shares	Un-appropriated profits	Total
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
Total comprehensive income for the year:										
Profit for the year	15	-	-	-	-	-	-	-	2,128,870	2,128,870
Other comprehensive income:										
Unrealised gains on available-for-sale securities, net of taxes	38	-	-	-	268,327	-	-	-	-	268,327
Realised gains on available-for-sale securities, transferred to statement of revenue and expenses		-	-	-	(10,972)	-	-	-	-	(10,972)
Total other comprehensive income		-	-	-	257,355	-	-	-	-	257,355
Total comprehensive income for the year		-	-	-	257,355	-	-	-	2,128,870	2,386,225
Other equity transactions:										
Transfer to reserve fund	37(a)	-	23,062	-	-	-	-	-	(23,062)	-
Transfer to retained earnings reserve	37(b)	-	-	130,684	-	-	-	-	(130,684)	-
Dividends	45	-	-	-	-	-	-	-	(497,254)	(497,254)
Own shares sold by ESOP	41	-	-	-	-	-	-	26,117	-	26,117
Balances at October 31, 2009		1,911,903	117,038	477,235	(151,311)	21,967	22,075	(52,518)	5,340,603	7,686,992

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Stockholders' Equity (Cont.)

Year ended October 31, 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	Share capital	Reserve fund	Retained earnings reserve	Cumulative remeasurement result from available-for-sale financial assets	Loan loss reserve	Capital reserve	Reserve for own shares	Un-appropriated profits	Total
Balances at October 31, 2009		1,911,903	117,038	477,235	(151,311)	21,967	22,075	(52,518)	5,340,603	7,686,992
Total comprehensive income for the year:										
Profit for the year	15	-	-	-	-	-	-	-	1,487,348	1,487,348
Other comprehensive income:										
Unrealised gains on available-for-sale securities, net of taxes	38	-	-	-	283,114	-	-	-	-	283,114
Realised gains on available-for-sale securities, transferred to statement of revenue and expenses		-	-	-	(71,388)	-	-	-	-	(71,388)
Total comprehensive income for the year		-	-	-	211,726	-	-	-	1,487,348	1,699,074
Other equity transactions:										
Released on disposal of subsidiary		-	-	-	-	(21,967)	-	-	21,967	-
Released on disposal of subsidiary	37(a)	-	(117,038)	-	-	-	-	-	117,038	-
Released on disposal of subsidiary	37(b)	-	-	(477,235)	-	-	-	-	477,235	-
Dividends	45	-	-	-	-	-	-	-	(558,616)	(558,616)
Own shares sold by ESOP	41	-	-	-	-	-	-	8,067	-	8,067
Balances at October 31, 2010		1,911,903	-	-	60,415	-	22,075	(44,451)	6,885,575	8,835,517

The accompanying notes form an integral part of the financial statements.

Scotia DBG Investments

Consolidated Statement of Cash Flows

Year ended 31 October 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2010	2009
Cash flows from operating activities			
Profit for the year		1,487,348	2,128,870
Items not affecting cash:			
Interest income	6	(7,342,990)	(10,140,328)
Interest expense	6	4,237,147	6,781,229
Impairment loss on loans and investments		47,154	141,426
Depreciation	28	27,495	35,628
Amortisation of intangible assets	29	12,914	12,526
Income tax charge	14	822,758	434,482
Gain on disposal of property, plant and equipment		(144)	(861)
Loss on disposal of subsidiary	12	86,810	-
Deferred taxation	30	134,450	20,904
		(487,058)	(586,124)
Changes in operating assets and liabilities:			
Statutory reserves at Bank of Jamaica		444,641	(269,100)
Financial assets at fair value through statement of revenue and expenses		(22,526)	11,582
Pledged assets		2,300,909	(12,376,149)
Loans, leases and hire purchase contract receivables		424,414	652,300
Capital management and government securities fund		(740,064)	907,516
Securities sold under repurchase agreements		(220,503)	5,273,092
Other assets		(278,031)	49,899
Deposits by the public		156,904	(1,083,067)
Amounts due from other financial institutions		146,531	(509,348)
Promissory notes		(46,041)	(17,219)
Withholding tax recoverable		30,524	(305,005)
Other liabilities		341,925	52,767
		2,051,625	(8,198,856)
Interest received		8,979,516	8,984,973
Interest paid		(702,213)	(111,783)
Income tax paid		(5,304,967)	(6,216,713)
Net cash provided/(used) by operating activities		5,023,961	(5,542,379)

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows (Cont.)

Year ended 31 October 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2010	2009
Net cash provided/(used) by operating activities (page 66)		5,023,961	(5,542,379)
Cash flows from investing activities			
Investment securities		48,051	187,419
Disposal of subsidiary	12	(11,635)	-
Shares acquired for ESOP		8,067	26,117
Proceeds from disposal of property, plant and equipment		945	-
Purchase of property, plant and equipment and intangible assets		(4,842)	(10,123)
Net cash provided by investing activities		40,586	203,413
Cash flows from operating and investing activity		5,064,547	(5,338,966)
Cash flows from financing activity			
Dividends	45	(558,616)	(497,254)
Effect of exchange changes on cash and cash equivalents		(146,530)	509,348
Net increase/(decrease) in cash and cash equivalents		4,359,401	(5,326,872)
Cash and cash equivalents at beginning of year		2,846,674	8,173,546
Cash and cash equivalent at end of year	18	7,206,075	2,846,674

The accompanying notes form an integral part of the financial statements.

Company Statement of Revenue and Expenses

Year ended 31 October 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2010	2009
Net interest income and other revenue			
Interest from loans and deposits with banks		1,538,489	2,840,076
Interest from securities		5,595,044	6,919,891
Total interest income	6	7,133,533	9,759,967
Interest expense	6	(4,198,705)	(6,672,971)
Net interest income		2,934,828	3,086,996
Impairment adjustments on loans and leases	24	(41,705)	(68,407)
Net interest income after impairment adjustments on loans		2,893,123	3,018,589
Fee and commission income	7	220,258	186,424
Net foreign exchange trading income	8	137,659	189,689
Dividend income		102,696	20,716
Net gains on financial instruments held for trading		109	32,738
Net gains on securities trading		115,609	104,471
Net losses on financial instruments at fair value		(41,370)	-
		534,961	534,038
		3,428,084	3,552,627
Expenses			
Salaries, pension contributions and other staff benefits	9	676,940	657,314
Property expenses, including depreciation		148,473	117,812
Amortisation of intangible assets	29	11,373	10,918
Impairment loss on investment securities	10	-	69,713
Other operating expenses		240,784	319,829
	11	1,077,570	1,175,586
Gain on disposal of subsidiary	12	614,950	-
Profit before taxation	13	2,965,464	2,377,041
Taxation	14	(911,070)	(395,760)
Profit for the year	15	2,054,394	1,981,281

The accompanying notes form an integral part of the financial statements.

Company Statement of Comprehensive Income
Year ended 31 October 2010
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2010	2009
Profit for the year	15	2,054,394	1,981,281
Other comprehensive income:			
Unrealised gains on available-for-sale securities		363,905	398,572
Realised gains on available-for-sale securities		(40,320)	(16,446)
Other comprehensive income before tax		323,585	382,126
Taxation on other comprehensive income	30	(107,851)	(127,362)
Other comprehensive income after taxation		215,734	254,764
Total comprehensive income for the year		2,270,128	2,236,044

The accompanying notes form an integral part of the financial statements.

Company Statement of Financial Position

October 31, 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2010	2009
ASSETS			
Cash resources			
Notes and coins of, deposit with, and money at call, at Bank of Jamaica	17	2,861,766	42,488
Government and bank notes other than Jamaica	18	18,986	27,856
Amounts due from other financial institutions	18	349,544	71,261
Accounts with parent and fellow subsidiaries	19	732,257	1,013,104
		3,962,553	1,154,709
Financial assets at fair value through profit or loss	20	10,029	1,698
Pledged assets	21	64,889,175	68,219,034
Loans, after allowance for impairment losses	22	411,796	504,759
Leases, after allowances for impairment losses	25	-	1,258
Investment securities			
Available-for-sale	26	112,292	15,000
Investment in subsidiaries		2,026,224	2,265,141
Other assets			
Customers' liabilities under guarantees		940,667	628,707
Taxation recoverable		391,867	412,579
Sundry assets	27	30,533	63,684
Property, plant and equipment	28	25,920	37,375
Intangible assets	29	3,078	13,950
Deferred tax asset	30	-	88,843
		1,392,065	1,245,138
		72,804,134	73,406,737

The accompanying notes form an integral part of the financial statements.

Company Statement of Financial Position (Cont.)

October 31, 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2010	2009
LIABILITIES			
Capital management and government securities fund	33	15,156,851	15,899,153
Other liabilities			
Amounts due to subsidiaries		2,212,100	2,080,774
Promissory notes	34	7,980	19,894
Guarantees issued		940,667	628,707
Securities sold under repurchase agreements	21	45,034,629	47,327,477
Other liabilities	35	182,302	188,396
Taxation payable		476,893	359,772
Deferred tax liabilities	30	178,636	-
		49,033,207	50,605,020
STOCKHOLDERS' EQUITY			
Share capital	36	1,911,903	1,911,903
Cumulative re-measurement result from available-for-sale financial assets	38	60,415	(155,319)
Capital reserve	40	24,615	24,615
Unappropriated profits		6,617,143	5,121,365
		8,614,076	6,902,564
		72,804,134	73,406,737

The financial statements on pages 59 to 135 were approved for issue by the Board of Directors on November 23, 2010 and signed on its behalf by:

Director
Professor Stephen Vasciannie

Director
Bruce Bowen

Director
Anya Schnoor

Secretary
Julie Thompson-James

The accompanying notes form an integral part of the financial statements.

Scotia DBG Investments

Company Statement of Changes in Stockholders' Equity

Year ended October 31, 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	Share capital	Cumulative remeasurement result from available-for-sale financial assets	Capital reserve	Unappropriated profits	Total
Balances at October 31, 2008		1,911,903	(410,083)	24,615	3,637,338	5,163,773
Total comprehensive income for the year:						
Profit for the year	15	-	-	-	1,981,281	1,981,281
Other comprehensive income:						
Unrealised gains on available-for-sale securities, net of tax	38	-	265,728	-	-	265,728
Realised gains on available-for-sale-securities						
transferred to statement of revenue & expenses		-	(10,964)	-	-	(10,964)
Total other comprehensive income		-	254,764	-	-	254,764
Total comprehensive income for the year		-	254,764	-	1,981,281	2,236,045
Other equity transactions:						
Dividends paid	45	-	-	-	(497,254)	(497,254)
Balances at October 31, 2009		1,911,903	(155,319)	24,615	5,121,365	6,902,564
Total comprehensive income for the year:						
Profit for the year	15	-	-	-	2,054,394	2,054,394
Other comprehensive income:						
Unrealised gains on available-for-sale securities, net of tax	38	-	242,616	-	-	242,616
Realised gains on available-for-sale-securities						
transferred to statement of revenue & expenses		-	(26,882)	-	-	(26,882)
Total comprehensive income for the year		-	215,734	-	2,054,394	2,270,128
Other equity transactions:						
Dividends paid	45	-	-	-	(558,616)	(558,616)
Balances at October 31, 2010		1,911,903	60,415	24,615	6,617,143	8,614,076

The accompanying notes form an integral part of the financial statements.

Company Statement of Cash Flows

Year ended 31 October 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2010	2009
Cash flows from operating activities			
Profit for the year		2,054,394	1,981,281
Items not affecting cash:			
Interest income	6	(7,133,533)	(9,759,967)
Interest expense	6	4,198,705	6,672,971
Depreciation and amortisation	28, 29	27,100	28,012
Gain on disposal of property, plant and equipment		(698)	-
Gain on disposal of subsidiary	12	(614,950)	-
Income tax charge	14	751,528	400,553
Impairment adjustments on loans		41,705	138,120
Deferred taxation	14, 30	159,542	(4,793)
		(516,207)	(543,823)
Changes in operating assets and liabilities:			
Amounts due from other banks		136,278	(487,329)
Financial assets at fair value through profit or loss		(8,331)	18,140
Pledged assets		3,285,386	(12,409,579)
Loans and leases		52,460	(13,110)
Taxation recoverable		20,712	(294,827)
Other assets		(278,808)	3,777
Capital management and government securities fund		(740,145)	907,066
Amounts due to subsidiaries		131,326	12,587
Promissory notes		(11,109)	(10,423)
Securities sold under repurchase agreements		(1,241,564)	4,600,064
Other liabilities		263,682	1,237
		1,093,680	(8,216,220)
Interest received		8,745,301	8,582,569
Income tax paid		(634,407)	(103,611)
Interest paid		(5,252,952)	(6,089,880)
Net cash provided/(used) by operating activities		3,951,622	(5,827,142)

The accompanying notes form an integral part of the financial statements.

Company Statement of Cash Flows (Cont.)

