

MEDIA RELEASE

March 1, 2012



SCOTIA GROUP JAMAICA REPORTS FIRST QUARTER RESULTS

FIRST QUARTER 2012 HIGHLIGHTS

- **Net Income of \$2.65 billion**
- **Net Income available to common shareholders of \$2.54 billion**
- **Earnings per share of \$0.82**
- **Return on Average Equity of 16.71%**
- **Productivity ratio of 53.81%**
- **First quarter dividend of 37 cents per share**

Scotia Group Jamaica Limited (Scotia Group) today reported net income for the first quarter ended January 31, 2012 of \$2.65 billion, down \$40 million or 1.5% from the same period last year and marginally below the previous quarter ending October 31, 2011.

Earnings per share (EPS) for the quarter was \$0.82 compared to \$0.83 for the same period last year. The Return on Average Equity (ROE) was 16.71%.

The Board of Directors today approved a first interim dividend of 37 cents per stock unit payable on April 13, 2012, to stockholders on record at March 21, 2012.

Bruce Bowen, President and CEO said, "As we enter 2012, Jamaica's 50th anniversary as an independent nation, we are ever mindful of our role in shaping the landscape of this country we have called home for over 123 years. Scotia Group will continue to be focused on strategic imperatives that will drive long term growth and value for both our shareholders and our customers. For Q1 our business lines reported a solid performance with growth in both our loan and deposit portfolios; we launched the Scotia Premium Money Market Fund and a new deposit suite of products to further meet the needs of our customers; and improved our productivity ratios as we implemented various efficiency initiatives. In the upcoming quarter we look forward to further enhancing our customer experience, driving efficiencies and continuing to support the communities in which we operate as we celebrate with Jamaica in its 50th year."



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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)	1.35	53%
Scotia Jamaica Life Insurance Company Limited (SJLIC)	0.64	25%
Scotia Investment Jamaica Limited (SIJL)*	0.36	14%
Scotia Jamaica Building Society (SJBS)	0.20	8%
Non-trading subsidiaries	(0.01)	0%
<small>* Excludes minority interest</small>		
Net Income attributable to common shareholders	2.54	100%

REVENUES

Total operating income, comprising net interest income after impairment losses and other revenue, was \$7.6 billion, representing an increase of \$329 million or 4.53% relative to prior year.

NET INTEREST INCOME

Net interest income after impairment losses for the period was \$5.4 billion, up \$59 million when compared to prior year. Interest margins has been impacted by lower yields earned on the securities and loan portfolios, as market interest rates continued to trend downwards year/year. Scotiabank has the lowest base lending rate in the market.

OTHER REVENUE

Other revenue for the year was \$2.25 billion, up \$271 million or 13.70% when compared with the prior year. This was due primarily to fees earned on capital market transactions and gain on disposal of shares.

OPERATING EXPENSES AND PRODUCTIVITY

Our productivity ratio (operating expense/total revenue) - a key measure of cost efficiency - was 53.81%, compared to 54.36% in 2011. Operating Expenses was \$4 billion for the quarter, representing an increase of \$268 million or 7.2% over prior year. This was mainly reflected in staff related costs and operating expenses associated with growing the business lines. Management continues to place increased focus on the growth in expenses by implementing strategies to improve efficiencies across the Group.



CREDIT QUALITY

Non-performing loans (NPLs) at January 31, 2012 totaled \$5.28 billion, reflecting an increase of \$1.04 billion above prior year, and \$0.02 billion above the previous quarter ended October 31, 2011. The year/year growth was due primarily to a large corporate loan classified as non-performing during the previous quarter. Total NPLs now represent 4.85% of total gross loans compared to 4.43% last year and 5.15% as at October 31, 2011. The Group's total loan loss provision at January 31, 2012 was \$4.37 billion, which represented 83% 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 \$20 billion or 6.15% to \$346 billion as at January 31, 2012. The loan book grew by \$12.98 billion to close at \$106.9 billion, this was driven by solid growth in both the retail and commercial portfolios.

Total customer liabilities (deposits, repo liabilities and policyholder's funds) grew to \$264.5 billion, an increase of \$13.47 billion. This growth was mainly reflected in the deposit portfolio and policyholder's funds, as customers continue to demonstrate confidence in Scotiabank. Our repo liabilities remained flat in keeping with our strategy of shifting our Investment Management business to an off-balance sheet fund management business model.

