2010 ANNUAL REPORT

FORGING AHEAD

Scotiabank Group

SCOTIA GROUP JAMAICA LIMITED

Core Values

INTEGRITY

We exhibit integrity by always interacting with others ethically and honourably.

RESPECT

We exhibit respect by empathizing and fully considering the diverse needs of others.

COMMITMENT

We are fully committed to achieving success for our customers, our teams and ourselves.

INSIGHT

We use our insight and high level of knowledge to proactively respond with the right solutions.

SPIRIT

Our spirit enriches our work environment with teamwork, contagious enthusiasm and a "can-do" attitude.

Mission Statement

We are committed
to being the institution of choice
in the financial sector,
providing superior
products and services and
being a good corporate citizen
to the benefit of our customers,
shareholders and staff.

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Ten-Year Statistical Review - Scotia Group Jamaica Ltd.

$'000	2010	2009	2008	2007	2006
BALANCE SHEET DATA					
TOTAL ASSETS	325,823,953	315,555,872	280,284,251	263,125,631	199,840,115
PERFORMING LOANS	91,599,243	88,591,281	86,726,366	74,557,390	58,578,711
NON-PERFORMING LOANS	4,215,254	3,587,030	2,970,714	2,109,177	1,009,003
INVESTMENTS & OTHER EARNING ASSETS	200,375,040	194,182,553	167,116,031	162,688,005	120,465,837
DEPOSITS BY THE PUBLIC	145,664,085	141,877,096	130,673,257	131,017,687	113,279,538
SECURITIES SOLD UNDER REPURCHASE AGREEMENT	45,025,585	46,120,207	40,206,572	31,530,287	18,234,105
STOCKHOLDERS' EQUITY	53,155,382	45,724,655	37,940,932	34,373,330	27,389,555
PROFITS AND DIVIDENDS					
PROFIT BEFORE TAX	14,417,094	15,379,659	13,119,095	10,167,221	9,315,624
NET PROFIT AFTER TAX ATTRIBUTABLE TO STOCKHOLDERS	10,405,649	11,152,199	9,390,739	7,492,854	6,798,908
DIVIDENDS PAID AND PROPOSED	4,605,128	4,325,086	4,045,044	3,649,313	3,132,138
NUMBER OF STOCK UNITS AT YEAR END (1)	3,111,573	3,111,573	3,111,573	3,111,573	2,927,232
FINANCIAL RATIOS					
EARNINGS PER STOCK UNIT (1)	3.34	3.58	3.02	2.48	2.32
PRICE EARNINGS RATIO	6.09	5.13	6.68	8.56	9.51
DIVIDENDS PER STOCK UNIT (1)	1.48	1.39	1.30	1.19	1.07
DIVIDEND YIELD (1)	7.08%	8.13%	5.58%	5.08%	5.15%
DIVIDEND PAYOUT RATIO	44.26%	38.78%	43.07%	47.26%	46.07%
RETURN ON AVERAGE EQUITY	20.78%	26.35%	25.28%	24.01%	26.35%
RETURN ON ASSETS AT YEAR END	3.19%	3.53%	3.35%	2.85%	3.40%
OTHER DATA					
STOCK PRICE AT THE YEAR END (1)	20.35	18.38	20.22	21.25	22.06
PRICE CHANGE FROM LAST YEAR	10.72%	-9.08%	-4.85%	-3.67%	4.35%
CHANGE IN JSE INDEX FROM LAST YEAR	3.46%	-14.06%	-5.85%	15.85%	-16.10%
NUMBER OF STAFF	2,283	2,273	2,235	2,190	1,895
EXCHANGE RATE J$1=US$	0.0117	0.0112	0.0131	0.0141	0.0151
INFLATION RATE YEAR OVER YEAR	10.37%	7.18%	25.34%	9.01%	6.49%

2005	2004	2003	2002	2001
183,460,578	168,167,649	147,653,177	127,367,433	102,563,972
57,324,645	52,420,106	47,111,019	38,513,658	25,244,790
918,164	1,039,396	963,695	906,857	911,345
107,526,232	90,600,604	78,502,267	66,447,596	61,368,536
107,546,636	98,810,819	87,067,332	76,947,608	67,809,259
17,319,240	18,546,429	15,292,996	11,566,632	8,392,202
23,524,953	20,605,017	17,651,197	14,065,776	11,880,802
8,329,812	8,172,633	7,307,403	5,308,735	4,418,438
5,885,586	5,856,057	5,456,670	3,869,782	3,214,178
2,927,232	2,707,689	2,561,328	1,683,158	1,463,616
2,927,232	2,927,232	2,927,232	2,927,232	2,927,232
2.01	2.00	1.86	1.32	1.10
10.51	12.62	4.80	5.92	6.96
1.000	0.925	0.875	0.58	0.50
3.88%	4.41%	9.78%	7.34%	6.54%
49.74%	46.24%	46.94%	43.49%	45.54%
26.33%	29.85%	34.22%	29.16%	32.53%
3.21%	3.48%	3.70%	3.04%	3.13%
21.14	25.26	8.95	7.83	7.64
-16.31%	182.18%	14.30%	2.49%	18.27%
-1.50%	72.46%	46.93%	25.92%	9.47%
1,843	1,864	1,851	1,805	1,756
0.0156	0.0162	0.0166	0.0203	0.021
19.02%	12.27%	14.13%	5.04%	7.56%

(1) Amounts have been retroactively adjusted to reflect the one-for-one bonus issue on March 10, 2005.

Shareholders' Report

"The key to ultimate succcess is the determination to progress day by day." - *Edmar Mednis*

In 2010, Scotia Group Jamaica Ltd. (Scotia Group) demonstrated its resilience and commitment to our customers and shareholders as, once again, we achieved strong financial results. These were achieved despite significant challenges posed by weak loan demand, declining credit quality due to the continuing recession, rising unemployment during the year, and lower interest rates precipitated by the Jamaica Debt Exchange (JDX) programme in February. Notwithstanding, we leveraged our size, diversity and market position to post net income available to common shareholders of $10.4 billion, representing a basic earnings per share of $3.34 and an annualized return on Stockholder's Equity of 20.78%. During the year, Scotia Group paid dividends of $1.48 per share, reflecting an increase of 6% over that paid in 2009.

Total on-balance sheet assets across the Group grew by $10 billion to $326 billion, while off-balance sheet funds under management, including assets managed on behalf of pension funds and unit trusts, grew to $76.4 billion, up from $64.7 billion in 2009. Our total Shareholder's Equity grew to $53.2 billion as at October 31, 2010, up from $45.7 billion in 2009, making us one of the most well-capitalized financial services providers in the industry.

Our Regulatory capital to risk-weighted assets ratio of 15.6% for The Bank of Nova Scotia Jamaica Ltd. (Scotiabank), 100.2% for Scotia DBG Investments Ltd. (Scotia Investments) and 50.6% for Scotia Jamaica Building Society (SJBS) continue to exceed regulatory requirements. For Scotia Jamaica Life Insurance Company Ltd. (Scotia Insurance), we have a Minimum Continuing Capital Surplus Requirement (MCCSR) ratio of 1,998%, considerably higher than the 135% required by Insurance regulations.

Commitment to Strategic Priorities

Over the past year, we executed on our growth mandate in key areas. In a weak economy where loan demand was sluggish, we outperformed the industry in retail and commercial lending by implementing a number of successful programmes and tactics throughout the year. We continued to be responsive to the needs of our customers, leading the market with interest rate reductions on lending products. Our $500 million Productive Sector Growth Fund offering loans at 9.95% was well received by the market, and was fully subscribed within six months of the opening.

Scotia Investments, in anticipation of the changing regulatory environment for broker/dealers, continued to execute well on its strategy to shift its business model away from interest margin-based repo business to a fee-based funds management business.

As a result, funds managed on a non-recourse basis on behalf of investors and for which Scotia Investments has no equitable rights or interests, totalled $15.4 billion, an increase of $7.9 billion or 105 % over last year. We are currently the dominant player in the unit trust and asset management market.

Scotia Insurance continues to expand its product range with the launch of the Scotia Retirement Income Fund, an innovative annuity payout product which complements the individual pension savings product, ScotiaBRIDGE, which was launched last year.

Our mortgage company, Scotia Jamaica Building Society, continued to execute its mandate of prudently growing its mortgage portfolio while generating efficiencies through the consolidation of some support functions with the Bank.

Robert Pitfield
Chairman
Scotiabank Group

During the year, we also placed strategic emphasis on our non-branch channels and are proud to have launched our mobile banking channel in June 2010, giving customers yet another less expensive, more convenient channel to conduct their banking transactions.

We continued our focus on cost management and efficiency initiatives during the past year, especially with the passage of the JDX which was projected to significantly impact our net interest revenues. We have made great progress in supplier management, consolidation and other cost avoidance initiatives. We are extremely proud of the enthusiasm of our team members in generating ideas for cost savings and supporting the execution of these initiatives.

Finally, as we continue to strive to provide an exceptional customer experience during the year, our monthly customer survey results showed that we improved our quality of service with better customer interactions and an increase in the number of loyal customers.

The Way Ahead

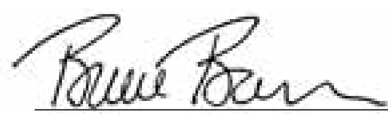
While we continue to operate in a very challenging economic environment, our strategic plan will be geared towards strong risk and expense management while at the same time, identifying lucrative growth opportunities across our different business lines that will serve to increase revenues.

The past year has seen our country coalesce around the need to make tough decisions that will bring macroeconomic stability through improved debt dynamics, fiscal responsibility programmes and divestment of non-core public assets. Scotiabank is committed to supporting the country, having started with our full participation in the JDX. We are committed to facilitating the growth of the private sector as we continue to prudently lower lending rates and make financing available to personal and commercial customers at attractive rates.

We recognize that our business model will have to adapt to meet our current economic paradigm. As margin compression continues, we will have to identify new sources of revenue through the provision of new services and products across all our business lines. We will also have to enhance the way we deliver services to our customers to offer greater choice and convenience, while reducing the cost of doing so. We must continue to relentlessly pursue operating efficiency gains across the Group. We are confident that we have the right strategies in place and that effective execution of those strategies will yield favourable results.

In closing, we take the opportunity to thank the exceptional Scotiabank Group team for their continued commitment to deliver these strong results. We also thank all our customers for their unwavering support, insightful feedback and confidence in our institution. We stand resolute in our fiduciary responsibility to all our stakeholders as we continue to be the institution of choice.

ROBERT H. PITFIELD
Chairman



BRUCE BOWEN
President & CEO

Bruce Bowen
President & CEO,
Scotiabank Group

Corporate Governance

The Board of Directors of Scotia Group Jamaica Limited is responsible for the corporate governance framework of the Group and its subsidiaries and has adopted an enterprise wide approach to corporate governance. This ensures that the Group and each of its subsidiaries, which operate across business lines within the financial sector, adhere to a standard corporate governance policy, deviating only where required by laws and regulations applicable to the specific business line.

The Board recognises that a sound corporate governance policy contributes to the creation of shareholder value and preserves confidence in the Group.

The corporate governance policy is reviewed annually by the Board to ensure its congruence with the Private Sector Organization of Jamaica's Corporate Governance Code, Standards of Best Practices of the Bank of Jamaica, and the applicable Laws, Regulations and Guidance from Regulators specific to each subsidiary within the Group and international best practices. An external professional review of the Corporate Governance Policy was conducted this year and it was confirmed that the policy conforms with local and international best practices.

Board Responsibility

The Board met seven (7) times during the year. In addition to its regularly scheduled quarterly meetings the Board met in January to consider the impact of participation in the Jamaica Debt Exchange Programme, in February, to review the composition of the Sub Committees of the Board for the year, and in September to review and approve the Group's three (3) year Strategic Plan.

The responsibility of the Board is outlined in an approved Board mandate which includes the following key duties and functions:

- Develop the Group's approach to corporate governance and its principles and guidelines;
- Oversee and approve the Group's strategic direction, the organizational structure and succession planning of senior management;
- Evaluate the actual operating and financial results of the Group against the Group's business objectives, business strategy and plans;
- Identify the principal business risks, review and approve key risk management policies and practices and oversee the implementation of appropriate systems to enable compliance with such policy;
- Approve appropriate and prudent credit, market, liquidity and operational risk management policies;
- Oversee the integrity of the Group's internal controls and management information systems;
- Ensure the Board receives from senior management the information and input required to enable the Board to effectively perform its duties;
- Identify, evaluate and select candidates for the Board of the Company and that of its subsidiaries;
- Establish committees of the Group and subsidiary Boards with appropriate responsibilities and appoint Chairs for these Committees.

Board Composition

We are proud of the fact that the Board of the Group and its subsidiaries are comprised of Directors with diverse skill sets, local and international experience and knowledge from key industries and professions (local and overseas); and who possess certain key characteristics such as objectivity, professionalism, integrity and strong leadership skills in their respective fields.

The majority of the Directors of the Group and sub-committees of the Board are Independent Directors* and the Chairman of the Board is a Non-Executive Chairman. As at October 31, 2010, 8 of our 12 current Directors were independent of Scotia Group, its parent, subsidiaries and affiliates and 11 members of the Board were non-executive. Board independence ensures that Scotia Group and its subsidiaries are managed for the long-term benefit for all shareholders, employees, customers and communities in which we operate.

The Board Expertise table below highlights the respective skill sets of the Directors of the Group.

BOARD EXPERTISE

	Independent (I) Non-Independent (NI)*	General Management	Finance & Audit	Strategic Management	Banking	H.R. & Education	Legal
Barbara Alexander	I	√		√			√
Bruce Bowen	NI	√	√	√	√		
Anthony Chang	I	√	√	√			
Sylvia Chrominska	NI	√	√	√	√	√	
Jeffery Hall	I	√		√			√
Muna Issa	I	√	√	√		√	
Charles Johnston, CD	I	√	√	√			
Warren McDonald, JP	I	√	√	√			
Hon. Mayer Matalon, OJ	I	√	√	√			
Pasquale Minicucci	NI	√	√	√	√		
Claude Norfolk	NI	√	√	√	√		
Robert Pitfield	NI	√	√	√	√		√
Dr. Herbert Thompson, CD	I	√		√		√	
Prof. Stephen Vascianne	I	√		√		√	√
Richard Waugh	NI	√	√	√	√		

Training Opportunities

Notwithstanding the Board's solid expertise, our corporate governance is designed to provide continuous assistance to existing and new directors in their education about the Group and their roles and responsibilities.

In October of this year the Directors and the Executive Management Team attended a Corporate Governance Workshop which focused on current corporate governance practices, in particular, the changing role of the Audit & Conduct Review Committee.

Shirley Ramsaran, Vice President Finance and Comptrollers, Scotiabank Group, **Monique Anthony,** Assistant Vice President Finance, Scotia DBG Investments Limited, **Audrey Richards,** Director, Scotia DBG Fund Managers Limited and **Charles Johnston** Director, Scotiabank Group at a workshop held under the theme "Corporate Governance: A Safe Harbour in Challenging Times".

All Directors have access to and are encouraged to meet with the Chairman, the Chief Executive Officer and Executive Officers, as required and are provided with opportunities to visit local operations.

Director Compensation

The Board determines the form and amount of Director compensation based on an annual review of director compensation in the marketplace. Directors who are employees of any of the subsidiary companies are not compensated in their capacity as Directors.

COMMITTEES OF THE BOARD

Members of the Committees are appointed at the meeting of the Board immediately following the Annual General Meeting and hold office until the next annual general meeting; or until their successors are appointed; or until they cease to be Directors of the Group or its subsidiaries.

Audit and Conduct Review Committee

The Group's Audit and Conduct Review Committee is appointed by the Board of Directors which determines its mandate. In accordance with its mandate, the Audit and Conduct Review committee has oversight responsibility for the Group and the Bank in relation to the following:

- The integrity of the financial reporting of the Bank and the Group, disclosures and system of internal control procedures over financial reporting
- Ensuring compliance with legal and regulatory requirements
- The performance of the internal audit and external auditors

* A Director will not be considered independent if:

- the Director (or an immediate family member) is, or has been within the last three years, an employee or executive officer of any company within the Group or its parent company
- the Director owns more than 2% of the shares in the Group
- the Director (or an immediate family member) has received direct compensation other than director and committee fees
- the Director (or an immediate family member) is, or has been within the last three years, a current partner or employee of a firm that is Group's internal or external auditor

An "immediate family member" includes a person's spouse, parents, children, stepchildren, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares the person's home.

- To develop and implement policies to identify and resolve conflict of interest which may arise from transactions conducted by the Group and its subsidiaries

This Committee is comprised of four (4) independent Directors : Charles Johnston (Chair), Barbara Alexander, Professor Stephen Vasciannie and Anthony Chang. The Audit & Conduct Review Committee met four (4) times during the year with a strong attendance record of its members at each meeting.

Board Committees of The Bank of Nova Scotia Jamaica Limited

There are three (3) Committees of the Bank in addition to the Audit & Conduct Committee; the Executive Committee, Human Resources Committee and Pension Committee. Each Committee has its own written charter which outlines the mission and responsibilities of the committees.

Executive Committee

The mandate of the Executive Committee is to undertake the following:-

- Monitor the operations of the Bank and its subsidiaries to ensure adherence to the corporate governance policies and procedures
- Review the Corporate Governance Policy and the results of the Corporate Governance Questionnaires completed by Directors, the organization and operation of Board Committees
- Review of the corporate structure of the Bank and the senior level organizational structure
- Evaluate the performance of the Executive Management Team
- Consider nominees for appointment to the Board of the Bank and its subsidiaries

The Executive Committee is comprised of five (5) members; four (4) of whom are independent Directors. The members of the Committee are the Hon. Mayer Matalon (Chair), Charles Johnston, Professor Stephen Vasciannie, Dr. Herbert Thompson and Bruce Bowen. The Committee met three (3) times during the year.

Human Resources Committee

During the year, the Human Resources Committee met twice to consider the organizational structure and staffing needs and approved the annual incentive payment programme. This Committee makes recommendations to the Executive Committee on matters relating to staffing needs and the organizational structure of the Bank.

All members of the Human Resources Committee are independent Directors. They are: Mr. Jeffrey Hall, (Chairman), Charles Johnston, Dr. Herbert Thompson and Professor Stephen Vasciannie.

Pension Committee

The Pension Committee is responsible for ensuring that the assets of the pension fund are invested in accordance with the investment policy of the Fund and the preservation of benefits for employees of the Bank and its subsidiaries. The Committee monitors investment activities and reviews the actuarial report on the Fund.

The members of the Pension Committee are comprised of mainly independent Directors; Professor Stephen Vasciannie, (Chairman), Bruce Bowen, Anthony Chang and Barbara Alexander.

Below is the attendance record of the Board and Committee meetings of the Group:

	Annual General Meeting (SGJL)	Board Meetings (SGJL)	Audit & Conduct Review (SGJL / BNSJ)	Executive (BNSJ)	Human Resources (BNSJ)	Strategy (SGJL)
Number of meetings for the year	**1**	**6**	**4**	**3**	**2**	**1**
Barbara Alexander	1	5	3			1
Bruce Bowen	1	6		3		1
Anthony Chang	1	6	3			1
Sylvia Chrominska •		2				
Jeffery Hall ■	1	5	4		2	1
Muna Issa**	1	4	3	2	1	1
Charles Johnston, CD ■	0	5	4	3	1	1
Warren McDonald, JP	1	6			2	1
Hon. Mayer Matalon, OJ (Deputy Chairman) ■	1	2		2		
Pasquale Minicucci***	1	2				
Claude Norfolk ••		1				
Robert Pitfield (Chairman)	1	5				0
Dr. Herbert Thompson, CD	0	4		1	1	1
Prof. Stephen Vasciannie	1	5	3	2		1
Richard Waugh*						

*Resigned April 30, 2010
**Resigned July 19, 2010
***Resigned August 1, 2010

• Appointed February 24, 2010
•• Appointed August 26, 2010

■ Audit & Conduct Review Committee Chairman
■ Executive Committee Chairman
■ Human Resources Committee Chairman

Guidelines for Business Conduct

The Board of Directors, the management and all employees of the Group, its subsidiaries and affiliates are required to observe the Group's Guidelines for Business Conduct and in this regard, annual certification of due compliance is required. The Guidelines for Business Conduct outline the Group's rules and expectations regarding proper business conduct and ethical behaviour of Directors, officers and employees of the subsidiaries, including:

- following the law wherever the Group and its subsidiaries do business;
- avoiding putting themselves or any of the subsidiaries in a conflict of interest;
- conducting themselves honestly and with integrity;
- keeping the subsidiaries transactions, communications and information accurate, confidential and secure, and all customers' assets safe; and
- treating everyone fairly and equitably - whether customers, suppliers, employees or others who deal with the Group and its subsidiaries.

In keeping with the established code of conduct, Board members and senior management officers of the Group's subsidiaries are subject to our "insider trading policy" in respect of trading in the securities of the Company, its subsidiaries and affiliates.

Board Annual Self Evaluation

The Group's Board and the Boards of each subsidiary, conduct an annual self evaluation of performance during the year. Directors are required to complete a Corporate Governance Questionnaire which covers a wide range of issues including the information provided to the Board by management, the operation of any Committee and assesses the performance of the Boards, Chairpersons and management during the year. The results are reviewed in detail by the Executive Committee and appropriate action implemented to remedy any areas of concern or areas requiring improvement.

Scotia Group is committed to good corporate governance practices and to that end continues to comply with the law and regulations, international best practices and guidance from the Jamaica Stock Exchange and regulators of our various subsidiaries (the Bank of Jamaica and the Financial Services Commission).

Scotia Group Jamaica Limited

Board of Directors

R. H. Pitfield 1
Chairman

Mr. Robert Pitfield is Group Head and Chief Risk Officer of the parent company, The Bank of Nova Scotia, and is responsible for enterprise-wide risk management. Prior to this appointment on October 1, 2010, he was Group Head, International Banking, and was responsible for all of the Bank's retail and commercial operations outside of Canada and the USA. He joined Scotiabank in Toronto in August 1983 as a General Office Trainee Commercial Officer. He was appointed Chairman of Scotia Group Jamaica Ltd. on March 15, 2007 and The Bank of Nova Scotia Jamaica Ltd. on May 22, 2003.

Mr. Pitfield is a graduate of the University of Toronto and the University of Ottawa and is a member of the Law Society of Upper Canada.

The Honourable M. M. Matalon, OJ 2
Deputy Chairman

The Honourable Mayer Matalon is the Deputy Chairman of the I.C.D. Group Limited. He is also the Deputy Chairman of the Board of The Bank of Nova Scotia Jamaica Limited and of Scotia Group Jamaica Limited; and is Chairman of the Executive Committee of the Board.

Mr. Matalon has been a Director of The Bank of Nova Scotia Jamaica Limited since 1966.

Mr. Matalon is the recipient of a Doctor of Laws Honoris Causa by the University of the West Indies, and an Honorary Doctorate from the University of Technology.

B. F. Bowen 3

Mr. Bruce Bowen is the President & CEO of The Bank of Nova Scotia Jamaica Ltd. since November 27, 2008. Mr. Bowen held a similar position at Scotiabank de Puerto Rico.

He began his career with Scotiabank in 1990 in the International Division. His career at Scotiabank has exposed him to various areas in banking and has taken him on assignments for Scotiabank to the Cayman Islands, Trinidad & Tobago, Jamaica and Puerto Rico.

Mr. Bowen was appointed to the Board of Scotia Group Jamaica Limited on November 27, 2008 and is a member of the Executive and Pension Committees of the Board. He is also a Director of the The Bank of Nova Scotia Jamaica Limited, The Scotia Jamaica Building Society, Scotia Jamaica Life Insurance Company Limited, Scotia DBG Investments Limited and Scotiabank Jamaica Foundation.

Mr. Bowen holds an Honours Bachelor of Business Administration degree from the Wilfrid Laurier University in Waterloo, Ontario, Canada.

B. A. Alexander 4

Ms. Barbara Alexander was appointed to the Board on November 26, 2007. She has been an Attorney-at Law and Partner in the law firm Myers, Fletcher & Gordon since 1980, and is now the Managing Partner of the law firm. She is a member of the Audit & Conduct Review Committee of the Board, a Director of Scotia DBG Investments Ltd., Scotia DBG Fund Managers Ltd., The Scotia Jamaica Building Society, and United Way of Jamaica.

Ms. Alexander is a graduate of The University of the West Indies and is a member of the Jamaican Bar Association.

A. V. Chang 5

Mr. Anthony Chang is the Managing Director of Lasco Distributors Limited. He was appointed to the Board of The Bank of Nova Scotia Jamaica Limited on February 5, 2001 and is a member of the Audit & Conduct Review and Pension Committees of the Board. Mr. Chang is the Chairman of Scotia Jamaica Life Insurance Company Limited, Scotia DBG Investments Limited and Chairman of Scotia DBG Merchant Bank Limited

He is a graduate of Richard Ivey School of Business, University of Western Ontario. He is also the recipient of the Hubert H. Humphrey fellow at American University, Washington DC which was awarded by the Government of the United States of America. He has done professional courses with several organizations some of which include York & Wharton University.

S. D. Chrominska 6

Ms. Sylvia Chrominska joined Scotiabank in 1979 and has served in several capacities including Senior Vice President, Corporate Credit and Executive Vice President, Human Resources. In 2008, she was appointed Group Head, Global Human Resources and Communications.

She serves on the Board of Directors of Emera Inc., and The Bank of Nova Scotia Jamaica Limited.

In 2007, Ms. Chrominska was inducted in the Hall of Fame of Canada's Top 100 Most Powerful Women. In 2010, she was the inaugural recipient of the Catalyst Canada Honours in the category of Human Resources/Diversity Leader.

J. M. Hall 7

Mr. Jeffery Hall is Chief Executive Officer of Jamaica Producers Group Ltd. and has worked with that company since 2002. Mr. Hall was appointed to the Board of Directors of Scotia Group Jamaica Ltd. and The Bank of Nova Scotia Jamaica Ltd. on November 26, 2007. Mr. Hall currently serves as a director of the Blue Power Group Limited, the Agro-Invest Corporation and the Institute of Jamaica Museums. He has practiced as an Attorney-at-Law and has served as a Director of Jamaica Promotions Ltd. (now Jamaica Trade and Invest), Jamaica Stock Exchange and the Bank of Jamaica.

Mr. Hall is a graduate of Harvard Law School, Harvard University and Washington University. He holds a Bachelor's degree in Economics from the Washington University and a Masters in Public Policy from Harvard University.

C. H. Johnston, CD 8

Mr. Charles Johnston is the Chairman and Managing Director of Jamaica Fruit and Shipping Company Limited and Chairman of Jamaica Producers Group. He was appointed to the Board of The Bank of Nova Scotia Jamaica Ltd. on August 22, 2002 and is the Chairman of the Audit & Conduct Review and Human Resources Committees of the Board. Mr. Johnston is also a Director of Scotia DBG Merchant Bank Limited.

Mr. Johnston is a graduate of the Wharton School of Finance & Commerce, and the University of Pennsylvania.

W. A. McDonald, JP 9

Mr. Warren McDonald is the Managing Director and Chief Executive Officer of Berger Paints Jamaica Ltd. He is also the Regional Managing Director for the Caribbean and supervises the subsidiaries in Trinidad & Tobago and Barbados.

He was appointed to the Board of Directors of Scotia Group Jamaica Ltd. on March 15, 2007 and The Bank of Nova Scotia Jamaica Ltd. on February 5, 2001.

Presently serving as a Vice President of the Jamaica Chamber of Commerce, and as the Chairman of the Board of the Portmore Community College.

Mr. McDonald is a Honours graduate from the University of the West Indies, a Fellow of the Chartered Association of Certified Accountants and the Institute of Chartered Accountants of Jamaica.

C. S. Norfolk 10

Mr. Claude Norfolk is the Senior Vice President, International Banking – Caribbean Region of the Bank of Nova Scotia.

He is Vice-Chairman of Scotiabank's affiliate, Maduro & Curiel's Bank in the Netherland Antilles.

Mr. Norfolk is on the Board of Directors of Scotiabank Trinidad & Tobago Ltd., Scotiatrust and Scotia Merchant Bank Trinidad and Tobago Limited, where he is a member of the Audit Committee. He also sits on the Board of Directors of Scotiabank Bahamas Ltd., and The Bank of Nova Scotia Jamaica Ltd.

Mr. Norfolk has a Masters of Business Administration, Financial Services from Dalhousie University and holds the ICD.D certification for Corporate Directorship 2010.