Year ended 31 October 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2010	2009
Net cash provided/(used) by operating activities (page 73)		3,951,622	(5,827,142)
Cash flows from investing activities			
Investment securities		228,141	388,415
Investment in subsidiaries		17,054	-
Proceeds from disposal of subsidiary		879,000	(8,910)
Proceeds from sale of property, plant and equipment		766	-
Purchase of property, plant and equipment and intangible assets	28,29	(4,842)	(11,658)
Net cash flow provided by investing activities		1,120,119	367,847
Cash flows from operating and investing activities		5,071,741	(5,459,295)
Cash flows from financing activity			
Dividends paid	45	(558,617)	(497,254)
Effect of exchange rate on cash and cash equivalents		(136,278)	487,329
Net (decrease)/increase in cash and cash equivalents		4,376,846	(5,469,220)
Cash and cash equivalents at beginning of year		2,892,024	8,361,244
Cash and cash equivalent at end of year	18	7,268,870	2,892,024

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

Year ended 31 October 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

1. Identification, Regulation and Licence

(a) Scotia DBG Investments Limited ("the company") is incorporated and domiciled in Jamaica. It is a 77.01% subsidiary of Scotia Group Jamaica Limited ("Scotia Group") which is incorporated and domiciled in Jamaica. The Bank of Nova Scotia, which is incorporated and domiciled in Canada, is the ultimate parent company. The registered office of the company is located at 7 Holborn Road, Kingston 10.

The company's principal activities comprise the provision of corporate finance, investment, foreign currency cambios, brokerage, and advisory services in accordance with licences issued by the Financial Services Commission, Bank of Jamaica and the Jamaica Stock Exchange, including the making of investments and the managing of funds on a non-recourse basis [see note 33(b)].

(b) The company's subsidiaries, which together with the company are referred to as "the group", are as follows:

Subsidiaries	Principal activities	Holding	Country of incorporation
Scotia DBG Fund Managers Limited (note 50)	Unit Trust and Fund Management	100%	Jamaica
Billy Craig Investments Limited	Non-trading	100%	Jamaica
Scotia Jamaica Investment Limited	Non-trading	100%	Jamaica
Asset Management Company Limited	Hire purchase financing	100%	Jamaica
Interlink Investments Limited	Non-trading	100%	Grand Cayman
DB&G Corporate Services Limited	Administration and management services	100%	Jamaica
Scotia DBG Fund Managers Inc.	Fund Management	100%	St. Lucia

Scotia DBG Merchant Bank Limited which was a wholly-owned subsidiary in the previous year was sold during the year (see note 12).

The shares in Interlink Investments Limited may be redeemed by that company at any time at its option, *en bloc* or individually, by repayment of the capital sum subscribed in respect of such shares, in the currency in which such subscription was paid.

The company has indicated that it will provide the financial support necessary for one of its subsidiaries to meet its future financial and operating obligations. As at the year-end, that subsidiary had a working capital deficit of J$25,580 (2009: $63,887). This is stated after taking account of a liability of J$61,362 (2009: $61,819) due to the company.

Notes to the Financial Statements

Year ended 31 October 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied by the Group entities for all the periods presented.

(a) Statement of compliance and basis of preparation:

(i) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act and the Financial Institutions Act.

New standards, amendments to standards and interpretations that became effective during the year:

Certain new standards, amendments to published standards and interpretations came into effect during the current financial year. The company has assessed the relevance of all such amendments and interpretations and has adopted those which are relevant to its operations, viz:

- IAS 1 (Revised 2007) Presentation of Financial Statements requires the presentation of all non-owners changes in equity either in one statement of comprehensive income or in two statements, an income statement and a statement of comprehensive income. The adoption of this standard has led to the inclusion of the statements of comprehensive income at pages 61 and 69.
- IAS 23 (Revised) - Borrowing Costs removes the option of expensing all borrowing costs, and requires management to capitalise borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale. The revisions did not have any significant impact on the financial statements.
- IAS 27 (Revised) Consolidated and Separate Financial Statements requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. It also specifies the accounting when control is lost, requiring that any remaining interest in the entity be re-measured to fair value, and a gain or loss be recognized in profit or loss. The standard did not have any significant impact on the financial statements.
- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1, Presentation of Financial Statements allow certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification. The standard did not have any significant impact on the financial statements.
- IAS 36 (Amendment), Impairment of Assets provides that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculations should be made. The standard did not have any significant impact on the financial statements.
- IAS 39 (Amendment), Financial Instruments: Recognition and Measurement provides clarification that it is possible for there to be movements into and out of the fair value through profit or loss category where:
  - A derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
  - Financial assets are reclassified following a change in policy by an insurance company in accordance with IFRS 4.

Notes to the Financial Statements
Year ended 31 October 2010
(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Statement of compliance and basis of preparation (continued):

(i) Statement of compliance (continued)

New standards, amendments to standards and interpretations that became effective during the year (continued):

The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit- taking is included in such a portfolio on initial recognition. There is also the removal of a segment as an example of what may be considered a party external to the reporting entity. When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used. The standard did not have any impact on the financial statements.

- IFRIC 17, Distribution of Non-Cash Assets to Owners is effective for annual reporting periods beginning on or after July 1, 2009 and is required to be applied prospectively; earlier application is permitted. IFRIC 17 provides that a dividend payable should be recognized when appropriately authorized and no longer at the entity's discretion. Where an owner has a choice of a dividend of a non-cash asset or cash, the dividend payable is estimated considering both the fair value and probability of the owners selecting each option. The dividend payable is measured at the fair value of the net assets to be distributed. The difference between fair value of the dividend paid and the carrying amount of the net assets distributed is recognised in profit or loss. The standard did not have any impact on the financial statements.

- Revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements continues to apply the acquisition method to business combinations. The definition of a business combination has been revised and focuses on control. All items of consideration transferred by the acquirer are measured and recognised at fair value as of the acquisition date, including contingent consideration. An acquirer can elect to measure non-controlling interest at fair value at the acquisition date or on a transaction by transaction basis. New disclosure requirements have been introduced. The revisions did not have any significant impact on the financial statements.

- Amendments to IFRS 7 Financial Instruments: Disclosures, require enhanced disclosures in respect of two aspects fair value measurement relating to financial instruments, specifically, in relation to disclosures over the inputs used in valuation techniques and the uncertainty associated with such valuations and improves disclosures over liquidity risk to address diversity in practice. The group has provided additional disclosures in note 43 of these financial statements.

- IFRS 8, Operating Segments, 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. The revision did not have a material impact on the disclosures in the group's financial statements.

Notes to the Financial Statements

Year ended 31 October 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Statement of compliance and basis of preparation (continued):

(i) Statement of compliance (continued)

New standards, amendments to standards and interpretations that became effective during the year (continued):

New Standards and interpretations of and amendments to existing standards that are not yet effective:

At the date of authorisation of these financial statements the following relevant standard has been issued but was not yet effective and the company has not early-adopted.

IFRS 9, Financial Instruments, is effective for annual periods beginning on or after January 1, 2013. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The company and group are evaluating the impact that the standard will have on the 2014 financial statements.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis as modified for the revaluation of available-for-sale financial assets and financial assets at fair value through the statement of revenue and expenses.

(iii) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS and the Companies Act requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(iv) Functional and presentation currency

These financial statements are presented in Jamaican dollars, which is the company's functional currency. Except where indicated to be otherwise, financial information presented are shown in thousands of Jamaican dollars.

(v) Comparative information

Certain reclassifications, not considered material, have been made to achieve consistency in disclosure in the financial statements.

Notes to the Financial Statements
Year ended 31 October 2010
(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(b) Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the company and its subsidiaries presented as a single economic entity. Intra-group transactions, balances and unrealised gains or losses on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are all entities over which the company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the company. They are no longer consolidated from the date that control ceases. A special purpose entity (SPE) is consolidated if, based on an evaluation of the substance of its relationship with the company and the SPE's risks and rewards, the company concludes that it controls the SPE.

The group's financial statements include the group's share of the operations of its subsidiaries for the year ended 31 October, 2010. The consolidated financial statements also include the audited results of the operations of the company's Employee Share Ownership Plan (ESOP), classified as a special purpose entity, for the year ended 31 October, 2010. The results of the ESOP are not material to the Group.

(c) Operating segments

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses, including revenue and expenses that relate to transactions with any of the Group's other components.

The Group determines and presents operating segments based on the information that is provided internally to the Group's chief operating decision maker.

(d) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the exchange rates prevailing at the reporting date, being the mid-point between the Bank of Jamaica's weighted average buying and selling rates at that date.

Gains and losses arising from translating profit and loss items are included in the group revenue and expenses.

Transactions in foreign currencies are translated at the rates of exchange ruling at the dates of those transactions.

(i) Interest income

Interest income is recognised in the statement of revenue and expenses for all interest bearing instruments on the accrual basis using the effective interest method based on the actual purchase price. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently. Interest income includes coupons earned on fixed income investments and accrued discount on treasury bills and other discounted instruments.

Where collection of interest income on loans is considered doubtful, or payment is outstanding for more than 90 days or more, the regulations stipulate that interest should be taken into account on the cash basis. Accrued interest on loans that are in arrears for 90 days and over is excluded from income, in accordance with the Financial Institutions Act.

Notes to the Financial Statements

Year ended 31 October 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(i) Interest income (continued)

IFRS requires that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. However, such amounts as would have been determined under IFRS has been assessed as immaterial.

Income from foreign exchange cambio trading is determined on a trade-date basis.

(ii) Fees and commission

Fees and commission income are recognised on the accrual basis when service has been provided. Origination fees for loans that are likely to be drawn down, are recognised in the statement of revenue and expenses immediately, as they are not considered material for deferral.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees are apportioned over the period the service is provided. The same principle is applied for financial planning and custody services that are continuously provided over an extended period of time.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Interest expense

Interest expense is recognised in the statement of revenue and expenses on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability.

(f) Taxation

Taxation on the profit or loss for the year comprises current and deferred taxes. Current and deferred taxes are recognised as tax expense or benefit in the statement of revenue and expenses except where they relate to items recorded in other comprehensive income, in which case they are recognised in other comprehensive income.

(i) Current taxation

Current tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable and tax losses in respect of previous years.

Notes to the Financial Statements

Year ended 31 October 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(f) Taxation (continued)

(ii) Deferred tax

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised. Deferred tax assets are reviewed at each reporting date to determine whether it is probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled.

Current and deferred tax assets and liabilities are offset when the legal right of set-off exist and when they relate to income taxes levied by the same tax authority on either the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

(g) Impairment

The carrying amounts of the company's and group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value less any impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amount

The recoverable amount of the company's and the group's investments in loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of loans and other receivables is reversed, if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Notes to the Financial Statements

Year ended 31 October 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(g) Impairment (continued)

(ii) Reversals of impairment (continued)

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(h) Financial assets and liabilities

(i) Recognition

The company and group initially recognises loans and advances and deposits on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the settlement date, at which the company and group becomes a party to the contractual provisions of the instrument.

(ii) Derecognition

The company and group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the company and group is recognised as a separate asset or liability.

The company and group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The company and group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

(i) Financial assets

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

(i) Financial assets at fair value through the profit or loss

This category includes financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Notes to the Financial Statements
Year ended 31 October 2010
(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(i) Financial assets (continued)

(ii) 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 company and group provides money or services directly to a debtor with no intention of trading the receivable.

(iii) 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 and which are not designated as at fair value through profit or loss or as available-for-sale. Were the group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale and the group would be prohibited from classifying investment securities as held-to-maturity for the current and the following two financial years. Held-to-maturity investments are initially measured at cost and subsequently at amortised cost, using the effective interest method, less impairment losses.

(iv) 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, exchange rates or equity prices.

Purchases and sales of financial assets at fair value through profit or loss, and available-for-sale are recognised at the settlement date - the date on which an asset is delivered to or by the company and group. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of revenue and expenses in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in other comprehensive income, until the financial assets are derecognised or impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest, which is calculated using the effective interest method, is recognised in the statement of revenue and expenses.

Notes to the Financial Statements

Year ended 31 October 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(i) Financial assets (continued)

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of revenue and expenses. The amount of the impairment loss for an asset carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

(j) Investment in subsidiaries

Investment in subsidiaries are stated at cost less impairment losses.

(k) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities sold subject to repurchase agreements are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral.

(l) Loans and allowance for impairment losses

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans are stated at amortised cost less allowance for credit losses.

Loans are recognised when cash is advanced to borrowers. They are initially recorded at fair value of the consideration given, which is the cash disbursed to originate the loan, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method.

An allowance for loan impairment is established if there is objective evidence that the company and group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the impaired loans.

A loan is classified as impaired when in management's opinion, there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. As required by statutory regulations, if a payment on a loan is contractually 90 days in arrears, the loan is classified as impaired.

When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on the cash basis. Interest income on impaired loans has not been recognized, as it is not considered material.

Statutory and other regulatory loan loss reserve requirements that exceed the amounts required under IFRS are dealt with in a non-distributable loan loss reserve as an appropriation of profits.

Notes to the Financial Statements

Year ended 31 October 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(m) Guarantees

The company's and group's potential liability under guarantees is reported as a liability in the statement of financial position. The company and group have equal corresponding claims against its customers in the event of a call on these commitments, which are reported as an asset.

(n) Intangible assets

(i) Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is measured at cost less any accumulated impairment losses. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Goodwill is assessed annually for impairment.

Negative goodwill is the excess of the fair value of net identifiable assets acquired over the cost of an acquisition. Negative goodwill, which does not relate to an expectation of future losses and expenses and is in excess of the fair value of non-monetary assets acquired, is recognised immediately in the group statement of revenue and expenses.

