

MEDIA RELEASE

November 29, 2012



SCOTIA GROUP JAMAICA REPORTS YEAR-END RESULTS

FISCAL 2012 HIGHLIGHTS

- **Net Income of \$10.58 billion**
- **Net Income available to common shareholders of \$10.16 billion**
- **Earnings per share of \$3.26**
- **Return on Average Equity of 16.11%**
- **Productivity ratio of 53.69%**
- **Fourth quarter dividend of 40 cents per share**

Scotia Group Jamaica Limited (Scotia Group) today reported net income of \$2,622 million for the fourth quarter ended October 31, 2012. This is \$32 million above the previous quarter ended July 31, 2012 and \$33 million below the quarter ended October 31, 2011. For the twelve months ended October 31, 2012, net income was \$10,575 million compared to \$10,618 million for the same period last year.

Earnings per share (EPS) for the year were \$3.26 compared to \$3.28 for the same period last year. The Return on Average Equity (ROE) was 16.11%, down from 17.59% last year.

The Board of Directors today approved a fourth quarter dividend of 40 cents per stock unit payable on January 14, 2013, to stockholders on record at December 19, 2012.

Bruce Bowen, President and CEO said, "All of our business lines continued to produce solid results over the last quarter. Total loans grew by \$22 billion (22.6%) year over year, and our deposits grew by \$16 billion (10%) as we continued to acquire new customers and deepen our relationships with existing customers. Both Scotia Insurance and Scotia Investments expanded their product offering, and all business lines across the Group improved collaboration to provide integrated solutions to customers' unique needs. The past few quarters have seen a weakening domestic and global economy. We are proud that, notwithstanding this weakness, credit losses declined by 39% reflecting Scotiabank's strong tradition of prudent risk management."



For further information contact: Jacqueline Sharp, Senior Vice President, CFO & CAO • Email: jacqueline.sharp@scotiabank.com

The contribution (after consolidation), to net income attributable to common shareholders by major subsidiaries is outlined below:-

\$'Billion	2012	% Contribution
The Bank of Nova Scotia Jamaica Limited (BNSJ)	4.93	48%
Scotia Jamaica Life Insurance Company Limited (SJLIC)	2.85	28%
Scotia Investment Jamaica Limited (SIJL)*	1.39	14%
Scotia Jamaica Building Society (SJBS)	0.70	7%
Scotia Group Jamaica Limited (SGJ) and other subsidiaries	0.29	3%
<small>* Excludes minority interest</small>		
Net Income attributable to common shareholders	10.16	100%

REVENUES

Total operating income, comprising net interest income after impairment losses and other revenue, was \$31.2 billion, representing an increase of \$2,138 million or 7.35% relative to prior year.

NET INTEREST INCOME

Net interest income after impairment losses for the year was \$22.11 billion, up \$1.06 billion or 5.06% when compared to prior year. While interest margins declined continuing the trend of the past few years, growth in loan volumes helped to off-set this. Further, there was a \$540 million (39%) reduction in impairment losses, due to lower net write-offs and provisions year over year.

OTHER REVENUE

Other revenue for the year was \$9.1 billion, up \$1.1 billion or 13.34% when compared with prior year. This was due primarily to fees earned on capital market and unit trust transactions, gains on sale of securities, increased loan fees due to growth in loan volumes, as well as higher foreign exchange trading income.

OPERATING EXPENSES AND PRODUCTIVITY

Our productivity ratio (operating expense/total revenue) - a key measure of cost efficiency - was 53.69% compared to 53.25% in 2011. Operating Expenses were \$16.37 billion for the twelve months, representing an increase of \$1.5 billion or 10.3% over prior year. Total personnel costs increased by 3%, while the majority of the increase was in other operating expenses, reflecting the impact of new tax measures announced in the Government's May 2012 budget presentation, as well as increased provisions in connection with a long outstanding legal claim.