Dr. H. J. Thompson, CD 11

Dr. Herbert Thompson is the President of The Northern Caribbean University, where he has worked since 1986. He was appointed to the Board of The Bank of Nova Scotia Jamaica Ltd. on August 19, 1998 and is a member of the Executive and Human Resources Committees of the Board. Dr. Thompson is also Chairman of the Board of The Scotia Jamaica Building Society.

Dr. Thompson is a motivational speaker and an author. He is a graduate of Northern Caribbean University, the University of the West Indies, with a Doctorate in Philosophy, (PhD) Biochemistry, and Masters in Physiology from Loma Linda University.

Prof. S. C. Vasciannie 12

Prof. Stephen Vasciannie is the Principal of the Norman Manley Law School. He was appointed a Director of The Bank of Nova Scotia Jamaica Ltd. on September 1, 2005, and is currently a member of the Executive, Audit & Conduct Review, and Pension Committees of the Board. Professor Vasciannie is a Director of Scotia Jamaica Life Insurance Company Ltd. and Chairman of Scotia DBG Investments Ltd.

He is a graduate of the Universities of Oxford, 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.

Executive Management Team

Bruce Bowen 1
President and CEO
Scotiabank Group

Bruce Bowen is the President and CEO, Scotiabank Group Jamaica Limited. He assumed this position on November 1, 2008, coming from Scotiabank de Puerto Rico where he held a similar position.

Bruce Bowen began his career with Scotiabank in 1990 in the International Division. His career at Scotiabank has exposed him to various areas in banking and has taken him on assignments for Scotiabank to the Cayman Islands, Trinidad & Tobago, Jamaica and Puerto Rico.

Bruce was appointed to the Board of Scotia Group Jamaica Limited on November 27, 2008 and is a member of the Executive and Pension Committees of the Board. He is also a Director of the The Bank of Nova Scotia Jamaica Limited, The Scotia Jamaica Building Society, Scotia Jamaica Life Insurance Company Limited, Scotia DBG Investments Limited and Scotiabank Jamaica Foundation.

Bruce holds an Honours Bachelor of Business Administration degree from the Wilfrid Laurier University in Waterloo, Ontario, Canada.

Monique French 2
Senior Vice President
Credit Risk Management

As the Senior Vice President - Risk Management, Monique French is responsible for the structure, risk profile, and quality of the retail, commercial and corporate credit portfolios of Scotiabank Group (Jamaica).

Monique possesses over a decade of experience in Credit & Market Risk Management, Corporate Banking and Treasury & Derivatives. During her career, she has held Senior Management positions in Risk Management and Treasury, and led or served on several industry and private sector committees.

Monique holds a BSc Accounting Degree (First Class Honours) from the University of the West Indies, and a Master of Business Administration Degree from the Richard Ivey Business School, University of Western Ontario, Canada. She has completed the Canadian Securities Course, is a CFA Charter Holder and an IBM Scholar. Monique serves as a Justice of the Peace for Kingston.

Monique is a member of the Asset & Liability Committee (ALCO) and an alternate Director for The Bank of Nova Scotia Jamaica Limited.

Heather Goldson 3
Senior Vice President
Marketing & Products

Heather Goldson came to Scotiabank in the position of Vice President, Marketing with over 15 years experience in this area in Jamaica and overseas. She was appointed Senior Vice President of Marketing and Products, with her portfolio being expanded to include the strategic growth and development of the Bank's retail portfolio.

Heather holds a Bachelor's Degree in Management and International Business from Florida International University. She is a Board member the Jamaica/UK Co-Production Treaty Competency Board.

(Demitted office on May 30, 2010 to take up the position of Regional Marketing Director, English Caribbean)

Wayne Hewitt 4
Senior Vice President
Corporate & Commercial Banking

Wayne Hewitt is a banker with 17 years experience in corporate banking, risk management and treasury operations. He has been with Scotiabank since 2003, serving a year in the Global Risk Management unit of The Bank of Nova Scotia in Toronto, Canada, and as head of Corporate & Commercial Banking in Jamaica since 2005.

He holds a BSc (First Class Honours) in Economics and Management from The University of the West Indies, and an MBA from Georgetown University in Washington, DC. He has also participated in several senior management courses offered by institutions such as Harvard University and Standard & Poors.

Wayne is a member of the Bank's Asset & Liability Committee (ALCO), and is also a member of the Board of Directors of The Scotia Jamaica Building Society and Scotia DBG Merchant Bank Limited, as well as the Board of Trustees for ScotiaBRIDGE.

Maya Johnston 5
Senior Vice President
Non-Branch Sales and Service

Maya Johnston is tasked with developing and managing sales and commercial partnerships for Scotiabank Jamaica outside of the traditional branch network. As part of her functional responsibilities, Mrs. Johnston provides oversight for external sales and self-service channels offered by the Bank to its customers. As the head of Service, Maya is also responsible for sustaining a customer-centric culture across the Bank.

Prior to joining Scotiabank in 2007, Maya held progressively senior management and executive positions in the Media and Telecommunications industries, with a focus on strategic planning, general management and customer service. She began her career as a management consultant in New York and Latin America, where she advised corporations in the beverage, pharmaceutical and printing industries.

Maya completed dual first-class undergraduate degrees in Economics and Systems Engineering at the University of Pennsylvania, and her MBA in General Management at Harvard Business School.

Michael Jones 6
Senior Vice President
Human Resources

Michael Jones has held key roles across the company, contributing in different areas, including: Assistant General Manager - Operations, Assistant General Manager - Human Resources, and currently Senior Vice President - Human Resources, Scotiabank Group.

Michael completed undergraduate studies in Banking at CAST/University of Technology, and is an Associate of the UK Chartered Institute of Bankers (ACIB). He also completed the UK company secretarial programme of the Institute of Chartered Secretaries and Administrators (ACIS). He holds an MBA (Distinction) from the Manchester Business School/University of Wales and is a graduate of the Executive Human Resource Management programme of the University of Michigan.

Michael serves as a Director on the Board of the Scotiabank Jamaica Foundation, and is Chairman of the ScotiaBRIDGE Board of Trustees. Michael is also the President of the Human Resource Management Association of Jamaica, and a Director on the UWI Career and Placement Board, the Hope Gardens/Nature Preservation Foundation and Church Services Ltd. He serves as a member of the PSOJ Education Committee.

Suzette McLeod 7
Senior Vice President
Business Support

Suzette McLeod was appointed to the position of Senior Vice President Business Support in November 2009.

She is a career banker who has held a number of senior management positions including roles in Banking Operations, Information Systems, Customer Service and Shared Services.

In her current role, Suzette has oversight responsibility for Facilities Management, Security, Administration, Legal and Compliance.

Suzette completed undergraduate studies in banking at CAST/University of Technology and holds the designation of Associate in Banking. She has participated in a many in-house management training programs.

She is currently a Director of Automated Payments Limited and the Jamaica Electronic Transfer Services Limited.

Hugh Miller 8
Vice President
Treasury

Hugh Miller joined Scotiabank in 1998 and has worked in Securities Trading & Investments, as well as Pension & Assets Management. Hugh is currently responsible for the strategic management of the Group's treasury operations, investment and trading activities, and foreign exchange trading activities.

Hugh holds a Bachelor of Science (B.Sc.) degree with honours in Economics (Accounting minor) from the University of the West Indies, and is a CFA Charterholder.

He serves on the Board of Trustees – ScotiaBRIDGE, Board of Trustees – Scojampen (BNSJ's Pension Plan), and is a member of BNSJ's Asset-Liability Committee, Scotia Jamaica Life Insurance Company Limited's Investment Advisory Committee, SDBG's Asset-Liability Committee and SDBG's Managed Funds Investment Committee.

Rosemarie Pilliner 9
Executive Vice President
Operations & Shared Services

Rosemarie Pilliner currently holds the position of Executive Vice President, Operations and Shared Services. She has direct responsibility for Lending Services, Processing Support, Procurement, Operation and Shared Services among other functional areas.

Rosemarie has extensive knowledge of Scotiabank's core operations. Her wide-ranging expertise spans varying positions within the organization, including management positions in central operations, Branch Manager and Assistant General Manager of The System Support Centre.

Rosemarie has benefited from several management training courses to hone her credit, leadership, operations and organization developmental skill sets. She is currently sits on the Board of the Scotiabank Jamaica Foundation.

H. Wayne Powell 10
Executive Vice President,
Retail Banking

A career banker of many years, Wayne Powell is Executive Vice President, Branch Banking with responsibility for the management of the branch network and Small and Medium Enterprise Business Banking. He also has oversight responsibilities for The Scotia Jamaica Building Society.

He is an Associate of the Chartered Institute of Bankers and has an MBA from Barry University, as well as Certificates in Marketing Management and Executive Management from the Ivey School of Business, University of Western Ontario.

Wayne is a Justice of the Peace, an alternate Director of the Scotiabank Board and serves on several additional corporate boards.

Hugh Reid 11
Senior Vice President
& General Manager
Scotia Jamaica Life Insurance Co. Ltd.

Hugh Reid has a wealth of experience spanning over 25 years in the financial sector and, in his capacity as General Manager, he is responsible for driving the growth and profitability of Scotia Insurance.

Prior to joining Scotiabank Group, Hugh held the post of SVP & Chief Operating Officer at Victoria Mutual Building Society. He has also held executive level positions at National Housing Trust, Prime Life Assurance Company, and the former Life of Jamaica.

Hugh currently holds a Masters of Science in Accounting and a Bachelor of Science in Economics from the University of the West Indies. He is also a Fellow of the Life Management Institute (US), Institute of Chartered Accountants (Jamaica) and the Chartered Association of Certified Accountants (UK). Hugh is also a Fellow of the Jamaican Institute of Management in recognition of his sterling service to the private and public sectors as well as the Kiwanis movement.

Anya Schnoor 12
Executive Vice President
Wealth Management & Insurance and
CEO, Scotia DBG Investments Limited

As Executive Vice President, Wealth Management & Insurance, Anya Schnoor is responsible for the Group's Wealth Management & Insurance Division which includes Scotia Jamaica Life Insurance Company Limited, Scotia Private Client Group and Scotia DBG Investments Limited, of which she is the Chief Executive Officer.

Anya Schnoor 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 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 Jamaica's Asset and Liability Committee (ALCO) and the Finance Committee of Heart Trust NTA.

Jacqueline Sharp 13
Senior Vice-President
& Chief Financial Officer

Jacqueline Sharp was appointed Chief Financial Officer of the Scotiabank Group effective October 2009. She has over 16 years experience in the financial services industry, and has worked with Scotiabank since 1997 in several areas including Treasury, Finance, Private Banking and as head of Scotia Jamaica Life Insurance Company Ltd.

In her current role, Jackie provides strategic advice on optimizing financial results, and is responsible for Financial and Regulatory reporting, Financial Risk Management and Strategic Planning for the Group.

Jackie holds a Bachelor of Science (BSc.) degree with honours in Accounting from the University of the West Indies, is a CFA Charter Holder and has successfully completed the Certified Public Accountant (CPA) examinations.

She serves as a member of the Board of Scotia DBG Fund Managers Limited, the Group's Asset Liability Committee, SJLIC Investment Advisory Committee and is Chair of the Board of Trustees of BNSJ's Pension Plan. Jackie also serves as the Treasurer of the Private Sector Organization of Jamaica and as a member of the Board of the National Education Trust.

Monique Todd 14
Vice President
Marketing, Public & Corporate Affairs

Monique Todd leads the Marketing, Public & Corporate Affairs team with responsibility for formulating and directing the Group's marketing, public and corporate affairs strategies to improve brand equity, positioning and portfolio growth.

Monique has over 13 years experience in marketing with 8 of those years specifically focused in the financial industry. She joined Scotiabank in 2006 as Senior Marketing Manager and during her tenure her role was expanded to Marketing Director for Wealth Management.

Monique holds a Bachelor of Business Administration, Honours from Wilfrid Laurier University in Ontario, Canada and is the Past Chair of the Insurance Association of Jamaica's Public Relations Committee. She also serves as a member of the Bank's Service Management Committee and Scotia Jamaica Life Insurance Company Limited's Investment Advisory Committee.

(Appointed to the position of Vice President Marketing, Public & Corporate Affairs on August 1, 2010)

"The tactician must know what to do whenever something needs doing; the strategist must know what to do when nothing needs doing." - *Savielly Tartakower*

MANAGEMENT'S DISCUSSION & ANALYSIS

OVERVIEW

PRINCIPAL ACTIVITIES

Scotia Group Jamaica Limited (Scotia Group) is one of the largest banking and financial service organisations in Jamaica, with assets of $326 billion as at October 31, 2010. Scotia Group delivers banking, mortgage-financing, investment and insurance services, through its main subsidiaries to a wide base of personal, commercial, corporate, and government clients across Jamaica.

Scotia Group has been operating in Jamaica for over 120 years and is supported by a network of some 50 offices, and 2,283 employees. Our parent company, The Bank of Nova Scotia, is headquartered in Toronto, Canada.

STRATEGIC DIRECTION

Scotia Group's strategic direction reflects our commitment to being the institution of choice in the financial sector to the benefit of our customers, shareholders and staff. Our strategy is geared towards meeting the changing needs of our diverse customer and employee base, while generating sustainable, profitable growth in all our business lines.

Over the last year, we placed focus on strengthening customer relationships and working towards creating a seamless customer experience across the Group. We also laid the groundwork for improvement in operating efficiencies through consolidation of the Branch network and key support functions, as well as through the use of automation. We also focused on developing alternate sales and service channels to provide customers with greater convenience and flexibility and more affordable options for transaction services.

As we move into next year, we will continue to focus on these key areas, while we seek to expand our product lines to meet the needs of our diversified customer base. Underpinning the successful execution of these initiatives will be a high performance team, and so leadership development will continue to be a priority.

We are confident about the strategic direction of the Group, and will be able to execute our strategies based on our committed team and infrastructure, which is supported by the global strength of Scotiabank, and the strength of our capital base.

FINANCIAL RESULTS OVERVIEW

Scotia Group reported Net Income available to common shareholders for the year of $10,702 million, a decrease of $903 million or 7.8% when compared to the same period last year.

This performance reflects the impact of participation in the Jamaica Debt Exchange (JDX) programme in February 2010, where we exchanged $91 billion of Government of Jamaica (GOJ) Bonds for new ones with lower yields and longer tenures. Coupon yields on GOJ Bonds fell by an average of 610 basis points as a result of JDX, and so the impact on interest income was significant.

However, our strategies executed during the year have served us well, as despite the impact of JDX, we were able to generate strong results.

Scotia Group Jamaica Limited Financial Highlights

	31-Oct-10 $millons	31-Oct-09 $millons
Total Assets	325,824	315,556
Total Investments	85,909	74,551
Loans net of provisions for losses	95,814	92,046
Total deposits by the public	145,664	141,877
Liabilities under repurchase agreements	45,026	46,120
Policyholders' Fund	36,891	34,408
Shareholder's equity	53,155	45,725
Net Profit after tax	10,702	11,605
Return on equity	20.78%	26.35%
Earnings per share (cents)	334	358
Dividend per share (cents)	148	139

SHAREHOLDER RETURNS

Our total shareholder return (including both dividends and change in price of the Group's common shares) was 23% over the past year, which compares favourably with returns of other listed companies on the JSE Index (8%) and the JSE Select Index (25%).

Shareholders continued to receive quarterly dividends, which totalled $1.48 per share for this year, an increase of 6% over 2009, despite the decline in net income. The steady growth in dividends is a major contributor to the long-term returns generated for shareholders. The dividend payout ratio for 2010 was 44.26% compared to 38.78% last year.

Total Shareholder Return
For the year ended October 31

	2010	2009	2008	2007	2006
Ordinary Shares in issue ('000)	3,111,573	3,111,573	3,111,573	3,111,573	2,927,232
Closing market price ($ per share)	20.35	18.38	20.23	21.25	22.06
Market Capitalisation ($'000)	63,320,511	57,190,712	62,931,564	66,105,368	64,574,738
Dividend paid ($ per share)	1.48	1.39	1.30	1.19	1.07

	Dividends reinvested			Share Price Movements		
	Over 1 Year	Over 3 Years	Over 5 Years	Over 1 Year	Over 3 Years	Over 5 Years
SGJ Shareholder return	23%	6%	6%	15%	-1%	0%
Benchmarks:						
JSE Index	8%	-3%	-4%	3%	-6%	-4%
JSE Select Index	25%	-3%	-4%	17%	-7%	-5%

We remain focused on achieving sustainable, long term earnings growth and stable dividend income streams to our shareholders.

GROUP FINANCIAL PERFORMANCE

Total Revenue
Total revenue was $30,495 million in 2010, a decrease of 2.1% or $645 million compared to the prior year. Revenues from our insurance services and retail banking segments increased, while the other segments experienced a decline.

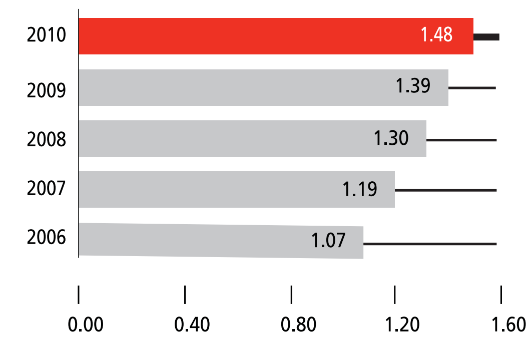
Total Revenues

	2010 $'000	2009 $'000	Change $'000	% Change
Retail Banking	11,504,813	10,726,301	778,512	7%
Corporate & Commercial Banking	6,855,015	7,630,850	(775,835)	-10%
Treasury	3,097,665	4,038,022	(940,357)	-23%
Insurance Services	5,392,943	4,991,873	401,070	8%
Investment Management Services	3,575,033	3,715,229	(140,196)	-4%
Other	69,112	37,337	31,775	85%
	30,494,581	**31,139,612**	**(645,031)**	**-2%**

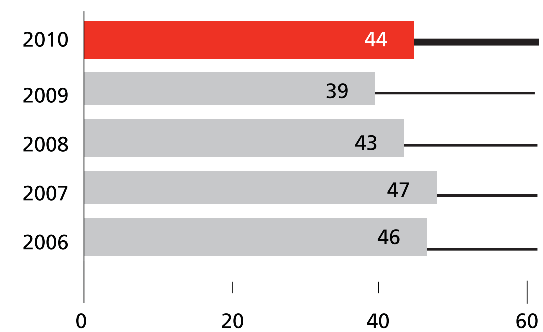
Scotia Insurance experienced steady growth in policy sales, and recorded an exceptional increase in actuarial reserve releases due to assumption changes and experience gains on the insurance portfolio. The retail loan portfolio recorded growth during the year despite the challenging economic environment and weak consumer loan demand. The revenues generated from the other segments are highly correlated to the general market interest rates, and even though portfolio volumes increased, revenues declined due to reduced yields.

Net Interest Income
Net Interest income was $23,169 million in 2010, down $2,128 million from last year. The Group's average earning assets increased by 6% to $298,964 million, while the net interest margin (net interest income as a percentage of average earning assets) declined relative to prior year by 130 basis points to 7.7%.

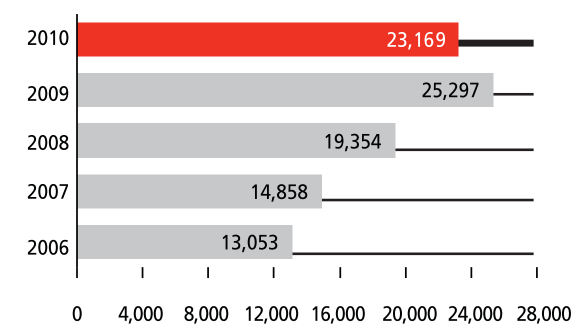
Dividend per Share ($)



Dividend Payout Ratio (%)



Net Interest Income ($ millions)

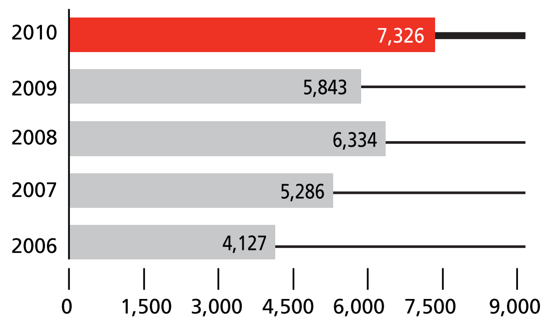


Other Income

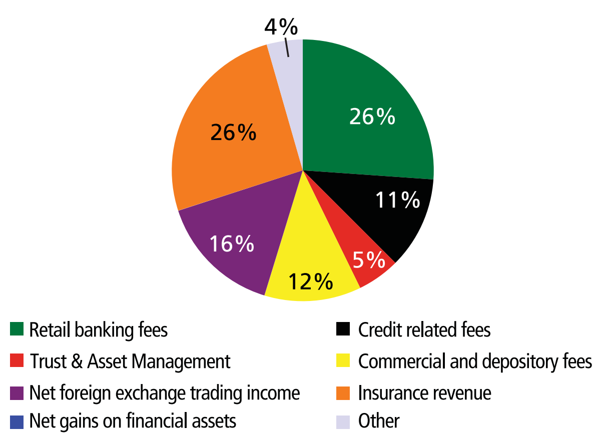
Other income defined as all income other than interest income, amounted to $7,326 million for this year, representing an increase of $1,483 million when compared with last year.

The larger portions of our income came from retail banking fees (26%), insurance revenues (26%), and foreign exchange trading (16%).

Other Income ($ millions)



Other Income (%)

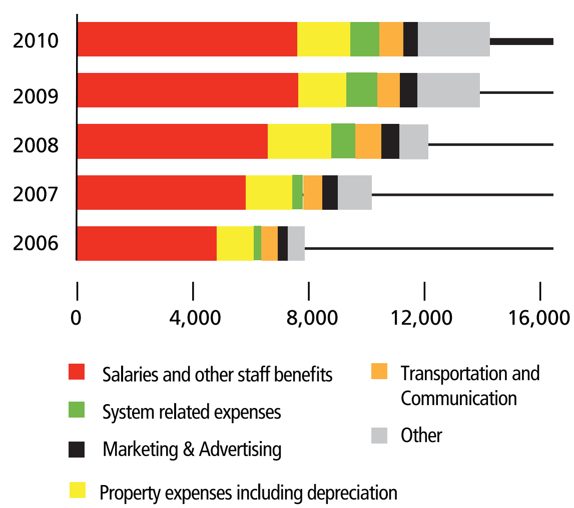


Non Interest Expenses

Non-Interest expenses for the year totalled $14,479 million in 2010, up $592 million or 4.3% over last year. The growth in expenses was contained below the inflation rate of 10.4% due to our heightened focus on expense management as well as initiatives implemented to improve operating efficiencies. Salaries and employee benefits, the largest component of our expenses, totalled $7,694 million; an increase of $91 million or 1.2% from last year.

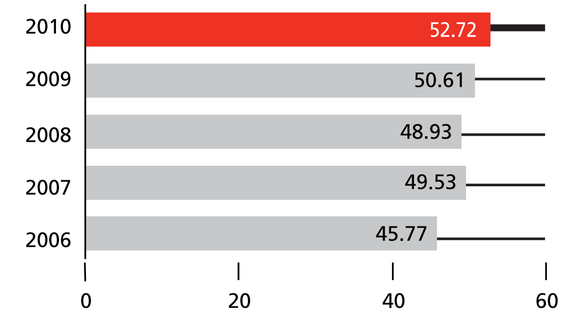
Property expenses including depreciation totalled $1,881 million in 2010, an increase of $207 million or 12% over last year. This was driven mainly by increases in security costs, utilities, and other related expenses. Other operating expenses cumulatively showed an increase of $396 million, due in part to increased amortisation of intangibles and an increase in losses from card skimming fraud. We have implemented a number of measures that to reverse the trend in fraud losses going forward.

Non Interest Expenses ($ millions)



Our productivity ratio, operating expense as a percentage of total revenue, was 52.72%, compared with 50.61% in 2009. The decline in productivity in 2010 is attributable to the net effect of the decline in total revenues coupled with the increased operating costs. Nevertheless, our productivity ratio remains below the international benchmark of 60%.

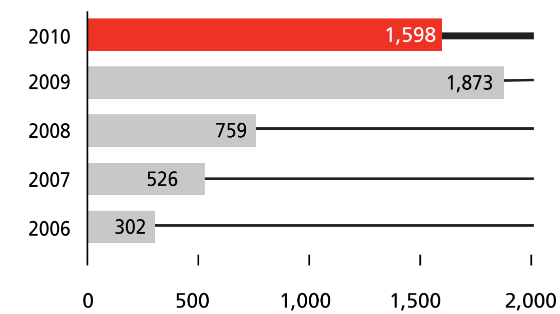
Productivity Ratio (%)



Impairment Losses on Loans

Loans losses expensed for the year was $1,598 million, down $275 million or 15% from last year. This reflects a decline in write-offs, particularly on the credit card portfolio, coupled with an increase in recoveries as we stepped up our collections efforts during the year.

Impairment Losses on Loans ($ millions)



Taxes

In 2010, the provision for current and deferred taxes was $3,715 million, down $60 million or 1.6% from last year. Current year income tax increased over the prior year, mainly due to the increase in the investment income tax paid by Scotia Insurance. The Group's overall effective tax rate was 25.8%, compared to 24.5% for last year.

Taxation Charge

	2010	2009	2008
Profit Before Taxes	**14,417,094**	**15,379,659**	**13,119,095**
Current Income Tax:			
Income tax at 33 1/3%	2,691,532	2,681,103	2,431,611
Income tax at 30%	197,563	194,427	192,037
Premium tax at 3%	96,444	81,383	93,199
Investment Income tax at 15%	664,339	447,420	183,590
	3,649,878	**3,404,333**	**2,900,437**
Deferred Income Tax	65,449	369,867	594,601
Taxation Charge	**3,715,327**	**3,774,200**	**3,495,038**
Effective Tax Rate	**25.8%**	**24.5%**	**26.6%**

Summary of Quarterly Results

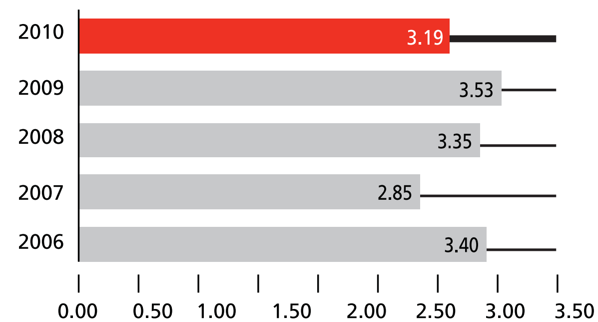
Despite the impact of the JDX, the Group delivered commendable results for each of the quarterly reporting periods during the year. Net income declined for the first three quarters of 2010, primarily as a result of lower net interest revenues, while operating expenses steadily increased in line with inflation. By the fourth quarter however, we saw a reversal in that trend, as there was an increase in net income and ROE.

GROUP FINANCIAL CONDITION

Assets

The Group's total assets increased year-over-year by $10 billion or 3% to $326 billion as at October 31, 2010. Growth took place primarily in the investment securities and loan portfolios held by the Group.

Return on Assets (%)



Cash Resources

Our cash resources held to meet statutory reserves and the Group's prudential liquidity targets stood at $59 billion (2009: $59 billion). During the year, the cash reserve requirements for the JMD and foreign currency portfolios were reduced by 200 basis points (bps) to 12% and 9% respectively, however we maintained adequate liquidity levels to enable us to respond effectively to changes in our cash flow positions.

Securities

Total investment securities, including pledged assets, increased from $141 billion to $150 billion. Pledged assets, mainly relating to securities sold under repurchase agreements and the capital management accounts, stood at $64 billion, compared to $67 billion last year. Other investments that have not been pledged, increased by $11 billion to $86 billion at October 31, 2010. This is mainly attributable to growth in Policyholders' Fund and Deposits by the public.