(ii) Computer software

Expenditure relating to the acquisition of computer software is stated at cost, less accumulated amortisation and impairment losses. Amortisation is charged to the group statement of revenue and expenses on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful life of computer software is 4-5 years.

(o) Leases

(i) As lessee

Leases of property where the group has substantially all the risks and rewards of ownership are classified as finance leases. The lease payment is charged as an expense and included in the statement of revenue and expenses.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the statement of revenue and expenses on the straight-line basis over the period of the lease.

(ii) As lessor

When assets are leased under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the effective interest basis method.

Notes to the Financial Statements

Year ended 31 October 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(p) Hire purchase financing

Finance income is recognised over the hire purchase term using the effective interest method. For this purpose, the net investment in the hire purchase receivable is defined as the minimum payments receivable, less unearned income.

(q) Property, plant and equipment

Land is stated at historical cost. All other property, plant and equipment are stated at cost less accumulated depreciation and, if any, impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditure is classified as repairs and renewals and charged as expenses in the statement of revenue and expenses during the financial period in which it is incurred.

Depreciation and amortisation are calculated on the straight-line method at rates that will write off the depreciable amount of the assets over their expected useful lives, as follows:

Buildings	40 years
Furniture, fixtures and equipment	10 years
Computer equipment	4 years
Motor vehicles	5 years
Leasehold improvements	Period of lease

The depreciation methods, useful lives and residual values are reassessed at each reporting date.

Property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining the profit for the year.

(r) Employee benefits

Employee benefits are all forms of consideration given by the company and the group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave, and non-monetary benefits such as medical care and loans and post-employment benefits such as pensions.

Notes to the Financial Statements

Year ended 31 October 2010

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2. Summary of significant accounting policies (continued)

(r) Employee benefits (continued)

(i) Pension obligations

The company participates in a defined-contribution pension scheme (see note 9), the assets of which are held separately from those of the company and the group. Contributions to the scheme, made on the basis provided for in the rules, are charged to the statement of revenue and expenses when due.

Short-term employee benefits are recognised as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

(ii) Equity compensation benefits

The company has an Employee Share Ownership Plan (ESOP) for eligible employees. The amount contributed to the ESOP trust (note 50) by the group for acquiring shares and allocating them to employees is recognised as an employee expense at the time of making the contribution. The special purpose entity that operates the Plan has been consolidated.

(s) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(t) Share capital

(i) Classification

Shares are classified as equity when there is no obligation to transfer cash or other assets.

(ii) Dividends

Dividends are recorded in the financial statements in the period in which they are declared by the Board of Directors.

(u) Financial instruments

Financial instruments include cash resources, investments, securities purchased under resale agreements, pledged assets, loans and leases and other assets, deposits and other liabilities.

The fair values of the company's and the group's financial instruments are disclosed in note 43.

Notes to the Financial Statements
Year ended 31 October 2010
(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(v) 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 financial institutions, and highly liquid financial assets with original maturities of less than three months, which are readily convertible to known amounts of cash, and subject to insignificant risk of changes in their fair value.

3. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that could affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment losses on loans and advances:

The group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of revenue and expenses, the group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-*5* percent, the allowance would be an estimated 17,092 higher or lower.

It is possible, based on existing knowledge, that outcomes that are different from these assumptions could require a material adjustment to the carrying amount reflected in future financial statements.

(ii) Impairment of goodwill:

Impairment of goodwill is dependent upon management's internal assessment of future cash flows from cash-generating units that gave rise to the goodwill. That internal assessment determines the amount recoverable from future use of those units. In addition, the estimate of the amount recoverable from future use of those units is sensitive to the discount rates used.

(iii) Income taxes:

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. It is possible, based on existing knowledge, that outcomes that are different from these assumptions could require a material adjustment to the carrying amount reflected in future financial statements.

Were the actual final outcome (on the judgements areas), to differ by +/-10% from management's estimates, the Group would need to make no adjustments to the income tax liability and the deferred tax liability would decrease by up to 364.

Notes to the Financial Statements

Year ended 31 October 2010

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4. Responsibilities of the appointed external auditors

The shareholders, pursuant to the Companies Act, appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the stockholders.

5. Segment financial information

The Group's reportable segments are its strategic business units and are based on the company's management and internal reporting structure.

At this time there are no material reportable segments into which the Group's business may be broken down, other than as disclosed in these financial statements.

The Group's operations are located mainly in Jamaica, based on the geographical location of its clients. The subsidiaries located overseas represent less than 10% of the Group's gross external revenue and assets.

6. Net interest income

	The Group		The Company	
	2010	2009	2010	2009
Interest income:				
Deposit with banks and other financial institutions	1,258,015	2,372,260	1,227,121	2,379,539
Investment securities	5,556,824	6,759,715	5,516,655	6,678,742
Income on financial assets at fair value through profit or loss	31,376	22,472	31,376	22,472
Reverse repurchase agreements	47,013	218,678	47,013	218,678
Loans, leases and hire purchase contracts	446,990	760,080	311,368	460,536
Other	2,772	7,123	-	-
	7,342,990	10,140,328	7,133,533	9,759,967
Interest expense:				
Deposits and savings	85,353	242,938	-	-
Repurchase agreements	3,549,371	5,571,785	3,596,282	5,706,465
Banks and customers	602,423	966,506	602,423	966,506
	4,237,147	6,781,229	4,198,705	6,672,971
	3,105,843	3,359,099	2,934,828	3,086,996

Notes to the Financial Statements
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7. Fee and commission income

	The Group		The Company	
	2010	2009	2010	2009
Credit related fees	5,565	8,316	3,827	-
Trust and other fiduciary fees	306,528	202,923	126,459	116,659
Asset management & other related fees	94,368	80,746	89,972	69,765
	406,461	291,985	220,258	186,424

8. Net foreign exchange trading income

Net foreign exchange trading income includes gains and losses arising from foreign currency trading activities.

9. Salaries, pension contributions and other staff benefits

	The Group		The Company	
	2010	2009	2010	2009
Wages and salaries	557,035	570,438	521,846	523,525
Payroll taxes	45,933	46,447	43,461	42,231
Pension contributions	21,258	21,790	19,931	19,671
Other staff benefits	94,298	74,250	91,702	71,887
	718,524	712,925	676,940	657,314

10. Impairment loss on investment securities

The company has an outstanding liability to Lehman Brothers (Europe) arising from a repurchase agreement entered into during the normal course of business. Under these arrangements, GOJ EURO denominated bonds were pledged as security and 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 Euro 561,133 or $69,713 has been made in these financial statements of the company and the group.

Notes to the Financial Statements
Year ended 31 October 2010
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11. Expenses by nature

	The Group		The Company	
	2010	2009	2010	2009
Salaries, pension contributions and other staff benefits (note 9)	718,524	712,925	676,940	657,314
Property expenses, including depreciation	154,928	156,293	148,473	117,812
Transportation and communication	8,548	34,281	8,481	17,240
Marketing and advertising	49,908	61,244	47,197	56,286
Management and consultancy fees	51,566	41,502	13,504	89,502
Deposit insurance	4,175	6,342	-	-
Stationery	14,188	18,415	13,141	14,861
Impairment (note 10)	-	69,713	-	69,713
Other operating expenses	226,559	259,521	169,834	152,858
	1,228,396	1,360,236	1,077,570	1,175,586

12. Disposal of subsidiary

On June 1, 2010, the Group completed the sale of its 100% shareholdings in Scotia DBG Merchant Bank Limited to The Bank of Nova Scotia Jamaica Limited. This subsidiary contributed profit before tax of $112,786 to the Group for the period November 1, 2009 to May 31, 2010.

(a) Analysis of the assets and liabilities disposed of:

Cash and cash equivalents	848,447
Statutory reserves	132,313
Investments	291,713
Government securities purchased under resale agreements	537,118
Loans	1,859,985
Property, plant and equipment	1,494
Other assets	111,239
Deposits	(2,746,718)
Other liabilities	(139,173)
Net assets disposed of	896,418

(b) Net cash inflow on disposal of subsidiary:

Proceeds from sale	879,000
Less: cash and cash equivalents in subsidiary sold	(848,447)
Less: transaction costs	(42,187)
Net cash outflow	(11,634)

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12. Disposal of subsidiary (continued)

(c) (Loss)/gain on disposal of subsidiary:

	Group	Company
Consideration received	879,000	879,000
Net assets disposed of	(896,418)	-
Reserves reclassified from equity on loss on control of subsidiary	8,405	-
Transactions costs	(42,187)	(42,187)
Elimination of investment in subsidiary	-	(221,863)
Elimination of goodwill	(35,610)	-
(Loss)/gain on disposal	(86,810)	614,950

13. Profit before taxation

In arriving at the profit before taxation, the following are among the items that have been charged:

	The Group		The Company	
	2010	2009	2010	2009
Auditors' remuneration				
Current year	14,848	14,650	7,088	6,750
Prior year	-	3,845	-	1,322
Depreciation and amortisation	27,495	48,154	15,728	28,012
Amortisation of intangible assets	12,914	12,526	11,373	10,918
Directors' emoluments-				
Fees	6,980	10,639	5,433	6,514
Other	-	12,008	-	12,008
(Gain)/loss on sale of property, plant and equipment	(143)	861	(698)	-
Operating lease rentals	81,882	60,233	78,520	37,907

14. Taxation

(a) Taxation charge

Income tax is computed on the profit for the year as adjusted for tax purposes and is analysed as follows:

	The Group		The Company	
	2010	2009	2010	2009
Current income tax:				
Income tax at $33\frac{1}{3}$%	822,758	434,482	751,528	400,553
Deferred income tax (note 30)	134,450	20,904	159,542	(4,793)
	957,208	455,386	911,070	395,760

(b) Taxation losses, subject to agreement by the Commissioner of Taxpayer Audit and Assessment, available for set-off against future taxable profits, amounted to 8,172 (2009: 12,408) for the Group.

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Year ended 31 October 2010

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14. Taxation (continued)

(c) Reconciliation of applicable tax charge to effective tax charge:

	The Group		The Company	
	2010	2009	2010	2009
Profit before taxation	2,444,556	2,584,256	2,965,464	2,377,041
Tax calculated at 33⅓%	814,852	861,419	988,488	792,347
Adjusted for the effects of:				
Income not subject to tax				
- Tax free investments	(212,101)	(238,434)	(189,711)	(193,421)
- Exempt revenue	(3,566)	-	(232,745)	-
Expenses not deductible for tax purposes	20,891	1,057,733	16,343	1,017,166
Other charges and allowances	358,102	(1,181,881)	344,980	(1,220,332)
Different tax rates of subsidiaries operating in other jurisdictions	(4,685)	-	-	-
Prior period adjustment	(16,285)	-	(16,285)	-
Tax losses utilised	-	(43,451)	-	-
Taxation expense	957,208	455,386	911,070	395,760

15. Profit for the year and unappropriated profits attributable to stockholders

(a) Net profit for the year is dealt with in the financial statements of group entities as follows:

	2010	2009
The company	2,054,394	1,981,281
The subsidiaries	(567,046)	147,589
	1,487,348	2,128,870

(b) Unappropriated profits are dealt with in the financial statements of Group entities as follows:

	2010	2009
The company	6,617,143	5,121,365
The subsidiaries	268,432	219,238
	6,885,575	5,340,603

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16. Earnings per stock unit

Basic earnings per stock unit are calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue during the year.

	2010	2009
Net profit attributable to stockholders	1,487,348	2,128,870
Weighted average number of ordinary stock units in issue ('000)	423,195	423,195
Basic earnings per stock unit (expressed in $ per share)	3.51	5.03

	Units '000	Units '000
Weighted average number of ordinary stock units:		
Issued ordinary stock units at end of year	423,195	423,195
Effect of owned shares held by ESOP during the period	(1,798)	(2,566)
Weighted average number of ordinary stock units held during the period	421,397	420,629
Earnings per ordinary shares in issue excluding ESOP holdings (expressed in $ per share)	3.53	5.06

17. Cash and balances with Bank of Jamaica

	The Group		The Company	
	2010	2009	2010	2009
Statutory reserves with Bank of Jamaica				
- interest bearing	-	126,693	-	-
- non-interest bearing	-	74,323	-	-
Total statutory reserve	-	201,016	-	-
Cash in hand and at bank (note 18)	2,861,766	327,466	2,861,766	42,488
	2,861,766	528,482	2,861,766	42,488

In the prior year, 28% of prescribed liabilities were required to be maintained in liquid assets on domestic currency and 25% on foreign currency by a subsidiary. This included a cash reserve deposit on domestic currency of 14% of the amount of the prescribed liabilities, which was required to be maintained with the Bank of Jamaica at an interest rate of zero percent per annum. In addition, a minimum of 25% of prescribed liabilities were required to be maintained on foreign currency prescribed liabilities. This included cash reserve deposit of 11% of the amounts of the foreign prescribed liabilities at varying interest rates with the Bank of Jamaica. The subsidiary was sold during the year.