CREDIT QUALITY

Non-performing loans (NPLs) at October 31, 2012 totaled \$4.55 billion, reflecting a decrease of \$706 million from prior year, and an increase of \$32 million from the previous quarter ended July 31, 2012. The reduction from the previous year was due primarily to the recovery on a large corporate loan that was classified as non-performing during 2011. Total NPLs now represent 3.65% of total gross loans compared to 5.15% last year and 3.58% as at July 31, 2012. The Group's aggregate loan loss provision as at October 31, 2012 was \$4.3 billion, which represents 95% of the total non-performing loans. For most of these NPLs, the Group holds meaningful collateral.

BALANCE SHEET

Total assets increased year over year by \$26.2 billion or 7.88% to \$358 billion as at October 31, 2012. The loan book grew by \$22.55 billion to close at \$122.5 billion, driven by solid growth in both the retail and commercial portfolios.

Total customer liabilities (deposits, repo liabilities and policyholder's funds) grew to \$273 billion, an increase of \$19.8 billion. This growth was mainly reflected in the deposit portfolio as we continued to acquire new customers and see increased balances from existing customers.

CAPITAL

Total shareholders equity grew to \$67.52 billion, \$4.46 billion above prior year. We continue to exceed the regulatory capital requirements in all our business lines. Our strong capital position also enables us to take advantage of future growth opportunities.

OUR COMMITMENT TO COMMUNITY

During the quarter, Scotiabank demonstrated its commitment to building Jamaica through donations totaling \$18.3 million supporting activities of the ScotiaFoundation and community outreach. In addition, Scotiabank committed \$12.3 million to the national recovery effort following Hurricane Sandy. These funds will be used to refurbish 6 damaged schools and provide the seedlings, fertilizer and pesticides to small farmers.



Under Student Care, the Scotia Foundation finalized and disbursed 25 Bursaries and 25 Scholarships that were awarded to students in recognition of Jamaica's 50th anniversary. These bursaries and scholarships were in addition to the fifteen Scotia Shining Star GSAT Scholars that were awarded across the island.

In the area of Health Care, the Foundation funded the maintenance of the air-conditioning units at the Scotiabank Centennial Accident and Emergency Unit at the University Hospital of the West Indies; and serviced the dialysis machines at the Scotiabank Jamaica Foundation Haemodialysis Unit at the Cornwall Regional Hospital.

In Community Care, Scotia Foundation maintained its support of the residents of Cluster F at the National Golden Age Home in Kingston while supporting various institutions in their outreach programmes; these institutions included the Kingston YMCA, the Grace Kennedy Education Run and the Jamaica Cancer Society.

AWARDS

During the quarter, Scotiabank was globally recognized and was awarded the Best Internet Bank award from Global Finance Magazine.

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

Scotiabank Group Media Release



Sowing the seeds for a brighter tomorrow

Scotia Group Jamaica Limited
Consolidated Statement of Revenue and Expenses
Year ended October 31, 2012