CAPITAL

Total shareholders equity grew to \$64 billion, \$6.6 billion more than the 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 continued its commitment to being a leader through its corporate philanthropy with donations totaling over \$15.4 million. The Bank expanded its Scotia Goes Green programme to include the control of the Lionfish in a partnership with the University of the West Indies.

In Student Care, the ScotiaFoundation donated \$864,000 to cover the costs of CXC and CAPE fees for ninety-eight scholars and support two Scotia Shining Star Scholars studying at the University College of the Caribbean and the Caribbean Maritime Institute.



In the area of Health Care, the Foundation donated \$515,000 towards the maintenance of the air conditioning units in the Scotiabank Centennial Accident and Emergency Unit at the University Hospital of the West Indies and donated 6 patient monitors to the Orthopedics Ward at the Kingston Public Hospital.

Under Community Care, the Foundation donated over \$14 million for the continued provision of meals for the residents of Cluster F at the National Golden Age Home in Kingston, launched the Annual Salvation Army Christmas Kettle Appeal, contributed to the equipping of a skills training studio in Trench Town, supported the Jamaica Business Council on HIV and AIDS among several other community projects.

Additionally, in January 2012, Scotiabank contributed \$5 million to Shaggy Foundation and 200 ScotiaVolunteers helped to stage the Shaggy and Friends I Dare You Concert, which helped to raise \$32 million for the Bustamante Hospital for Children.

AWARDS: Scotia Investments was the first runner-up for Corporate Governance in the Jamaica Stock Exchange Best Practices Award in December.

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



Scotia Group Jamaica Limited
Consolidated Statement of Revenue and Expenses
Period ended January 31, 2012

Unaudited (\$ thousands)	For the three months ended		
	January 2012	October 2011	January 2011
Interest Income	7,349,999	7,428,463	7,916,893
Interest Expense	(1,796,897)	(1,821,863)	(2,132,685)
Net Interest Income	5,553,102	5,606,600	5,784,208
Impairment losses on loans	(196,030)	(434,353)	(485,763)
Net interest income after impairment losses	5,357,072	5,172,247	5,298,445
Net fee and commission income	1,357,485	1,176,209	1,112,800
Insurance revenue	400,548	396,004	493,292
Net foreign exchange trading income	313,971	281,406	305,520
Net gain /(losses) on financial assets	40,179	3,463	15,928
Other revenue	133,106	39,681	47,122
	2,245,289	1,896,763	1,974,662
Total Operating Income	7,602,361	7,069,010	7,273,107
Operating Expenses			
Salaries and staff benefits	2,168,873	2,057,560	2,028,218
Property expenses, including depreciation	507,601	501,852	470,921
Amortisation of intangible assets	36,892	(4,474)	50,652
Other operating expenses	1,287,175	1,061,035	1,182,508
	4,000,541	3,615,973	3,732,299
Profit before taxation	3,601,820	3,453,037	3,540,808
Taxation	(954,790)	(798,626)	(853,330)
Profit for the period	2,647,030	2,654,411	2,687,478
Attributable to:-			
Stockholders of the Parent Company	2,540,343	2,519,421	2,591,667
Non-Controlling Interest	106,687	134,990	95,811
Earnings per share (cents)	82	81	83
Return on average equity (annualized)	16.71%	16.83%	19.17%
Return on assets (annualized)	2.94%	3.04%	3.18%
Productivity ratio	53.81%	53.98%	54.36%

Scotia Group Jamaica Limited
Consolidated Statement of Comprehensive Income
Period ended January 31, 2012

Unaudited (\$ thousands)	For the three months ended		
	January 2012	October 2011	January 2011
Profit for the period	2,647,030	2,654,411	2,687,478
Other comprehensive income			
Unrealised (loss) / gains on available for sale financial assets	(481,622)	(532,498)	506,695
Realised gains on available for sale financial assets	(162,286)	(20,562)	(9,296)
	(643,908)	(553,060)	497,399
Taxation	233,927	61,512	(80,305)
Other comprehensive income, net of tax	(409,981)	(491,548)	417,094
Total comprehensive income for the period	2,237,049	2,162,863	3,104,572
Attributable to:-			
Stockholders of the Parent Company	2,129,362	2,045,164	3,007,002
Non-Controlling Interest	107,687	117,699	97,570