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18. Cash and cash equivalents

	The Group		The Company	
	2010	2009	2010	2009
Cash and balances with central bank (note 17)	2,861,766	528,482	2,861,766	42,488
Less: statutory reserves	-	(201,016)	-	-
	2,861,766	327,466	2,861,766	42,488
Cash and balances at bank with maturities greater than 90 days	-	(243,625)	-	-
Government and bank notes other than Jamaican	18,988	28,471	18,988	27,856
Amounts due from other financial institutions	351,865	81,031	347,464	68,795
Accounts with parent and fellow subsidiaries	665,061	928,118	732,257	1,013,104
Government of Jamaica treasury bills and bonds	3,316,189	1,739,781	3,316,189	1,739,781
	7,213,869	2,861,242	7,276,664	2,892,024
Less: accrued interest receivable on Bank of Jamaica Certificates of Deposit	(7,794)	(14,568)	(7,794)	-
	7,206,075	2,846,674	7,268,870	2,892,024

19. Accounts with parent and fellow subsidiaries

These represent inter-company accounts held with the parent company and fellow subsidiaries in the ordinary course of business.

20. Financial assets at fair value through profit or loss

	The Group		The Company	
	2010	2009	2010	2009
Quoted shares	10,029	1,698	10,029	1,698
Units in unit trusts	117,866	103,671	-	-
	127,895	105,369	10,029	1,698

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21. Pledged assets

Assets pledged as collateral under repurchase agreements with counterparties are government bonds. All repurchase agreements mature within twelve (12) months. Mandatory reserve deposits are also held with Bank of Jamaica under Section 14 (i) of The Banking Act, 1992, viz:

	The Group			
	Asset		Related Liability	
	2010	2009	2010	2009
Securities sold under repurchase agreements:				
Clients	44,084,433	47,842,756	40,656,658	43,077,594
Other financial institutions	5,008,995	4,117,619	4,368,927	3,179,143
	49,093,428	51,960,375	45,025,585	46,256,737
Securities with Bank of Jamaica	-	139,238	-	-
Capital management & government securities funds	15,795,747	15,090,043	15,156,808	15,899,029
	64,889,175	67,189,656	60,182,393	62,155,766

	The Company			
	Asset		Related Liability	
	2010	2009	2010	2009
Securities sold under repurchase agreements:				
Clients	44,084,433	47,842,756	40,656,658	43,094,276
Other financial institutions	5,008,995	4,117,619	4,377,971	4,233,201
	49,093,428	51,960,375	45,034,629	47,327,477
Securities with Bank of Jamaica	-	139,238	-	-
Capital management & government securities funds	15,795,747	16,119,421	15,156,851	15,899,153
	64,889,175	68,219,034	60,191,480	63,226,630

The Bank of Jamaica holds as security, Government of Jamaica Local Registered Stocks valued at Nil (2009: 139,238) for the group and the company against possible shortfalls in the operating account.

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Year ended 31 October 2010

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21. Pledged assets (continued)

Included in pledged assets are the following categories of assets.

	The Group		The Company	
	2010	2009	2010	2009
Deposits with financial institutions	3,258,481	3,989,095	3,258,481	5,018,473
Government issued securities	60,566,657	62,099,061	60,566,657	62,099,061
Loans	94,449	202,245	94,449	202,245
Unitised funds	969,588	899,255	969,588	899,255
	64,889,175	67,189,656	64,889,175	68,219,034

Included in pledged assets are the following amounts which are regarded as cash equivalents for the purposes of the statement of cash flows:

	The Company and Group	
	2010	2009
Debt securities with an original maturity of less than 90 days	3,296,380	1,739,781

22. Loans, after allowance for impairment losses

	The Group		The Company	
	2010	2009	2010	2009
Business and Government	723,321	2,740,719	723,321	770,089
Personal	53,608	302,644	53,608	79,519
Interest receivable	421	24,446	421	460
Total	777,350	3,067,809	777,350	850,068
Less: Allowance for impairment losses (note 24)	(365,554)	(362,351)	(365,554)	(345,309)
	411,796	2,705,458	411,796	504,759

(a) Loans that exceeded 10% of the total loans owing to the company and the group, and also exceeded 10% of the total deposits due by the company and the group, totalled Nil (2009: 709,212) in both instances.

(b) Loans on which interest is suspended amounted to 704,806 (2009: 770,333) for the company and 704,806 (2009: 879,786) for the group. These loans are included in the financial statements at their estimated net realisable value of 339,507 (2009: 425,024) for the company and 339,507 (2009: 517,435) for the group.

(c) Loans receivable include loans to the company's employees to acquire shares in the company under the Employee Share Ownership Plan (ESOP) amounting to Nil (2009: 51) for the company and the group. The number of shares held by the ESOP at October 31, 2010 was 1,798,028 (2009: 2,565,774) for the company and the group (see note 41).

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Year ended 31 October 2010

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22. Loans, after allowance for impairment losses (continued)

(d) Loans receivable include loans to Runaway Bay Developments Limited amounting to US$7,986 and J$5,015 (2009: US$8,028 and J$5,015) for the company and the group. The loans are secured by certain land and buildings. US$5.7 million is repayable in equal monthly payments over 30 years with a balloon payment due in 2020. The Jamaican dollar loan of J$5,015 as well as US$15, has no set repayment agreement. The company has subordinated the servicing of US$2,351 (2009: US$2,351) in favour of other creditors. Interest will accrue at 8% (2009: 8%) per annum but payment will be deferred together with principal based on certain stipulated conditions.

At the reporting date, provision for probable loan losses in respect of these loans amounted to US$4,014 and J$5,015 (2009: US$3,418 and J$5,015) for the company and the group.

(i) The ageing of the loans at the reporting date was:

	The Group	
	2010	2009
Neither past due nor impaired	72,123	1,966,473
Past due but not impaired loans:		
Past due 0-30 days	-	148,109
Past due 30-60 days	-	48,995
Past due 60-90 days	-	-
	72,123	2,163,577
Impaired loans more than 90 days	704,806	879,786
Interest receivable	421	24,446
Gross loan portfolio	777,350	3,067,809
Less: Allowance for impairment losses	(365,554)	(362,351)
	411,796	2,705,458

	The Company	
	2010	2009
Neither past due nor impaired	72,123	79,275
Impaired loans more than 90 days	704,806	770,333
Interest receivable	421	460
Gross loan portfolio	777,350	850,068
Less: Allowance for impairment losses	(365,554)	(345,309)
	411,796	504,759

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22. Loans, after allowance for impairment losses (continued)

(d) (Continued)

(i) The ageing of the loans at the reporting date was (continued):

Based on historical default rates, the group believes that no impairment allowance is necessary in respect of loans not past due by and up to 90 days.

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account may be reset to a normal status and managed together with other similar accounts after careful analysis and the demonstrated ability to maintain the scheduled payments over a prolonged period.

(ii) Renegotiated loans

Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review.

During the year, there were no renegotiated loans.

(iii) Repossessed collateral

During the prior year, the group obtained financial assets by taking possession of collateral it held as security of 6,289 on quoted shares.

In general, the Group does not obtain financial or non financial assets by taking possession of collateral. In the normal course of business, the security documentation which governs the collateral charged in favour of the group to secure the debt, gives the group express authority to repossess the collateral in the event of default. Repossessed collateral are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

23. Reclassification of financial assets

On October 1, 2008, the Company reclassified certain investments that were included in pledged assets from available-for-sale to loans and receivable in accordance with paragraph 50E of IAS 39. The standard requires that such reclassification be made at the fair value of the instruments at the date of reclassification. The prices of GOJ Global Bonds as at September 30, 2008 were used to determine the fair value used for the reclassification. The carrying value and fair value of these assets as at October 31, 2010 are as follows:

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23. Reclassification of financial assets (continued)

	The Company and Group			
	2010		2009	
	Carrying value	Fair value	Carrying value	Fair value
Securities:				
US$ denominated GOJ Global Bonds	12,796,250	13,450,715	13,527,684	12,192,485
EURO denominated GOJ Global Bonds	790,605	916,173	878,156	971,913

(a) Fair value gains/(losses) excluding deferred tax liabilities of 132,410 (2009: 243,383) were recognised in other comprehensive income in relation to the above investments reclassified in 2008.

(b) Fair value gains of 780,033 [2009: (1,241,442)] excluding deferred taxation would have been included in other comprehensive income for the year had the investments not been reclassified. This amount was estimated on the basis of the bid price of the securities as at October 31, 2010. This price is not necessarily indicative of the amount that would have been valued if an active market for the securities actually existed at that date.

(c) The weighted average effective interest rate of the investments at the date of reclassification was 8.39%. The undiscounted cash flows to be recovered from the investment reclassified is $23,474,526.

24. Impairment losses on loans and leases

	The Group		The Company	
	2010	2009	2010	2009
Total non-performing loans	704,806	887,004	704,806	770,333
Allowance at beginning of year	365,757	275,548	345,392	256,845
Charged against revenue during the year	47,153	71,712	41,705	68,407
Bad debts written off	(22,683)	(18,316)	(21,661)	(15,599)
Translation differences on foreign exchange provision	(13,173)	34,496	(13,026)	34,490
Released on disposal of subsidiary	(27,280)	-	-	-
Eliminated on reclassification as asset held for sale	(2,703)	-	-	-
Transfers from loan loss reserve	-	338	-	-
Recoveries of bad debts	18,483	1,979	13,144	1,249
At end of year	365,554	365,757	365,554	345,392
This comprises:				
Specific impairment allowance	365,554	361,853	365,554	344,888
General impairment allowance	-	3,904	-	504
	365,554	365,757	365,554	345,392

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24. Impairment adjustments on loans and leases (continued)

Allowance for impairment losses:

A loan, lease or hire purchase contract is classified as impaired if its carrying value exceeds the present value of the cash flows actual allowances in future periods - interest repayments, and proceeds of liquidation of collateral. Allowances for credit losses are made on all impaired loans, leases and hire purchase contracts. Uncollected interest not accrued in these financial statements on impaired loans, leases and hire purchase contracts, was estimated at 62,008 as at October 31, 2010 (2009: 71,112) for the company and 62,008 as at October 31, 2010 (2009: 100,486) for the group.

The total allowance for loan losses is made up as follows:

	The Group		The Company	
	2010	2009	2010	2009
Allowance based on accounting standard - IAS 39 [see (a) below]	365,554	362,351	365,554	345,309
Additional allowance based on BOJ regulations [see (b) below]	-	21,967	-	-
	365,554	384,318	365,554	345,309

(a) This is the allowance based on the requirements of IAS 39 *Financial Instruments: Recognition and Measurement*.

(b) This is the allowance based on regulations issued by the banking regulator, Bank of Jamaica. It represents the additional allowance required to meet The Bank of Jamaica loan loss provisioning requirement. A non-distributable loan loss reserve was established to represent the excess of the company's provision over the IAS 39 requirements.

25. Lease and hire purchase contract receivables

	The Group		The Company	
	2010	2009	2010	2009
Gross investment in lease and hire purchase contract receivables:				
No later than one year	50,830	94,116	-	1,320
Later than one year and no later than five years	17,062	49,448	-	-
	67,892	143,564	-	1,320
Less: Unearned income	(20,250)	(32,107)	-	(62)
Net investment in lease and hire purchase contract receivables	47,642	111,457	-	1,258
Reclassified to assets held for sale	(47,642)	-	-	-
	-	111,457	-	1,258

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25. Lease and hire purchase contract receivables (continued)

The net investment in hire purchase contract receivables may be analysed as follows:

	The Group		The Company	
	2010	2009	2010	2009
Current portion	35,052	69,926	-	1,258
Non-current portion	12,590	41,531	-	-
	47,642	111,457	-	1,258
Reclassified to assets held for sale	(47,642)	-	-	-
	-	111,457	-	1,258

The allowance for impairment hire purchase contract receivables amounted to $2,703 (2009: 3,406).

The ageing analysis of past due not impaired leases and hire purchase:

	The Group		The Company	
	2010	2009	2010	2009
Neither past due nor impaired	27,139	86,798	-	1,324
Past due but not impaired lease:				
Past due 0-30 days	9,730	11,047	-	-
Past due 30-60 days	2,081	2,518	-	-
Past due 60-90 days	478	724	-	-
	12,289	14,289	-	-
Impaired leases more than 90 days	5,228	6,187	-	-
Interest receivable	5,689	7,589	-	17
Gross lease portfolio	50,345	114,863	-	1,341
Less: Allowance for impairment losses	(2,703)	(3,406)	-	(83)
	47,642	111,457	-	1,258
Reclassified to assets held for sale	(47,642)	-	-	-
	-	111,457	-	1,258

26. Investment securities

	The Group		The Company	
	2010	2009	2010	2009
Available-for-sale				
Government of Jamaica securities	-	781,559	-	-
Unquoted shares	15,000	15,000	15,000	15,000
Treasury bills	95,530	-	95,530	-
	110,530	796,559	110,530	15,000
Interest receivable	1,762	29,223	1,762	-
	112,292	825,782	112,292	15,000

The Group has not reclassified any financial asset measured at amortised cost to securities carried at fair value during the year.