(\$ thousands)	For the three months ended			For the year ended	
	October 2012	July 2012	October 2011	October 2012	October 2011
Interest Income	7,706,257	7,552,002	7,428,463	29,930,228	30,165,381
Interest Expense	(1,749,677)	(1,712,101)	(1,821,863)	(6,975,588)	(7,736,277)
Net Interest Income	5,956,580	5,839,901	5,606,600	22,954,640	22,429,104
Impairment losses on loans	(238,252)	(235,341)	(434,353)	(845,452)	(1,385,070)
Net interest income after impairment losses	5,718,328	5,604,560	5,172,247	22,109,188	21,044,034
Net fee and commission income	1,299,090	1,298,423	1,176,209	5,247,748	4,649,067
Insurance revenue	427,109	546,365	396,004	2,026,331	1,898,764
Net foreign exchange trading income	371,831	393,689	281,406	1,389,203	1,150,663
Net gain / (losses) on financial assets	174,241	4,072	3,463	259,025	113,549
Other revenue	(71,458)	56,095	39,681	188,085	225,929
	2,200,813	2,298,644	1,896,763	9,110,392	8,037,972
Total Operating Income	7,919,141	7,903,204	7,069,010	31,219,580	29,082,006
Operating Expenses					
Salaries and staff benefits	2,291,292	1,946,508	2,057,560	8,543,646	8,294,082
Property expenses, including depreciation	490,494	564,830	501,852	2,054,274	1,970,291
Amortisation of intangible assets	10,865	36,893	(4,474)	121,503	147,229
Other operating expenses	1,566,246	1,394,675	1,061,035	5,649,880	4,425,784
	4,358,897	3,942,906	3,615,973	16,369,303	14,837,386
Profit before taxation	3,560,244	3,960,298	3,453,037	14,850,277	14,244,620
Taxation	(938,595)	(1,370,669)	(798,626)	(4,275,186)	(3,626,965)
Profit for the year	2,621,649	2,589,629	2,654,411	10,575,091	10,617,655
Attributable to:-					
Stockholders of the Company	2,529,039	2,488,080	2,519,421	10,159,045	10,193,390
Non-Controlling Interest	92,610	101,549	134,990	416,046	424,265
Earnings per share (cents)	81	80	81	326	328
Return on average equity	15.76%	15.74%	16.83%	16.11%	17.59%
Return on assets	2.82%	2.86%	3.04%	2.84%	3.07%
Productivity ratio	56.36%	51.34%	53.98%	53.69%	53.25%


Scotia Group Jamaica Limited
Consolidated Statement of Comprehensive Income
Year ended October 31, 2012

(\$ thousands)	For the three months ended			For the year ended	
	October 2012	July 2012	October 2011	October 2012	October 2011
Profit for the year	2,621,649	2,589,629	2,654,411	10,575,091	10,617,655
Other comprehensive income					
Unrealised (losses) / gains on available for sale financial assets	(877,721)	(216,127)	(532,498)	(1,641,154)	1,950,579
Realised gains on available for sale financial assets	(997)	(49,591)	(59,821)	(324,609)	(70,612)
Amortisation of fair value reserve on financial instruments reclassified to Loans and Receivable	7,508	15,275	39,259	56,692	65,589
	(871,210)	(250,443)	(553,060)	(1,909,071)	1,945,556
Taxation	225,570	53,943	61,512	567,346	(368,685)
Other comprehensive income, net of tax	(645,640)	(196,500)	(491,548)	(1,341,725)	1,576,871
Total comprehensive income for the year	1,976,009	2,393,129	2,162,863	9,233,366	12,194,526
Attributable to:-					
Stockholders of the Company	1,907,188	2,298,790	2,045,164	8,846,751	11,760,388
Non-Controlling Interest	68,821	94,339	117,699	386,615	434,138

Scotia Group Jamaica Ltd.
Consolidated Statement of Financial Position
October 31, 2012