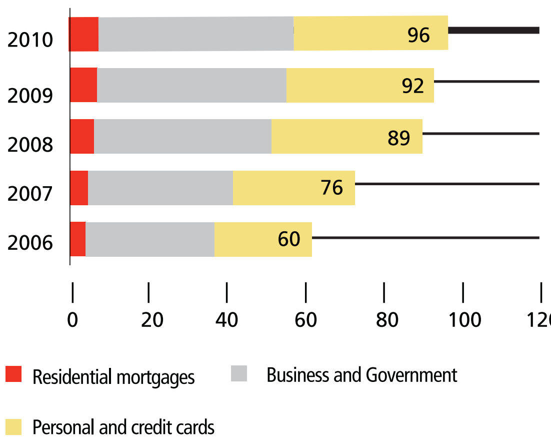
Summary of Quarterly Results

	2009				2010			
($ billions)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross Operating Income	11.0	11.8	12.6	12.5	12.0	11.0	9.7	9.8
Total Operating Income	7.1	7.7	8.2	8.1	7.9	7.9	7.1	7.5
Operationg Expenses	3.3	3.3	3.5	3.8	3.7	3.8	3.4	3.6
Net Income	2.5	3.0	3.3	2.9	2.8	2.7	2.4	2.9
Earnings per share (cents)	81c	95c	$1.05	87c	90c	85c	74c	90c
ROE (percentage)	26.13%	29.83%	30.85%	24.04%	24.20%	22.06%	18.29%	21.63%
Total Assets	292	307	308	316	321	324	316	326
Stockholder's Equity	39	41	44	46	47	49	51	53

Loans

The Group experienced a 5% growth in its loan portfolio, with loans, after allowance for impairment losses, growing to $96 billion. All portfolios recorded appreciable growth despite the challenging economic climate, with our Residential Mortgage portfolio showing an $817 million or 12% growth year-over-year. The remaining retail and commercial portfolios grew by $1.5 billion and $1.8 billion respectively, through aggressive sales and retention efforts.

Loan Portfolio ($ billions)



Credit Quality

Non-performing loans (NALs) as at October 31, 2010 totalled $4,215 million (2009: $3,587), representing 4.33% (2009: 3.85%) of total loans and 1.29% (2009: 1.14%) of total assets.

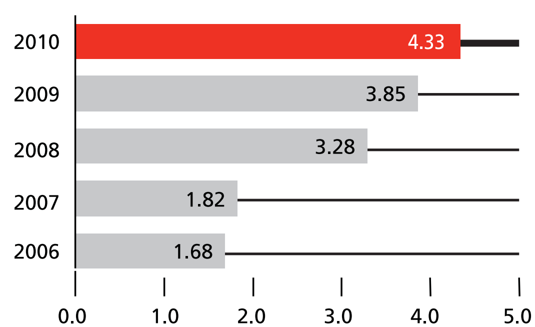
The total allowance for loan losses reflects the higher of IFRS provisions and the Regulatory provisions. Changes in the IFRS provisions are charged to the income statement, while Regulatory provision requirements in excess of the IFRS provision are credited to a non-distributable loan loss reserve. The table above shows the movement in the IFRS and Regulatory provision for the past three years:

Loan Loss Provision Analysis ($'000)

	2010	2009	2008
Gross Loans	97,409,156	93,264,752	90,581,393
Non Accrual Loans (NAL)	4,215,254	3,587,030	2,970,714
IFRS Loan Loss Provisions (LLP)	1,594,659	1,086,441	884,314
IFRS LLP as a % of Gross Loans	1.64%	1.16%	0.98%
IFRS LLP as a % of NAL	37.83%	30.29%	29.77%
Loan Loss Reserve	2,093,499	1,715,750	1,301,215
Total Regulatory LLP	3,688,158	2,802,191	2,185,529
Total Regulatory LLP as a % of Gross Loans	3.79%	3.00%	2.41%
Total Regulatory LLP as a % of NAL	87.50%	78.12%	73.57%

The increases in NALs and loan loss provisions are a reflection of the continued difficulties being faced by our borrowers in the current challenging business environment. Against this background, we continued to enhance our loan underwriting policies, and tightly manage our past-due loans throughout the year.

NAL as a % of LOANS (%)



The debt-management strategy pursued by the Government has resulted in a lower and more stable interest rate environment, however the growth signals for our economy remain weak and recovery will be slow. We continue to take pro-active steps to work with customers experiencing challenges, to mitigate the impact on the quality of the Group's loan portfolio.

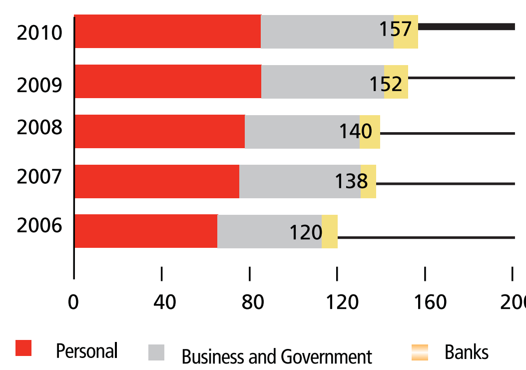
Liabilities

Total liabilities were $270 billion as at October 31, 2010, an increase of $2 billion or 1% from last year. The increase primarily reflected incremental deposits and insurance contract liabilities.

Deposits

Deposits grew to $157 billion, up $5 billion from the previous year, with growth taking place in both the retail and commercial portfolios. This growth reflects the continued strong confidence felt by our customers in Scotiabank, especially with the increased uncertainty caused by the volatility in the global markets.

Deposit Portfolio ($ billions)



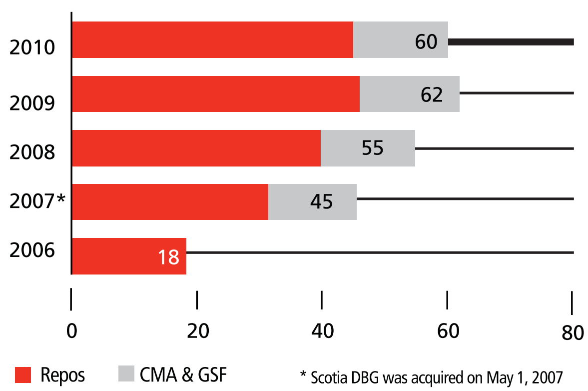
Obligations related to repurchase agreements, capital management and government securities funds
These represent primarily funds invested by clients of Scotia Investments. Obligations under repurchase agreements now stand at $45 billion compared to $46 billion last year. The decline year-over-year primarily reflects our efforts to transition to an off-balance sheet funds management business model in Scotia Investments.

Policyholders' Fund
The Policyholders' Fund reflects the insurance contract liabilities held at Scotia Insurance. The Fund increased to $37 billion, an increase of $3 billion or 8% over 2009. This was due to strong sales performance for the year, resulting in an increase in gross premium income of 7% year over year.

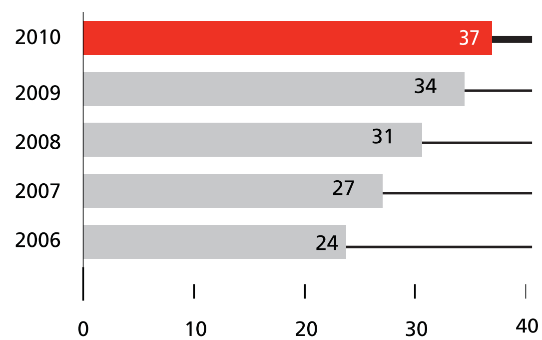
Shareholders' Equity
Scotia Group maintains a strong capital base to support the risks associated with its diversified businesses. This base contributes to safety for the Group's customers, and fosters investor confidence, while allowing the Group to take advantage of growth opportunities that may arise.

Total shareholders' equity rose to $53 billion in 2010, $7 billion more than the prior year, fuelled by internally generated capital. Our risk based capital adequacy ratios, a measure of the Group's overall strength, continues to exceed the regulatory requirements and remains among the highest of its peer group.

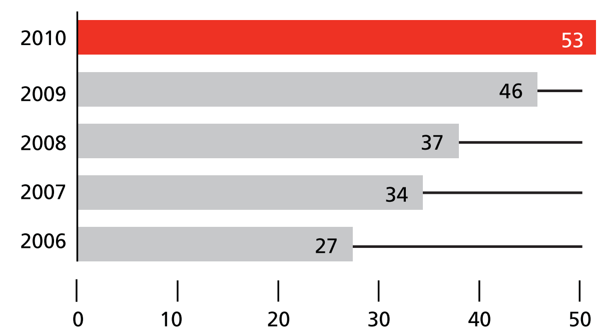
Repurchase Agreements and Capital Management Acccounts ($ billions)



Policyholders' Fund ($ billions)



Shareholders' Equity ($ billions)



"Strategy requires thought, tactics require observation." - *Max Euwe*

Subsidiary and Divisional Reports

RETAIL BANKING

Financial Performance Retail Banking	2010 $millions	2009 $millions
Revenues	11,504	10,726
Expenses	(9,159)	(8,994)
Profit before taxes	**2,345**	**1,732**

BRANCH BANKING – THE STANDARD BEARER

The Retail Banking Division performed credibly this year, achieving growth in key areas of performance despite the challenging market environment. It accounted for just over $11.5 billion of the total income earned by the Group, and recorded increases in both the loan and deposit portfolios.

The success of the Retail Banking Division was due mainly to its strategic emphasis on understanding and addressing the total needs of customers, as well as delivering appropriate value-added products and services in a timely and convenient manner. This was supported by an effective sales and service platform, driven by advanced technology, and a highly-trained sales and support staff. The Bank also nurtured alliances with interest groups in various segments of the market which created valuable opportunities.

Excellence Rewarded

The Division was recognized and rewarded for its excellent performance at the regional level when Scotiabank International named Scotiabank Jamaica - Country of the Year and a joint winner of the Bank of the Year Award.

CONVENIENCE BANKING ON DEMAND

Scotiabank made impressive strides in the past year as it continued its quest to deliver more convenient, flexible and technologically advanced products and services to customers.

The Bank broke new ground on June 22, with the first authorized launch of Mobile Banking in Jamaica's financial sector. The banking service, which is accessed through cellular smart phones, provides instant access to accounts and balances, bill payments, credit card payments and funds transfers.

Mobile Banking is supported by the consistently high quality of service delivery on the Internet banking platform. For the second consecutive year, Global Finance Magazine, named Scotiabank the Best Consumer Internet Bank in Jamaica for 2010.

Non-branch credit card sales initiatives were also successfully pioneered during the past year. Existing and prospective customers now have the convenient option of applying online, or signing up through in-house or third party telesales representatives and via Scotiabank's retail partnerships. Since the introduction of these programmes, non-branch sales now stand at 30% of overall card sales.

Scotiabank continues to seek new ways to take the Bank's products and services closer to end-users and strengthen its presence in the marketplace. The establishment of a mobile team of Personal Banking Officers was among the innovations implemented in 2010.

The Bank also installed a new drive-through Automated Banking Machine (ABM) at Michi Supercentre in Kingston. The fleet of ABMs was also expanded, bringing the total number of machines island-wide to just over 200. This is the largest fleet in the financial sector, and monitoring of the service has been strengthened to ensure greater reliability.

BRANCH BANKING SENIOR MANAGEMENT TEAM:
Wayne Powell, Executive Vice President, Retail Banking
Peter Walters, District Vice President, Metro West,
Courtney Sylvester, District Vice President, Metro East,
and **Michael Thompson,** District Vice President, Metro North.

Efficiency Improved
The growing number of alternate service channels has made the Bank more accessible to a wider cross-section of customers and effectively reduced in-bank traffic for basic transactions. This, in turn, has resulted in a 20% improvement in the speed of service and has enhanced the customer experience.

In the year ahead, the Division will continue to deliver award-winning service and pursue strategies that will improve the financial well-being of its customers.

SMALL AND MEDIUM BUSINESS BANKING

Forging Ahead
The Small and Medium Enterprise (SME) sector in Jamaica performed commendably despite the continued turbulence in the Jamaican economy in 2010. This was facilitated in part by our ongoing initiative to empower entrepreneurs with basic business principles and best practices deemed critical to growing successful operations and improving access to financing. These efforts were reflected in a double digit increase in the Bank's SME loan portfolio in 2010.

Empowerment through Building Capacity
The SME Unit continued to pursue its mandate of *'Working Together to Grow Your Business,'* and under that overarching theme, facilitated a range of activities and supported several of the industry's organisations and groups.

Scotiabank's alliance with the Inter-American Investment Corporation's (IIC) and Mona School of Business was strengthened with its involvement in the technical assistance phase of the Innovative Small Business Financing Programme.

Scotiabank also collaborated with the Private Sector Organisation of Jamaica (PSOJ) as the major sponsor of a PSOJ/IDB project 'Competitiveness of Family Owned Business' through Corporate Governance. Five sessions were held across Jamaica with 83 participants from 70 family owned firms.

There were several other capacity building initiatives during the year which included The Women in Business Conference, the Inter-American Investment Corporation GREENPYME programme, the Young Entrepreneurs Association of Jamaica Expo and The University of Miami Jamaica project through the Scotiabank Chair.

The Scotiabank Chair at UTECH
Through the Scotiabank Chair in Entrepreneurship at the University of Technology (UTECH), the Bank looks forward to forging an alliance with the UTECH Entrepreneurial School, which was launched in July 2010.

Efforts are also on-stream to broaden the scope of the Enterprise Risk Management Financing Programme, developed through the collaboration of the Institute of Law and Economics (ILE) and The Micro Small and Medium Enterprise Alliance with the support of Scotiabank Chair at UTECH.

Approximately 70 companies benefited from the Enterprise Risk Management Financing Programme in 2009, and the ILE is seeking additional funding through the Inter-American Development Bank to extend the service to approximately 250 additional companies.

Long-term Development
As the SME Unit builds momentum in 2011, efforts will continue to be focused on building capacity of the entrepreneur through proper record keeping to assist SMEs

FOSTERING GOOD CUSTOMER RELATIONS
Scotiabank's President and CEO, **Bruce Bowen** engages guests at a special business forum for select SME customers hosted by the Half-Way-Tree branch: *(left – right)* **Michael Sinclair,** Air Temp Refrigeration *(partially shown)*; **Michael Codner,** Mike's Forklift Rental Ltd; and, **Beriah Boothe,** Logo Stitch Manufacturing Company Ltd.

"So often, it is not a question of how much you know, but how well and consistently you apply what you do know."
– Dan Heisman

Subsidiary and Divisional Reports (continued)

to make sound business decisions and improve access to financing. This effort will also be expanded to include governance in family owned businesses and succession planning.

Our focus on improving the diagnostic skills of our Business Banking Officers will be intensified so as to improve customer service delivery to small and medium-sized entrepreneurs.

SCOTIA JAMAICA BUILDING SOCIETY– CHANGING LANDSCAPES IN HOUSING

The local housing market trended downwards in 2010, resulting in increased inventories of unsold properties at all price points, and escalating foreclosures as property owners felt the impact of the economic recession.

Despite the uncertainty in the marketplace and some fall-out in mortgage payments resulting from the Jamaica Debt Exchange (JDX) Programme, Scotia Jamaica Building Society (SJBS) recorded a good year with $2,012 million in asset growth at October 31, 2010; 20.9% more than the balance achieved in 2009. Total loans booked for 2010 was $1,480 million, compared to $1,069 million in 2009. This is a strong indication that the market is slowly on the upswing.

SJBS targeted high-end customers, professionals and second-time homeowners through a series of sales initiatives. This niche marketing strategy, combined with competitive rates, increased efficiency in processing mortgage applications and the Company's ability to leverage Scotiabank's wide branch network, contributed to its positive performance.

Forging Successful Partnerships

During the year under review, the Building Society continued to forge strategic partnerships with major developers and realtors to deliver quality housing solutions to customers. The Company undertook joint promotions with Coldwell Banker Realty, as one of the financiers of Whispering Seas in Tower Isle, St. Mary and the Richmond development in St. Ann.

Committed to Quality Service

Economic trends indicate that 2011 could be another challenging year for the housing sector, with increased competition from major players in the market. However, SJBS's growth has been established on its commitment to fulfill the markets' goal of home ownership. It remains committed to the delivery of first-class service as it forges ahead in the new year.

SCOTIA JAMAICA BUILDING SOCIETY SENIOR MANAGEMENT TEAM - (from left to right) - **Phillip Williams,** Manager, Mortgage Services, **Gladstone Whitelocke**, Vice President & General Manager and **Michelle Scott,** Manager, Finance & Operations.

CORPORATE & COMMERCIAL BANKING

Financial Performance Corporate & Commercial Banking	2010 $millions	2009 $millions
Revenues	6,855	7,631
Expenses	(4,457)	(4,397)
Profit before taxes	**2,398**	**3,234**

CORPORATE AND COMMERCIAL BANKING CENTRE (CCBC) SPEARHEADING GROWTH OPPORTUNITIES

The Corporate and Commercial Banking segment reported a net profit before tax of $2,398 million, a decline of $836 million or 26% relative to 2009. This was due primarily to a decline in yields on investments and loans, as benchmark rates declined consequent to the JDX, and loan rates were reduced during the year. To counter the impact of the reduced yields, the CCBC aggressively pursued customers in a range of industries to seize opportunities to grow market share.

The Division concluded several major deals with companies in the utilities, retail and wholesale distribution sectors, manufacturing, fast food and health care industries.

The single largest transaction was a $1.8 billion Urban Renewal Bond for GraceKennedy Foods. It facilitated long-term fixed rate funding for the establishment of a centralized warehouse and distribution centre in Spanish Town.

In addition, CCBC was both Co-Arranger and the largest participant in a $1.7 billion Syndicated Loan for the Jamaica Public Service Company Limited.

Commercial Banking

During the year, the Commercial Optimization project was completed. This will improve turn-around time for the delivery of lending products, further increase the time spent finding new business opportunities, and create even more opportunities for the Bank's corporate and commercial officers to better be able to understand their clients' needs. As a result, the Bank will design specialized solutions and provide a more consultative interaction with the businesses they serve supported by an expanded team of officers to effectively support these initiatives.

Merchant Services

Another highlight of the year's operations was the transfer of electronic commercial services to the CCBC portfolio. This has broadened the customer relationship and created operational synergies.

We look forward to another successful year of business in 2011 and to strengthening the relationship with our Corporate clients – large and small. The Division also intends to aggressively pursue the growth of its non-lending portfolio as it continues to enhance customers' access to other Scotiabank services.

CCBC SENIOR MANAGEMENT TEAM - **Marcette McLeggon,** Vice President, Credit Solutions, **Nadine Haywood**, Senior Manager, Corporate & Government Relationships, **Craig Mair,** Assistant General Manager Commercial Client Relationships, Business Development, **Denise Brown,** Senior Manager, Corporate Client Relationships, **Wayne Hewitt,** Senior Vice President, Corporate & Commercial Banking, **Taryn Buddo** Senior Manager, Credit Solutions, **Madgelyn Flake,** Senior Manager, Commercial Client Relationships, **Carlene Lyn,** Senior Manager, Credit Solutions

"When you see a good move, look for a better one.' - *Emanuel Lasker*

Subsidiary and Divisional Reports (continued)

PROACTIVE APPROACH TO CREDIT RISK MANAGEMENT

Focus on the Credit Culture

The Group's culture of staying in close contact with its clients, understanding their business and the challenges, and responding appropriately, guided its approach to credit risk management and protected the interest of stakeholders in the recessionary environment that prevailed in 2010.

Strategies adopted during the past year, were aimed at fostering healthy loan growth throughout the Bank's branch network, by providing high quality and timely credit adjudication; facilitating effective loan management; and promoting structured debt recovery measures.

Early identification of clients experiencing challenges in repaying their loans is a priority in our management of Credit Risk as it improves the range of options available to both the client and the Bank for rehabilitation of the loan.

Focus on the SME & Productive Sector

During the year, much emphasis was placed on further streamlining the credit processing of loan applications for customers in the Small and Medium Enterprise (SME) sector. We maintained excellent response time to credit requests. The growing awareness of management and financial record keeping best practices among entrepreneurs, the support of our Small Business Unit, and the hard work of our front line staff - trained to assist clients in completing their loan applications - augurs well for the continued involvement of Scotiabank in the future growth of the sector.

The launch in October 2009 of a special $500 million Productive Sector Growth Fund reflects the Bank's confidence in the potential of this sector to drive Jamaica's economic growth. Under this facility, which was closed in June 2010, private sector borrowers accessed funding at a low interest rate of 9.95% per annum. The Fund was overbooked by $232 million with total loans approved of $732 million, and just under 50% of the loan funding was granted to SME clients.

A separate initiative to encourage local production of selected crops, such as onions, irish potatoes and hot peppers - the Scotia Farm Programme, was introduced in April 2010. Under this $100 million crop financing fund, loans are available to qualified farmers at an interest rate of 9.95% per annum. The programme is supported by the Ministry of Agriculture, and the Rural Agricultural Development Authority (RADA).

Farmer **Leroy DelaHaye** *(centre)* explains the planting of onions and peppers to *(left to right)*: Scotiabank's President and CEO, **Bruce Bowen;** Minister of Agriculture, **Dr. Christopher Tufton**; Chief Executive Officer of RADA, **Al Powell** and Scotiabank's Vice President of SME, **Patsy Latchman-Atterbury**.

TREASURY

Financial Performance Treasury	2010 $millions	2009 $millions
Revenues	3,098	4,038
Expenses	(64)	(58)
Profit before taxes	**3,034**	**3,980**

PROVIDING PREMIER SOLUTIONS

Revenues from our treasury operations declined due to the impact of lower yields on our investment portfolios. In addition, the distribution of foreign exchange in a timely manner remained a challenge for the Treasury Department in 2010, as it sought to help customers to transition through the global crisis.

The effective allocation of funds necessitated daily monitoring of the ever-changing market conditions and needs of customers, especially those in the petroleum and industrial sectors and large employers of labour. However, a combination of proactive strategies, even-handed policies and competitive rates enabled the Treasury Department to fulfill its mandate and achieve growth in volumes, despite the difficult operating environment. As at October 2010 there was a 13% increase in foreign exchange sales over the figure recorded in 2009.

For the second consecutive year Scotiabank won the award - Best Foreign Exchange Provider, presented by Global Finance Magazine.

Foreign Exchange Online

One of the major achievements in 2010 was the launch of online access to foreign exchange, through the internet banking platform, Scotia On-Line. Using their ScotiaCard and online account, customers can now buy foreign currency and make payments on their foreign currency credit card, as well as, convert funds to Jamaican dollars without having to visit the bank. This innovative product, which is gaining momentum, is among Scotiabank's ongoing initiatives to provide convenient and efficient customer service and reduce in-branch traffic.

Repositioning for Stability

Scotiabank will continue to roll out quality products and services in the coming year. These include the provision of real-time foreign exchange rates in the branches. This service, which will also be introduced across the Caribbean, will immediately inform customers of rate changes throughout the day and help them to make more informed decisions.

In 2011, the Treasury Department will work even more closely with clients and prospects, enabling them to solidify their footing and reposition their business for stability.

TREASURY TEAM - (from left to right) **Gary-Vaughn White,** Director, Treasury and Foreign Exchange Trading, **Karen Bolton,** Treasury Officer, **Hugh Miller,** Vice President, Treasury, **Lisa-Ann Tenn,** Foreign Exchange Trading Officer, **Pauline Ewan,** Foreign Exchange Business Development Manager, and **Keri-Leigh Radcliffe,** Foreign Exchange Trading Assistant.

Subsidiary and Divisional Reports (continued)

WEALTH MANAGEMENT

SCOTIA DBG INVESTMENTS LTD.

Financial Performance Investment Management Services	2010 $millions	2009 $millions
Revenues	3,575	3,715
Expenses	(1,239)	(1,363)
Profit before taxes	**2,336**	**2,352**

Scotia DBG Investments Limited (Scotia Investments) recorded strong growth in 2010 and maintained its dominance in the securities market despite the increasingly challenging economic environment resulting from the Jamaica Debt Exchange (JDX) Programme instituted early in the financial year. Total funds under management moved up some 9% to $119 billion as at October 31, 2010.

Outstanding Performance

The Company's Unit Trust and Mutual Funds achieved outstanding results. One year after its launch in October 2009, the Scotia DBG Caribbean Income Fund stands at over US$38 million. Meanwhile, the Jamaican dollar, Money Market Unit Trust Fund, which is the single largest fund of its type in Jamaica, now exceeds $11 billion.

The Company's brokerage also had a good year, the highlight of which was the successful divestment of the Government's 59.8% interest in the Pegasus Hotels of Jamaica Limited which was regarded as one of the most transparent processes for the sale of a government asset. We continue to explore new opportunities in the marketplace, especially for clients seeking to invest in the Junior Stock Exchange.

Boosting Efficiency

Scotia Investments' ongoing investment in the training and accreditation of staff to ensure the delivery of relevant, timely and efficient client support is critical to our performance. To date, Scotia Investments is the only investment company in Jamaica that accredits Unit Trust and Mutual Fund Officers.

In our ongoing quest to improve service delivery and client relationships, Scotia Investments introduced the Scotia Investments Service Standards and Core Values in September. Enhancement and training of the sales team was therefore a key focus for 2010; and in the coming year, we will further refine and strengthen our sales and service models.

Scotia DBG Merchant Bank Limited was sold to The Bank of Nova Scotia Jamaica Limited and its operations were merged with the Bank during the year, as part of an inter-group reorganization to boost efficiency. We further streamlined our operations with the closure of our May Pen and Ocho Rios branches.

Integration of Scotia Investments' and Scotia Insurance's Call Centres in the new Wealth Contact Centre was another initiative designed to heighten our customer experience.

Cutting-edge Environment

Scotia Investments continues to make inroads in the competitive marketplace. We are now expanding our distribution channels with the use of interactive cutting-edge technology such as the smart phone, through which clients can readily access our Advisors via Blackberry Messenger service.

Just under 4,000 persons have registered on Scotia Wealth's facebook page where they benefit from engagement with experts at Scotia Investments. Customers also have access to quarterly Webinars and e-newsletters which update clients on developments in the financial market and wide economy.

We look forward to the upgrade of our core IT system which will begin in 2011, and will provide a platform to create new investment solutions; enhance our capabilities in securities trading, fund management, research and stockbroking; and further help our clients achieve their wealth creation goals.

SCOTIA DBG INVESTMENTS SENIOR MANAGEMENT TEAM - **Dr. Adrian Stokes,** Vice President, Strategic Planning, Projects and Product Development, **Paulo Almeida,** Vice President, Business Support, **Vanessa Reid-Boothe,** Vice President, Sales and Service and General Manager, Asset Management Company Ltd., **Lissant Mitchell,** Chief Operating Officer, **Anya Schnoor,** Chief Executive Officer, **Brian Frazer,** Vice President, Asset Management and General Manager, Scotia DBG Fund Managers Limited, **Andrea Tinker,** Chief Financial Officer.

SCOTIA JAMAICA LIFE INSURANCE CO. LTD.

Financial Performance Insurance Services	2010 $millions	2009 $millions
Revenues	5,393	4,992
Expenses	(925)	(790)
Profit before taxes	**4,468**	**4,202**

Scotia Jamaica Life Insurance Company Limited (Scotia Insurance) continued to build on its financial strength in 2010. The company performed very well in the past year, posting net income of $3,881 million, some 10% more than in 2009. This makes Scotia Insurance the second largest business line contributor to Scotiabank Group's earnings.

Another Innovative Product

In 2010, the Company extended its reach into the retirement savings market with the launch of a fixed variable annuity product - The Scotia Retirement Income Fund (SRIF). This product, the first of its kind in Jamaica, is a sequel to the Approved Retirement Scheme, ScotiaBRIDGE, which was introduced in 2009 and provides pensioners with a flexible income plan during their retirement years.

Consolidating Business

Policy coverage limits for its flagship product, ScotiaMINT, was increased to $4 million for new policies. This allows customers to save towards their financial goals, while benefiting from additional life insurance coverage on a non medical basis.

During the past year as part of its customer service strategy, the Company assigned 17 new Customer Service Representatives to branches and introduced limited outbound operations from the Wealth Contact Centre.

Scotia Insurance continued to leverage Scotiabank's retail, corporate and commercial, and small and medium enterprise relationships to enhance their worksite marketing efforts and increase share of wallet.

The Company's achievements in the market place were supported by innovative operational enhancements which allowed us to maintain our outstanding efficiency ratios.

Scotia Insurance's outstanding performance was recognized by its peers in the sector for the second consecutive year in 2010. Senior Sales Representative, Cheryl Dixon, of the Spanish Town Branch, received the Production Member of the Year Award (Bancassurance) from the Jamaica Association of Insurance and Financial Advisors.

Vibrant Future

Scotia Insurance has established an excellent reputation in its 12 years of operation. It intends to forge ahead to become the premier insurance company - developing a robust operational platform to support its growth plans; further diversifying its products and services; expanding its distribution channels; and optimizing its operating efficiencies in the coming year.