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27. Sundry assets

	The Group		The Company	
	2010	2009	2010	2009
Accounts receivable and prepayments	48,895	87,760	29,341	45,626
Other	1,192	19,303	1,192	18,058
	50,087	107,063	30,533	63,684

28. Property, plant and equipment

	The Group			
	Land & building	Leasehold improvements	Furniture, Fixtures, Motor vehicles & equipment	Total
Cost:				
October 31, 2008	3,597	96,474	283,170	383,241
Additions	-	1,435	9,380	10,815
Disposals	(451)	(1,202)	(8,448)	(10,101)
October 31, 2009	3,146	96,707	284,102	383,955
Additions	-	-	4,341	4,341
Disposals	-	(5,891)	(1,389)	(7,280)
Eliminated on disposal of subsidiary	-	(1,393)	(4,746)	(6,139)
October 31, 2010	3,146	89,423	282,308	374,877
Accumulated depreciation:				
October 31, 2008	1,157	76,579	202,571	280,307
Charge for the year	93	7,232	28,303	35,628
Disposals	(90)	(1,175)	(7,975)	(9,240)
October 31, 2009	1,160	82,636	222,899	306,695
Charge for the year	75	7,234	20,186	27,495
Eliminated on disposals	-	(5,891)	(589)	(6,480)
Eliminated on disposal of subsidiary	-	(1,393)	(3,811)	(5,204)
October 31, 2010	1,235	82,586	238,685	322,506
Net book values:				
October 31, 2010	1,911	6,837	43,623	52,371
October 31, 2009	1,986	14,071	61,203	77,260
October 31, 2008	2,440	19,895	80,599	102,934

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28. Property, plant and equipment (continued)

	The Company		
	Leasehold improvements	Furniture, fixtures, motor vehicles & equipment	Total
Cost:			
October 31, 2008	54,122	152,894	207,016
Additions	1,435	9,194	10,629
October 31, 2009	55,557	162,088	217,645
Additions	-	4,341	4,341
Disposals	(1,404)	(390)	(1,794)
October 31, 2010	54,153	166,039	220,192
Accumulated depreciation:			
October 31, 2008	47,577	115,599	163,176
Charge for the year	2,037	15,057	17,094
October 31, 2009	49,614	130,656	180,270
Charge for the year	2,543	13,185	15,728
Eliminated on disposals	(1,404)	(322)	(1,726)
October 31, 2010	50,753	143,519	194,272
Net book values:			
October 31, 2010	3,400	22,520	25,920
October 31, 2009	5,943	31,432	37,375
October 31, 2008	6,545	37,295	43,840

29. Intangible assets

	The Group			The Company
	Goodwill	Computer software	Total	Computer software
Cost:				
October 31, 2008	61,723	128,214	189,937	111,679
Additions	-	1,029	1,029	1,029
October 31, 2009	61,723	129,243	190,966	112,708
Additions	-	501	501	501
Eliminated on disposal of subsidiary	(35,610)	(2,235)	(37,845)	-
October 31, 2010	26,113	127,509	153,622	113,209
Amortisation:				
October 31, 2008	-	100,222	100,222	87,840
Charge for the year	-	12,526	12,526	10,918
October 31, 2009	-	112,748	112,748	98,758
Charge for the year	-	12,914	12,914	11,373
Eliminated on disposal of subsidiary	-	(1,677)	(1,677)	-
October 31, 2010	-	123,985	123,985	110,131
Net book values:				
October 31, 2010	26,113	3,524	29,637	3,078
October 31, 2009	61,723	16,495	78,218	13,950
October 31, 2008	61,723	27,992	89,715	23,839

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30. Deferred tax assets and liabilities

(a) The movement on the deferred income tax account is as follows:

	The Group		The Company	
	2010	2009	2010	2009
Opening balance	78,958	228,521	88,843	211,412
Recognised in the statement of revenue and expenses (note 14)	(134,450)	(20,904)	(159,542)	4,793
Recognised in other comprehensive income:				
Available-for-sale investments - fair value re-measurement	(105,847)	(128,659)	(107,851)	(127,362)
Other	(5,349)	-	(86)	-
Reclassified as held for sale	(16)	-	-	-
Closing balance	(166,704)	78,958	(178,636)	88,843

(b) Deferred income tax assets and liabilities are attributable to the following items:

	The Group		The Company	
	2010	2009	2010	2009
Deferred income tax assets:				
Accelerated tax depreciation	21,155	19,342	11,564	10,449
Available-for-sale investments	-	77,729	-	77,729
Tax value of unutilised losses	2,511	4,135	-	-
Vacation accrued	4,155	705	4,155	665
Deferred income tax liabilities:				
Interest receivable and interest payable, net	(164,148)	-	(164,148)	-
Accelerated tax depreciation	(170)	(224)	-	-
Allowance for loan losses	-	(4,725)	-	-
Available-for-sale investments	(30,207)	(2,004)	(30,207)	-
Other temporary differences	-	(16,000)	-	-
Net deferred tax (liability)/asset	(166,704)	78,958	(178,636)	88,843
This comprises:				
Net deferred tax assets	12,101	101,333	-	88,843
Net deferred tax liability	(178,805)	(22,375)	(178,636)	-
	(166,704)	78,958	(178,636)	88,843

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30. Deferred tax assets and liabilities (continued)

(a) The deferred tax charge in the statement of revenue and expenses comprises the following temporary differences:

	The Group		The Company	
	2010	2009	2010	2009
Accelerated tax depreciation	2,367	8,132	1,115	5,398
Tax value of utilised losses	(1,625)	(25,909)	-	-
Allowance for loan impairment	9,451	(2,416)	-	-
Vacation accrued	3,505	(711)	3,491	(605)
Interest receivable	(164,148)	-	(164,148)	
Other	16,000	-	-	-
	(134,450)	(20,904)	(159,542)	4,793

Deferred income tax liabilities have not been computed on the withholding tax and other taxes that would be payable on distribution of the unappropriated profits of subsidiaries as such amounts are reinvested; such unappropriated profits totalled $192,363 (2009: $147,590).

31. Assets classified as held for sale

The assets and liabilities of Asset Management Company Limited, a subsidiary which provides credit financing for the hire-purchase of consumer durables, have been presented as held for sale. This is following the approval of the Board of Directors, prior to the year end, to sell the company. Efforts to sell the company have commenced and a sale is expected before the end of the next financial year.

(i) The assets classified as held for sale at the end of the reporting period are as follows:

	2010
Cash resources	3,392
Hire purchase contracts	47,642
Deferred tax asset	16
Other assets	5,026
	56,076

(ii) The liabilities associated with the assets classified as held for sale at the end of the reporting period are as follows:

	2010
Accrued charges	1,473
Accounts payable	4,636
	6,109

32. Deposits by the public

	The Group	
	2010	2009
Personal	-	1,647,827
Other	-	941,987
Interest payable	-	54,210
	-	2,644,024

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33. Capital management fund and government securities fund

(a) Capital Management Fund

The capital management fund represents the investment of contributions from third-party clients. Changes in the value of the fund at each valuation date are based on the net accretion in value of the investments.

(b) Government Securities Fund

The government securities fund is the management of funds on a non-recourse basis, on behalf of investors. The investors have a direct traceable interest in the investments.

34. Promissory notes

	The Group		The Company	
	2010	2009	2010	2009
1.45% - 2.30% (2009: 2.85% - 5%)				
United States dollar	5,629	5,728	5,629	5,728
7.65% (2009: 9% - 19.8%)				
Jamaica dollar	2,256	48,198	2,256	13,267
	7,885	53,926	7,885	18,995
Interest payable	95	900	95	899
	7,980	54,826	7,980	19,894

Promissory notes consist of fixed and variable interest rates. The Group has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period.

35. Other liabilities

	The Group		The Company	
	2010	2009	2010	2009
Accrued liabilities	32,328	30,186	26,797	15,905
Other	240,164	262,029	155,505	172,491
	272,492	292,215	182,302	188,396

36. Share capital

	Number of units		Carrying value	
	2010	2009	2010	2009
Authorised:				
Ordinary shares of no par value	1,200,000,000	1,200,000,000		
Issued and fully paid:				
Ordinary stock units of no par value	423,194,765	423,194,765	1,911,903	1,911,903

Under the provisions of the Companies Act 2004 (the Act), the shares have no par value. The holders of the ordinary stock units are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

37. (a) Reserve fund

Under Section 8 of the Financial Institutions Act, a former subsidiary was required to transfer at least 15% of its profit after taxation in each year to a reserve fund until the credit balance in the fund equal to fifty percent (50%) of its paid-up capital, and thereafter, 10% of the net profit until the amount of credit in the said fund is equal to the paid-up capital.

(b) Retained earnings reserve

Under Section 2 of the Financial Institutions Act, a former subsidiary may transfer a portion of its net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers. Transfers to retained earnings reserve were made at the discretion of the former subsidiary's Board but must be notified to the Supervisor to be effective.

38. Cumulative remeasurement result from available-for-sale financial assets

This represents the unrealised surplus or deficit on the revaluation of available-for-sale investments.

39. Loan loss reserve

This is a non-distributable reserve which represents the excess of the loan loss provision determined under the Bank of Jamaica requirements over IAS 39 requirements for impairment allowances (note 24).

40. Capital reserve

Capital reserve comprises gains on disposal of an interest in a subsidiary and land, furniture and fixtures sold to an associated company.

41. Reserves for own shares - ESOP

A reserve for own shares is included in these financial statements by consolidation of the company's Employee Share Ownership Plan (ESOP) as it is regarded as a Special Purpose Entity and is required to be consolidated under IAS 27 *Consolidated and Separate Financial Statements*, as interpreted by Standards Interpretation Committee (SIC) 12. The reserve comprises the cost of the company's shares held by the Group through the ESOP.

The number of stock units held by the ESOP at October 31, 2010 was 1,798,028 (2009: 2,565,774). Based on the bid price, less a 10% discount normally allowed to staff, the value of those stock units at year end was 36,860 (2009: 44,927).

42. Financial risk management

By their nature, the Group's activities are principally related to the use of financial instruments. This will involve analysis, evaluation and management of some degree of risk or combination of risks. The Group's aim is therefore to achieve an appropriate balance between risks and return and minimise potential adverse effects on the Group's financial performance.

The Group manages risk through a framework of risk principles, organizational structures and risk measurement and monitoring processes that are closely aligned with the activities of our business units. The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board has established committees for managing and monitoring risks.

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42. Financial risk management (continued)

Two key committees for managing and monitoring risks are as follows:

(i) Board Audit Committee

The Board Audit Committee is solely comprised of independent directors. The Audit Committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Committee is assisted in its oversight role by the Internal Audit Department. The Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

(ii) The Asset and Liability Committee (ALCO) has the responsibility of ensuring that risks are managed within the limits established by the Board of Directors. The Committee meets at least once monthly to review risks, evaluate performance and provide strategic direction. In addition, internal audit is responsible for the independent review of risk management and the control environment. The Committee reviews investment, loans and funding activities, and ensures that the existing policies comprehensively deal with the management and diversification of the company's investment and loan portfolios and that appropriate limits are being adhered to.

The most important types of risk are credit risk, market risk, and liquidity risk. Market risk includes currency risk, interest rate and other price risk.

Credit risk management

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment allowances are made for losses that have been incurred at the reporting. However, significant negative changes in the economy, an industry segment that represents a concentration in the Group's loan portfolio, or positions in tradeable assets such as bonds could result in losses that are different from those recognised at the reporting date.

At a strategic level, the Group manages the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to any one borrower, or groups of borrowers, and industry segments. Limits on the level of credit risk by product and industry sector are approved quarterly by the Board of Directors. The exposure to any one borrower, including banks and brokers, is further restricted by sub-limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored daily.

Operationally, exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by restructuring loans where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. The principal collateral types for loans are:

- Cash
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

In addition, the Group will seek additional collateral from the counterparty where impairment indicators are noticed for the relevant individual loans.

Collateral held as security for financial assets other than loans is determined by the nature of the instrument. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually significant accounts.

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42. Financial risk management (continued)

Credit risk management (continued)

The assessment normally encompasses collateral held and the anticipated receipts for that individual account. Collectively assessed impairment allowances are provided for:

(i) portfolios of homogenous assets; and

(ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of statement of financial position assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

(i) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parities, carry the same credit risk as loans.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans or guarantees. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

In measuring credit risk of commercial loans at the counterparty level, the Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class:

Group's rating	External rating: Standard & Poor's equivalent
Excellent	AAA to AA+
Very Good	AA to A+
Good	A to A-
Acceptable	BBB+ to BB+
Higher Risk	BB to B-

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(ii) Credit quality

Retail loans are risk-rated based on an internal scoring system which combines statistical analysis with credit officer judgment, and fall within the following categories:

- Good
- Acceptable
- Higher risk

The table below shows the percentage of the Group's balances as at October 31, 2010 relating to loans and advances and the associated impairment provision for each of the Group's internal rating categories:

	The Group		The Company	
	2010	2009	2010	2009
	%	%	%	%
Excellent	59.1	22.5	59.1	51.9
Good	2.8	3.7	2.8	1.2
Acceptable	-	3.2	-	-
Higher Risk	38.1	70.6	38.1	46.9
	100.0	100.0	100.0	100.0

If the group's rating scale was done using the Bank of Jamaica Credit Classification, Provisioning and Non Accrual Requirements, the credit profile of the group would be as follows:

Standard – loans where the financial condition of the borrower is in no way impaired, and appropriate levels of cash flows or income flows are available to meet debt payments.

Special Mention – loans where credit is currently up to date and collateral values protect the Group's exposure. However, there exists evidence to suggest that certain factors could, in future, affect the borrower's ability to service the credit properly or impair the collateral.

Sub-standard – loans with well-defined credit weakness or weakness in the sector of the borrower such that cash flows are insufficient to service debt as arranged.