	Year ended October 31 2012	Year ended October 31 2011
(S thousands)		
ASSETS		
CASH RESOURCES	52,868,707	63,073,501
INVESTMENTS		
Held to maturity	11,323,762	14,006,187
Financial assets at fair value through profit and loss	477,941	358,168
Available for sale	84,480,935	76,132,244
	<u>96,282,658</u>	<u>90,494,599</u>
PLEGDED ASSETS	63,057,493	65,371,048
GOVERNMENT SECURITIES UNDER REPURCHASE AGREEMENT	-	1,152,466
LOANS, AFTER MAKING PROVISIONS FOR LOSSES	122,524,663	99,976,439
OTHER ASSETS		
Customers' Liability under acceptances, guarantees and letters of credit	6,333,327	6,742,140
Property, plant, and equipment	4,738,704	3,790,870
Deferred Taxation	-	12,101
Taxation Recoverable	1,692,436	1,827,113
Retirement Benefit Asset	8,113,770	7,412,119
Other assets	879,953	378,959
Intangible Assets	1,717,705	1,809,904
	<u>23,475,895</u>	<u>21,973,206</u>
TOTAL ASSETS	358,209,421	332,041,259
LIABILITIES		
DEPOSITS		
Deposits by public	160,994,162	144,670,083
Other deposits	10,666,786	10,465,237
	<u>171,660,958</u>	<u>155,135,320</u>
OTHER LIABILITIES		
Acceptances, Guarantees and Letters of Credit	6,333,327	6,742,140
Liabilities under repurchase agreements	45,384,758	44,700,992
Promissory Notes	-	2,436
Capital Management and Government Securities Fund	14,174,566	14,241,114
Deferred Taxation	2,938,163	3,373,187
Retirement Benefit Obligation	2,341,321	1,904,277
Assets Held in Trust on behalf of Participants	41,905	44,140
Other liabilities	6,139,447	3,826,295
	<u>77,353,487</u>	<u>74,834,581</u>
POLICY HOLDERS' FUND	41,679,952	39,019,761
STOCKHOLDERS' EQUITY		
Capital and reserves attributable to the company's stockholders		
Capital- Issued and fully paid, 3,111,572,964		
Ordinary stock units, no par value	6,569,810	6,569,810
Reserve Fund	3,248,591	3,248,591
Retained Earnings Reserve	12,441,770	11,341,770
Capital Reserve	9,383	9,383
Loan Loss Reserve	2,299,390	2,251,257
Other Reserves	12,892	12,892
Cumulative Remeasurement result from Available for Sale Financial Assets	642,821	1,955,115
Unappropriated Profits	39,327,555	34,921,801
	<u>64,552,212</u>	<u>60,310,619</u>
Non-controlling Interest	2,962,796	2,740,918
	<u>67,515,008</u>	<u>63,051,537</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	358,209,421	332,041,259


Director


Director

SCOTIA GROUP JAMAICA LIMITED

Consolidated Statement of Changes in Shareholders' Equity
October 31, 2012

(\$ thousands)	Share Capital	Reserve Fund	Retained Earnings Reserve	Capital Reserves	Other Reserves	Loan Loss Reserve	Cumulative Remeasurement result from Available for Sale financial assets	Unappropriated Profits	Total	Non-controlling Interest	Total Equity
Balance at 31 October 2010	6,569,810	3,248,591	10,741,770	9,383	12,892	2,093,499	388,117	30,091,319	53,155,381	2,437,432	55,592,813
Net Profit	-	-	-	-	-	-	-	10,193,390	10,193,390	424,265	10,617,655
Other Comprehensive Income											
Unrealised gains on available-for-sale securities, net of taxes	-	-	-	-	-	-	1,591,684	-	1,591,684	9,633	1,601,317
Realised gains on available-for-sale securities, net of taxes	-	-	-	-	-	-	(47,135)	-	(47,135)	(6,462)	(53,597)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	-	-	-	-	-	-	22,449	-	22,449	6,702	29,151
Total Comprehensive Income	-	-	-	-	-	-	1,566,998	10,193,390	11,760,388	434,138	12,194,526
Transfer to Retained Earnings Reserve	-	-	600,000	-	-	-	-	(600,000)	-	-	-
Transfer to Loan Loss Reserve	-	-	-	-	-	157,758	-	(157,758)	-	-	-
Net movement in reserves for non-controlling interests	-	-	-	-	-	-	-	-	-	(2,227)	(2,227)
Dividends Paid	-	-	-	-	-	-	-	(4,605,150)	(4,605,150)	(128,425)	(4,733,575)
Balance at 31 October 2011	6,569,810	3,248,591	11,341,770	9,383	12,892	2,251,257	1,955,115	34,921,801	60,310,619	2,740,918	63,051,537
Balance at 31 October 2011	6,569,810	3,248,591	11,341,770	9,383	12,892	2,251,257	1,955,115	34,921,801	60,310,619	2,740,918	63,051,537
Net Profit	-	-	-	-	-	-	-	10,159,045	10,159,045	416,046	10,575,091
Other Comprehensive Income											
Unrealised losses on available-for-sale securities, net of taxes	-	-	-	-	-	-	(1,189,912)	-	(1,189,912)	(30,825)	(1,220,737)
Realised gains on available-for-sale securities, net of taxes	-	-	-	-	-	-	(227,238)	-	(227,238)	(29,809)	(257,147)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	-	-	-	-	-	-	104,856	-	104,856	31,303	136,159
Total Comprehensive Income	-	-	-	-	-	-	(1,312,294)	10,159,045	8,846,751	386,615	9,233,366
Transfer to Retained Earnings Reserve	-	-	1,100,000	-	-	-	-	(1,100,000)	-	-	-
Transfer to Loan Loss Reserve	-	-	-	-	-	48,133	-	(48,133)	-	2,606	2,606
Dividends Paid	-	-	-	-	-	-	-	(4,605,158)	(4,605,158)	(167,343)	(4,772,501)
Balance at 31 October 2012	6,569,810	3,248,591	12,441,770	9,383	12,892	2,299,390	642,821	39,327,555	64,552,212	2,962,796	67,515,008