THE SCOTIA INSURANCE SENIOR MANAGEMENT TEAM - *(from left to right)* - **Kenroy Wedderburn,** Manager, Operations, Development & Projects, **Lorna Gordon Elliot,** Manager, Credit Insurance, **Lana Forbes,** Director Sales and Channel Delivery, **Hugh Reid,** Senior Vice President & General Manager, **Lois Freeman,** Assistant General Manager, Operations & Service, **Marsha Williams,** Finance Manager & Compliance Officer, **Erica Anderson,** Product Development Manager, and **Denton Campell,** Manager Operations and Service.

"Daring ideas are like Chess men moved forward. They may be beaten, but they may start a winning game." - *Johann Wolfgang von Goethe*

Subsidiary and Divisional Reports (continued)

SCOTIA PRIVATE CLIENT GROUP

The new Scotia Private Client Group (SPCG) was launched in October 2009 offering our high net worth clients a tailored and comprehensive suite of banking, local and international investment advisory, wealth structuring, and customized borrowing solutions. In line with this, the 2010 financial year was focused primarily on transitioning clients from the existing private banking service to this new platform, while welcoming new clients, thus providing the foundation for strong financial growth.

The clients' response to the new offering has been positive. By leveraging Scotiabank's global network of expertise, our team of experts at SPCG provided clients with the opportunity to appropriately structure their wealth, diversify their investment portfolios, and leverage their assets.

Unique Opportunities

Another key element of the platform is the access to customized borrowing solutions. This unique solution provides clients with the ability to leverage existing assets in order to be opportunistic and augment their wealth. This resulted in significant loan growth over the year.

During the second quarter of 2010, SPCG began issuing the MasterCard Black Credit Card to our clients.

The first of its kind in Jamaica, and exclusive to SPCG, the Card earns AAdvantage points, offers customers hassle-free travel with priority access to airport lounges globally, concierge services and ample travel insurance, among other special benefits.

In addition to the wide-range of services, we reached out to our clientele through high profile lifestyle publications and sponsorships such as our flagship SPCG Jamaica Open Polo Tournament, and a number of exclusive food and wine experiences, hosted by well-known sommeliers.

Forging Strong Relationships

In 2011, SPCG will continue to broaden its suite of services which will include partnerships with select third party firms in an ongoing effort to satisfy its clients' diverse and complex financial needs.

At SPCG, we remain committed to the development of our most prized assets, our team members, and through select training and accreditation will continue to strengthen their expertise. At the same time, we will continue to leverage the global expertise throughout Scotiabank's network in order to preserve and enhance our client's wealth from one generation to the next.

SCOTIA PRIVATE CLIENT GROUP MANAGEMENT TEAM
(Left to right) **Roger Grant,** Financial Consultant, **Richelle Ehikhametalor,** Relationship Officer, **Richard Bertram,** Financial Advisor, **Opal Levy-Clarke,** Relationship Manager, **Elaine Paul,** Senior Client Service Officer, **Debra Lopez-Spence,** Centre Director.

CORPORATE HUMAN RESOURCES & ECOS

CORPORATE HUMAN RESOURCES FOCUSES ON TEAM EFFECTIVENESS

Corporate Human Resources focused on organizational effectiveness of the Human Resources function, enhanced productivity through employee engagement, targeted business support, and leadership development.

Employee Engagement
A critical strategy in achieving its objectives was the use of HR field reviews which will continue into 2011. The HR Reviews also enabled the Department to connect with staff on the ground, and proactively address issues arising at the local level. The HR Advisor Programme which gives branches/staff and business units direct access to HR relationship support, is a successful corollary initiative, aimed at strengthening employee engagement.

HR Organizational Effectiveness
Corporate HR continued to provide significant equipping support through employee training and development. A targeted recruitment approach ensured that the Group's business units were adequately resourced to efficiently execute their functions and meet customers' needs in a challenging period. Launch of E-trac, (automated absence management) and Automated Performance management tracking systems during the year were also aimed at improving Organizational effectiveness. An automated succession planning tool was also brought on stream.

Strengthening Managerial Capacity
Several talent search and selection initiatives were spearheaded in 2010 to facilitate recruitment of appropriately qualified, high calibre managers and to enhance leadership capacity across the Group. These initiatives include the revised use of psychometric tests in the selection process and a new HR Journal, which was developed to help promote inspirational leaders.

Corporate HR Jamaica, was appointed to lead the newly established Regional Caribbean Associate Development Programme (RCADP). The programme is aimed at building a strong feeder pool of leadership candidates with core banking experience and who aspire to future senior management roles in the Scotiabank International network.

Expansion Mode
In the year ahead, we plan to boost organizational productivity and efficiency, and internal communication tools. This will be accompanied by a structured employee education programme.

At the same time, current leadership development programmes and training of front line staff will be strengthened as the Department continues to support the drive by the Scotiabank Group to improve service quality and enhance the customer experience.

Other strategic objectives in 2011 include communication support for relevant staff in keeping with efforts by the Scotiabank Group to deepen its reach in the marketplace.

ECOS - A CRITICAL ROLE IN CONFLICT MANAGEMENT

The Employee Consultations and Ombuds Services (ECOS) continued to play a critical role in averting potential conflicts and improving inter-personal relationships throughout the Scotiabank Group in 2010.

The unit's activities during this past year included individual confidential consultations to address all underlying issues affecting performance and the quality of the work experience; as well as group consultations which focused on teamwork, communication, conflict and stress. Working in collaboration with the Scotia Group Training Centre, the ECOS unit also conducted workshops geared towards conflict and stress management. It also offered customized individual and group leadership support, which complemented the organization's formal training programme and facilitated extensive interaction and sharing of challenges and best practices among participants.

The informal in-branch series "ECOS Sit-In" brought the service to staff in their location; while the quarterly e-newsletter, distributed through the Group's intranet, provided the leaders with timely and practical conflict management tips.

"It is not enough to be a good player... you must also play well." - *Tarrasch*

Subsidiary and Divisional Reports (continued)

SHAPING A POSITIVE CORPORATE IMAGE

We continued to support our local communities and be socially responsible.

A major recognition as a result, was the awarding of the Keys to the City of Kingston to Scotiabank for our commitment and contribution to the development of the city. This was one of the many activities during the week long celebration of the 110th Anniversary of our King Street branch which coincided with the first ever *Christmas in the City, Downtown Comes Alive.*

Our Children

Between our Group and the ScotiaFoundation, we donated over $126 million to projects mainly in the areas of health and education. We also used our volunteers to bolster our support for various community projects.

Top girls **Kaydian Farquarson** & **Anya Chuck** and top boy **Daniel Lawla** of St. Richards Preparatory speak with **Bruce Bowen**, President and CEO, Scotiabank *(left)*, **Wayne Powell,** Executive Vice President, Retail Banking *(second left)* looks on at the GSAT Luncheon.

In education, we directly touched the lives of 208 students with our rebranded Scotia Shining Star Scholarships and Bursaries which provided funding for students who excelled in the Grade Six Achievement Test or demonstrated great financial need. We awarded 26 new secondary scholarships, 74 on-going secondary scholarships, 8 tertiary grants for students to attend colleges and universities and 100 bursaries for students sitting exams in fifth and sixth forms. Our staff members also collected and donated books and school supplies for needy children in a Back to School Drive.

Through other initiatives we provided mentorship for students, breakfast for those in need, computers for laboratories, road safety information to assist the police, and awareness of and testing for HIV/AIDS. Our Foundation also demonstrated an understanding of the importance of small business with the continued funding of the Scotiabank Chair in Entrepreneurship and Development at The University of Technology.

Our Health

We continued our support and maintenance of health institutions island wide: *Accident and Emergency Care* - The University Hospital of the West Indies and the Port Antonio Hospital; *Renal Care* - Cornwall Regional Hospital; heart surgeries - Bustamante Hospital for Children; *Scoliosis Care* - Kingston Public Hospital; and *Cancer Care* - Jamaica Cancer Society.

Our Community and our Volunteers

More than 1,000 ScotiaVolunteers donated their time in support of fundraising events and projects for children, under the banner of the Scotiabank Bright Future Programme. Some of these projects included: *The Shaggy & Friends* in aid of the Bustamante Children's Hospital; construction of the *Alexandria Hope Early Childhood Educational Center* and Principal's house in New Ground, Clarendon, with support from the charity agency, Food for The Poor; as well as some 28 beautification projects on National Labour Day. Our volunteers also rallied support in collecting food and clothing for the Haitian Earthquake Relief initiative, to which the Bank also made a significant donation.

Laying Foundations for Excellence

Capacity building continues to be one of the major objectives guiding Scotiabank's sports development programmes. Through this avenue, hundreds of talented young athletes have been nurtured for national and international competition. At the same time, they have acquired life skills that will equip them to become responsible citizens of the future, committed to the highest standards of excellence in any endeavour.

Netball

The investment by Scotiabank Jamaica in the Netball Training Camp (Under -13 Nursery Programme) paid dividends in the year just ended. The Jamaican team captured two first place trophies, 12 individual gold medals and three major sectional awards in the Jean Pierre Caribbean Under 16 Netball Tournament, held in Barbados in April. All twelve team members, five of whom were also named among the Top 16 Caribbean players, are graduates of the Training Camp. Jamaica has now won the Tournament in nine of its 11 years.

Meanwhile, 25 players participated in the Scotiabank Netball Training Camp in 2009/2010, with emphasis being placed on holistic development.

The Jamaica Netball Association also piloted a companion initiative, the Umpires' Pathway Programme, with former members of the Under 13 and Under 16 squads being selected as participants.

Cricket

Scotiabank continues to promote the sport of cricket among youngsters across Jamaica. 60 schools participated in the Scotiabank/Jamaica Cricket Association (JCA) Prep Schools' Cricket Competition in 2010, which was the third year of the Bank's sponsorship.

Football

The selection of talented teen Football Ambassadors, Martin Davis and Kaya Beckford to pursue training programmes with Valencia Football Club in Spain was a proud moment for Scotiabank, which contributed towards their education and sponsored the Next Generation Valencia CF Easter Football Camp in Jamaica.

During the year under review, Scotiabank also continued its sponsorship for the Inter-Secondary Schools Sports Association's (ISSA) Manning and DaCosta Cup Schoolboy Football Competitions; as well as the Finals of the Business House Football Competition.

Forging ahead in 2011

In the coming year, Scotiabank Jamaica will continue its quest to create meaningful opportunities for the nation's youth. We will also join the many groups working to preserve the environment as we build on *Scotia Goes Green* which was launched in May, 2010.

Joan Forrest-Henry, Director, Marketing Programmes, wishes **Kaya Beckford** *(shaking hands)* and **Martin Davis** *(4th right),* Most Valuable Players of The Next Generation VCF Camp, a bon voyage at the send off hosted by Scotiabank for the boys as they prepared to leave for Spain to pursue training programmes with Valencia Football Club.

From left: **Clyde Jureidini**, Coach, Harbour View Football Club **Victor Salazar-Chang**, principal of The Next Generation VCF Camp, and **Andre Virtue**, Technical Director, Next Generation VCF Camp share in the moment.

Risk Management

Overview

The Scotia Group risk management framework has been developed to address the diversity of the Group's business activities. We manage 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. This framework is supported by a robust risk management culture and a strong commitment to active management of risks by the Board of Directors, senior executive team and business line management.

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are predictable and consistent with the Group's objectives and risk tolerance, and that there is an appropriate balance between risk and reward in order to maximize shareholder returns. Effective execution of these activities will ensure that we protect the safety and stability of customers' funds that are placed in our fiduciary care.

Scotia Group has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed in conducting its activities, which include credit, market, liquidity, operational and reputational risks. The framework is integrated with the Group's strategic and business planning processes.

The framework has four main components:

1. Policies and Limits
2. Guidelines
3. Processes and Standards
4. Measurement and Reporting

Each of these components 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 Group.

Risk Management Framework

Policies & Limits
Policies define the Group's overall risk appetite, and are developed based on the risk culture desired by the units and the requirements of regulatory authorities, with input from the Board of Directors and senior executive management. Policies set the boundaries on the types of risks the Group is prepared to assume and specify the manner in which the Group assumes these risk.

Limits are set for two purposes. First, limits control risk-taking activities within the tolerances established by the Board of Directors and senior executive management. Second, limits establish accountability for key tasks in the risk-taking process and establish the level or conditions under which transactions may be approved or executed.

Guidelines
Guidelines are the directives provided to implement policies. These may relate to aggregate concentrations and exposures, risk/return benchmarks, and acceptable liquidity levels. These may change from time-to-time, due to market or other circumstances.

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 of the Group, operate independently of the business lines and are responsible for developing and maintaining an appropriate suite of such tools to support the operations of the Group.

A comprehensive summary of the Group's risk profile and performance of the portfolio against defined goals is presented quarterly to the Board of Directors.

Internal Audit independently monitors the effectiveness of risk management policies, procedures and internal controls through periodic testing of the design and operation of the processes. Internal Audit reports independently to the Audit and Conduct Review Committee of the Board on the effectiveness of risk management policies, procedures and internal controls.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations 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 Group. The effective management of credit risk requires the establishment of an appropriate credit risk culture. Key credit risk policies and credit risk management strategies are important elements used to create this culture.

Scotia Group's credit risk is managed through strategies, policies and limits that are approved by the Board of Directors. The credit risk strategy defines target markets and risk tolerances that are developed at an all-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,

- the risk parameters for new underwritings and for the portfolios as a whole are clearly specified, and
- transactions, including origination, and syndication are managed in a manner to ensure the goals for the overall portfolio are met.

The Group's credit risk rating systems are designed to provide for a meaningful differentiation of risk, and allows for reasonable estimation of loss characteristics at the portfolio and risk grade level. The credit risk rating systems provide consistency in terms of credit adjudication, minimum lending standards by risk ratings, and reporting of credit risk. The Group periodically reassess its risk rating methodologies and makes enhancements when necessary.

The Group's portfolio management methodologies are designed to facilitate consistent underwriting and early identification of problem loans. The Groups retail and commercial collections units are organised to support the efficient recovery of late payments and outstanding amounts on credit facilities which are in default.

Corporate and Commercial
Portfolio management objectives and risk diversification are key factors in setting policies and limits. Credit risk limits covering specified industries and exposures are reviewed and approved by the Board of Directors annually, and applied through the credit origination and review process.

Credit exposures are managed through limits, lending criteria and guidelines relevant to each particular risk type. Borrower limits are set within the context of established guidelines for individual borrowers, particular business segments, and certain types of lending, to ensure the Group does not have excessive concentration in any single borrower, or related group of borrowers. Through the portfolio management process, loans may be syndicated or other actions pursued to reduce overall exposure to a single name. The Group's credit risk limits to counterparties in the financial and government sectors are also managed centrally to optimize the use of credit availability and to avoid excessive risk concentration.

The decision-making process for corporate and commercial credit exposures is intended to ensure that risks are adequately assessed, properly approved, continually monitored and actively managed. All significant credit requests are processed through the credit adjudication units of the Group.

The Group uses a dual risk rating system which separately assesses the risk of borrowers and their associated credit facilities. Borrower risk is evaluated using methodologies that are specific to particular industry sectors and/or business lines. The risk associated with facilities of a given borrower is assessed by considering the facilities' structural and collateral-related elements.

Borrower and facility risk ratings are assigned when a facility is first authorized, and are promptly re-evaluated and adjusted, if necessary, as a result of changes to the customer's financial condition or business prospects. Re-evaluation is an ongoing process, and is done in the context of general economic changes, specific industry prospects, and event risks, such as revised financial projections, interim financial results and extraordinary announcements.

The risk ratings also determine the management level at which the facilities can be authorized or amended. Lower-rated credits require increasingly more senior management involvement.

Retail
Key factors considered in the assessment of the credit risk of the individual borrower include: the borrower's current and projected income, debt servicing commitments and credit record; and economic trends. Based on this assessment, a risk rating is assigned to the individual borrower and the appropriate amount and structure of credit to the individual is determined.

Individual credit exposures are regularly monitored by the business line units for signs of deterioration. In addition, a review and risk analysis of each borrower is conducted annually, or more frequently for higher-risk borrowers.

Portfolio reports prepared by and for review by Credit Risk Management serve to identify risk-related trends in the Group's portfolio.

The credit risk exposure for the Group is summarized in Note 49 (b).

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 Group assumes market risk in both its trading and non-trading (funding and investment) activities. Market risk exposures are managed through specific operating policies, and limits at the product, portfolio, business unit and business line levels, and for the Group in total.

Risk Management (continued)

These policies and limits are established by the Board of Directors, and are reviewed and approved at least annually.

The Group's Market and Operational Risk unit provides independent oversight of all significant market risks, and supports the business units and Assets & Liabilities Committee (ALCO) with analysis, risk measurement, monitoring, and reporting. The Group uses a variety of metrics and models to measure and control market risk exposures. The measurements used are selected based on an assessment of the nature of risks in a particular activity. The principal measurement techniques are Value at Risk (VAR), stress testing, sensitivity analysis and simulation modeling, and gap analysis. Models are independently validated prior to implementation and are subject to formal periodic review.

To ensure compliance with policies and limits, market risk exposures are independently monitored on a continuing basis, either by the Market and Operational Risk unit or by the back office. Senior management, business units, ALCO, and the Board of Directors are provided with regular 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 Group actively manages its interest rate exposures with the objective of enhancing net interest income within established risk tolerances. Interest rate risk is managed in accordance with Board-approved policies and 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 Group'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 Group'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.

The interest rate risk exposure for the Group is summarized in Note 49 (c).

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. Foreign exchange risk arises from trading activities and foreign currency operations. In its trading activities, the Group buys and sells currencies in the spot market for its customers. Foreign exchange gains and losses from these activities are included in other income.

The Group mitigates the effect of foreign currency exposures by financing its net investments in its operations with borrowings in the same currencies. Foreign currency risk arising from the Group's foreign currency trading is subject to Board approved limits. The ALCO reviews and manages these exposures.

The foreign exchange risk exposure for the Group is summarized in Note 49 (c).

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 is a key strategy employed to reduce the impact of 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 Group limits the amount invested in them.

The equity risk exposure for the Group is summarized in Note 49 (c).

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to depositors and policyholders, settlement of securities borrowing and repurchase transactions, and lending and investment commitments.

Effective liquidity risk management is essential in order to maintain the confidence of depositors and counterparties, and to enable our core businesses to continue to generate revenue, even under adverse circumstances. 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 Group's liquidity profile.

The key elements of our liquidity risk framework are:

- Measurement and modeling – the Group'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 Group actively manages the diversification of its deposit liabilities by source, type of depositor, instrument, and term.
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements.
- Core liquidity – the Group 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 Group also maintains liquid assets to support its intra-day settlement obligations in payment, depository and clearing systems.

- Contingency planning – the Group maintains a liquidity contingency plan that specifies an approach for analyzing and responding to a liquidity crisis. The plan outlines the crisis management team's mandate, the internal and external parties to be contacted to ensure effective distribution of information, and the actions that need to be considered at various stages of an event.

Liquidity Profile
The Group maintains large holdings of liquid assets to support its operations. In the course of the Group's day-to-day activities, securities and other assets are pledged to secure an obligation, and participate in clearing or settlement systems. Securities may also be sold under repurchase agreements.

The liquidity risk exposure for the Group is summarized in Note 49 (d).

Funding

The Group ensures that its funding sources are well diversified. Funding source concentrations are regularly monitored and analyzed by type and by industry. The principal sources of funding are capital, core deposits from retail and commercial clients through our branch network, and wholesale funding. To ensure that the Group does not place undue reliance on a single entity as a funding source, the Group maintains a limit on the amount of deposits it will accept from any one entity.

Capital commitments

Scotia Group has an ongoing program of capital investment to provide the necessary level of technology and real estate resources to service our customers and meet new product requirements. All major capital expenditures go through a rigorous review and approval process.

Operational Risk

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

The Group has developed policies, standards and assessment methodologies to ensure that operational risk is appropriately identified, managed and controlled. The governing principles and fundamental components of the Group's operational risk management approach include:

- 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 who have 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, including codifying policies and processes required to control those specific risks
  - Separation of duties between key functions
  - An independent internal audit department responsible for verifying that significant risks are identified and assessed, and for determining whether appropriate controls are in place to ensure that overall risk is at an acceptable level
- A variety of risk management programs, including a program designed to promote compliance with relevant laws and regulatory requirements. Compliance risk is managed through an established network and a process that includes: monitoring regulatory changes; conducting compliance risk assessments; implementing policies and procedures; training; and monitoring and resolving issues.

Reputational Risk

Reputational risk is the risk that negative publicity regarding Scotia Group'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 programs, policies, procedures and training.

The Group has an established, Board-approved reputational risk policy, as well as a policy and procedures for managing reputational and legal risk related to structured finance transactions.

Our 2010 Awards

"Winning is not a secret that belongs to a very few, winning is something that we can learn by studying ourselves, studying the environment and making ourselves ready for any challenge that is in front of us." - *Garry Kasparov*

- **Global Finance Magazine**
  - Best Consumer Internet Bank, Country winner
  - Best FX Provider
  - Best Emerging Market Bank

- **Euromoney Awards for Excellence 2010 - Latin America**
  Best Bank in Jamaica

- **Best Practices Corporate Disclosure and Investor Relations**
  1st Runner Up, Scotiabank Group
  – Jamaica Stock Exchange Best Practices Awards

- **Best Practices - PSOJ Corporate Governance**
  2nd Runner Up, Scotiabank Group
  – Jamaica Stock Exchange Best Practices Awards

- **Best Practices Website – Stockbrokerage**
  2nd Runner Up, Scotia DBG Investments
  – Jamaica Stock Exchange Best Practices Awards

- **AMCHAM Jamaica Award for Excellence 2010**
  – for Corporate Social Responsibility - First Place
  - Scotiabank Group

- **CEllesty International Film Festival**
  - The Teller....stories to tell - Jury Award in the category Social Issues for Talking Cancer
  - Speak Up! Speak Out! The Grand Final (2007) - documentary category

- **The Jamaica Business Council on HIV/AIDS**
  awards Scotiabank for Invaluable contribution to the Jamaica National HIV/AIDS Response within the Workplace

- **International Banking – Scotiabank Toronto**
  - Top Performer in the Category of Average Appointments/Week joint winner with DOMINICA
  - Top Performer in the Category of Referrals Issued
  - Top Performer in the Category of Compliance / Audit
  - Top Performer in the Category of Non-Interest Revenue
  - Top Performer in the Category of Net Income: Top Dollar Contributor
  - Top Performers in the Category of Bank of the Year (Joint winner with TRINIDAD & TOBAGO,TURKS & CAICOS, BARBADOS)
  - Top Performer in the Category of Country of the Year

Audited Financial Statements

SCOTIA GROUP JAMAICA LIMITED

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Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W. I.

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Kingston
Jamaica
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INDEPENDENT AUDITORS' REPORT

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Financial Statements

We have audited the financial statements of Scotia Group Jamaica Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") set out on pages 39 to 91 which comprise the Group's and Company's statement of financial position as at October 31, 2010, the Group's and Company's statements of revenue and expenses, comprehensive income, changes in equity and cash flows for the year then ended, and 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 misstatement, 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 about 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 the Jamaican Companies Act.

Report on additional matters as required by 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 therewith and give the information required by the Jamaican Companies Act in the manner required.

KPMG

November 25, 2010

KPMG, a Jamaican partnership and a member firm of KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Elizabeth A. Jones
Caryl A. Fenton
R. Tarun Handa
Patrick A. Chin
Patricia O. Dailey-Smith
Linroy J. Marshall
Cynthia L. Lawrence
Rajan Trehan
Norman O. Rainford
Nigel R. Chambers

Consolidated Statement of Revenue and Expenses

Year ended October 31, 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		19,666,604	23,885,700
Interest from securities		15,478,010	18,183,979
Total interest income	6	35,144,614	42,069,679
Interest expense	6	(11,975,903)	(16,773,168)
Net interest income		23,168,711	25,296,511
Impairment losses on loans	25	(1,598,165)	(1,872,869)
Net interest income after impairment losses on loans		21,570,546	23,423,642
Fee and commission income		5,401,466	4,974,261
Fee and commission expense		(1,398,481)	(1,283,962)
	7	4,002,985	3,690,299
Net foreign exchange trading income	8	1,128,894	1,175,757
Net gains on financial assets		20,553	-
Insurance revenue	9	1,864,985	752,077
Other revenue	10	308,453	224,968
		7,325,870	5,843,101
		28,896,416	29,266,743
Expenses			
Salaries, pension contributions and other staff benefits	11	7,694,009	7,603,189
Property expenses, including depreciation		1,880,579	1,673,200
Amortisation and impairment of intangible assets	30	248,030	169,842
Other impairment loss	12	-	69,712
Other operating expenses		4,656,704	4,371,141
	13	14,479,322	13,887,084
Profit before taxation	14	14,417,094	15,379,659
Taxation	15	(3,715,327)	(3,774,200)
Profit for the year		10,701,767	11,605,459
Attributable to:			
Stockholders' of the company		10,405,649	11,152,199
Non-controlling interest		296,118	453,260
Profit for the year		10,701,767	11,605,459
EARNINGS PER STOCK UNIT (expressed in $ per share) **attributable to stockholders of the company**	16	3.34	3.58

Consolidated Statement of Comprehensive Income

Year ended October 31, 2010

(expressed in thousands of Jamaican dollars unless otherwise stated)

	2010	2009
Profit for the year	10,701,767	11,605,459
Other comprehensive income:		
Unrealised gains on available-for-sale financial assets	2,499,783	1,404,525
Realised losses on available-for-sale financial assets	(185,018)	(60,065)
	2,314,765	1,344,460
Taxation	(635,878)	(422,024)
Other comprehensive income, net of tax	1,678,887	922,436
Total comprehensive income	12,380,654	12,527,895
Attributable to:		
Stockholders' of the company	12,035,861	12,015,469
Non-controlling interest	344,793	512,426
Total comprehensive income	12,380,654	12,527,895

SCOTIA GROUP JAMAICA LIMITED

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, deposits with, and money at call at, Bank of Jamaica	17	42,529,182	48,261,763
Government and bank notes other than Jamaican		455,491	330,405
Amounts due from other banks	19	9,029,857	8,402,160
Accounts with parent and fellow subsidiaries	20	7,033,260	2,058,103
		59,047,790	59,052,431
Financial assets at fair value through profit or loss	21	127,895	105,369
Government securities purchased under resale agreements	22	200,116	555,871
Pledged assets	23	64,029,461	66,813,480
Loans, after allowance for impairment losses	24	95,814,497	92,046,304
Leases, after allowance for impairment losses	26	-	111,457
Investment securities	27		
Available-for-sale		71,311,343	26,668,965
Held-to-maturity		14,469,614	47,776,957
		85,780,957	74,445,922
Other assets			
Customers' liabilities under acceptances, guarantees and letters of credit		6,261,025	9,357,362
Taxation recoverable		1,472,234	1,127,180
Deferred taxation	40	12,101	101,333
Sundry assets	28	932,431	458,209
Property, plant and equipment	29	3,574,295	3,434,483
Intangible assets	30	1,873,416	2,119,331
Retirement benefit asset	32	6,641,659	5,827,140
		20,767,161	22,425,038
Assets classified as held for sale	31	56,076	-
		325,823,953	315,555,872

Consolidated Statement of Financial Position (continued)

October 31, 2010

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2010	2009
LIABILITIES			
Deposits			
Deposits by the public	33	145,664,085	141,877,096
Amounts due to other banks and financial institutions	34	3,611,781	2,842,839
Amounts due to parent company	35	7,602,759	7,927,885
Amounts due to fellow subsidiaries	36	184	335
		156,878,809	152,648,155
Other liabilities			
Cheques and other instruments in transit		2,611,469	2,341,050
Acceptances, guarantees and letters of credit		6,261,025	9,357,362
Securities sold under repurchase agreements		45,025,585	46,120,207
Promissory notes		7,982	54,826
Capital management and government securities funds	37	15,156,808	15,899,029
Assets held in trust on behalf of participants		41,827	43,777
Redeemable preference shares	38	100,000	100,000
Other liabilities	39	2,346,312	2,543,188
Taxation payable		557,281	731,606
Deferred tax liabilities	40	2,844,640	2,232,443
Retirement benefit obligations	32	1,502,123	1,132,488
		76,455,052	80,555,976
Policyholders' liabilities	41	36,891,170	34,407,877
Liability directly associated with assets classified as held-for-sale	31	6,109	-
STOCKHOLDERS' EQUITY			
Share capital	42	6,569,810	6,569,810
Reserve fund	43	3,248,591	3,217,867
Retained earnings reserve	44	10,741,770	9,610,421
Capital reserve		9,383	9,383
Cumulative remeasurement result from available-for-sale financial assets	45	388,117	(1,242,095)
Loan loss reserve	46	2,093,499	1,715,750
Other reserves	47	12,892	12,892
Unappropriated profits		30,091,319	25,830,627
Total equity attributable to equity holders of the Company		53,155,381	45,724,655
Non-controlling interest		2,437,432	2,219,209
Total equity		55,592,813	47,943,864
Total equity and liabilities		325,823,953	315,555,872