Doubtful – loans where collection of the debt in full is highly questionable or improbable.

Loss – loans considered uncollectible due to insolvency of the borrower. The borrower's financial position is insufficient to service or retire outstanding debt.

The table below shows the rating classification in respect of the Group:

	The Group	
	2010	2009
	%	%
Standard	-	12
Special mention	-	78
Sub-standard	-	5
Doubtful	-	5
Loss	-	-
	-	100

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42. Financial risk management (continued)

(ii) Credit quality (continued)

The following table presents an analysis by rating agency designation of debt and similar securities, other than loans, based on Standard & Poor's ratings or their equivalent as at October 31, 2010:

	The Group		The Company	
	2010	2009	2010	2009
BBB+ to BB+	192,815	185,450	192,815	185,450
BB to B-	62,247,014	878,232	62,247,014	878,232
Lower than B-	-	63,019,683	-	61,925,706
Unrated	-	-	-	-
	64,439,829	64,083,365	62,439,829	62,989,388

	The Group		The Company	
	2010	2009	2010	2009
Deposits with Bank of Jamaica	2,836,893	283,196	2,836,893	-
Investment securities:				
Available-for-sale	97,292	810,781	97,292	-
Pledged assets:				
Loans and receivables	13,389,513	14,405,840	13,389,513	14,405,840
Available-for-sale	34,859,043	48,583,548	34,859,043	48,583,548
	51,182,741	64,083,365	51,182,741	62,989,388

Maximum exposure to credit risk

The following represents the maximum exposure to credit risk, before taking account of any collateral held or other credit enhancements. For financial assets, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that would have to be paid, if the guarantees were called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

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42. Financial risk management (continued)

(ii) Credit quality (continued)
Maximum exposure to credit risk (continued)

	Maximum exposure			
	The Group		The Company	
	2010	2009	2010	2009
Balances with the Bank of Jamaica	2,836,893	485,032	2,836,893	820
Balances due from other banks	1,063,656	1,011,738	1,081,801	1,084,365
Financial assets at fair value through profit or loss	117,866	103,671	-	-
Pledged assets	64,889,175	67,189,656	64,889,175	68,219,034
Loans, after allowance for impairment losses	411,796	2,705,458	411,796	504,759
Leases and hire purchase contract receivables, after allowance for impairment losses	-	111,457	-	1,258
Investment securities available-for-sale	97,292	810,781	97,292	-
Customers' liabilities under acceptances, guarantees and letters of credit	940,667	716,293	940,667	628,707
Other assets	31,909	50,253	27,551	44,558
	70,389,254	73,184,339	70,285,175	70,483,501

Concentration of exposure to credit risk

(a) Loans and leases

The following table summarises the Group's credit exposure for loans and leases at their carrying amounts, as categorised by the industry sectors. Loans and leases are diversified across industry sectors, and are primarily extended to customers within Jamaica.

	The Group			
	Loans and leases	Acceptances, guarantees and letters of credit	Total 2010	Total 2009
Agriculture, fishing and mining	-	5,000	5,000	52,972
Construction and real estate	-	16,515	16,515	528,044
Distribution	-	-	-	249,683
Financial institutions	-	112,497	112,497	135,419
Government and public entities	-	-	-	35,696
Manufacturing	-	118,000	118,000	129,140
Personal	53,608	550,707	604,315	699,881
Professional and other services	36,409	137,948	174,357	1,158,579
Tourism and entertainment	686,912	-	686,912	895,599
Interest receivable	421	-	421	34,500
	777,350	940,667	1,718,017	3,919,513
Total impairment allowance	-	-	(365,554)	(365,757)
Total	777,350	940,667	1,352,463	3,553,756

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42. Financial risk management (continued)

(ii) Credit quality (continued)
Concentration of exposure to credit risk (continued)

(b) **Debt securities and amounts due from other banks**

The following table summarises the Group's and company's credit exposure for debt securities and amounts due from other banks at their carrying amounts, as categorised by issuer:

	Maximum Exposure			
	The Group		The Company	
	2010	2009	2010	2009
Governments	55,796,875	50,893,237	55,796,875	50,082,456
Bank of Jamaica	5,927,772	12,415,132	5,927,772	11,930,920
Financial institutions	5,202,677	4,545,820	5,144,924	5,514,277
Corporates and other	715,182	1,441,918	715,182	1,441,918
	67,642,506	69,296,107	67,584,753	68,969,571

Other than exposure on Government of Jamaica securities, there is no significant concentration of liquid funds. For securities purchased under resale agreements, titles to securities are transferred to the group's custody for the duration of the agreement.

Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

The group manages market risk through risk limits approved by the Board of Directors. Risk limits are determined for each portfolio, and are set by product and risk type, with market liquidity being a principal factor in determining the level of limits set. Limits are set using a combination of risk measurement techniques, including position limits and stress testing to identify the potential net interest income and market value effects of the positions in different scenarios. The results of the stress tests are reviewed by senior management and by the Board of Directors.

The Group also trades in financial instruments where it takes positions to take advantage of short-term market movements in securities prices and in foreign exchange and interest rates. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly.

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42. Financial risk management (continued)

Market risk (continued)
Interest rate risk (continued)

The following tables summarise carrying amounts of assets, liabilities and equity in order to arrive at the Group's and the company's interest rate gap based on the earlier of contractual repricing and maturity dates.

	The Group 2010						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	5,734	2,847,742	-	-	-	1,045,573	3,899,049
Pledged assets	1,214,153	21,980,075	12,725,072	15,814,698	10,894,364	2,260,813	64,889,175
Loans, leases & trade receivables	725,370	810	4,796	40,853	5,100	(365,133)	411,796
Investment securities (2) Available-for-sale	-	95,530	-	-	-	16,762	112,292
Financial assets at fair value through profit or loss	-	-	-	-	-	127,895	127,895
Other assets	-	-	-	-	-	1,478,610	1,478,610
Assets classified as held -for-sale	5,229	9,003	17,834	12,590	-	11,420	56,076
Total assets	1,950,486	24,933,160	12,747,702	15,868,141	10,899,464	4,575,940	70,974,893
Promissory notes	-	7,885	-	-	-	95	7,980
Securities sold under repurchase agreements	1,508,024	37,640,700	5,439,042	15,007	-	422,812	45,025,585
Capital management and government securities funds	15,155,228	-	-	-	-	1,580	15,156,808
Other liabilities		-	-	-	-	1,942,894	1,942,894
Liabilities directly associated with assets classified as held-for-sale	-	-	-	-	-	6,109	6,109
Stockholders' equity	-	-	-	-	-	8,835,517	8,835,517
Total liabilities and stockholders' equity	16,663,252	37,648,585	5,439,042	15,007	-	11,209,007	70,974,893
Total interest rate sensitivity gap	(14,712,766)	(12,715,425)	7,308,660	15,853,134	10,899,464	(6,633,067)	-
Cumulative gap	(14,712,766)	(27,428,191)	(20,119,531)	(4,266,398)	6,633,067	-	-

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42. Financial risk management (continued)

Market risk (continued)
Interest rate risk (continued)

	The Group 2009						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	6,187	33,427,068	13,218,173	8,406,278	13,528,006	5,425,015	74,010,727
Total liabilities and stockholders' equity	16,343,178	34,120,274	12,821,032	48,566	29,259	10,648,418	74,010,727
Total interest rate sensitivity gap	(16,336,991)	(693,206)	397,141	8,357,712	13,498,747	(5,223,403)	
Cumulative gap	(16,336,991)	(17,030,197)	(16,633,056)	(8,275,344)	5,223,403	-	

	The Company 2010						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	5,734	2,847,742	-	-	-	1,109,077	3,962,553
Pledged assets	1,214,153	21,980,075	12,725,072	15,814,698	10,894,364	2,260,813	64,889,175
Loans, leases & trade receivables	725,370	810	4,796	40,853	5,100	(365,133)	411,796
Investment securities (2)							
- Available-for-sale	-	95,530	-	-	-	16,762	112,292
Investment in subsidiaries	-	-	-	-	-	2,026,224	2,026,224
Financial assets at fair value through profit or loss	-	-	-	-	-	10,029	10,029
Other assets	-	-	-	-	-	1,392,065	1,392,065
Total assets	1,945,257	24,924,157	12,729,868	15,855,551	10,899,464	6,449,837	72,804,134
Amounts due to subsidiaries	-	-	-	-	-	2,212,100	2,212,100
Promissory notes	-	7,885	-	-	-	95	7,980
Securities sold under repurchase agreements	1,508,024	37,640,700	5,447,994	15,007	-	422,904	45,034,629
Capital management fund	15,155,271	-	-	-	-	1,580	15,156,851
Other liabilities	-	-	-	-	-	1,778,498	1,778,498
Stockholders' equity	-	-	-	-	-	8,614,076	8,614,076
Total liabilities and stockholders' equity	16,663,295	37,648,585	5,447,994	15,007	-	13,029,253	72,804,134
Total interest rate sensitivity gap	(14,718,038)	(12,724,428)	7,281,874	15,840,544	10,899,464	(6,579,415)	-
Cumulative gap	(14,718,038)	(27,442,466)	(20,160,592)	(4,320,048)	6,579,416	-	-

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Year ended 31 October 2010
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42. Financial risk management (continued)

Market risk (continued)
Interest rate risk (continued)

	The Company						
	2009						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	-	31,921,283	12,870,125	7,951,620	13,365,261	7,298,448	73,406,737
Total liabilities and stockholders' equity	16,343,302	33,160,219	12,226,663	37,516	-	11,639,037	73,406,737
Total interest rate sensitivity gap	(16,343,302)	(1,238,936)	643,462	7,914,104	13,365,261	(4,340,589)	
Cumulative gap	(16,343,302)	(17,582,238)	(16,938,776)	(9,024,672)	4,340,589	-	

(1) This represents those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis, for example, base rate loans.

(2) This includes financial instruments such as equity investments.

Average effective yields by the earlier of the contractual repricing and maturity dates:

	The Group					
	2010					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Average %
Cash resources (4)	5.50	8.02	-	-	-	8.01
Pledged assets	0.16	8.64	9.52	9.93	8.67	8.65
Investment securities	-	8.69	-	-	-	8.69
Loan, lease & trade receivables	5.86	15.03	8.38	8.50	8.62	6.04
Asset classified as held-for-sale	61.36	70.17	67.34	61.64	-	65.01
Capital management and government securities fund	3.23	-	-	-	-	3.23
Promissory note	-	3.66	-	-	-	3.66
Securities sold under repurchase agreements	4.85	6.09	4.91	6.11	-	5.85

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Year ended 31 October 2010
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42. Financial risk management (continued)

Market risk (continued)
Interest rate risk (continued)

	The Group					
	2009					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Average
	%	%	%	%	%	%
Cash resources (4)	-	8.23	19.69	-	-	13.35
Pledged assets	-	16.57	21.43	10.98	9.11	15.39
Investment securities (1)						
- Available-for-sale	-	20.55	7.19	9.98	10.52	10.41
Loan, lease & trade receivables	59.76	13.97	37.33	23.07	5.04	12.67
Capital management and government securities fund	5.03	-	-	-	-	5.03
Deposits (3)	-	6.84	7.33	11.72	-	9.98
Promissory note	-	15.41	10.30	9.00	10.00	11.37
Securities sold under repurchase agreements	1.37	12.12	13.18	18.85	-	12.29

	The Company					
	2010					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Average
	%	%	%	%	%	%
Cash resources	5.50	8.02	-	-	-	8.01
Investment securities						
- Available-for-sale	-	8.69	-	-	-	8.69
Pledged assets	0.16	8.57	9.52	9.93	8.67	8.65
Loan, lease & trade receivables	5.86	15.03	8.38	8.50	8.62	11.40
Promissory notes	-	3.66	-	-	-	3.66
Securities sold under repurchase agreements	4.85	6.09	4.91	6.11	-	5.85
Capital management & government securities fund obligations	3.23	-	-	-	-	3.23

Notes to the Financial Statements

Year ended 31 October 2010

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42. Financial risk management (continued)

Market risk (continued)
Interest rate risk (continued)

	The Company					
	2009					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Average
	%	%	%	%	%	%
Pledged asset	-	16.30	21.42	10.98	9.11	15.27
Loan, lease & trade receivables	-	15.13	15.84	8.57	5.60	6.79
Promissory notes	-	15.41	10.30	-	-	14.13
Securities sold under repurchase agreements	1.37	12.04	13.26	10.47	-	12.26
Capital management & government securities fund obligations	5.03	-	-	-	-	5.03

Average effective yields by the earlier of the contractual repricing or maturity dates:

(1) Yields are based on book values and contractual interest adjusted for amortisation of premiums and discounts. Yields on tax-exempt investments have not been computed on a taxable equivalent basis.

(2) Yields are based on book values, net of allowance for credit losses and contractual interest rates.

(3) Yields are based on contractual interest rates.

(4) The calculation of the average yields includes statutory reserves at Bank of Jamaica at zero percent.