Scotia Group Jamaica Limited
Condensed Statement of Consolidated Cash Flows
October 31, 2012

(\$ thousands)	2012	2011
Cash flows provided by / (used in) operating activities		
Profit for the year	10,575,091	10,617,655
Items not affecting cash:		
Depreciation	466,745	423,152
Impairment losses on loans	845,452	1,385,070
Amortisation of intangible assets	121,503	147,229
Taxation	4,275,186	3,626,965
Other, net	(23,061,236)	(22,424,515)
	(6,777,259)	(6,224,444)
Changes in operating assets and liabilities		
Loans	(23,295,009)	(5,653,242)
Deposits	16,277,857	(1,810,747)
Policyholders reserve	2,660,197	2,128,590
Securities sold under repurchase agreement	692,209	(202,370)
Financial Assets at fair value through profit and loss	(123,221)	(226,776)
Other, net	19,050,302	20,233,781
	8,485,076	8,244,792
Cash flows provided by / (used in) investing activities		
Investments	(5,177,518)	(2,436,817)
Repurchase Agreements, net	(1,772,947)	204
Proceeds from sale of shares	187,940	-
Property, plant and equipment, Intangibles, net	(1,442,559)	(720,272)
	(8,205,084)	(3,156,885)
Cash flows used in financing activities		
Dividends paid	(4,772,501)	(4,733,575)
Redemption of preference shares	-	(100,000)
	(4,772,501)	(4,833,575)
Effect of exchange rate on cash and cash equivalents	668,652	158,978
Net change in cash and cash equivalents	(3,823,857)	413,310
Cash and cash equivalents at beginning of year	35,208,174	34,794,864
Cash and cash equivalents at end of year	31,384,317	35,208,174
Represented by :		
Cash resources	52,868,707	53,073,501
Less statutory reserves at Bank of Jamaica	(17,542,998)	(15,703,309)
Less amounts due from other banks greater than ninety days	(4,085,538)	(5,271,917)
Less accrued interest on cash resources	(10,439)	(56,232)
Reverse repurchase agreements and bonds less than ninety days	1,563,791	4,486,494
Cheques and other instruments in transit, net	(1,409,206)	(1,320,363)
CASH AND CASH EQUIVALENTS AT END OF Year	31,384,317	35,208,174

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

October 31, 2012

(\$ Thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	4,500,018	13,105,437	5,514,560	4,042,557	4,448,436	454,024	-	32,065,032
Revenues from other segments	(1,624,924)	64,370	1,479,391	63,605	8,169	8,004	1,385	-
Total Revenues	2,875,094	13,169,807	6,993,951	4,106,162	4,456,605	462,028	1,385	32,065,032
Expenses	(95,090)	(9,581,725)	(4,916,190)	(1,346,939)	(1,131,893)	(33,253)	(109,665)	(17,214,755)
Profit Before Tax	2,780,004	3,588,082	2,077,761	2,759,223	3,324,712	428,775	(108,280)	14,850,277
Taxation								(4,275,186)
Profit for the year								10,575,091