The financial statements on pages 39 to 91 were approved for issue by the Board of Directors on November 25, 2010 and signed on its behalf by:

Robert H. Pitfield — Director

Bruce F. Bowen — Director

Charles H. Johnston — Director

Julie Thompson-James — Secretary

Consolidated Statement of Changes in Stockholders' Equity

Year ended October 31, 2010

(expressed in thousands of Jamaican dollars unless otherwise stated)

		Attributable to equity holders of the Company										
	Note	Share capital	Reserve fund	Retained earnings reserve	Capital reserve	Cumulative remeasurement result from available for sale financial assets	Loan loss reserve	Other reserves	Unappropriated profits	Total	Minority interest	Total equity
Balances at October 31, 2008		**6,569,810**	**3,200,107**	**7,309,781**	**9,383**	**(2,105,365)**	**1,301,215**	**12,892**	**21,643,109**	**37,940,932**	**1,815,097**	**39,756,029**
Profit for the year		-	-	-	-	-	-	-	11,152,199	11,152,199	453,260	11,605,459
Other comprehensive income												
Unrealised gains on available-for-sale investments, net of taxes		-	-	-	-	825,852	-	-	-	825,852	61,688	887,540
Realised losses on available-for-sale securities transferred to statement of revenue and expenses		-	-	-	-	37,418	-	-	-	37,418	(2,522)	34,896
Other comprehensive income		-	-	-	-	863,270	-	-	-	863,270	59,166	922,436
Total comprehensive income		-	-	-	-	863,270	-	-	11,152,199	12,015,469	512,426	12,527,895
Transfer to reserve fund		-	17,760	-	-	-	-	-	(17,760)	-	-	-
Loan loss reserve transfer		-	-	-	-	-	414,535	-	(414,535)	-	-	-
Transfer to retained earnings reserve		-	-	2,300,640	-	-	-	-	(2,300,640)	-	-	-
Net movement in reserves for minority interest		-	-	-	-	-	-	-	-	-	6,005	6,005
Dividends paid	56	-	-	-	-	-	-	-	(4,231,746)	(4,231,746)	(114,319)	(4,346,065)
Movement for the year		-	17,760	2,300,640	-	863,270	414,535	-	4,187,518	7,783,723	404,112	8,187,835
Balances at October 31, 2009		**6,569,810**	**3,217,867**	**9,610,421**	**9,383**	**(1,242,095)**	**1,715,750**	**12,892**	**25,830,627**	**45,724,655**	**2,219,209**	**47,943,864**
Profit for the year		-	-	-	-	-	-	-	10,405,649	10,405,649	296,118	10,701,767
Other comprehensive income:												
Unrealised gains on available-for-sale investments, net of taxes		-	-	-	-	1,761,457	-	-	-	1,761,457	65,087	1,826,544
Realised gains on available-for-sale securities transferred to statement of revenue and expenses		-	-	-	-	(131,245)	-	-	-	(131,245)	(16,412)	(147,657)
Total other comprehensive income		-	-	-	-	1,630,212	-	-	-	1,630,212	48,675	1,678,887
Total comprehensive income		-	-	-	-	1,630,212	-	-	10,405,649	12,035,861	344,793	12,380,654
Transfer to reserve fund		-	30,724	-	-	-	-	-	(30,724)	-	-	-
Loan loss reserve transfer		-	-	-	-	-	377,749	-	(377,749)	-	-	-
Transfer to retained earnings reserve		-	-	1,131,349	-	-	-	-	(1,131,349)	-	-	-
Net movement in reserves for non-controlling interest		-	-	-	-	-	-	-	-	-	1,856	1,856
Dividends paid	56	-	-	-	-	-	-	-	(4,605,135)	(4,605,135)	(128,426)	(4,733,561)
Net movement for the year		-	30,724	1,131,349	-	1,630,212	377,749	-	4,260,692	7,430,726	218,223	7,648,949
Balances at October 31, 2010		**6,569,810**	**3,248,591**	**10,741,770**	**9,383**	**388,117**	**2,093,499**	**12,892**	**30,091,319**	**53,155,381**	**2,437,432**	**55,592,813**

SCOTIA GROUP JAMAICA LIMITED

Consolidated Statement of Cash Flows

Year ended October 31, 2010

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2010	2009
Cash flows from operating activities			
Profit for the year		10,701,767	11,605,459
Adjustments for:			
Interest income	6	(35,144,614)	(42,069,679)
Interest expense	6	11,975,903	16,773,168
Taxation expense		3,715,327	3,774,200
Depreciation	29	413,898	381,335
Amortisation of intangible asset	30	248,030	169,842
Impairment losses on loans	25	1,598,165	1,872,869
Impairment loss - other		-	69,712
Gain on sale of property, plant and equipment		3,315	1,199
Write-off of property, plant and equipment	29	601	-
Gain on Visa shares		(96,798)	(53,308)
		(6,584,406)	(7,475,203)
Changes in operating assets and liabilities			
Loans		(5,199,253)	(4,312,371)
Deposits by the public		3,159,485	12,101,620
Policyholders' fund		2,481,294	3,846,458
Other assets, net		(474,223)	363,131
Other liabilities, net		(148,859)	1,155,548
Due to parent company and fellow subsidiaries		(327,706)	1,065,485
Amounts due from other banks		768,942	456,520
Accounts with parent and fellow subsidiaries		(4,406,403)	(2,703,462)
Financial assets at fair value through statement of revenue and expenses		(22,526)	11,582
Assets classified as held for sale		(49,966)	-
Taxation recoverable		(145,055)	(115,463)
Retirement benefits		(444,834)	(223,003)
Deposits with Bank of Jamaica with tenure greater than 90 days		20,739,114	3,681
Amounts due to other banks and financial institutions		(1,897,476)	7,038,074
Statutory reserves at Bank of Jamaica		2,411,101	(6,824,538)
Securities sold under repurchase agreements		311,034	5,627,293
		9,972,213	10,015,352
Interest received		39,440,405	39,038,807
Interest paid		(13,490,916)	(16,158,189)
Taxation paid		(3,824,203)	(3,821,682)
Net cash provided by operating activities		32,097,499	29,074,288
Cash flows from investing activities			
Investment securities		(8,654,745)	(21,836,348)
Pledged assets		1,208,038	(6,693,943)
Government securities purchased under resale agreements		191,029	(145,810)
Proceeds from the sale of property, plant and equipment		1,062	322
Purchase of property, plant and equipment	29	(558,687)	(906,635)
Intangible assets		(2,115)	(1,032)
Proceeds from sale of shares		181,678	126,197
Promissory notes		(46,041)	(321,413)
Net cash used in investing activities		(7,679,781)	(29,778,662)
Cash flows from operating and investing activities		24,417,718	(704,374)

Consolidated Statement of Cash Flows (Continued)

Year ended October 31, 2010

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2010	2009
Cash flows from operating and investing activities		24,417,718	(704,374)
Cash flows from financing activities			
Dividends paid to stockholders	56	(4,605,135)	(4,231,746)
Dividends paid to non-controlling interest	56	(128,426)	(114,319)
Net cash used in financing activities		(4,733,561)	(4,346,065)
Effect of exchange rate changes on cash and cash equivalents		(642,123)	2,443,771
Net increase/(decrease) in cash and cash equivalents		19,042,034	(2,606,668)
Cash and cash equivalents at beginning of year		15,752,830	18,359,498
Cash and cash equivalents at end of year	18	34,794,864	15,752,830

SCOTIA GROUP JAMAICA LIMITED

Statement of Comprehensive Income

Year ended October 31, 2010

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2010	2009
Net interest income and other revenue			
Dividend income		4,610,264	4,246,848
Expenses			
Operating expenses	13	(19,212)	(17,876)
Profit for the year, being total comprehensive income	14	4,591,052	4,228,972

Statement of Financial Position

October 31, 2010

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2010	2009
ASSETS			
Cash resources			
Accounts with subsidiary	18	221,145	219,977
Investment in subsidiaries		9,332,408	9,332,408
		9,553,553	9,552,385
LIABILITES			
Accrued charges		191,525	176,274
STOCKHOLDERS' EQUITY			
Share capital	42	6,569,810	6,569,810
Unappropriated profits		2,792,218	2,806,301
Total stockholders' equity		9,362,028	9,376,111
Total liabilities and stockholders' equity		9,553,553	9,552,385

The financial statements on pages 39 to 91 were approved for issue by the Board of Directors on November 25, 2010 and signed on its behalf by:

Robert H. Pitfield, Director

Bruce F. Bowen, Director

Charles H. Johnston, Director

Julie Thompson-James, Secretary

Statement of Changes in Stockholders' Equity

Year ended October 31, 2010

(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	Share Capital	Unappropriated Profits	Total
Balances at October 31, 2008		6,569,810	2,809,075	9,378,885
Profit, being total comprehensive income for the year		-	4,228,972	4,228,972
Dividends paid	56	-	(4,231,746)	(4,231,746)
Balances at October 31, 2009		6,569,810	2,806,301	9,376,111
Profit, being total comprehensive income for the year		-	4,591,052	4,591,052
Dividends paid	56	-	(4,605,135)	(4,605,135)
Balances at October 31, 2010		6,569,810	2,792,218	9,362,028

Statement of Cash Flows

Year ended October 31, 2010
(expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2010	2009
Cash flows from operating activities			
Profit for the year		4,591,052	4,228,972
Changes in operating assets and liabilities			
Other liabilities		15,251	175,109
Net cash provided by operating activities		4,606,303	4,404,081
Cash flows from financing activities			
Dividends paid, being net cash used in financing activities		(4,605,135)	(4,231,746)
Net increase in cash and cash equivalents		1,168	172,335
Cash and cash equivalents at beginning of year		219,977	47,642
Cash and cash equivalents at end of year	18	221,145	219,977

Notes to the Financial Statements

October 31, 2010
(expressed in thousands of Jamaican dollars unless otherwise stated)

1. Identification, Regulation and Licence

Scotia Group Jamaica Limited ("the Company") is incorporated and domiciled in Jamaica. It is a 71.78% subsidiary of The Bank of Nova Scotia, which is incorporated and domiciled in Canada and is the ultimate parent. The registered office of the Company is located at the Scotiabank Centre, Corner of Duke and Port Royal Streets, Kingston, Jamaica.

The Company is the parent of The Bank of Nova Scotia Jamaica Limited, ("the Bank") which is licensed under the Banking Act, and Scotia DBG Investments Limited ("SDBG"), which is licensed under the Securities Act. The Company and these two subsidiaries are listed on the Jamaica Stock Exchange.

The Company's subsidiaries, which together with the Company are referred to as "the Group", are as follows:

Subsidiaries	Principal Activities	Holding by Company	Holding by Subsidiary	Financial Year End
The Bank of Nova Scotia Jamaica Limited and its subsidiaries:	Banking	100%		October 31
The Scotia Jamaica Building Society	Mortgage Financing		100%	October 31
Scotia Jamaica Life Insurance Company Limited	Life Insurance		100%	December 31*
Scotia Jamaica Financial Services Limited	Non-trading		100%	October 31
Brighton Holdings Limited	Non-trading		100%	October 31
Scotia DBG Merchant Bank Limited	Non-trading		100%	October 31
Scotia DBG Investments Limited and its subsidiaries:	Investment Banking	77.01%		October 31
Scotia DBG Fund Managers Limited	Unit Trust and Fund Management		100%	October 31
Scotia Jamaica Investment Management Limited	Non-trading		100%	October 31
Asset Management Company Limited	Hire Purchase Financing		100%	October 31
DB&G Corporate Services Limited	Administrative and Management services		100%	October 31
Billy Craig Investments Limited	Non-trading		100%	October 31

* The statements included in the consolidation are audited financial statements as at and for the year ended October 31, 2010.

(expressed in thousands of Jamaican dollars unless otherwise stated)

1. Identification, Regulation and Licence (continued)

Subsidiaries	Principal Activities	Holding by Company	Holding by Subsidiary	Financial Year End
Interlink Investments Limited	Non-trading		100%	October 31
Scotia DBG Fund Managers Inc	Funds Management		100%	October 31

Effective June 1, 2010, the Bank acquired 100% interest in Scotia DBG Merchant Bank Limited, previously a wholly-owned subsidiary of Scotia DBG Investments Limited.

2. Summary of significant accounting policies

The principal accounting policies used in the preparation of these financial statements are set out below. They have been consistently applied for all the periods presented, unless otherwise stated.

(a) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, and the Jamaican Companies Act.

New and revised standards and interpretations that became effective during the year:

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

IAS 1 (Revised), *Presentation of Financial Statements,* became effective for annual reporting periods beginning on or after January 1, 2009. The revised standard prohibits the presentation of income and expenses (that is, non-owner changes in equity) in the statement of changes in equity, and requires non-owner changes in equity to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presents all owner changes in equity in the statement of changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New and revised standards and interpretations that became effective during the year (continued):

IAS 27 (Revised), *Consolidated and Separate Financial Statements*, became effective for annual reporting periods beginning on or after July 1, 2009. The revised standard 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. The standard also specifies the accounting when control is lost; in such a case any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. This standard did not have any material impact on the financial statements.

Amendments to IAS 32, *Financial Instruments: Presentation,* and IAS 1, *Presentation of Financial Statements,* became effective for annual reporting periods beginning on or after January 1, 2009. The amendments 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 Group did not reclassify any financial liabilities to equity during the current financial year.

Revised IFRS 3, *Business Combinations,* and amended IAS 27, *Consolidated and Separate Financial Statements*, became effective for annual reporting periods beginning on or after July 1, 2009. 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*, which became effective for annual reporting periods beginning on or after January 1, 2009, require enhanced disclosures of:

(i) 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

(ii) liquidity risk, to address current diversity in practice.

The Group has presented these additional disclosures in these financial statements.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New and revised standards and interpretations that became effective during the year (continued):

IFRS 8*, Operating Segments,* which became effective for annual reporting periods beginning on or after January 1, 2009, 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 Group has presented information on segments in accordance with this standard.

IAS 36 *(Amendment), Impairment of Assets*, which became effective for annual reporting periods beginning on or after January 1, 2009, 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 calculation should be made. The adoption of the amendment did not have any effect on the financial statements.

IAS 39 (Amendment)*, Financial Instruments: Recognition and Measurement,* became effective for annual reporting periods which began on or after July 1, 2009. The amendment 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.

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 amendment did not have any effect on the financial statements.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New and revised standards and interpretations that became effective during the year (continued):

IFRIC 17, *Distribution of Non-Cash Assets to Owners*, is effective for annual reporting periods beginning on or after July 1, 2009. It 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 recognized in profit or loss. This interpretation did not have any impact on the financial statements.

New and revised standards and interpretations that are not yet effective:

At the date of authorisation of these financial statements, certain new standards, and amendments to and interpretations of existing standards, have been issued which are not yet effective at financial year end and which the Group has not early-adopted. The Group has assessed the relevance of all such new standards, amendments and interpretations with respect to the Group's operations and has determined that the following is relevant to its operations:

IFRS 9*, Financial Instruments,* is effective for annual reporting 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 Group is assessing the impact that the standard will have on the 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 profit or loss.

2. **Summary of significant accounting policies (continued)**

(a) Basis of preparation (continued)

(iii) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS and the Jamaican Companies Act requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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 Group's functional currency. Except where indicated to be otherwise, financial information presented is shown in thousands of Jamaican dollars.

(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.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one 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 Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are no longer consolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains 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 are consistent with those of the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of revenue and expenses.

2. **Summary of significant accounting policies (continued)**

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to, and assesses the performance of the operating segments of, an entity. The Group has determined the Board of Directors as its chief operating decision maker. All transactions between business segments are conducted on an arm´s length basis, with inter-segment revenue and costs being eliminated. Income and expenses directly associated with each segment are included in determining business segment performance.

(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 weighted average buying and selling rates of Bank of Jamaica (the Central Bank) at that date.

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

(e) Revenue recognition

(i) Interest income

Interest income is recognised in the statement of revenue and expenses for all interest earning 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 liability (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 and is not revised subsequently. Interest income includes coupons earned on fixed income investments and accretion of discount on treasury bills and other discounted instruments, and amortization of premium on instruments bought at a premium.

Where collection of interest income is considered doubtful, or payment is outstanding for more than 90 days, the banking regulations stipulate that interest should be taken into account on the cash basis. 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, the difference between the amounts recognized under the banking regulations and such amounts as would have been determined under IFRS are considered to be immaterial.

(ii) Fee and commission

Fee and commission income are recognised on the accrual basis when service has been provided. Origination fees, for loans which are probable of being drawn down, are recognised in the statement of revenue and expenses immediately, as they are not considered material for deferral.

2. Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

(ii) Fee and commission (continued)

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.

Fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(iii) Dividend income

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

(f) 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.

(g) Claims

Death claims are recorded in the statement of revenue and expenses net of reinsurance recoveries.

(h) Reinsurance contracts held

The Group enters into contracts with reinsurers under which it is compensated for losses on contracts it issues and which meet the classification requirements for insurance contracts. Reinsurance does not relieve the originating insurer of its liability, and is recorded when received.

(i) 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 profit or loss except where they relate to a business combination, or items recognized directly in stockholders' equity or in other comprehensive income.

2. Summary of significant accounting policies (continued)

(i) Taxation (continued)

(i) Current taxation

Current tax charges are based on the taxable profit for the period, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other periods, and items that are never taxable or deductible. The current tax is calculated at tax rates that have been enacted at the financial year end.

(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 based on enacted rates.

Current and deferred tax assets and liabilities are offset when the legal right of set-off exists, 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.

(j) Insurance contracts

(i) Classification

The Group issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Group defines insurance risk as significant if an insured event could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transactions. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits, at the occurrence of an insured event, that are at least 10% more than the benefits payable if the insured event did not occur.

2. Summary of significant accounting policies (continued)

(j) Insurance contracts (continued)

(ii) Recognition and measurement

These contracts insure human life events (for example death or permanent disability) over a long duration. The accounting treatment differs according to whether the contract bears investment options or not. Under contracts that do not bear investment options, premiums are recognised as income when they become payable by the contract holder and benefits are recorded as an expense when they are incurred.

Under contracts that bear an investment option, the investment portion of insurance premiums received are initially recognised directly as liabilities. These liabilities are increased by interest credited and are decreased by policy administration fees, mortality charges and any withdrawals or surrenders; the resulting liability is the Life Assurance Fund. Income consists of fees deducted for mortality, policy administration, withdrawals and surrenders. Interest credited to the policy and benefit claims in excess of the cash surrender value incurred in the period are recorded as expenses in the statement of revenue and expenses.

Insurance contract liabilities are determined by an independent actuary using the Policy Premium Method of valuation as discussed in Note 3(iv). These liabilities are adjusted through the statement of revenue and expenses to reflect any changes on the valuation.

(k) Policyholders' liabilities

The policyholders' liabilities have been calculated using the Policy Premium Method (PPM) of valuation. Under this method explicit allowance is made for all future benefits and expenses under the policies. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves.

The process of calculating policy reserves necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provisions for adverse deviations from the estimates.

An actuarial valuation is prepared annually. Any adjustment to the reserves is reflected in the period to which it relates.

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities

Financial assets comprise cash resources, investment securities, securities purchased under resale agreements, pledged assets, loans and leases, and certain other assets. Financial liabilities comprise deposits, securities sold under repurchase agreements, promissory notes, capital management and government securities funds, assets held in trust for participants, redeemable preference shares, certain other liabilities and policyholders' liabilities.

(i) Recognition

The Group initially recognises loans and receivables and deposits on the date at which the Group becomes a party to the contractual provisions of the instrument i.e., the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated as at fair value through profit or loss) are initially recognized on the settlement date – the date on which the asset is delivered to or by the Group.

(ii) Derecognition

The 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 the transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or have expired.

The Group enters into transactions whereby it transfers assets, but retains either all or a portion of the risks and rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

(iii) Measurement

Initial measurement: On initial recognition, financial assets and liabilities are measured at fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

(iii) Measurement (continued)

Subsequent measurement of financial assets: The measurement of financial assets subsequent to initial recognition depends upon their classification as set out in note 2(m) below, namely: loans and receivables are measured at amortised cost; held-to-maturity investments are measured at amortised cost; investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably determined are measured at amortised cost.

Other financial assets are measured at their fair values without any deduction for transaction costs that may be incurred on sale or other disposal.

Subsequent measurement of financial liabilities: After initial recognition, financial liabilities are measured at amortised cost.

(m) Financial assets

(i) Classification

The 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.

(1) Financial assets at fair value through profit or loss

This category includes financial assets held for trading. A financial asset is classified in this category at inception if acquired principally for the purpose of selling in the short term or if so designated by management. These assets are measured at fair value and all related gains and losses are included in the statement of revenue and expenses.

(2) Loans and receivables

See details at note 2(p).

(3) 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 measured at amortised cost.

2. Summary of significant accounting policies (continued)

(m) Financial assets (continued)

(i) Classification (continued)

(4) Available-for-sale

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified in any of the other three categories of financial assets. They are 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 market prices. Available-for-sale investments are measured at fair value except for any unquoted equity securities whose fair value cannot be reliably measured, which are carried at cost. Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss when the Group becomes entitled to the dividend. Other unrealized gains and losses arising from changes in fair value of available-for-sale investments are recognized in other comprehensive income. On disposal or impairment of these investments, the unrealized gains or losses included in stockholders' equity are transferred to profit or loss.

(ii) Identification and measurement of impairment

At each balance sheet date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

2. Summary of significant accounting policies (continued)

(m) Financial assets (continued)

(ii) Identification and measurement of impairment (continued)

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, management makes judgements as to current economic and credit conditions and their effect on default rates, loss rates and the expected timing of future recoveries, ensuring that assumptions remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised directly in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security 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. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in other comprehensive income.

2. Summary of significant accounting policies (continued)

(n) Investment in subsidiaries

Investments by the Group in subsidiaries are stated at cost less impairment losses.

(o) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase the asset at a fixed price on a future date (repurchase agreements) and securities purchased under agreements to resell the asset at a fixed price on a future date (reverse repurchase agreements) are treated as collateralised financing transactions. In the case of reverse repurchase agreements, the underlying asset is not recognized in the Group's financial statements; in the case, of repurchase agreements the underlying collateral is not derecognized from the Group's balance sheet but is segregated as pledged assets. 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 yield method.

(p) Loans and receivables and allowance for impairment losses

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell immediately or in the near term, and that, upon initial recognition, the Group designates as at fair value through profit or loss, or as available-for-sale.

Loans are initially recorded at the 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.

Loans are stated net of unearned income and allowance for impairment.

An allowance for loan impairment is established if there is objective evidence that the 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 will be classified as impaired, if not already classified as such. Any credit card loan that has a payment that is contractually 90 days in arrears is written-off.

2. Summary of significant accounting policies (continued)

(p) Loans and receivables and allowance for impairment losses (continued)

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. This differs from IFRS which requires that interest on the impaired asset continues to be recognised through the unwinding of the discount that was applied to the estimated future cash flows. However, the difference is not considered material.

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

(q) Acceptances and guarantees

The Group's potential liability under acceptances and guarantees is reported as a liability in the balance sheet. The Group has equal and offsetting claims against its customers in the event of a call on these commitments, which are reported as an asset.

(r) Intangible assets

(i) Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on the straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(ii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

2. Summary of significant accounting policies (continued)

(r) Intangible assets (continued)

(iii) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(iv) Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

2. Summary of significant accounting policies (continued)

(r) Intangible assets (continued)

(iv) Goodwill (continued)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

(v) Customer relationships

This asset represents the present value of the benefit to the Group from customer lists, contracts, or customer relationships that can be identified separately and measured reliably. Customer relationships include those of SDBG Investments Limited, SDBG Merchant Bank and Stockbroking customer relationships with an estimated useful life of 15 years.

(vi) Contract-based intangible asset

Contract-based intangible assets represent the Group's right to benefit from SDBG's Unit Trust Management contracts and EasyOwn consumer financing contracts. This asset has an indefinite useful life and is therefore tested for impairment annually and whenever there is an indication that the asset may be impaired.

(vii) Licences

The asset represents the value of SDBG's Jamaica Stock Exchange seat, which has an indefinite useful life. The asset is tested for impairment annually, and whenever there is an indication that the asset may be impaired.

2. Summary of significant accounting policies (continued)

(r) Intangible assets (continued)

(viii) Tax Shield

The asset represents the present value of tax saving on tax-free bonds held by SDBG Investments Limited and SDBG Merchant Bank, recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefit. The carrying amount of the tax asset is reviewed at each balance sheet date and reduced to the extent that the benefit is already realised, or it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The assets are measured at the tax rate that is expected to apply in the period in which the asset is realised, based on tax rates (and tax laws) that have been enacted by the balance sheet date.

(ix) Computer software

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with acquiring identifiable and unique software products which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. However, such costs are expensed where they are considered to be immaterial.

(s) Leases

(i) As lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised at the inception of the lease at the lower of the fair value of the leased asset and the present value of future minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged as an expense and included in the statement of revenue and expenses over the lease period.

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 out 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 in a manner which reflects a constant periodic rate of return on the net investment in the lease.

2. Summary of significant accounting policies (continued)

(s) Leases (continued)

(ii) As lessor (continued)

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on the straight-line basis over the lease term.

(t) Property, plant and equipment

Land is stated at historical cost. All other property, plant and equipment are stated at historical cost less accumulated depreciation and, if any, impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Expenditure subsequent to acquisition is included in the asset's carrying amount or is recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the expenditure 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 expense 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 dates.

Property, plant and equipment are reviewed periodically 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 or loss for the year.

(u) Employee benefits

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions and vacation leave; non-monetary benefits such as medical care; post-employments benefits such as pensions; and other long-term employee benefits such as termination benefits.

2. Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits, termination benefits and equity compensation benefits are accounted for as described below. Other long-term benefits are not considered material and are charged off when incurred.

(i) Pension obligations

The Group operates both a defined benefit and a defined contribution pension plan. The assets of both plans are held in separate trustee-administered funds. The pension plans are funded by contributions from employees and by the relevant group companies, after, in the case of the defined benefit plan, taking into account the recommendations of qualified actuaries.

The asset or liability in respect of defined benefit plan is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service cost. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The pension costs are assessed using the Projected Unit Credit Method. Under this method, the cost of providing pensions is charged as an expense in such a manner as to spread the regular cost over the service lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plan every year in accordance with IAS 19. The pension obligation is measured at the present value of the estimated future cash outflows using estimated discount rates based on market yields on Government securities which have terms to maturity approximating the terms of the related liability.

A portion of actuarial gains and losses is recognised in the statement of revenue and expenses if the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceeded 10 percent of the greater of the present value of the gross defined benefit obligation and the fair value of plan assets at that date. Any excess actuarial gains or losses are deferred and recognised in the statement of revenue and expenses over the average remaining service lives of the participating employees.

Contributions to the defined-contribution plan are charged in the statement of revenue and expenses in the period to which it relates.

2. **Summary of significant accounting policies (continued)**

(u) Employee benefits (continued)

(ii) Termination obligations

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the financial year end are discounted to present value.

(iii) Other post-retirement obligations

The Group also provides supplementary health, dental and life insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the completion of a minimum service period and the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by qualified independent actuaries.

(iv) Equity compensation benefits

The Group has two Employee Share Ownership Plans (ESOPs) for eligible employees. In the case of the first, the Group provides a fixed benefit to each participant, which is linked to the number of years of service. This benefit is recorded in salaries and staff benefits expense in the statement of revenue and expenses.

The amount contributed to the ESOP trust (note 57) by the Group for acquiring shares and allocating them to employees is recognised as an employee expense at the time of making the contribution, as the effect of recognising it over the two-year period in which the employees become unconditionally entitled to the shares, is not considered material. Further, the effect of forfeitures is not considered material.