Sensitivity analysis

The changes in the interest rates as noted below is based on recently observed market movements. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	2010	2009
Sensitivity of market risk variable:		
JMD Interest rates	increase/decrease by 450 bps	increase/decrease by 600 bps
USD Interest rates	increase/decrease by 200 bps	increase/decrease by 400 bps

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42. Financial risk management (continued)

Market risk (continued)
Interest rate risk (continued)

Sensitivity analysis (continued)

	The Group		The Company	
	2010	2009	2010	2009
Effect on profit or loss	662,616	1,023,678	662,616	1,005,472
Effect on shareholders' equity	1,825,209	1,895,201	1,825,209	1,889,894

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The main currencies giving rise to this risk are the USD, CAD, GBP, and EUR. The Group ensures that the net exposure is kept to an acceptable level by matching foreign assets with liabilities as far as possible.

The table below summarizes the Group's exposure to foreign currency exchange risk in thousands of units of the respective currencies:

	The Group						
	2010						
	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
Financial assets:							
Cash resources	3,137,323	427,748	63,424	156,272	114,283	-	3,899,050
Pledged assets	39,977,048	23,509,284	279,330	327,635	795,878	-	64,889,175
Financial assets at fair value through profit or loss	127,895	-	-	-	-	-	127,895
Investment securities	112,292	-	-	-	-	-	112,292
Loans, after allowances for impairment losses	71,999	339,797	-	-	-	-	411,796
Assets held for sale	56,076	-	-	-	-	-	56,076
Other assets	1,178,149	(8,897)	(8,021)	532,243	(215,480)	616	1,478,610
Total financial assets	44,660,782	24,267,932	334,733	1,016,150	694,681	616	70,974,894
Financial liabilities:							
Securities sold under repurchase agreement	30,187,042	14,471,199	-	-	367,345	-	45,025,586
Capital management & government securities fund	4,218,176	9,203,297	334,177	1,011,161	389,997	-	15,156,808
Liabilities directly associated with assets classified as held for sale	6,109	-	-	-	-	-	6,109
Other liabilities	1,236,047	692,732	556	4,988	15,934	616	1,950,873
Total financial liabilities	35,647,374	24,367,228	334,733	1,016,149	773,276	616	61,139,376
Net balance sheet financial position	9,013,408	(99,296)	-	1	(78,595)	-	8,835,518

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42. Financial risk management (continued)

Market risk (continued)
Interest rate risk (continued)

	The Group						
	2009						
	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
Financial assets:							
Cash resources	629,476	562,777	52,725	154,951	147,946	143	1,548,018
Pledged assets	42,588,239	23,003,001	282,887	431,812	883,717	-	67,189,656
Financial assets at fair value through profit or loss	105,369	-	-	-	-	-	105,369
Investment securities	77,837	747,945	-	-	-	-	825,782
Loans, after allowances for impairment losses	611,851	2,114,157	-	-	-	-	2,726,008
Lease and hire purchase contracts, receivable	73,329	38,128	-	-	-	-	111,457
Other assets	1,265,767	(173,904)	3,174	561,518	(153,876)	1,758	1,504,437
Total financial assets	45,351,868	26,292,104	338,786	1,148,281	877,787	1,901	74,010,727
Financial liabilities:							
Deposits	517,504	1,983,166	-	-	143,353	-	2,644,023
Securities sold under repurchase agreement	32,017,471	13,831,029	-	-	408,237	-	46,256,737
Capital management & government securities fund	3,804,562	10,163,393	337,810	1,144,640	448,624	-	15,899,029
Other liabilities	966,836	551,311	976	3,641	(721)	1,901	1,523,944
Total financial liabilities	37,306,373	26,528,899	338,786	1,148,281	999,493	1,901	66,323,733
Net balance sheet financial position	8,045,495	(236,795)	-	-	(121,706)	-	7,686,994

	The Company						
	2010						
	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
Financial assets:							
Cash resources	3,200,827	427,748	63,424	156,272	114,283	-	3,962,554
Pledged assets	39,977,048	23,509,284	279,330	327,635	795,878	-	64,889,175
Financial assets at fair value through profit or loss	10,029	-	-	-	-	-	10,029
Investment securities	112,292	-	-	-	-	-	112,292
Investment in subsidiaries	2,017,685	8,538	-	-	-	-	2,026,223
Loans, after allowances for impairment losses	71,999	339,797	-	-	-	-	411,796
Other assets	1,095,486	(12,777)	(8,021)	532,243	(215,480)	616	1,392,067
Total financial assets	46,485,366	24,272,590	334,733	1,016,150	694,681	616	72,804,136
Financial liabilities:							
Securities sold under repurchase agreement	30,187,042	14,480,242	-	-	367,345	-	45,034,629
Capital management & government securities fund	4,218,218	9,203,297	334,177	1,011,161	389,997	-	15,156,850
Other liabilities	3,284,106	692,379	556	4,988	15,934	616	3,998,579
Total financial liabilities	37,689,366	24,375,918	334,733	1,016,149	773,276	616	64,190,058
Net balance sheet financial position	8,796,000	(103,328)	-	1	(78,595)	-	8,614,078

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42. Financial risk management (continued)

Foreign exchange risk (continued)

	The Company						
	2009						
	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
Financial assets:							
Cash resources	363,339	419,282	52,724	150,725	147,946	143	1,134,159
Pledged assets	42,588,239	24,032,379	282,887	431,812	883,717	-	68,219,034
Financial assets at fair value through profit or loss	1,698						1,698
Investment securities	15,000	-	-	-	-	-	15,000
Investment in subsidiaries	2,265,141	-	-	-	-	-	2,265,141
Loans, after allowances for impairment losses	106,530	418,779	-	-	-	-	525,309
Leases and hire purchase contracts receivable	1,258	-	-	-	-	-	1,258
Other assets	981,667	(153,680)	3,176	565,743	(153,526)	1,758	1,245,138
Total financial assets	46,322,872	24,716,760	338,787	1,148,280	878,137	1,901	73,406,737
Financial liabilities:							
Securities sold under repurchase agreement	32,517,586	14,257,951	-	-	551,940	-	47,327,477
Capital management & government securities fund	3,804,686	10,163,393	337,810	1,144,640	448,624	-	15,899,153
Other liabilities	2,722,510	549,236	977	3,640	(721)	1,901	3,277,543
Total financial liabilities	39,044,782	24,970,580	338,787	1,148,280	999,843	1,901	66,504,173
Net balance sheet financial position	7,278,090	(253,820)	-	-	(121,706)	-	6,902,564

The following significant exchange rates were applied during the year:

	Average rate for the period		Reporting date spot rate	
	2010	2009	2010	2009
USD	87.7303	86.8489	85.3825	89.1037
CAD	83.3297	74.1712	83.1572	81.8778
GBP	135.8581	133.4279	135.5446	145.9954
EUR	117.1296	118.4444	116.8623	129.8712

Sensitivity to foreign exchange risk

A weakening of the JMD against the following currencies at October 31 would have increased/(decreased) equity and profit by the amounts shown below. This analysis is performed on the same basis for 2009, analyzing the market movements for exchange rates during the year. The strengthening of the JMD against the same currencies at October 31 would have had the equal but opposite effect on the amounts shown, on the basis that all other variable remain constant.

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42. Financial risk management (continued)

Foreign exchange risk (continued)
Sensitivity to foreign exchange risk (continued)

	2010	2009
USD	increase/decrease by 15%	increase/decrease by 20%
CAD	increase/decrease by 30%	increase/decrease by 30%
GBP	increase/decrease by 25%	increase/decrease by 25%
EUR	increase/decrease by 30%	increase/decrease by 30%

	The Group		The Company	
	2010	2009	2010	2009
Effect on profit and shareholder's equity	136,060	124,461	118,537	107,135

Equity risk

Equity price risk arises out of price fluctuations in the equity prices. The risk arises out of holding positions in either individual stocks (idiosyncratic risk) or in the market as a whole (systemic risk). The goal is to earn dividend income and realise capital gains sufficient to offset the interest foregone in holding such long-term positions.

The Board sets limits on the level of exposure, and diversification is a key strategy employed to reduce the impact on the portfolio, which may result from the non-performance of a specific class of assets. Given the potential volatility in the value of equities and the non-interest bearing characteristics of these instruments, the company limits the amount invested in them.

At the reporting date the size of the Group's equity portfolio was:

	2010	2009
Financial assets at fair value through profit or loss	10,029	1,698
Pledged assets	3,721	7,067

Sensitivity analysis

Maximum changes observed in running 10-day periods during the financial year for the equity portfolio as at October 31, 2010 would have increased or decreased equity and profit and loss by the amounts shown below. This analysis is performed on the same basis for 2009. Prices used are the bid prices for the equities. A 10-day period is used to account for the liquidity of the local market equities.

	Profit or loss		Equity	
	Maximum increase	Maximum decrease	Maximum increase	Maximum decrease
31 October 2010	2,640	2,197	2,967	2,579
31 October 2009	328	382	11,772	1,768

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42. Financial risk management (continued)

Foreign exchange risk (continued)

Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight and maturing deposits, loan drawdowns and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Board of Directors approves the Group's liquidity and funding management policies and establishes limits to control the risk. The Group assesses the adequacy of its' liquidity position by analyzing its current liquidity position, present and anticipated funding requirements, and alternative sources of funds. This process includes:

- Projecting day-to-day cash flows for each major currency;
- Managing the concentration and profile of debt maturities;
- Monitoring of depositor concentration both in terms of the overall funding mix and to avoid undue reliance on large individual depositors;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Maintenance of liquidity and funding contingency plans.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for companies to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturity of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates. Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and central bank balances; government and corporate bonds and treasury bills; and loans.

Sources of liquidity are regularly reviewed by the Treasury and Asset Trading department to maintain a wide diversification by customer, currency, product and term.

Liquidity requirements to support calls under guarantees are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

Notes to the Financial Statements

Year ended 31 October 2010

(Expressed in thousands of Jamaican dollars unless otherwise stated)

42. Financial risk management (continued)

Liquidity risk (continued)

Financial liabilities cash flows

The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the Group's and the company's financial liabilities based on contractual repayment obligations. The Group expects that many customers will not request repayment on the earliest date the Group could be required to pay. The expected maturity dates of financial assets and liabilities are based on estimates made by management as determined by retention history.

	The Group 2010					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific Maturity	Total
Financial liabilities:						
Capital management & government securities funds	15,156,808	-	-	-	-	15,156,808
Promissory notes	7,995	-	-	-	-	7,995
Securities sold under repurchase agreements	40,190,687	5,617,827	16,063	-	-	45,824,577
Classified as held for sale	6,109	-	-	-	-	6,109
Other liabilities	1,243,407	518,280	2,034	366	-	1,764,086
Total liabilities	56,605,006	6,136,107	18,096	366	-	62,759,575

	The Group 2009					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific Maturity	Total
Financial liabilities:						
Deposits	1,687,040	1,083,282	25,961	-	-	2,796,283
Capital management & government securities funds	15,899,029	-	-	-	-	15,899,029
Promissory notes	16,183	5,727	5,006	29,259	-	56,175
Securities sold under repurchase agreements	36,157,419	12,936,424	41,821	-	-	49,135,664
Other liabilities	905,651	400,175	7,255	493	133,172	1,446,746
Total liabilities	54,665,322	14,425,608	80,043	29,752	133,172	69,333,897

Notes to the Financial Statements

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42. Financial risk management (continued)

Liquidity risk (continued)

	The Company 2010					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific Maturity	Total
Financial liabilities:						
Capital management & government securities funds	15,156,851	-	-	-	-	15,156,851
Amounts due to subsidiaries	-	-	-	-	2,212,100	2,212,100
Promissory notes	7,995	-	-	-	-	7,995
Securities sold under repurchase agreements	40,190,687	5,608,532	16,063	-	-	45,815,282
Other liabilities	1,115,851	481,614	2,034	366	-	1,599,865
Total liabilities	56,471,384	6,090,146	18,097	366	2,212,100	64,792,093

	The Company 2009					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific Maturity	Total
Financial liabilities:						
Capital management & government securities funds	15,899,153	-	-	-	-	15,899,153
Amounts due to subsidiaries	-	-	-	-	2,080,774	2,080,774
Promissory notes	16,183	5,060	-	-	-	21,243
Securities sold under repurchase agreements	36,928,814	13,386,648	41,821	-	-	50,357,283
Other liabilities	804,257	364,870	7,255	493	-	1,176,875
Total liabilities	53,648,407	13,756,578	49,076	493	2,080,774	69,535,328

43. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the reporting dates.

Notes to the Financial Statements

Year ended 31 October 2010

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43. Fair value of financial instruments (continued)

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) financial investments classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;

(ii) the fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and liabilities;

(iii) the fair values of demand deposits and savings accounts with no specific maturity are assumed to be the amount payable on demand at the reporting date. The fair value of fixed interest bearing deposits is based on discounted cash flows using interest rates for new deposits;

(iv) the fair value of variable rate financial instruments is assumed to approximate their carrying amounts;

(v) the fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values; and

(vi) the fair values of quoted equity investments are based on current bid prices. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment.

The following financial assets and liabilities are not carried at fair value.

	The Group			
	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Pledged assets	64,889,175	66,001,645	67,189,656	65,948,214
Loans	411,796	401,808	2,705,458	2,674,384
Financial liabilities				
Deposits by the public	-	-	2,644,024	2,670,320
Securities sold under repurchase agreements	45,025,585	45,025,585	46,256,737	46,256,737

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43. Fair value of financial instruments (continued)

The following financial assets and liabilities are not carried at fair value (continued).