Consolidated Balance Sheet

(\$ Thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	76,189,249	75,234,212	62,740,117	73,871,395	50,637,238	25,358,259	(14,941,244)	349,089,226
Unallocated assets								9,120,195
Total Assets								358,209,421
Segment liabilities	1,414,457	93,201,605	89,586,359	62,497,336	42,216,124	209,666	(6,794,154)	282,331,393
Unallocated liabilities								8,363,020
Total liabilities								290,694,413
Other Segment items:								
Capital Expenditure	-	901,750	493,683	40,765	7,906	-	-	1,444,104
Impairment losses on loans	-	916,572	(49,700)	(21,420)	-	-	-	845,452
Depreciation and amortisation	-	283,553	156,756	127,708	9,851	10,380	-	588,248

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

October 31, 2011

(\$ Thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	4,468,315	11,728,178	5,123,079	3,871,383	5,264,377	11,744	-	30,467,076
Revenues from other segments	(2,076,281)	696,987	1,400,955	2,372	21,596	(1,911)	(43,718)	-
Total Revenues	2,392,034	12,425,165	6,524,034	3,873,755	5,285,973	9,833	(43,718)	30,467,076
Expenses	(68,705)	(9,082,745)	(4,757,785)	(1,226,579)	(956,666)	(20,052)	(109,924)	(16,222,456)
Profit Before Tax	2,323,329	3,342,420	1,766,249	2,647,176	4,329,307	(10,219)	(153,642)	14,244,620
Taxation								(3,626,965)
Profit for the year								10,617,655

Consolidated Balance Sheet

(\$ Thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	88,701,739	63,595,634	52,248,785	72,854,001	49,733,776	9,633,290	(12,440,881)	324,326,344
Unallocated assets								7,714,915
Total Assets								332,041,259
Segment liabilities	2,000	89,448,682	75,328,955	62,558,746	39,634,989	61,717	(4,512,759)	262,522,330
Unallocated liabilities								6,467,392
Total liabilities								268,989,722
Other Segment items:								
Capital Expenditure	-	410,857	312,433	33,637	7,087	-	-	764,014
Impairment losses on loans	-	1,096,008	322,930	(33,868)	-	-	-	1,385,070
Depreciation and amortisation	-	269,319	132,116	161,097	7,309	540	-	570,381

SCOTIA GROUP JAMAICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2012

1. Identification

Scotia Group Jamaica Limited (the Company) is a 71.78% subsidiary of The Bank of Nova Scotia, which is incorporated and domiciled in Canada and is the ultimate parent.

The Company is the parent of the Bank of Nova Scotia Jamaica Limited (100%), Scotia Investments Jamaica Limited (77.01%) and Scotia Jamaica Micro Finance Limited (100%).

2. Basis of presentation

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), and the accounting policies are consistent with those applied in the audited financial statements for the year ended October 31, 2012. These financial statements are presented in Jamaican dollars, which is the Group's functional currency.

New and revised standards that became effective during the year:

IFRS 7, Financial Instruments, Disclosures - This adoption led to some changes in the qualitative and quantitative disclosures relating to credit risk, as outlined below.

- (i) Disclosure of the amount of the group's 'maximum exposure to credit risk without considering any collateral held' is now made only if the carrying amount of the financial asset does not already reflect such exposure.
- (ii) Where the terms of a financial asset that was not past due and not impaired were renegotiated, the carrying amount was disclosed; this is no longer required.
- (iii) The disclosure of the description of collateral held as security and other credit enhancements in respect of financial assets that are past due or impaired, including an estimate of their fair value, is no longer required. The revised standard requires that the collateral and its financial effect for all financial assets held, not just past due or impaired, be disclosed.

IAS 34 (Amendment), 'Interim financial reporting', The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around: the circumstances likely to affect fair values of financial instruments and their classification; transfers of financial instruments between different levels of the fair value hierarchy; changes in classification of financial assets; and changes in contingent liabilities and assets. The Group is compliant with this standard.