The special purpose entity that operates the Plan has not been consolidated as the effect of doing so is not considered material.

In the case of the second, the Group provides a fixed benefit to eligible employees, after one full year of service. This benefit is recorded in salaries and staff benefits expense in the statement of revenue and expenses.

The amount contributed to the ESOP trust (note 57) 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.

2. **Summary of significant accounting policies (continued)**

(v) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the statement of revenue and expenses immediately, as they are not considered material for deferral.

(w) Share capital

(i) Classification

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

Preference share capital is classified as equity except where it is redeemable on a specific or determinable date or at the option of the shareholders and/or if dividend payments are not discretionary, in which case it is classified as a liability. Dividend payments on preference shares classified as a liability are recognized in the statement of revenue and expenses as interest expense.

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividends

Dividends on ordinary shares are recognized in stockholder's equity in the period in which they are approved by the Board of Directors, thereby becoming irrevocably payable.

(x) Fiduciary activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets, and income arising thereon, are excluded from these financial statements, as they are not assets or income of the Group.

(y) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bank of Jamaica, amounts due from other banks, and highly liquid financial assets with original maturities of less than ninety days, which are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in their fair value.

2. Summary of significant accounting policies (continued)

(z) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of goodwill is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Critical accounting estimates, and judgements made in applying accounting policies

The Group makes estimates, assumptions and judgements that affect the reported amounts of, and disclosures relating to, assets, liabilities, income and expenses reported in these financial statements. Amounts and disclosures based on these estimates assumptions and judgements may be different from actual outcomes, and these differences may be reported in the financial statements of the next financial year. Estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are continually evaluated.

3. Critical accounting estimates, and judgements made in applying accounting policies (continued)

(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, 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 impairment charge would be an estimated $123,607 (2009: $138,367) lower or $123,422 (2009: $138,367) higher.

(ii) Held-to-maturity investments

The Group follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in the specific permissible circumstances - for example, selling other than an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value, not amortised cost. If the entire class of held-to-maturity investments is compromised, the fair value would increase by $759,552 (2009: increase of $1,931,476) with a corresponding entry in the fair value reserve in stockholders' equity.

(iii) Income taxes

Estimates and judgements are required in determining the provision for income taxes. The tax liability or asset arising from certain transactions or events may be uncertain during the ordinary course of business. In cases of such uncertainty, the Group recognises liabilities for possible additional taxes based on its judgement. Where, on the basis of a subsequent determination, the final tax outcome in relation to such matters is different from the amount that was initially recognised, the difference will impact the current and deferred income tax provisions in the period in which such determination is made.

3. Critical accounting estimates, and judgements made in applying accounting policies (continued)

(iii) Income taxes (continued)

Were the actual final outcome (on the judgement areas) to differ by 10% from management's estimates, the Group would need to:

- increase the income tax liability by $80,762 and the deferred tax liability by $40,970, if unfavourable; or
- decrease the income tax liability by $80,762 and the deferred tax liability by $40,970, if favourable.

(iv) Estimate of future payments and premiums arising from long-term insurance contracts

The liabilities under long-term insurance contracts have been determined using the Policy Premium Method of valuation, which is outlined in note 2 (k).

The process of calculating policy liabilities necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provisions for adverse deviations from the estimates. Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

These estimates are more fully described in note 41(c).

3. Critical accounting estimates, and judgements made in applying accounting policies (continued)

(v) Pension and other post-employment benefits

The cost of these benefits and the present value of the pension and the other post-employment liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (income) for pension and other post-employment benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-employment benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investments returns. The Group determines the appropriate discount rate at the end of each year; such rate represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-retirement benefit obligations. In determining the appropriate discount rate, the Group considers interest rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. The expected rate of increase of medical costs has been determined by comparing the historical relationship of the actual medical cost increases with the rate of inflation in the respective economies. Past experience has shown that the actual medical costs have increased on average by the rate of inflation. Other key assumptions for the pension and other post-employment benefit cost and credit are based, in part, on current market conditions.

Were the actual expected return on pension plan assets to differ by 1% from management's estimates, there would be no material impact on the consolidated profit for the year. Similarly, were the actual discount rate used at the beginning of the fiscal year, to differ by 1% from management's estimates there would be no material impact on the consolidated profit for the year. Were the assumed medical inflation rate on the health plan to differ by 1% from management estimates, the health expense would increase by $115,413 or decrease by $85,485.

(vi) Recognition and measurement of intangible assets

The recognition and measurement of intangible assets, other than goodwill, in a business combination, involve the utilization of valuation techniques. These intangibles may be market related, consumer related, contract based or technology based.

For significant amounts of intangibles arising from a business combination, the Group utilizes independent professional advisors to assist management in determining the recognition and measurement of these assets.

4. Responsibilities of the appointed actuary and external auditors

The Board of Directors, pursuant to the Insurance Act, appoints the Actuary whose responsibility is to carry out an annual valuation of the Group's insurance policyholders liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and stockholders. In performing the valuation, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Group and the insurance policies in force. An actuarial valuation is prepared annually.

The shareholders, pursuant to the Companies Act, appoint the external auditors. Their responsibility is to conduct an independent audit of the financial statements in accordance with International Standards on Auditing and report thereon to the stockholders. In carrying out their audit, the auditors also make use of the work of the appointed Actuary and his report on the policyholders' liabilities.

5. Segmental financial information

The Group is organised into six main business segments:

(a) Retail Banking - incorporating personal banking services, personal customer current, savings and deposits accounts, credit and debit cards, consumer loans and mortgages;

(b) Corporate and Commercial Banking - incorporating non-personal direct debit facilities, current accounts, deposits, overdrafts, loans and other credit facilities, and foreign currency transactions;

(c) Treasury - incorporating the Group's liquidity and investment management function, management of correspondent bank relationships, as well as foreign currency trading;

(d) Investment Management Services — incorporating investments, unit trusts, pension and other fund management, brokerage and advisory services, and the administration of trust accounts;

(e) Insurance Services - incorporating the provision of life and medical insurance, individual pension administration and investment management;

(f) Other operations of the Group – comprising the parent company and non-trading subsidiaries.

Transactions between the business segments are on normal commercial terms and conditions.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of items on the statement of financial position, but exclude items such as taxation, retirement benefit assets and obligations and borrowings.

The Group's operations are located mainly in Jamaica.

(expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental financial information (continued)

	2010							
	Banking							
	Retail	Corporate and Commercial	Treasury	Investment Management Services	Insurance Services	Other	Eliminations	Group
Net external revenues	9,981,445	5,431,457	6,017,254	3,598,434	5,393,495	72,496	-	30,494,581
Revenue/(expenses) from other segments	1,523,368	1,423,558	(2,919,589)	(23,401)	(552)	4,621,969	(4,625,353)	-
Total revenues	11,504,813	6,855,015	3,097,665	3,575,033	5,392,943	4,694,465	(4,625,353)	30,494,581
Total expenses	(9,159,185)	(4,457,440)	(63,512)	(1,239,375)	(925,032)	(48,714)	(184,229)	(16,077,487)
Profit before tax	2,345,628	2,397,575	3,034,153	2,335,658	4,467,911	4,645,751	(4,809,582)	14,417,094
Income tax expenses								(3,715,327)
Profit for the year								10,701,767
Segment assets	55,672,128	55,357,656	84,727,717	74,408,078	54,188,604	11,007,872	(17,751,735)	317,610,320
Unallocated assets								8,213,633
Total assets								**325,823,953**
Segment liabilities	89,141,492	79,240,653	480,513	63,354,321	37,268,649	437,512	(7,316,917)	262,606,223
Unallocated liabilities								7,624,917
Total liabilities								**270,231,140**
Other segment items:								
Capital expenditure	290,841	247,428	-	4,341	16,077	-	-	558,687
Impairment losses on loans	1,483,014	75,576	-	37,791	-	1,784	-	1,598,165
Depreciation and amortization	253,807	124,825	-	264,402	7,385	11,509	-	661,928

(expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental financial information (continued)

	2009							
	Banking							
	Retail	Corporate and Commercial	Treasury	Investment Management Services	Insurance Services	Other	Eliminations	Group
Net external revenues	8,743,899	5,493,846	8,087,209	3,736,831	5,058,141	19,686	-	31,139,612
Revenue/(expenses) from other segments	1,982,402	2,137,004	(4,049,187)	(21,602)	(66,268)	4,266,224	(4,248,573)	-
Total revenues	10,726,301	7,630,850	4,038,022	3,715,229	4,991,873	4,285,910	(4,248,573)	31,139,612
Total expenses	(8,994,098)	(4,397,003)	(58,485)	(1,363,122)	(790,094)	(5,860)	(151,291)	(15,759,953)
Profit before tax	1,732,203	3,233,847	3,979,537	2,352,107	4,201,779	4,280,050	(4,399,864)	15,379,659
Income tax expenses								(3,774,200)
Profit for the year								11,605,459
Segment assets	50,243,466	58,063,916	85,974,223	74,704,679	48,217,499	10,097,019	(18,556,596)	308,744,206
Unallocated assets								6,811,666
Total assets								315,555,872
Segment liabilities	88,858,350	78,925,479	467,356	65,958,497	35,806,374	422,110	(9,019,581)	261,418,585
Unallocated liabilities								**6,193,423**
Total liabilities								**267,612,008**
Other segment items:								
Capital expenditure	479,884	408,023	-	10,816	7,912	-	-	906,635
Impairment losses on loans	1,703,511	102,009	-	67,349	-	-	-	1,872,869
Depreciation and amortisation	195,188	145,115	-	186,193	6,111	18,570	-	551,177

(expressed in thousands of Jamaican dollars unless otherwise stated)

6. Net interest income

	The Group	
	2010	2009
Interest income:		
Deposits with banks and other financial institutions	3,559,560	7,003,845
Investment securities	15,367,543	17,981,195
Income on financial assets at fair value through profit or loss	31,376	22,472
Reverse repurchase agreements	79,077	180,314
Loans and advances	16,103,915	16,866,277
Other	3,143	15,576
	35,144,614	42,069,679
Interest expense:		
Banks and customers	5,188,945	7,174,735
Repurchase agreements	3,510,172	5,528,539
Interest credited to policyholders	3,251,480	4,035,143
Other	25,306	34,751
	11,975,903	16,773,168
Net interest income	23,168,711	25,296,511

7. Net fee and commission income

	The Group	
	2010	2009
Fee and commission income:		
Retail banking fees	3,317,278	2,684,883
Credit related fees	827,192	815,827
Commercial and depository fees	859,819	1,194,183
Trust and other fiduciary fees	306,528	202,923
Asset management and related fees	90,649	76,445
	5,401,466	4,974,261
Fee and commission expenses	(1,398,481)	(1,283,962)
	4,002,985	3,690,299

8. Net foreign exchange trading income

Net foreign exchange trading income is comprised primarily of gains and losses arising from foreign currency trading activities.

9. Insurance revenue

	The Group	
	2010	2009
Gross premiums		
Individual life	490,142	380,860
Group	516,487	386,079
	1,006,629	766,939
Reinsurance ceded	(833)	(1,319)
	1,005,796	765,620
Changes in actuarial reserves	859,189	(13,543)
	1,864,985	752,077

10. Other revenue

	The Group	
	2010	2009
Gain on securities disposed of in Jamaica Debt Exchange	77,039	-
Gain on shares and sale of property, plant and equipment	93,483	52,109
Securities trading	115,609	147,001
Other	22,322	25,858
	308,453	224,968

11. Salaries, pension contributions and other staff benefits

	The Group	
	2010	2009
Wages and salaries	6,047,381	6,025,633
Payroll taxes	532,933	517,845
Pension costs, net defined benefit plan [note 32(a)]	(762,294)	(387,218)
Other post employment benefits [note 32(b)]	408,835	237,898
Other staff benefits	1,467,154	1,209,031
Total (note 13)	7,694,009	7,603,189

12. Other impairment loss

The Group has recognised an impairment loss, other than that on loans, as follows:

	The Group	
	2010	2009
Securities pledged with Lehman Brothers (Europe) under repurchase agreement	-	69,712

(expressed in thousands of Jamaican dollars unless otherwise stated)

12. Other impairment loss (continued)

The Group 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 been initiated with respect to members of the Lehman Brothers Group. As a consequence, a full impairment loss was taken into account in the 2009 financial statements for the excess of EURO 561,183.

13. Expenses by nature

	The Group		The Company	
	2010	2009	2010	2009
Salaries, pension contributions and other staff benefits (note 11)	7,694,009	7,603,189	-	-
Property expenses, including depreciation	1,880,579	1,673,200	-	-
System related expenses	1,030,008	1,069,463		
Insurance claims and benefits	177,085	185,088		
Transportation and communication	831,103	775,527	-	-
Marketing and advertising	503,696	621,734	-	-
Management and consultancy fees	559,468	413,960	-	-
Deposit insurance	231,001	219,046	-	-
Stationery	288,460	324,212	-	-
Other operating expenses	1,035,883	762,111	19,212	17,876
Impairment loss (note 12)	-	69,712	-	-
Amortisation of intangibles	248,030	169,842	-	-
	14,479,322	13,887,084	19,212	17,876

14. Profit before taxation

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

	The Group		The Company	
	2010	2009	2010	2009
Auditors' remuneration:				
- Current year	42,050	40,150	3,412	3,250
- Prior years	-	17,761	-	3,361
Depreciation	413,898	381,335	-	-
Directors' emoluments:				
Fees	30,312	41,361	1,349	1,550
Other	76,396	43,193	-	-
Gain on sale of shares and property, plant and equipment	(93,483)	(52,109)	-	-
Operating lease rentals	380,379	274,873	-	-

15. Taxation

(a) Taxation charge

Income tax is computed on the profit for the year as adjusted for tax purposes; other taxes are computed at rates and on items shown below:

	The Group	
	2010	2009
Current income tax:		
Income tax at 33⅓%	2,691,532	2,681,103
Income tax at 30%	197,563	194,427
Premium income tax at 3%	96,444	81,383
Investment income tax at 15%	664,339	447,420
Deferred income tax (note 40)	65,449	369,867
	3,715,327	3,774,200

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

	The Group	
	2010	2009
Profit before taxation	14,417,094	15,379,659
Tax calculated at 33⅓%	4,805,698	5,126,553
Adjusted for the tax effects of:		
Different tax regimes applicable to the life insurance and mortgage financing subsidiaries	(924,993)	(738,176)
Income not subject to tax – tax free investments	(569,967)	(518,499)
Expenses not deductible for tax purposes	149,980	1,121,915
Capital gains	(32,266)	(17,585)
Other charges and allowances	303,160	(1,156,557)
Tax losses utilized	-	(43,451)
Prior period overprovision	(16,285)	-
	3,715,327	3,774,200

(expressed in thousands of Jamaican dollars unless otherwise stated)

15. Taxation (continued)

(c) Taxation expense for life insurance business

Tax on the life insurance business is charged on investment income, less expenses allowable in earning that income, at the rate of 15%, and on premium income less reinsurance premiums, at 3%.

16. Earnings per stock unit

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

	2010	2009
Profit attributable to stockholders of the Company	10,405,649	11,152,199
Weighted average number of ordinary stock units in issue ('000)	3,111,573	3,111,573
Basic earnings per stock unit (expressed in $ per share)	3.34	3.58

17. Cash and balances at Bank of Jamaica

	The Group	
	2010	2009
Statutory reserves with Bank of Jamaica – interest-bearing	4,222,979	5,408,868
Statutory reserves – non interest bearing	11,244,149	12,469,361
Total statutory reserves (note 18)	15,467,128	17,878,229
Cash in hand and other balances at Bank of Jamaica (note 18)	27,062,054	30,383,534
	42,529,182	48,261,763

Statutory reserves with the Bank of Jamaica under Section 14(i) of the Banking Act, Section 14 of the Financial Institutions Act, and the Building Societies Regulations represent the required primary reserve ratio of 12% for Jamaican dollar reserves (2009: 14%) and 9% for foreign currency reserves (2009: 11%) of the Bank's and Scotia DBG Merchant Bank's and 1% (2009: 1%) of the Society's prescribed liabilities, respectively. These balances are not available for investment, lending or other use by the Group.

18. Cash and cash equivalents

	The Group		The Company	
	2010	2009	2010	2009
Cash and balances with Bank of Jamaica	42,529,182	48,261,763	-	-
Less: statutory reserves (note 17)	(15,467,128)	(17,878,229)	-	-
Amounts other than statutory reserve (note 17)	27,062,054	30,383,534	-	-
Less: balances at Bank of Jamaica with tenures greater than 90 days	-	(20,739,114)	-	-
	27,062,054	9,644,420	-	-
Accounts with subsidiary	-	-	221,145	219,977
Government and bank notes other than Jamaican	455,492	330,405	-	-
Amounts due from other banks	6,309,813	7,569,766	-	-
Accounts with parent and fellow subsidiaries	202,660	224,151	-	-
Government of Jamaica treasury bills and bonds	3,516,189	2,294,781	-	-
Cheques and other instruments in transit	(2,611,469)	(2,341,050)	-	-
	34,934,739	17,722,473	221,145	219,977
Less accrued interest receivable on Bank of Jamaica Certificates of Deposit	(139,875)	(1,969,643)	-	-
	34,794,864	15,752,830	221,145	219,977

19. Amounts due from other banks

	The Group	
	2010	2009
Items in course of collection from other banks	211,789	437,736
Placements with other banks	8,818,068	7,964,424
	9,029,857	8,402,160

20. Accounts with parent and fellow subsidiaries

These represent accounts held with the parent company, fellow subsidiaries and, in the case of the company, a subsidiary, in the normal course of business.

(expressed in thousands of Jamaican dollars unless otherwise stated)

21. Financial assets at fair value through profit or loss

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

22. Government securities purchased under resale agreements

The Group enters into reverse repurchase agreements collateralised by Government of Jamaica securities.

Included in Government securities purchased under resale agreements are the following amounts which are regarded as cash equivalents for the purposes of the statement of cash flows:

	The Group	
	2010	2009
Reverse repurchase agreements with an original maturity of less than 90 days	200,000	555,000
Accrued interest	116	871
	200,116	555,871

The fair value of collateral held pursuant to reverse repurchase agreements is $205,248 (2009: $556,733) for the Group.

23. Pledged assets

Assets are pledged as collateral under repurchase agreements with counterparties. These transactions are conducted under terms that are usual and customary for standard repurchase agreements.

	The Group			
	Asset		Related Liability	
	2010	2009	2010	2009
Securities with Bank of Jamaica	-	939,238	-	-
Securities sold under repurchase agreements	49,093,428	51,960,375	45,025,585	46,120,207
Capital Management and Government Securities funds	14,357,472	13,212,326	15,156,808	15,899,029
Securities with other financial institutions and clearing houses	578,561	701,541	-	-
	64,029,461	66,813,480	60,182,393	62,019,236

23. Pledged assets (continued)

During 2010, the Central Bank implemented the Central Securities Depository and the Real Time Gross Settlement system, as a result the Group is no longer required to pledge assets to the Central Bank to cover possible shortfalls in the operating account.

24. Loans and leases, after allowance for impairment losses

	The Group	
	2010	2009
Business and Government	49,642,819	48,057,269
Personal and credit cards	39,212,071	37,398,527
Residential mortgages	7,581,435	6,763,978
Interest receivable	972,831	912,971
Total	97,409,156	93,132,745
Less: allowance for impairment losses (note 25)	(1,594,659)	(1,086,441)
	95,814,497	92,046,304

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

	2010	2009
Neither past due nor impaired	80,948,168	78,885,142
Past due but not impaired		
Past due 0-30 days	5,205,871	5,952,784
Past due 31-60 days	3,296,010	2,537,125
Past due 61-90 days	2,771,022	1,262,991
	11,272,903	9,752,900
Past due and impaired		
Past due more than 90 days	4,215,254	3,584,198
Interest receivable	972,831	907,129
Gross loan portfolio	97,409,156	93,129,369
Less: Allowance for impairment losses	(1,594,659)	(1,083,065)
	95,814,497	92,046,304

(expressed in thousands of Jamaican dollars unless otherwise stated)

24. Loans and leases, after allowance for impairment losses (continued)

(ii) The aging of the leases at the reporting date was:

	2010	2009
Neither past due nor impaired	-	90,122
Past due but not impaired		
Past due 0-30 days	-	11,047
Past due 31-60 days	-	2,518
Past due 61-90 days	-	725
	-	14,290
Past due and impaired		
Past due more than 90 days (NAL)	-	2,832
Interest receivable	-	7,589
Gross loan portfolio	-	114,833
Less: Allowance for impairment losses	-	(3,376)
	-	111,457

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of loans less than 90 days past due.

There are no financial assets other than those listed above that were individually impaired.

(iii) Renegotiated loans and leases

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 demonstrated ability to maintain the scheduled payments over a prolonged period.

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 continual review.

The Group's renegotiated loans that would otherwise be past due or impaired totalled $4,437,548 (2009: $59,199).

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

(iv) Repossessed 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. Re-possessed collateral is not recognised on the Group's statement of financial position.

25. Impairment losses on loans and leases

	The Group	
	2010	2009
Total impaired loans	4,215,254	3,587,030
Allowance at beginning of year	1,086,441	884,314
Provided during the year	2,363,787	2,319,525
Bad debts written off	(1,837,023)	(2,151,893)
Translation difference on foreign currency provision	(15,843)	34,495
Elimination on reclassification of securities held for sale	(2,703)	-
Allowance at end of year	1,594,659	1,086,441
Provided during the year	2,363,787	2,319,525
Recoveries of bad debts	(765,622)	(446,656)
Impairment losses reported in statement of revenue and expenses	1,598,165	1,872,869

Allowance for impairment losses

A loan is classified as impaired if its book value exceeds the present value of the cash flows expected in future periods from interest payments, principal repayments, and proceeds of liquidation of collateral. Provisions for credit losses are made on all impaired loans. Uncollected interest not accrued in these financial statements on impaired loans was estimated at $213,150 as at October 31, 2010 (2009: $313,301) for the Group.

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

	The Group	
	2010	2009
Allowance based on accounting standard - IAS 39 [see (a) below]	1,594,659	1,086,441
Additional allowance based on BOJ regulations [see (b) below]	2,093,499	1,715,750
	3,688,158	2,802,191

(expressed in thousands of Jamaican dollars unless otherwise stated)

25. Impairment losses on loans and leases (continued)

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

(b) This 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 provision required by BOJ over the IAS 39 requirements.

26. Lease receivables

	The Group 2010	2009
Gross investment in finance leases receivable in		
Not later than one year	50,830	94,116
Later than one year and not later than five years	17,062	49,448
	67,892	143,564
Less: unearned income	(20,250)	(32,107)
Net investment in finance leases	47,642	111,457
Reclassified to assets held for sale	(47,642)	-
	-	111,457
Net investment in finance leases may be classified as follows:		
Not later than one year	-	69,926
Later than one year and not later than five years	-	41,531
	-	111,457

The provision for uncollectible finance lease receivables amounted to $Nil as at October 31, 2010 (2009: $3,376).

27. Investment securities

	The Group 2010	2009
Available-for-sale (AFS)		
Unquoted shares	101,730	190,188
Government of Jamaica securities	68,906,308	25,482,154
Treasury bills	512,318	-
Interest receivable	1,790,987	996,623
	71,311,343	26,668,965
Held-to-Maturity (HTM)		
Government of Jamaica securities	14,174,945	45,805,759
Interest receivable	294,669	1,971,198
	14,469,614	47,776,957

27. Investment securities (continued)

Included in investment securities are Government of Jamaica Local Registered Stocks with a fair value of $90,000 (2009: $110,000) which have been deposited by one of the Group's subsidiaries, Scotia Jamaica Life Insurance Company Limited, with the insurance regulator, Financial Services Commission, pursuant to Section 8(1)(a) of the Insurance Regulations 2001.

The debt securities include fixed rate and variable rate instruments. The Group has not reclassified any HTM Securities (measured at amortised cost) to AFS securities (measured at fair value), during the year. However, as a result of the Jamaica Debt Exchange in February 2010, all domestic Government of Jamaica securities held were effectively "matured", and most of the new securities purchased were classified as AFS on the date of acquisition.

28. Sundry assets

	The Group 2010	2009
Accounts receivable and prepayments	844,457	266,056
Other	87,974	192,153
	932,431	458,209

29. Property, plant and equipment

	The Group				
	Freehold Land and Buildings	Leasehold Improvements	Furniture, Fixtures, Motor vehicles & Equipment	Capital Work- in-Progress	Total
Cost:					
October 31, 2008	1,896,167	200,023	3,583,623	367,489	6,047,302
Additions	28,071	5,537	104,722	768,305	906,635
Disposals	(451)	(1,202)	(31,368)	-	(33,021)
Transfers	391,628	21,839	319,126	(732,593)	-
October 31, 2009	2,315,415	226,197	3,976,103	403,201	6,920,916
Additions	167,704	2,559	84,475	303,949	558,687
Disposals	-	(5,890)	(70,204)	-	(76,094)
Transfers	77,872	13,808	322,352	(414,032)	-
Write offs	-	-	-	(601)	(601)
October 31, 2010	2,560,991	236,674	4,312,726	292,517	7,402,908
Accumulated depreciation:					
October 31, 2008	364,150	146,533	2,625,916	-	3,136,599
Charge for the year	43,107	30,009	308,219	-	381,335
Eliminated on disposals	(90)	(1,175)	(30,236)	-	(31,501)
October 31, 2009	407,167	175,367	2,903,899	-	3,486,433
Charge for the year	45,112	34,108	334,678	-	413,898
Eliminated on disposals	-	(5,890)	(65,828)	-	(71,718)
October 31, 2010	452,279	203,585	3,172,749	-	3,828,613
Net book values					
October 31, 2010	2,108,712	33,089	1,139,977	292,517	3,574,295
October 31, 2009	1,908,248	50,830	1,072,204	403,201	3,434,483
October 31, 2008	1,532,017	53,490	957,707	367,489	2,910,703

(expressed in thousands of Jamaican dollars unless otherwise stated)

30. Intangible assets

	Customer Relationships	Contract-Based Intangibles	License	Tax Benefits	Goodwill	Computer Software	Total
Cost:							
October 31, 2008	1,382,582	348,987	49,470	692,466	136,892	128,214	2,738,611
Additions during the year	-	-	-	-	-	1,032	1,032
October 31, 2009	1,382,582	348,987	49,470	692,466	136,892	129,246	2,739,643
Additions during the year	-	-	-	-	-	2,115	2,115
October 31, 2010	1,382,582	348,987	49,470	692,466	136,892	131,361	2,741,758
Amortisation:							
October 31, 2008	135,997	20,640	-	193,611	-	100,222	450,470
Amortisation for the year	92,172	-	-	63,284	-	12,526	167,982
Impairment charge	-	1,860	-	-	-	-	1,860
Movement for the year	92,172	1,860	-	63,284	-	12,526	169,842
October 31, 2009	228,169	22,500	-	256,895	-	112,748	620,312
Amortisation for the year	134,491	-	-	60,667	-	13,100	208,258
Impairment charge	-	4,161	-	-	35,611	-	39,772
Movement for the year	134,491	4,161	-	60,667	35,611	13,100	248,030
October 31, 2010	362,660	26,661	-	317,562	35,611	125,848	868,342
Net book values							
October 31, 2010	1,019,922	322,326	49,470	374,904	101,281	5,513	1,873,416
October 31, 2009	1,154,413	326,487	49,470	435,571	136,892	16,498	2,119,331
October 31, 2008	1,246,585	328,347	49,470	498,855	136,892	27,992	2,288,141

(expressed in thousands of Jamaican dollars unless otherwise stated)

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 followed the approval by the Board of Directors prior to the year end to sell the company.

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

	2010
Cash resources	3,391
Hire purchase contracts	47,642
Deferred tax asset	16
Other assets	5,027
	56,076

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

Other liabilities	6,109

32. Retirement benefit asset/obligation

Amounts recognised in the statement of financial position:

	The Group	
	2010	2009
Defined benefit pension plan	6,641,659	5,827,140
Other post retirement benefits	(1,502,123)	(1,132,488)
	5,139,536	4,694,652

(a) Defined benefit pension plan

The Group has established a defined benefit pension plan covering all permanent employees of The Bank of Nova Scotia Jamaica Limited and it's subsidiaries. The assets of the plan are held independently of the Group's assets in a separate trustee-administered fund. The fund established under the plan is valued by independent actuaries annually using the Projected Unit Credit Method. The latest actuarial valuation, the report on which was issued on November 3, 2010, was carried out as at October 31, 2010.