	The Company			
	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Pledged assets	64,889,175	66,001,645	68,219,034	66,977,592
Loans	411,796	401,808	504,759	489,352
Financial liabilities				
Securities sold under repurchase agreements	45,034,629	45,034,629	41,766,335	41,766,335

Determination of fair value hierarchy

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 October 2010, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	The Group			
	2010			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Equity securities held for trading	10,029	117,866	-	127,895
Available-for-sale financial assets				
Investment securities – debt securities	-	97,292	-	97,292
Pledged assets				
Debt securities	-	34,816,428	-	34,816,428
Equity securities	3,371	966,216	-	969,588

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43. Fair value of financial instruments (continued)

Determination of fair value hierarchy (continued)

	The Group			
	2009			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Equity securities held for trading	1,698	103,671	-	105,369
Available-for-sale financial assets				
Investment securities – debt securities	-	810,782	-	810,782
Pledged assets				
Debt securities	-	59,512,899	-	59,512,899
Equity securities	7,067	892,187	-	899,254

	The Company			
	2010			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Equity securities held for trading	10,029	-	-	10,029
Available-for-sale financial assets				
Investment securities – debt securities	-	97,292	-	97,292
Pledged assets				
Debt securities	-	34,816,428	-	34,816,428
Equity securities	3,371	966,216	-	969,588

	The Company			
	2009			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Equity securities held for trading	1,698	-	-	1,698
Pledged assets				
Debt securities	-	59,512,899	-	59,512,899
Equity securities	7,067	892,187	-	899,254

44. Capital risk management

Capital risk is the risk that the group fails to comply with mandated regulatory requirements, resulting in a breach of its minimum capital ratios and the possible suspension or loss of its securities dealer and banking licences.

The operations of the group are subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimize the risk of default and insolvency to meet unforeseen liabilities as these arise.

The Group manages its capital resources according to the following objectives:

- To comply with the capital requirements established by the regulators;
- To safeguard its ability to continue as a going concern, and meet future obligations to depositors and stockholders;
- To provide adequate returns to stockholders by pricing investments commensurately with the level of risk; and
- To maintain a strong capital base to support the future development of the group's operations.

The group deploys its capital resources to activities carried out through various lines of business in operating companies which provide banking and other financial services. The capital is deployed in such a manner as to ensure that each line of business generates the desired return on capital employed, that the operating companies have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

Certain companies within the group are subject to regulators, who set and monitor capital adequacy requirements. Required capital adequacy information is filed with the regulators at least on an annual basis.

Capital adequacy is reviewed by executive management, the audit committee and the board of directors. Based on the guidelines developed by the Bank of Jamaica and the Financial Services Commission, each regulated entity is required to:

- Hold the minimum level of regulatory capital; and
- Maintain a minimum ratio of total regulatory capital to risk weighted assets.

Regulatory capital is divided into two tiers:

Tier 1: Capital comprises share capital, reserve fund and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and

Tier 2: Capital comprises qualifying subordinated loan capital, collective impairment allowances and revaluation surplus on fixed assets.

Investment in subsidiaries are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

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44. Capital risk management (continued)

The table below summarises the composition of regulatory capital and the ratios for each subsidiary. During the year, the individual entities complied with all of the externally imposed capital requirements to which they are subject.

	Regulated by the BOJ[1]		Regulated by the FSC[2]	
	2010	2009	2010	2009
Tier 1 capital	-	840,595	8,529,045	7,033,268
Tier 2 capital	-	17,651	24,870	25,119
	-	858,246	8,553,915	7,058,387
Less prescribed adjustment				
– Inv in subsidiaries	-	-	88,236	(483,567)
Total regulatory capital	-	858,246	8,642,151	6,574,820
Risk weighted assets:				
On balance sheet	-	1,324,470	8,365,164	2,966,322
Off balance sheet	-	87,585	-	
Foreign exchange exposure	-	31,453	262,851	197,345
Total risk weighted assets	-	1,443,508	8,628,015	3,163,667
Actual regulatory capital to risk weighted assets	-	59.5%	100.16%	207.8%
Regulatory requirements	-	10%	10%	10%

[1] This represents Scotia DBG Merchant Bank Limited

[2] This represents Scotia DBG Investments Limited

45. Dividends

(a) Declared

	The Group and the Company	
	2010	2009
In respect of October 31, 2008	-	312,514
In respect of October 31, 2009	-	497,254
In respect of October 31, 2010	558,616	-

(b) Proposed

At the Board of Directors meeting on November 23, 2010, a dividend of $0.33 per share (October 2009 – actual dividends of $0.33 per share) amounting to a total of $139,654 (2009: $139,654) is to be proposed. The financial statements for the year ended October 31, 2010 do not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the year ending October 31, 2011.

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46. Commitments

Operating lease commitments:

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	The Group		The Company	
	2010	2009	2010	2009
Later than one year and not later than five years	56,914	48,427	56,914	48,427

47. Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties. This involves the group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the reporting date, the Group had investment custody accounts amounting to approximately $61,068,673 (2009: $57,274,096).

48. Related party transactions and balances

The group is controlled by Scotia Group which owns 77.01% of the ordinary stock units. The remaining 29.99% of the stock units is widely held.

Parties are considered to be related if one party has the ability to control or exercise significant influence over, or be controlled and significantly influenced by, the other party. A number of investment transactions are entered into with related parties. These include loans, investment management and foreign currency transactions.

There were no related party transactions with the parent company other than the payment of dividends, management fees, guarantee fees, and the amount due to parent company.

No impairment allowances have been recognised in respect of loans given to related parties.

Pursuant to Section 13 (1), (d) and (i) of The Companies Act, 2004, connected companies include companies with common directors of the Company and/or its subsidiaries.

Related party credit facilities in excess of the limits of Section 13(1), (d) and (i), subject to the maximum of the limits in Section 13(1)(e) of The Banking Act are supported by guarantees issued by the parent company.

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Related party transactions, outstanding balances at the year end, and related expenses and income for the year are as follows:

	The Group				
	Fellow subsidiaries	Directors and key management personnel	Connected companies	Total 2010	Total 2009
Loans					
Loans outstanding at beginning of year	-	12,985	-	12,985	36,109
Net loans issued/(repaid) during the year	-	(7,653)	-	(7,653)	(23,124)
Loans outstanding at end of year	-	5,332	-	5,332	12,985
Interest income earned	-	510	-	510	1,271
Average repayment term (years)	-	4	-	4	4
Average interest rate (%)	-	8	-	8	8
Other					
Fees and commission earned	-	5,433	-	5,433	10,639
Securities sold under repurchase agreements	(8,952)	(147,928)	-	(156,880)	(266,049)
Interest paid on repurchase agreements	(116,551)	(14,540)	-	(131,091)	(48,935)
Capital management account & Government securities fund (CMA & GSF)	(43)	(161,829)	-	(161,872)	(178,918)
Interest paid on CMA & GSF	(3)	(6,706)	-	(6,709)	(8,932)
Reverse repurchase agreements	-	-	-	-	267,311
Interest earned on reverse agreements	1,107	-	-	1,107	36,828
Due from banks and other financial institutions	637,171	-	-	637,171	928,117
Term deposits	1,436,899	-	1,537,756	2,974,655	1,608,532
Interest earned on term deposits	52,357	-	1,343	53,700	31,645
Interest earned from banks and other financial institutions	6,227	-	-	6,227	13,323
Management fees paid to parent company	(49,041)	-	-	(49,041)	(33,582)
Pension and ESOP fees received from parent company	61,616	-	-	61,616	53,343
Other operating (expense)/income	35,538	-	-	35,538	8,467

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(Expressed in thousands of Jamaican dollars unless otherwise stated)

48. Related party transactions and balances (continued)

	The Company			
	Fellow subsidiaries	Directors and Key Management Personnel	Total 2010	Total 2009
Loans				
Loans outstanding at beginning of year	-	12,985	12,985	36,109
Net loans issued/(repaid) during the year	-	(7,653)	(7,653)	(23,124)
Loans outstanding at end of year	-	5,332	5,332	12,985
Interest income earned	-	510	510	1,271
Average repayment term (years)	-	4	4	4
Average interest rate (%)	-	8	8	8
Other				
Fees and commission earned	-	5,433	5,433	6,514
Securities sold under repurchase agreements	(8,952)	(147,928)	(156,880)	(1,261,558)
Interest paid on repurchase agreements	(116,551)	(14,540)	(131,091)	(172,469)
Capital management account & Government securities fund (CMA & GSF)	(42)	(161,829)	(161,871)	(178,918)
Interest paid on CMA & GSF	(3)	(6,706)	(6,709)	(8,932)
Reverse repurchase agreements	-	-	-	267,311
Interest earned on reverse agreements	1,107	-	1,107	-
Due from banks and other financial institutions	637,171	-	637,171	1,013,104
Term deposits	1,436,899	1,537,756	2,974,655	2,593,009
Interest earned on term deposits	52,357	-	52,357	109,780
Interest earned from banks and other financial institutions	6,227	-	6,227	11,895
Management fees paid to parent company	(49,041)	-	(49,041)	(89,502)
Pension and ESOP fees received from parent company	61,616	-	61,616	53,343
Other operating (expense)/income	35,538	-	35,538	4,475

	The Group 2010	The Group 2009	The Company 2010	The Company 2009
Key management compensation				
Salaries and other short term benefits	54,159	87,936	54,159	79,871
Post employment benefits	2,850	4,474	2,850	4,110

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49. Litigation and contingent liabilities

The company and its subsidiaries are subject to various claims, disputes and legal proceedings, in the normal course of business. Provision is made for such matters when, in the opinion of management and its legal counsel, it is probable that a payment will be made by the group, and the amount can be reasonably estimated.

In respect of claims asserted against the group which have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the group, that is immaterial to both the financial position and results of its operations.

50. Employee Share Ownership Plan

The company has an Employee Share Ownership Plan ("ESOP" or "Plan"), the purpose of which is to encourage eligible employees of the group to steadily increase their ownership of the company's shares. Participation in the Plan is voluntary; any employee who has completed at least one year's service with any group entity is eligible to participate.

The operation of the ESOP is facilitated by a Trust. Grants are issued by the company to the Plan to facilitate the issue of loans to employees to acquire the company's shares, at a discounted value. Allocations are made to participating employees on repayment of the outstanding loans. Allocated shares must be held for a two-year period, at the end of which they vest with the employees.

At the reporting date, the shares acquired with the employer's contributions and held in trust pending allocation to employees and/or vesting were:

	2010	2009
Number of shares	1,798,028	2,565,774
Fair value of shares	36,860	44,927

51. Managed funds

A subsidiary, Scotia DBG Fund Managers Limited 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 October 31, 2010, these funds aggregated $15,482,586 (2009: $7,547,284).

NOTES

EXECUTIVE MANAGEMENT

Chief Executive Officer - Anya Schnoor

Chief Operating Officer - Lissant Mitchell

VICE PRESIDENTS & ASSISTANT VICE PRESIDENTS

VP, Sales & Service; GM, Asset Management Co. Ltd. - Vanessa Reid-Boothe

VP, & Chief Financial Officer - Andrea Tinker

VP, Strategic Planning, Projects and Product Development - Dr. Adrian Stokes

VP, Business Support - Paulo Almeida

VP, Asset Management & GM, Scotia DBG Fund Managers Ltd. - Brian Frazer

AVP, Information Technology - Philip Nash

AVP, Product Development - Jason Morris

AVP, Treasury & Trading - Adrian Reynolds

AVP, Finance - Monique Anthony

BRANCH MANAGERS

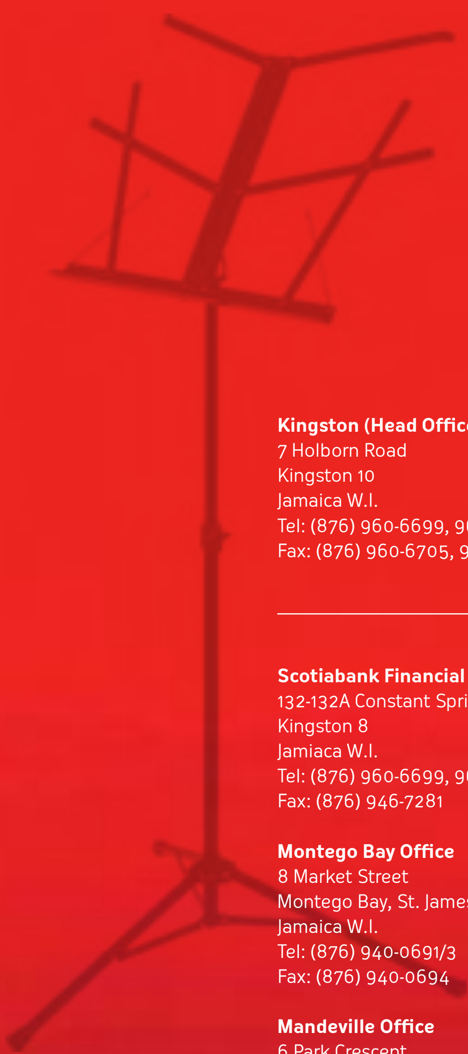
Montego Bay - Branch Manager - Kaylene Grant-Patterson

Kingston - Branch Manager - Annette Philpotts

Mandeville - Branch Manager - Kariann Hepburn

Constant Spring - Branch Manager - Sherene Todd

Scotia DBG Investments



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