IAS 27 (Amendment), 'Consolidated and separate financial statements', The amendment clarifies that the consequential amendments from IAS 27 made to IAS 21, 'The effect of changes in foreign exchange rates', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', apply prospectively for annual periods beginning or after 1 July 2010 or earlier when IAS 27 is applied earlier. Retrospective application is required. There is no impact from the adoption of this amendment.

Basis of consolidation

The consolidated financial statements include the assets, liabilities, and results of operations of the Company and its subsidiaries presented as a single economic entity. Intra-group transactions, balances, and unrealized gains and losses are eliminated in preparing the consolidated financial statements.

3. Financial Assets

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

Financial Assets at Fair Value through Profit and Loss

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

SCOTIA GROUP JAMAICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2012

3. Financial Assets (continued)

Loans and receivables

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

Held-to-Maturity

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

Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates or equity prices.

Available-for-sale investments and financial assets at fair value through profit and loss are carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of trading securities are included in the statement of revenue and expenses in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in the statement of comprehensive income. Interest calculated using the effective interest method is recognized in the statement of revenue and expenses.

4. Pledged Assets

Assets are pledged to other financial institutions, the clearing house and as collateral under repurchase agreements with counterparties.

(\$millions)	<u>Asset</u>		<u>Related</u>	<u>Liability</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Securities sold under repurchase agreements	45,178	51,372	45,385	38,695
Securities with other financial institutions and clearing houses	<u>6,601</u>	<u>795</u>	-	-
	51,779	52,167	45,385	44,701
Capital management and government securities funds	<u>11,278</u>	<u>13,204</u>	<u>14,175</u>	<u>14,241</u>
	<u>63,057</u>	<u>65,371</u>	<u>59,560</u>	<u>58,942</u>

5. Insurance and investment contracts

Insurance contracts are those contracts that transfer significant insurance risks. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk, the possibility of having to pay benefits at the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur.

6. Loan loss provision

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

7. Taxation

In May 2012, the Government of Jamaica introduced several new tax measures in its 2012/13 Budget presentations. One of the major tax measures is the revision to the Asset Tax Regime, which has resulted in a significant increase in the asset tax expense in this financial year.

SCOTIA GROUP JAMAICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2012

8. Employee benefits

The Group operates both a defined benefit and a defined contribution pension plan, the assets of which are held in separate trustee-administered funds.

Defined benefit pension plan- the pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of income 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. The asset or liability 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 costs, as well as subject to certain limits.

Other post-retirement obligations – The Group provides post retirement healthcare and group life insurance benefits to retirees. This is measured based on the present value of the estimated future cash outflow, using estimated discount rates based on market interest rates.

Defined contribution plan- contributions to this plan are charged to the statement of income in the period to which it relates.

9. Property, plant and equipment

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

10. 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.

11. Litigation

Judgment was received in a long outstanding claim filed in April 1999 against Scotiabank Jamaica Trust and Merchant Bank Limited (SJTMB) for breach of contract and negligent performance of contract in connection with an alleged undertaking given by SJTMB in May 1997. The Courts found against SJTMB in the sum of US\$14,861,992.98 plus interest at the rate of 4% per annum from 1997 to the date of payment and costs. SJTMB has filed an appeal challenging the judgment on several grounds, and based on legal advice obtained, SJTMB will continue to vigorously appeal the judgment. On July 3, 2012, the Court of Appeal granted a stay of execution of the judgment pending determination of the appeal. While SJTMB is a wholly-owned subsidiary of Scotia Investments Jamaica Limited (SIJL), any liability arising from this claim will be assumed by The Bank of Nova Scotia Jamaica Limited ("BNSJ"), a subsidiary of Scotia Group Jamaica Limited. Notwithstanding the strong grounds for appeal, management has considered it prudent to make some provision in the accounts of BNSJ for the year ended October 31, 2012.

12. Segment reporting

The Group is organized into six main business segments:

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

Transactions between the business segments are on normal commercial terms and conditions. The Group's operations are located mainly in Jamaica. The operations of subsidiaries located overseas represents less than 10% of the Group's operating revenue and assets.