32. Retirement benefit asset/obligation (continued)

(a) Defined benefit pension plan (continued)

(i) The amounts recognised in the statement of financial position are determined as follows:

	The Group	
	2010	2009
Present value of funded obligations	(13,384,602)	(10,948,143)
Fair value of plan assets	30,457,536	26,446,396
Unrecognised actuarial gains	(5,290,370)	(4,388,599)
	11,782,564	11,109,654
Unrecognised amount of plan assets due to limitation on economic benefit	(5,140,905)	(5,282,514)
Asset in the statement of financial position	6,641,659	5,827,140

(ii) The movement in the present value of funded obligations for the year is as follows:

	The Group	
	2010	2009
At beginning of year	(10,948,143)	(9,087,313)
Interest and service costs	(2,510,844)	(1,738,688)
Actuarial loss on obligation	(516,830)	(706,720)
Benefits paid	591,215	584,578
At end of year	(13,384,602)	(10,948,143)

(iii) The movement in fair value of plan assets for the year is as follows:

	The Group	
	2010	2009
At beginning of year	26,446,396	22,726,007
Expected return on plan assets	2,637,883	2,712,372
Actuarial gains on plan assets	1,508,399	1,253,835
Contributions	456,073	338,760
Benefits paid	(591,215)	(584,578)
At end of year	30,457,536	26,446,396

(expressed in thousands of Jamaican dollars unless otherwise stated)

32. Retirement benefit asset/obligation (continued)

(a) Defined benefit pension plan (continued)

(iv) Composition of plan assets:

	The Group 2010	2009
Government stocks and bonds	24,917,929	20,992,497
Quoted equities	2,499,547	1,751,417
Reverse repurchase agreements	1,485,061	1,255,934
Real estate	994,265	982,822
Net current assets	560,734	1,463,726
	30,457,536	26,446,396
Plan assets include the following:		
Scotia Group Jamaica Limited's ordinary stock units	1,126,211	989,684

(v) The amounts recognised in the statement of revenue and expenses are as follows:

	The Group 2010	2009
Current service cost, net of employee contributions	99,025	225,782
Interest cost	2,007,973	1,211,843
Expected return on plan assets	(2,637,883)	(2,712,372)
Net actuarial gain recognised in year	(89,800)	(74,100)
Income (recognised)/not recognised due to limit	(141,609)	961,629
Included in staff costs (note 11)	(762,294)	(387,218)

The actual return on plan assets was $4,146,281 (2009: $3,966,207).

(vi) The principal actuarial assumptions used were as follows:

	The Group 2010	2009
Discount rate	11.5%	18.0%
Expected return on plan assets	10.0%	12.0%
Future salary increases	8.5%	14.5%
Future pension increases	5.5%	11.5%
Average expected remaining working lives (years)	19.4	22.2

32. Retirement benefit asset/obligation (continued)

(b) Other post retirement benefits

In addition to pension benefits, the Group offers post-employment medical and group life insurance benefits to retirees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for the defined benefit pension plan.

In addition to the assumptions used for the pension plan that are relevant to group health plan, the estimate assumes a long-term increase in health costs of 10% per year (2009: 13.5%).

(i) The liability recognised in the statement of financial position is as follows:

	The Group 2010	2009
Present value of unfunded obligations	(2,485,118)	(1,569,756)
Unrecognised actuarial losses	982,995	437,268
Liability in the statement of financial position	(1,502,123)	(1,132,488)

(ii) The movement in the present value of unfunded obligations for the year is as follows:

	The Group 2010	2009
At beginning of year	(1,569,756)	(1,209,160)
Interest and service costs	(398,392)	(232,043)
Actuarial gain on obligation	(556,170)	(164,539)
Benefits paid	39,200	35,986
At end of year	(2,485,118)	(1,569,756)

(iii) The amounts recognised in the statement of revenue and expenses are as follows:

	The Group 2010	2009
Current service cost	101,156	68,311
Interest cost	297,236	163,732
Net actuarial losses recognised in year	10,443	5,855
Included in staff costs (note 11)	408,835	237,898

(expressed in thousands of Jamaican dollars unless otherwise stated)

32. Retirement benefit asset/obligation (continued)

(c) Five year trend analysis

	Pension				
	2010	2009	2008	2007	2006
Fair value of plan assets	30,457,536	26,446,396	22,726,007	20,514,620	18,483,277
Present value of defined benefit obligation	(13,384,602)	(10,948,143)	(9,087,313)	(6,911,961)	(5,872,871)
Surplus in the plan	17,072,934	15,498,253	13,638,694	13,602,659	12,610,406
Experience adjustments to plan liabilities (gain)/loss	(762,749)	793,979	427,376	474,870	(397,996)
Experience adjustments to plan assets - gain	1,508,399	1,253,835	204,530	21,643	352,091

	Health and Group Life				
	2010	2009	2008	2007	2006
Present value of defined benefit obligation	1,610,792	1,569,756	1,209,160	1,141,333	1,195,379
Deficit in the plan	(1,610,792)	(1,569,756)	(1,209,160)	(1,141,333)	(1,195,379)
Experience adjustments to plan liabilities (gain)/loss	(118,837)	184,950	(8,502)	(140,505)	56,384

33. Deposits by the public

	The Group	
	2010	2009
Personal	85,245,361	85,284,801
Other	60,227,207	56,288,238
Interest payable	191,517	304,057
	145,664,085	141,877,096

Deposits include $35,844 (2009: $92,072) held as collateral for irrevocable commitments under letters of credit.

34. Amounts due to other banks and financial institutions

These represent deposits by other banks and financial institutions in the normal course of business.

35. Due to parent company

	The Group	
	2010	2009
Facility I	999,943	1,065,158
Facility II	3,124,171	3,260,330
Facility III	3,364,071	3,510,686
	7,488,185	7,836,174
Interest payable	87,734	85,305
	7,575,919	7,921,479
Deposits held with Bank	26,840	6,406
	7,602,759	7,927,885

(i) Facility I is a US$ denominated fifteen (15) year non-revolving loan from the parent company, for onlending. The repayment of the principal commenced June 30, 2003. The applicable interest rate is LIBOR + 1% per annum

(ii) Facility II is a US$ denominated twelve (12) year non-revolving loan from the parent company, for on-lending. The repayment of the principal will commence May 2012 and is subject to a fixed interest rate is 5.63% per annum.

(iii) Facility III is a US$ denominated fourteen (14) year non-revolving loan from the parent company, for on-lending. The repayment of the principal will commence May 2012 and is subject to a fixed interest rate of 5.95%.

The above loan facilities are insured by the Multilateral Investment Guarantee Agency.

36. Amounts due to subsidiaries and fellow subsidiaries

These represent accounts held by subsidiaries and fellow subsidiaries in the normal course of business.

37. Capital Management and Government Securities funds

(a) Capital management fund

This 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 the value of the investments.

(b) Government securities fund

The Group manages funds, on a non-recourse basis, on behalf of investors. The investors have a direct traceable interest in the investments.

(expressed in thousands of Jamaican dollars unless otherwise stated)

38. Redeemable preference shares

The Bank of Nova Scotia Jamaica Limited's authorised capital includes 100,000,000 redeemable preference shares with no par value, all of which are issued and fully paid. Because they are redeemable at the option of the Bank (subject to the Companies Act 2004) and dividends are not discretionary, they are required by IFRS to be classified as liabilities.

The key terms and conditions of the redeemable preference shares are:

(1) the right to a cumulative preferential dividend payable semi-annually on June 30 and December 31 at the rate of the six month's weighted average Treasury Bill yield at the start of the dividend period;

(2) the right on winding up to recover the amounts paid up on the preference shares and any arrears or accruals of the preference dividend; and

(3) no right to vote except:
  (i) if the preference dividend is in arrears for more than six months;
  (ii) any resolution is proposed for the winding up of the company; and
  (iii) there is a proposal submitted to the meeting to vary the special rights and privileges attached to the preference shares.

39. Other liabilities

	The Group	
	2010	2009
Accrued charges	1,703,046	1,606,195
Prepaid letters of credit	93,098	139,179
Other	550,168	797,814
	2,346,312	2,543,188

40. Deferred tax assets and liabilities

Deferred income taxes are calculated on temporary differences using an effective tax rate of:

33⅓% for the Bank and its subsidiaries except for
  The Scotia Jamaica Building Society at 30%;
  Scotia Jamaica Life Insurance Company Limited at 15%
33⅓% for Scotia DBG and all its subsidiaries.

40. Deferred tax assets and liabilities (continued)

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

	The Group	
	2010	2009
Balance at beginning of year	(2,131,110)	(1,339,219)
Recognised in the profit for the year (note 15)	(65,449)	(369,867)
Recognised in other comprehensive income:		
Available-for-sale investments		
- fair value re-measurement	(601,684)	(384,606)
- transfer to net profit	(34,194)	(37,418)
Other movements	(102)	-
Balances at end of year	(2,832,539)	(2,131,110)

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

	The Group	
	2010	2009
Pension benefits	(2,213,886)	(1,942,380)
Other post retirement benefits	500,708	377,496
Available-for-sale investments	(358,653)	277,412
Losses carry forward	2,511	4,135
Vacation accrued	73,834	25,647
Accelerated tax depreciation	(118,346)	(134,713)
Acquisition	-	(16,000)
Impairment losses on loans	(393,877)	(389,200)
Interest receivable	(324,830)	(333,507)
Net deferred tax liability	(2,832,539)	(2,131,110)
This is comprised of :-		
Deferred tax asset	12,101	101,333
Deferred tax liability	(2,844,640)	(2,232,443)
	(2,832,539)	(2,131,110)

(expressed in thousands of Jamaican dollars unless otherwise stated)

40. Deferred tax assets and liabilities (continued)

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

	The Group	
	2010	2009
Accelerated tax depreciation	(16,367)	(9,308)
Pensions and other post retirement benefits	148,294	74,334
Allowance for loan impairment	4,677	126,274
Vacation accrued	(48,242)	(5,123)
Losses carry forward	1,625	25,908
Interest receivable	(8,538)	157,782
Other	(16,000)	-
	65,449	369,867

Deferred income tax liabilities exclude withholding tax and other taxes that would be payable on distribution of the unappropriated profits of subsidiaries as such amounts are permanently reinvested; such unappropriated profits totaled $18,470,397 at October 31, 2010 (2009: $14,440,777).

41. Policyholders' liabilities

(a) Composition of policyholders' liabilities

	The Group	
	2010	2009
Policyholders' fund	39,390,270	36,048,630
Benefits and claims payable	69,525	60,645
Unprocessed premiums	9,436	17,159
Insurance risk reserve – Individual life	(2,754,413)	(1,855,812)
- Individual A&S	(6,228)	(5,986)
- Group life	182,580	143,241
	36,891,170	34,407,877

41. Policyholders' liabilities (continued)

(b) Movement in policyholders' liabilities:

	The Group	
	2010	2009
Policyholders fund:		
At beginning of year	36,048,630	32,222,016
Gross premium	4,882,812	4,729,862
Disbursements	(4,792,652)	(4,938,391)
Interest credited	3,251,480	4,035,143
At end of year	39,390,270	36,048,630
Benefits and claims payable:		
At beginning of year	60,645	52,513
Policyholders' claims and benefits	185,964	179,677
Benefits and claims paid	(177,084)	(171,545)
At end of year	69,525	60,645
Unprocessed premiums:		
At beginning of year	17,159	18,592
Premiums received	5,944,186	5,171,240
Premiums applied	(5,951,909)	(5,172,673)
At end of year	9,436	17,159

	2010		
	Individual life	Group life	Total
Insurance risk reserve:			
At beginning of year	(1,861,798)	143,241	(1,718,557)
Changes in assumptions	(395,253)	(3,709)	(398,962)
Normal changes	(503,590)	43,048	(460,542)
At end of year	(2,760,641)	182,580	(2,578,061)

	2009		
	Individual life	Group life	Total
Insurance risk reserve:			
At beginning of year	(1,892,953)	161,250	(1,731,703)
Changes in assumptions	217,779	(652)	217,127
Normal changes	(186,624)	(17,357)	(203,981)
At end of year	(1,861,798)	143,241	(1,718,557)

41. Policyholders' liabilities (continued)

(c) Policy assumptions

Policy liabilities are valued using two major classes of assumptions, best estimate assumptions and provisions for adverse deviation assumptions.

(1) Best estimate assumptions:

Assumptions cover the lifetime of the policies and are made for many variables including mortality, morbidity, investment yields, rates of policy termination, operating expenses and certain taxes.

(i) Mortality and morbidity

The assumptions are based on industry experience.

(ii) Investment yields

The Group has assumed a portfolio yield of 11% beginning January 2010, decreasing monthly to 8% in the year 2015, and then decreasing yearly to 6% in the year 2028 and later. Assumed portfolio yields are net of investment income tax. A margin for adverse deviation is added to account for 0.50% reduction in the yield.

The main source of the uncertainty is the fluctuation in the benchmark interest rates, as lower yields would result in higher reserves and reduced income.

(iii) Persistency

Persistency assumptions are made in relation to the time since inception that a policy exists before it lapses or is surrendered. Lapses relate to termination of policies due to non-payment of premiums. Surrenders relate to voluntary termination of policies by the policyholders. Policy terminations are based on the Group's own experience adjusted for expected future conditions.

The expected lapse rates are 2% in the first year, 8% in the second year, 7% in the third year and 6% thereafter. A margin for adverse deviation is added by increasing or decreasing the lapse rates, whichever is adverse, by 20%.

The main source of uncertainty derives from changes in policyholder behaviour as it relates to changes in economic conditions.

41. Policyholders' liabilities (continued)

(c) Policy assumptions (continued)

(1) Best estimate assumptions (continued):

(iv) Policy expenses and inflation

Policy maintenance expenses are derived from the Group's own internal cost studies projected into the future with an allowance for inflation.

Inflation is assumed to be 8% beginning in January 2010, decreasing to 5% in the year 2015, and then decreasing to 3% in year 2028 and later.

A margin for adverse deviation is added by increasing the maintenance expenses by 10% of the best estimate assumption.

(v) Partial withdrawal of policy funds

The Group's contracts allow policyholders to withdraw a portion of the funds accumulated under the contract without surrendering the entire contract. Partial withdrawal rates are derived from the Group's own experience. A margin for adverse deviation is added by increasing the partial withdrawal rates by 10% of the best-estimate assumption.

(vi) Taxation

It is assumed that current tax legislation and rates continue unaltered.

(2) Provision for adverse deviation assumptions

The basic assumptions made in establishing policy liabilities are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the appointed actuary is required to include a margin in each assumption.

The impact of these margins is to increase reserves and so decrease the income that would be recognised on inception of the policy. The Canadian Institute of Actuaries prescribes a range of allowable margins. The Group uses assumptions at the conservative end of the range, taking into account the risk profiles of the business.

(expressed in thousands of Jamaican dollars unless otherwise stated)

42. Share capital

	Number of Units '000		Total	
	2010	2009	2010	2009
Authorised:				
Ordinary shares of no par value	10,000,000	10,000,000		
Issued and fully paid:				
Ordinary stock units	3,111,573	3,111,573	6,569,810	6,569,810

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.

43. Reserve fund

	The Group	
	2010	2009
Opening balance	3,217,867	3,200,107
Transfer from unappropriated profit	30,724	17,760
Closing balance	3,248,591	3,217,867

In accordance with the regulations under which they operate, certain companies in the Group are required to make transfers of a minimum of 15% or 10% of net profit, depending on the circumstances, to the reserve fund until required statutory levels are attained.

44. Retained earnings reserve

Transfers to the retained earnings reserve are made at the discretion of the Board of Directors. Such transfers must be notified to the Bank of Jamaica and any re-transfer must be approved by the Bank of Jamaica.

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

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

46. Loan loss reserve

This is a non-distributable loan loss reserve which represents the excess of the regulatory loan loss provision over IAS 39 requirements.

47. Other reserves

This represents reserves arising on consolidation of subsidiaries, net.

48. Related party transactions and balances

The Group is controlled by The Bank of Nova Scotia, a bank incorporated and domiciled in Canada, which owns 71.78% of the ordinary stock units. The remaining 28.22% 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 or both parties are subject to common control or significant influence. A number of banking transactions are entered into with related parties, including companies connected by virtue of common directorships, in the normal course of business. These include loans, deposits, investment management services and foreign currency transactions.

Related party transactions with the parent company include the payment of dividends, management fees, guarantee fees, and centralized computing service fees. The related party balance with the parent is the amount due to the parent company as set out in note 35.

No provisions have been recognised in respect of loans made to related parties.

Pursuant to Section 13(1)(d) and (i) of the Banking Act, connected companies include companies that have directors in common with the Company and/or its subsidiaries.

Related 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.

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

(expressed in thousands of Jamaican dollars unless otherwise stated)

48. Related party transactions and balances (continued)

	The Group					
	Parent	Fellow subsidiaries	Directors and Key Management Personnel	Connected companies	Total 2010	Total 2009
Loans						
Loans outstanding at beginning of year	-	-	381,006	10,978,460	11,359,466	9,641,913
Net loans issued/(repaid) during the year	-	-	31,043	(933,899)	(902,856)	1,717,553
Loans outstanding at end of year	-	-	412,049	10,044,561	10,456,610	11,359,466
Interest income earned	-	-	30,472	761,585	792,057	1,134,729
Average repayment term (Years)	-	-	11.40	3.59	3.90	4.83
Average interest rate (%)	-	-	8.57	9.34	9.31	9.71
Deposits						
Deposits outstanding at beginning of year	7,836,174	-	103,065	2,969,492	10,908,731	10,000,522
Net deposits received/(repaid) during the year	(347,989)	-	27,114	(187,139)	(508,014)	908,209
Deposits outstanding at end of year	7,488,185	-	130,179	2,782,353	10,400,717	10,908,731
Interest expense on deposits	396,203	-	4,082	118,611	518,896	554,555
Other						
Fees and commission earned	-	-	10,821	71,449	82,270	146,034
Insurance products	-	-	20,446	-	20,446	35,396
Securities sold under repurchase agreements	-	-	(147,928)	-	(147,928)	(131,168)
Interest paid on repurchase agreements	-	-	(14,540)	-	(14,540)	(8,339)
Other investments	-	-	(161,829)	-	(161,829)	(180,318)
Interest paid on other investments	-	-	(6,706)	-	(6,706)	(9,236)
Due from banks and other financial institutions	101,990	6,870,852	-	-	6,972,842	2,006,224
Due to banks and other financial institutions	26,840	-	-	-	26,840	6,406
Interest earned from banks and other financial institutions	24	146,950	-	-	146,974	143,146
Management fees (paid)/received	(493,590)	73,178	-	-	(420,412)	(387,917)
Guarantee fees paid to parent company	(16,310)	-	-	-	(16,310)	(4,671)
Other operating (expense)/income	(348,999)	(5,243)	-	-	(354,242)	(431,508)

	The Group	
	2010	2009
Key management compensation		
Salaries and other short term benefits	463,492	483,133
Post-employment benefits	(59,428)	(30,998)

49. Financial risk management

(a) Overview and risk management framework

By their nature, the Group's activities are principally related to the use of financial instruments, which involves analysis, evaluation and management of some degree of risk or combination of risks. 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 its 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 Board's risk management framework. The Board has established committees for managing and monitoring risks.

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

(i) Board Audit Committee

The Board Audit Committee is comprised solely of independent directors. The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. 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.

The Board Audit Committee also reviews the quarterly and annual financial statements, related policies and assumptions for recommendation to the Board of Directors for approval.

(ii) Asset and Liability Committee

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. The Committee reviews investment, loan and funding activities, and ensures that the existing policies comprehensively deal with the management and diversification of the Group's investment and loan portfolios and that appropriate limits are being adhered to.

The Investment Advisory Committee performs a similar role to ALCO for Scotia Jamaica Life Insurance, where it provides a specialized focus due to the different nature of the insurance business.

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

49. Financial risk management (continued)

(b) Credit risk

(i) Credit Risk Management

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. Credit risk limits 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 personal and business assets such as property, vehicles equipment, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

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

The Group's policy requires the review of individual financial assets that are above materiality thresholds annually or more regularly when individual circumstances require. Impairment allowances are consistent with policies outlined in note 2(p).

49. Financial risk management (continued)

(b) Credit risk (continued)

(i) Credit Risk Management (continued)

The Group further manages 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 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.

(ii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to issue drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. 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.

(expressed in thousands of Jamaican dollars unless otherwise stated)

49. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality

Commercial loans: 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. 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:

Mapping of the Group's internal ratings to external ratings of international rating agency, Standard and Poor's.

The 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-

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

- Excellent
- Good
- Higher risk

The following table shows the percentage of the loan portfolio as at the reporting date relating to loans and credit commitments for each of the internal rating categories:

	Loans and credit commitments	
	The Group	
	2010 (%)	2009 (%)
Excellent	19.3	17.8
Very Good	0.1	0.3
Good	18.1	15.4
Acceptable	5.3	5.0
Higher Risk	57.2	61.5
	100.0	100.0

49. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality (continued)

Under the **Bank of Jamaica Credit Classification, Provisioning and Non Accrual Requirements,** the following classifications are used**:**

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.

Using these classifications to rate credit quality, the credit profile of the Group's loan portfolio would be as set out in the following table:

	The Group	
	2010 (%)	2009 (%)
Standard	70.4	62.1
Special Mention	21.0	33.8
Sub-Standard	5.6	2.4
Doubtful	1.2	1.0
Loss	1.8	0.7
	100.0	100.0

(expressed in thousands of Jamaican dollars unless otherwise stated)

49. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality (continued)

Debt securities: 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	
	2010	2009
AAA to AA+	416,789	-
AA to A+	-	-
A to A-	-	-
BBB+ to BB+	192,815	185,450
BB to B-	168,712,324	878,232
Lower than B-	-	165,917,841
Unrated	-	-
	169,321,928	166,981,523

	The Group	
	2010	2009
Classified as follows:		
Deposits with Bank of Jamaica	23,914,438	28,234,994
Investment securities		
Held-to-maturity	14,469,614	46,576,822
Available-for-sale	70,755,052	26,478,777
Pledged assets, Capital Management and Government Securities Funds :		
Loans and receivables	13,586,856	14,405,840
Held-to-maturity	12,222,605	2,701,542
Available-for-sale	34,373,363	48,583,548
	169,321,928	166,981,523

49. Financial risk management (continued)

(b) Credit risk (continued)

(iv) 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.

	Maximum Exposure			
	The Group		The Company	
	2010	2009	2010	2009
Deposits with the Bank of Jamaica	39,810,122	46,365,922	-	-
Balances due from other banks	16,063,117	10,390,700	221,145	219,977
Financial assets at fair value through profit or loss	117,866	103,671	-	-
Government securities purchased under resale agreements	200,116	555,871	-	-
Pledged assets	64,029,461	66,813,480	-	-
Loans, after allowance for impairment losses	95,814,497	92,046,304	-	-
Leases, after allowance for impairment losses	-	111,457	-	-
Investment securities				
Available-for-sale	71,209,748	26,478,777	-	-
Held-to-maturity	14,469,614	47,776,957	-	-
Customers' liabilities under acceptances, guarantees and letters of credit	6,261,025	9,357,362	-	-
Assets classified as held for sale	48,351	-		
Other assets	95,968	118,713	-	-
	308,119,885	300,119,214	221,145	219,977

(expressed in thousands of Jamaican dollars unless otherwise stated)

49. Financial risk management (continued)

(b) Credit risk (continued)

(v) Concentration of exposure to credit risk

(1) Loans and Leases

The following table summarises credit exposure for loans and leases at their carrying amounts, as categorised by the industry sectors. Loans and leases are well 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	1,147,965	38,621	1,186,586	1,596,906
Construction and real estate	1,152,018	210,466	1,362,484	2,249,125
Distribution	7,761,271	410,835	8,172,106	5,039,312
Financial institutions	1,429	2,620,839	2,622,268	2,073,797
Government and public entities	24,036,982	807,136	24,844,118	23,337,551
Manufacturing	2,533,237	385,153	2,918,390	7,130,905
Personal	47,802,699	1,170,038	48,972,737	45,806,099
Professional and other services	6,341,111	560,737	6,901,848	5,806,557
Tourism and entertainment	5,659,148	57,200	5,716,348	8,644,158
Interest receivable	973,296	-	973,296	917,154
Total (note 24)	97,409,156	6,261,025	103,670,181	102,601,564
Total impairment allowance (note 25)			(1,594,659)	(1,086,441)
			102,075,522	101,515,123

(2) Debt securities and amounts due from other banks

The following table summarises credit exposure for debt securities and amounts due from other banks at their carrying amounts, categorised by issuer:

	Maximum Exposure The Group	
	2010	2009
Government of Jamaica	140,850,753	125,839,595
Bank of Jamaica	42,901,000	58,296,023
Financial institutions	17,669,280	12,602,936
Corporates and other	715,317	1,442,054
	202,136,350	198,180,608

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 for the duration of the agreement.

49. Financial risk management (continued)

(c) Market risk

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 limits set. Limits are set using a combination of risk measurement techniques, including 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 security 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.

The management of the individual elements of market risks – interest rate, currency and other price risk – is as follows:

(i) 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.

The Group monitors interest rate risk using its Asset and Liability management model. It calculates the interest rate risk gaps, economic value and annual income amounts which are compared with risk limits approved by the Board of Directors. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly.

The following tables summarise carrying amounts of balance sheet 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.

(expressed in thousands of Jamaican dollars unless otherwise stated)

49. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

The Group 2010	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	8,945,843	22,738,274	7,427,208	1,707,650	-	18,228,815	59,047,790
Securities purchased under resale agreements	-	200,000	-	-	-	116	200,116
Loans and leases (2)	20,272,769	36,398,942	4,881,937	23,813,731	8,771,924	1,675,194	95,814,497
Investment securities (1)							
- Available-for-sale	-	12,809,120	32,294,164	12,487,749	11,822,062	1,898,248	71,311,343
- Held to maturity	-	3,390,000	1,258,400	9,526,545	-	294,669	14,469,614
- Financial assets at fair value through profit or loss	-	-	-	-	-	127,895	127,895
Pledged assets	1,214,153	20,541,800	12,725,072	15,814,698	11,472,925	2,260,813	64,029,461
Assets held for sale	5,229	9,003	17,834	12,590	-	11,420	56,076
Other assets	-	-	-	-	-	20,767,161	20,767,161
Total assets	30,437,994	96,087,139	58,604,615	63,362,963	32,066,911	45,264,331	325,823,953
Deposits (3)	125,097,009	17,133,540	6,835,349	3,577,557	3,951,770	283,584	156,878,809
Securities sold under repurchase agreements	1,508,024	37,640,700	5,439,042	15,007	-	422,812	45,025,585
Promissory notes		7,885	-	-	-	97	7,982
Other liabilities	-	-	-	-	-	16,264,677	16,264,677
Capital Management and Government Securities funds	15,155,228	-	-	-	-	1,580	15,156,808
Policyholders' liabilities	23,195,457	3,547,887	12,646,925	-	-	(2,499,099)	36,891,170
Liabilities held for sale	-	-	-	-	-	6,109	6,109
Stockholders' equity	-	-	-	-	-	55,592,813	55,592,813
Total liabilities and stockholders' equity	164,955,718	58,330,012	24,921,316	3,592,564	3,951,770	70,072,573	325,823,953
Total interest rate sensitivity gap	(134,517,724)	37,757,127	33,683,299	59,770,399	28,115,141	(24,808,242)	-
Cumulative gap	(134,517,724)	(96,760,597)	(63,077,298)	(3,306,899)	24,808,242	-	-
2009							
Total assets	21,981,807	112,096,688	52,822,559	46,274,933	29,653,094	52,726,791	315,555,872
Total liabilities and stockholders' equity	155,979,814	50,317,983	31,950,841	5,245,895	5,117,385	66,943,954	315,555,872
Total interest rate sensitivity gap	(133,998,007)	61,778,705	20,871,718	41,029,038	24,535,709	(14,217,163)	-
Cumulative gap	(133,998,007)	(72,219,302)	(51,347,584)	(10,318,546)	14,217,163	-	-

49. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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 %	Weighted average %
ASSETS						
Cash resources	0.49	6.39	0.94	8.00	-	4.11
Securities purchased under resale agreements	-	8.10	-	-	-	8.10
Loans (2)	16.54	21.49	17.54	14.38	10.11	17.41
Investment securities (1)						
Available-for-sale	-	9.76	9.91	10.67	11.53	10.29
Held to maturity	-	9.09	11.75	12.06	-	11.32
Pledged assets	0.16	8.65	9.52	9.93	8.88	9.03
Assets held for sale	61.36	70.17	67.34	61.64	-	65.60
LIABILITIES						
Deposits (3)	2.03	3.76	5.17	6.65	5.79	2.55
Securities sold under repurchase agreements	4.85	6.09	4.91	6.11	-	5.90
Promissory notes	-	3.66	-	-	-	3.66
Capital Management and Government Securities fund	3.23	-	-	-	-	3.23
Policyholders' liabilities	5.50	10.00	6.60	-	-	6.26

The Group 2009	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
ASSETS						
Cash resources	0.32	10.19	22.95	8.00	-	15.18
Securities purchased under resale agreements	-	12.69	-	-	-	12.69
Loans (2)	20.71	23.59	15.15	16.20	8.72	19.33
Investment securities (1)						
Available-for-sale	-	19.48	18.33	7.92	10.24	11.33
Held to maturity	-	19.92	22.01	17.87	20.76	20.17
Pledged assets	-	17.54	21.43	10.98	9.11	15.90
LIABILITIES						
Deposits (3)	4.37	7.41	7.47	7.15	5.97	4.97
Securities sold under repurchase agreements	1.37	12.12	13.13	18.85	-	12.28
Promissory notes	-	15.41	10.30	9.00	10.00	11.37
Capital Management and Government Securities fund	5.03	-	-	-	-	5.03
Policyholders' liabilities	12.45	12.18	14.73	-	-	13.19

(expressed in thousands of Jamaican dollars unless otherwise stated)

49. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Average effective yields by the earlier of the contractual repricing and 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.

Sensitivity to interest rates

The following shows the sensitivity to interest rate movements using scenarios that are based on recently observed market movements. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	2010	2009
JMD Interest rates	Increase/decrease by 450bps	Increase/decrease by 600bps
USD Interest rates	Increase/decrease by 200bps	Increase/decrease by 400bps

	2010	2009
Effect on profit or loss	1,393,231	2,973,762
Effect on stockholders' equity	3,303,724	3,956,029

Sensitivity to interest rate risk for SJLIC, the insurance subsidiary, is considered in note 49(e) under the DCAT scenarios.

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49. Financial risk management (continued)

(c) Market risk (continued)

(ii) Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the 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:

	2010						
JMD Equivalent	JMD	USD	CAD	GBP	EUR	Other	Total
ASSETS							
Cash resources	38,447,220	13,749,274	1,567,894	4,989,302	234,464	59,636	59,047,790
Investments	70,735,785	14,565,081	416,789	-	63,302	-	85,780,957
Financial assets at fair value through profit or loss	127,895	-	-	-	-	-	127,895
Govt securities purchased under resale agreements	200,116	-	-	-	-	-	200,116
Pledged assets	40,455,608	22,777,975	-	-	795,878	-	64,029,461
Loans and leases	70,652,715	24,884,067	88,808	68,516	120,391	-	95,814,497
Assets held for sale	56,076	-	-	-	-	-	56,076
Other assets	18,959,415	825,189	325,538	493,671	190,313	(26,965)	20,767,161
	239,634,830	76,801,586	2,399,029	5,551,489	1,404,348	32,671	325,823,953
LIABILITIES							
Deposits	101,579,153	48,874,773	1,665,007	4,449,680	309,871	325	156,878,809
Securities sold under resale agreements	30,187,041	14,471,199	-	-	367,345	-	45,025,585
Capital Management and Government Securities funds	4,218,176	9,203,297	334,177	1,011,161	389,997	-	15,156,808
Other liabilities	11,114,478	4,195,079	400,228	92,987	437,541	32,346	16,272,659
Liabilities directly associated with assets classified as held for sale	6,109	-	-	-	-	-	6,109
Policyholders' liabilities	36,891,170	-	-	-	-	-	36,891,170
	183,996,127	76,744,348	2,399,412	5,553,828	1,504,754	32,671	270,231,140
NET POSITION	**55,638,703**	**57,238**	**(383)**	**(2,339)**	**(100,406)**	**-**	**55,592,813**

(expressed in thousands of Jamaican dollars unless otherwise stated)

49. Financial risk management (continued)

(c) Market risk (continued)

(ii) Foreign exchange risk (continued)

JMD Equivalent	2009						
	JMD	USD	CAD	GBP	EUR	Other	Total
ASSETS							
Cash resources	36,959,798	14,545,452	1,852,644	5,400,134	268,503	25,900	59,052,431
Investments	59,058,408	15,320,032	-	-	67,482	-	74,445,922
Financial assets at fair value through profit or loss	105,369	-	-	-	-	-	105,369
Govt securities purchased under resale agreements	555,871	-	-	-	-	-	555,871
Pledged assets	44,089,780	21,839,983	-	-	883,717	-	66,813,480
Loans and leases	63,597,848	27,996,702	291,146	132,201	139,864	-	92,157,761
Other assets	16,822,599	3,618,173	5,884	493,370	1,496,579	(11,567)	22,425,038
	221,189,673	83,320,342	2,149,674	6,025,705	2,856,145	14,333	315,555,872
LIABILITIES							
Deposits	90,383,388	54,681,409	1,986,360	5,200,654	395,988	356	152,648,155
Securities sold under resale agreements	32,148,297	13,563,673	-	-	408,237	-	46,120,207
Capital Management and Government Securities funds	3,804,562	10,163,393	337,810	1,144,640	448,624		15,899,029
Other liabilities	10,117,505	6,442,060	108,529	130,494	1,724,175	13,977	18,536,740
Policyholders' liabilities	34,407,877	-	-	-	-	-	34,407,877
	170,861,629	84,850,535	2,432,699	6,475,788	2,977,024	14,333	267,612,008
NET POSITION	**50,328,044**	**(1,530,193)**	**(283,025)**	**(450,083)**	**(120,879)**	**-**	**47,943,864**

The following significant exchange rates were applied during the period:

	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

49. Financial risk management (continued)

(c) Market risk (continued)

(ii) Foreign exchange rates (continued)

Sensitivity to foreign exchange rates

A weakening of the JMD against the currencies indicated above at October 31, would have increased/(decreased) equity and profit by the amounts shown below. This analysis is performed on the same basis as 2009. 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 variables remain constant.

Sensitivity to foreign exchange:

	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%

	2010	2009
Effect on profit and stockholders' equity	675,731	715,478

(iii) Equity price risks

Equity price risk arises out of price fluctuations in 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 characteristic of these instruments, the Group limits the amount invested in them.

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

	2010	2009
Financial assets at fair value through profit or loss	10,029	1,698
Pledged assets	3,372	7,067

(expressed in thousands of Jamaican dollars unless otherwise stated)

49. Financial risk management (continued)

(c) Market risk (continued)

(iii) Equity price risks (continued)

Sensitivity to equity price movements

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 by the amounts shown below:

This analysis is performed on the same basis as 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

(d) 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 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 maturities 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.

49. Financial risk management (continued)

(d) Liquidity risk (continued)

Liquidity requirements to support calls under guarantees and standby letters of credit 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.

Financial liabilities cash flows

The tables below present the undiscounted cash flows (both interest and principal cash flows) to settle financial liabilities based on contractual repayment obligations. However, the Group expects that many policyholders/depositors/customers will not request repayment on the earliest date the Group could be required to pay.

	The Group					
	2010					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Total
Financial liabilities						
Deposits	142,715,560	7,064,662	3,594,134	3,951,770	-	157,326,126
Promissory notes	7,995	-	-	-	-	7,995
Securities sold under repurchase agreements	40,190,687	5,617,827	16,063	-	-	45,824,577
Capital Management and Government Securities fund	15,156,808	-	-	-	-	15,156,808
Policyholders liabilities	24,669,708	13,985,745	-	-	-	38,655,453
Liabilities classified as held-for-sale	6,109	-	-	-	-	6,109
Other liabilities	7,644,628	1,344,366	2,671,873	23,448	1,535,282	13,219,597
Total liabilities (contractual maturity dates)	230,391,495	28,012,600	6,282,070	3,975,218	1,535,282	270,196,665

	2009					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Total
Financial liabilities						
Deposits	132,600,769	9,001,562	8,103,882	9,387,916	-	159,094,129
Promissory notes	16,183	5,727	5,006	29,259	-	56,175
Securities sold under repurchase agreements	36,343,121	12,294,315	41,821	-	-	48,679,257
Capital Management and Government Securities fund	15,899,029	-	-	-	-	15,899,029
Policyholders liabilities	22,385,776	13,853,584	-	-	-	36,239,360
Other liabilities	6,146,413	3,693,657	2,570,790	1,583,266	4,311,515	18,305,641
Total liabilities (contractual maturity dates)	213,391,291	38,848,845	10,721,499	11,000,441	4,311,515	278,273,591

(expressed in thousands of Jamaican dollars unless otherwise stated)

49. Financial risk management (continued)

(e) Insurance risk

The Group issues long term contracts that transfer insurance risk or financial risk or both. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits is greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio.

Two key matters affecting insurance risk are discussed below:

(i) Long-term insurance contracts

Long-term contracts are typically for a minimum period of 5 years and a maximum period which is determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the insurer has to assess the cash flows which may be attributable to the contract.

The Group has developed its insurance underwriting strategy and reinsurance arrangements to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The Group's underwriting strategy includes the use of a medical questionnaire with benefits limited to reflect the health condition of applications and retention limits on any single life insured.

(1) Frequency and severity of claims

For contracts where death is the insured risk the most significant factors that could increase the overall frequency and severity of claims are epidemics and wide-ranging lifestyle changes such as in eating, smoking and exercise habits resulting in earlier or more claims than expected.

The Group charges for mortality risks on a monthly basis for all insurance contracts and has the right to alter these charges to a certain extent based on mortality experience and hence minimize its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect.

49. Financial risk management (continued)

(e) Insurance risk (continued)

(i) Long term insurance contracts (continued)

(1) Frequency and severity of claims (continued)

The tables below indicate the concentration of insured benefits across bands of insured benefits per individual and group life assured. The benefit insured are shown gross and net of reinsurance.

	Total benefits assured			
	Before and After Reinsurance 2010	%	Before and After Reinsurance 2009	%
Individual Life Benefits assured per life				
0 to 250,000	5,973,352	17	5,456,387	18
250,001 to 500,000	2,476,377	7	2,254,603	8
500,001 to 750,000	3,790,762	11	3,335,587	11
750,001 to 1,000,000	3,281,931	9	2,703,548	9
1,000,001 to 1,500,000	6,761,636	19	5,377,502	18
1,500,001 to 2,000,000	4,132,194	11	3,799,674	13
Over 2,000,000	9,580,286	26	6,939,243	23
Total	35,996,538	100	29,866,544	100

	Total benefits assured			
	Before and After Reinsurance 2010	%	Before and After Reinsurance 2009	%
Group Life Benefits assured per life				
0 to 250,000	3,827,102	13	4,194,129	16
250,001 to 500,000	4,048,314	14	3,528,165	13
500,001 to 750,000	2,438,511	8	2,119,369	9
750,001 to 1,000,000	1,551,586	5	1,396,788	5
1,000,001 to 1,500,000	3,774,876	13	3,106,280	12
1,500,001 to 2,000,000	2,483,296	9	2,223,832	8
Over 2,000,000	10,810,677	38	9,798,448	37
Total	28,934,362	100	26,367,011	100

Insurance risk for contracts disclosed in this note is also affected by the policyholders' right to pay reduced or no future premiums and to terminate the contract completely. As a result, the amount of insurance risk is also subject to the policyholders' behaviour. The Group has factored the impact of policyholders' behaviour into the assumptions used to measure these liabilities.

49. Financial risk management (continued)

(e) Insurance risk (continued)

(i) Long term insurance contracts (continued)

(2) Sources of uncertainty in the estimation of future benefit payments and premiums

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in policyholder behaviour.

Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and international mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience.

(3) Process used in deriving assumptions

The assumptions for long term insurance contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

For long-term contracts with fixed and guaranteed terms, estimates are made in two stages. Estimates of future deaths, voluntary terminations and partial withdrawal of policy funds, investment returns, crediting rates, inflation and administration expenses are made and form the assumptions used for calculating the liabilities at the inception of the contract. A margin for risk and uncertainty is added to these assumptions.

New estimates are made each year based on updated Group experience studies and economic forecasts. The valuation assumptions are altered to reflect these revised best estimates. The margins for risk and uncertainty may also be altered if the underlying level of uncertainty in the updated assumptions has changed. The financial impact of revisions to the valuation assumption or the related margins is recognised in the accounting period in which the change is made.

See note 41(c) for detailed policy assumptions.

49. Financial risk management (continued)

(e) Insurance risk (continued)

(ii) Reinsurance Risk

Reinsurance risk is the risk that a reinsurer will default and not honour obligations arising from claims. To limit its exposure of potential loss on an insurance policy, the Group cedes certain levels of risk to a reinsurer. Reinsurance ceded does not discharge the Group's liability as primary issuer. The Group also limits the probable loss in the event of a single catastrophic occurrence by reinsuring this type of risk with reinsurers. The Group manages reinsurance risk by selecting reinsurers which have established capability to meet their contractual obligations and which generally have favourable credit ratings as determined by a reputable rating agency.

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The retention programs used by the Group are summarized below:

Type of insurance contract	**Retention**
Individual, group & creditor life catastrophe	maximum retention of $420 for a single event; treaty limits apply
Group creditor life contracts	maximum retention of $15,000 per insured

(iii) Sensitivity analysis of actuarial liabilities

(1) Sensitivity arising from the valuation of life insurance contracts

The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in these assumptions could have a significant effect on the valuation results.

In summary, the valuation of actuarial liabilities of life insurance contracts is sensitive to:

- the economic scenario used in the Policy Premium Method (PPM)
- the investments allocated to back the liabilities
- the underlying assumptions used, and
- the margins for adverse deviations.

Under the PPM methodology, the Appointed Actuary is required to test the actuarial liability under several economic scenarios. The tests have been done and the results of the valuation provide adequately for liabilities derived from the worst of these different scenarios.

The assumption for future investment yields has a significant impact on actuarial liabilities. The different scenarios tested under Policy Premium Method (PPM) reflect the impact of different yields.

(expressed in thousands of Jamaican dollars unless otherwise stated)

49. Financial risk management (continued)

(e) Insurance risk (continued)

(iii) Sensitivity analysis of actuarial liabilities (continued)

(1) Sensitivity arising from the valuation of life insurance contracts (continued)

The other assumptions which are most sensitive in determining the actuarial liabilities of the Group, are in descending order of impact:

- operating expenses and taxes
- lapse
- mortality and morbidity

The following table presents the sensitivity of the liabilities to a change in assumptions:

	2010	2009
Interest rates decrease by 1%	132,764	29,902
Interest rates increase by 1%	(131,167)	(101,607)
Mortality increases by 10%	163,677	127,563
Mortality decreases by 10%	(167,399)	(130,488)
Expenses increase by 10%	174,144	156,819
Expenses decrease by 10%	(171,642)	(154,785)
Lapses and withdrawals increase by10%	129,712	108,748
Lapses and withdrawals decrease by10%	(143,642)	(120,807)

(2) Dynamic capital adequacy testing (DCAT)

DCAT is a technique used by the Group to assess the adequacy of its financial position and financial condition in the light of different future economic and policy experience scenarios. DCAT assesses the impact of the Group's financial position and condition over the next 5 years under specific scenarios as required by the Insurance Regulations.

The financial position of the Group is reflected by the amount of assets, liabilities and equity in the statement of financial position at a given date.

The financial condition of the Group at a given date is its prospective ability to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits, and to its shareholders.

The purpose of the DCAT is:

- to develop an understanding of the sensitivity of the total equity of the group and future financial condition to changes in various experience factors and management policies
- to alert management to material, plausible and imminent threats to the group's solvency
- and to describe possible courses of action to address these threats.

49. Financial risk management (continued)

(e) Insurance risk (continued)

(iii) Sensitivity analysis of actuarial liabilities (continued)

(2) Dynamic capital adequacy testing (DCAT) (continued)

A full DCAT report was completed for the Group during 2010, and the results were as follows:

- Mortality and morbidity risks
  To test this scenario, existing mortality and morbidity rates were increased by 3% starting in 2010, for five years. The accumulated deterioration would be 15% by the end of the five-year DCAT period. The results for this scenario show relative insensitivity to the change in assumptions.
- Low lapse rates
  The business was tested by applying a factor of 0.5 to existing lapse and surrender rates. Overall this scenario produces a higher surplus and a lower Minimum Continuing Capital and Surplus Requirement (MCCSR) ratio over the 5-year period.
- Higher lapse rates
  The business was tested by doubling existing lapses, surrenders and partial withdrawal rates. Under this scenario, the surplus decreases while the MCCSR increases.
- Expense risks
  Higher unit maintenance expenses were tested by setting the annual inflation at 5% greater than current expenses, starting in 2010, for five years. Overall, this scenario produces a lower MCCSR ratio over the 5-year period.
- Low interest rate
  An assumed decrease in the portfolio rate of 5% per year over a 5-year period was tested in this scenario. Overall, this scenario produces a lower MCCSR over the five year period.
- High sales growth
  New business was projected to grow at 10% higher than existing sales per year over five years. The increased sales result in increased profits but will produce net higher liabilities over the next five years.
- Flat sales
  This scenario assumed sales were 20% less than existing sales starting in 2010 and staying at that level for 5-years. Overall this scenario produces adverse results for the next five-years.

(expressed in thousands of Jamaican dollars unless otherwise stated)

49. Financial risk management (continued)

(e) Insurance risk (continued)

(iii) Sensitivity analysis of actuarial liabilities (continued)

(2) Dynamic capital adequacy testing (DCAT) (continued)

The DCAT conducted has not tested any correlation that may exist between assumptions. The following table represents the estimated sensitivity of each of the above scenarios over the next five years to net actuarial liabilities at the end of the projection period which is 5 years after the relevant financial year end.

	2010		2009	
	Surplus	MCCSR	Surplus	MCCSR
Base	15,200,252	1,895%	10,354,310	1,075%
Variable				
Mortality risks	15,154,972	1,898%	10,316,168	1,075%
Low lapse rates	15,431,427	1,855%	10,567,151	1,057%
Higher lapse rates	14,174,767	2,102%	9,435,190	1,167%
Expense risks	15,074,957	1,888%	10,258,632	1,069%
Low interest rate	15,424,387	1,865%	10,372,885	1,073%
High sales growth	15,195,824	1,875%	10,341,133	1,059%
Flat sales	15,028,865	1,927%	10,258,394	1,100%

50. 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. For financial instruments for which 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 balance sheet dates.

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 instruments classified as available-for-sale and held-to-maturity: measured fair value is estimated 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) financial instruments classified as at fair value through profit or loss: fair value is estimated 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. Fair value is equal to the carrying amount of these investments;

50. Fair value of financial instruments (continued)

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

(iv) the fair value of demand deposits and savings accounts with no specific maturity is considered to be the amount payable on demand at the balance sheet date; the fair value of fixed-term interest-bearing deposits is based on discounted cash flows using interest rates for new deposits.

(v) the fair value of variable rate financial instruments is considered to approximate their carrying amounts; and

(vi) 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 the book and fair values.

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

The following tables present the fair value of financial instruments that are not carried at fair value based on the above-mentioned valuation methods and assumptions.

	The Group			
	Carrying Value 2010	Fair Value 2010	Carrying Value 2009	Fair Value 2009
Financial assets				
Loans	95,814,497	96,080,758	92,157,761	91,083,826
Pledged assets	64,029,461	65,141,931	66,813,480	65,600,939
Investment securities:				
Held-to-maturity	14,469,614	15,229,166	47,776,957	49,708,433
Financial liability				
Deposits	156,878,809	156,981,767	152,648,155	152,703,425

Fair value hierarchy

IFRS 7, Financial Instruments: Disclosures, specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Group's market assumptions.

(expressed in thousands of Jamaican dollars unless otherwise stated)

50. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

The table below provides a summary of financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

(i) Level 1 – fair value measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
(ii) Level 2 – fair value measured based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
(iii) Level 3 – fair value measured based on 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	10,029	117,866	-	127,895
Available-for-sale financial instruments				
- Debt securities	416,789	70,792,824	-	71,209,613
Pledged assets				
- Debt securities	-	35,394,989	-	35,394,989
- Equity	3,371	966,216	-	969,587
	430,189	107,271,895	-	107,702,084

	2009			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
- Equity securities	1,698	103,671	-	105,369
Available-for-sale financial instruments				
- Debt securities	-	26,478,778	-	26,478,778
Pledged assets				
- Debt securities	-	59,512,899	-	59,512,899
- Equity	7,067	892,187	-	899,254
	8,765	86,987,535	-	86,996,300

51. 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 licences.

Regulators are primarily interested in protecting the rights of depositors and policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for the benefit of depositors and policyholders. At the same time, the regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

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

- To comply with the capital requirements established by the regulatory authorities responsible for banking, insurance and other financial intermediaries;
- To safeguard its ability to continue as a going concern and meet future obligations to depositors, policyholders and stockholders;
- To provide adequate returns to stockholders by pricing investment, insurance and other contracts commensurate with the level of risk; and
- To maintain a strong capital base to support the future development of the Group's operations.

Individual banking and insurance subsidiaries are directly regulated by their respective regulator, who sets and monitors their capital adequacy requirements. Required capital adequacy information is filed with the regulators at least on an annual basis.

Banking, mortgage lending and investment management

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:

1. 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
2. Tier 2 capital comprises qualifying subordinated loan capital, collective impairment allowances and revaluation surplus on fixed assets.

Investment in subsidiaries is 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.

(expressed in thousands of Jamaican dollars unless otherwise stated)

51. Capital Risk Management (continued)

Banking, mortgage lending and investment management (continued)

The table below summarises the composition of regulatory capital and the ratios for each subsidiary and identifies the applicable regulator. 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	17,989,189	17,156,733	8,529,045	7,033,268
Tier 2 Capital	967,372	610,135	24,870	25,119
	18,956,561	17,766,868	8,553,915	7,058,387
Less prescribed adjustment	(1,121,093)	(242,093)	88,236	(483,567)
Total regulatory capital	17,835,468	17,524,775	8,642,151	6,574,820
Risk weighted assets				
On-balance sheet	95,666,016	81,815,163	8,365,164	2,966,322
Off-balance sheet	7,633,239	7,631,504	-	-
Foreign exchange exposure	1,349,589	1,010,282	262,851	197,345
Total risk weighted assets	104,648,844	90,456,949	8,628,015	3,163,667
Actual regulatory capital to risk weighted assets	17.1%	19.4%	100.2%	207.8%
Regulatory requirement	10.0%	10.0%	10.0%	10.0%

[1] This relates to The Bank of Nova Scotia Jamaica Limited, Scotia Jamaica Building Society, and Scotia DBG Merchant Bank.

[2] This relates to Scotia DBG Investments Limited.

Life insurance business

Capital adequacy is calculated by the Appointed Actuary and reviewed by executive management, the audit committee and the Board of Directors. In addition, the Group seeks to maintain internal capital adequacy levels higher than the regulatory requirements. To assist in evaluating the current business and strategic opportunities, a risk-based approach is one of the core measures of financial performance. The risk-based assessment measure which has been adopted is the Minimum Continuing Capital and Surplus Requirement (MCCSR) standard as defined by the Financial Services Commission and required by the Insurance Regulations 2001. Under Jamaican regulations, the minimum standard recommended for companies is a MCCSR of 135% in 2008 and 2009, and up to 150% in 2010 and later. The MCCSR for the insurance subsidiary as of October 31, 2009 and 2008 is set out below:

	2010	2009
Regulatory capital held	15,136,372	11,312,242
Minimum regulatory capital	757,395	662,184
Minimum Continuing Capital on Surplus Requirements Ratio	1,998%	1,708%

52. Commitments

		The Group	
		2010	2009
(a)	Capital expenditure: Authorised and contracted	45,860	160,788
(b)	Commitments to extend credit: Originated term to maturity of more than one year	20,370,357	25,362,399

(c) Operating lease commitments:

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

	The Group	
	2010	2009
Not later than one year	180,277	183,718
Later than one year and not later than five years	714,733	760,042
Later than five years	3,146,886	3,391,237
	4,041,896	4,334,997

53. 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 receivables 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 the reporting date are as follows:

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

(a) Fair value losses, excluding deferred tax liabilities of $132,410 (2009: $243,383), were recognized in equity in relation to the above investments reclassified in 2008.

(expressed in thousands of Jamaican dollars unless otherwise stated)

53. Reclassification of financial assets (continued)

(b) Fair value gains of $780,033 (2009: $1,241,442), exclusive of deferred taxation, would have been included in equity for the previous 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, 2009. This price is not necessarily what would have been obtained 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 investments reclassified is $23,474,526.

54. 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 financial year-end, the Group had assets under administration amounting to approximately $77,278,071 (2009: $65,039,775).

55. Litigation and contingent liabilities

(a) The Group is 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 which is immaterial to both the financial position and financial performance.

(b) On April 7, 1999, a writ was filed by National Commercial Bank Jamaica Limited ("NCB") in which it set out a claim for payment of the sum of US$13,286,000 in connection with an alleged undertaking given to NCB by Scotia Jamaica Investment Management Limited (formerly Scotiabank Jamaica Trust and Merchant Bank Limited). Legal opinion has been obtained which states that the subsidiary has a strong defence to the claim. Consequently, no provision has been made for this amount in these financial statements.

56. Dividends

(a) Paid

	The Group		The Company	
	2010	2009	2010	2009
Scotia Group Jamaica Limited				
Paid to stockholders:				
In respect of 2008	-	1,057,935	-	1,057,935
In respect of 2009	1,151,282	3,173,811	1,151,282	3,173,811
In respect of 2010	3,453,853	-	3,453,853	-
	4,605,135	4,231,746	4,605,135	4,231,746
Paid to minority interest in a subsidiary	128,426	114,319	-	-
	4,733,561	4,346,065	4,605,135	4,231,746

(b) Proposed

At the Board of Directors meeting on November 25, 2010, a dividend in respect of 2010 of $0.37 per share (2009: $0.37 per share) amounting to $1,151,282 (2009: $1,151,282) was proposed. Stockholders' equity for the current financial year does not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the ensuing financial year.

57. Employee Share Ownership Plan

(i) Scotia Group Jamaica Limited

Scotia Group Jamaica Limited has an Employee Share Ownership Plan ("ESOP" or "Plan"), the purpose of which is to encourage eligible employees of The Bank of Nova Scotia Jamaica Limited 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. The employer and employees make contributions to the trust fund and these contributions are used to fund the acquisition of shares for the employees. Employees' contributions are determined by reference to the length of their employment and their annual basic remuneration. The employer contributions, are as prescribed by the formula set out in the rules of the Plan.

The contributions are used by the trustees to acquire the company's shares, at market value. The shares purchased with the employees contributions vest immediately, although they are subject to the restriction that they may not be sold within two years of acquisition. Out of shares purchased with the company's contributions, allocations are made to participating employees, but are held by the trust for a two-year period, at the end of which they vest with the employees; if an employee leaves the employer within the two-year period, the right to these shares is forfeited; such shares then become available to be granted by the employer to other participants in accordance with the formula referred to previously.

(expressed in thousands of Jamaican dollars unless otherwise stated)

57. Employee Share Ownership Plan

(i) Scotia Group Jamaica Limited (continued)

The amount contributed by the Group to employee share purchase during the year, included in employee compensation, amounted to $35,606 (2009: $34,185).

At the financial year end, 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	5,342,216	3,284,867
Fair value of shares	108,714	60,376

(ii) Scotia DBG Investments Limited

Scotia DBG Investments Limited has an Employee Share Ownership Plan ("ESOP"), the purpose of which is to encourage eligible employees of SDBG and it's subsidiaries 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 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 financial year end, 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	1,798,025	2,565,774
Fair value of shares	36,860	44,927

58. Acquisition and Disposal

On June 1, 2010 The Bank of Nova Scotia Jamaica Limited acquired 100% interest in Scotia DBG Merchant Bank Limited, previously a wholly-owned subsidiary of Scotia DBG Investments Limited. This acquisition by the Group is exempt under IFRS 3 as it involved entities under common control, and is therefore accounted for at the carrying value.

The Group accounted for a loss on the transaction as follows:-

	2010
Professional fees	42,187
Elimination of goodwill	35,611
	77,798