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

Unaudited (\$ thousands)	Period ended January 31	Year ended October 31	Period ended January 31
	2012	2011	2011
ASSETS			
CASH RESOURCES	57,390,060	53,073,501	52,441,399
INVESTMENTS			
Held to maturity	14,171,049	14,006,187	16,482,675
Financial assets at fair value through profit and loss	489,839	356,168	136,924
Available for sale	75,304,696	76,132,244	76,395,250
	<u>89,965,584</u>	<u>90,494,599</u>	<u>93,014,849</u>
PLEGGED ASSETS	67,972,005	65,371,048	65,180,790
GOVERNMENT SECURITIES UNDER REPURCHASE AGREEMENT	300,265	1,152,466	751,208
LOANS, AFTER MAKING PROVISIONS FOR LOSSES	106,882,511	99,976,439	93,906,805
OTHER ASSETS			
Customers' Liability under acceptances, guarantees and letters of credit	7,294,687	6,742,140	6,681,322
Property, plant, and equipment	4,431,124	3,790,870	3,536,241
Deferred Taxation	12,101	12,101	12,101
Taxation Recoverable	1,721,816	1,827,113	1,147,675
Retirement Benefit Asset	7,614,871	7,412,119	6,800,412
Other assets	401,041	378,959	374,621
Intangible Assets	1,785,319	1,809,904	1,822,706
	<u>23,260,959</u>	<u>21,973,206</u>	<u>20,375,078</u>
ASSETS CLASSIFIED AS HELD FOR SALE	-	-	58,732
TOTAL ASSETS	345,771,384	332,041,259	325,728,861
LIABILITIES			
DEPOSITS			
Deposits by public	154,697,930	144,670,083	143,034,091
Other deposits	10,472,151	10,465,297	11,079,430
	<u>165,170,081</u>	<u>155,135,380</u>	<u>154,113,521</u>
OTHER LIABILITIES			
Acceptances, Guarantees and Letters of Credit	7,294,687	6,742,140	6,681,322
Liabilities under repurchase agreements	45,136,536	44,700,992	45,090,047
Promissory Notes	-	2,436	2,355
Capital Management and Government Securities Fund	14,551,578	14,241,114	14,485,256
Redeemable Preference Shares	-	-	100,000
Deferred Taxation	3,333,226	3,373,187	2,927,660
Retirement Benefit Obligation	2,013,337	1,904,277	1,606,291
Assets Held in Trust on behalf of Participants	44,055	44,140	42,373
Other liabilities	4,444,133	3,826,295	5,779,394
	<u>76,817,552</u>	<u>74,834,581</u>	<u>76,714,698</u>
POLICY HOLDERS' FUND	39,687,917	39,019,761	37,381,929
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	-	-	5,234
SHAREHOLDERS' EQUITY			
Capital and reserves attributable to the company's shareholders			
Capital- Issued and fully paid, 3,111,572,984			
Ordinary stock units, no par value	6,569,810	6,569,810	6,569,810
Reserve Fund	3,248,591	3,248,591	3,248,591
Retained Earnings Reserve	11,641,770	11,341,770	10,741,770
Capital Reserve	9,383	9,383	9,383
Loan Loss Reserve	2,305,790	2,251,257	2,223,783
Other Reserves	12,892	12,892	12,892
Investment Cumulative Remeasurement result from Available for Sale Financial Assets	1,544,134	1,955,115	803,452
Unappropriated Profits	35,956,322	34,921,801	31,401,427
	<u>61,288,692</u>	<u>60,310,619</u>	<u>55,011,108</u>
Minority Interest	2,807,142	2,740,918	2,502,371
	<u>64,095,834</u>	<u>63,051,537</u>	<u>57,513,479</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	345,771,384	332,041,259	325,728,861

Director

Director

SCOTIA GROUP JAMAICA LIMITED

Consolidated Statement of Changes in Shareholders' Equity
January 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 Interests	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	-	-	-	-	-	-	-	2,591,667	2,591,667	95,811	2,687,478
Other Comprehensive Income											
Unrealised gains on available-for-sale securities, net of taxes	-	-	-	-	-	-	420,107	-	420,107	3,184	423,291
Realised gains on available-for-sale securities, net of taxes	-	-	-	-	-	-	(4,772)	-	(4,772)	(1,425)	(6,197)
Total Comprehensive Income	-	-	-	-	-	-	415,335	2,591,667	3,007,002	97,570	3,104,572
Transfer to Loan Loss Reserve	-	-	-	-	-	130,284	-	(130,284)	-	-	-
Net movement in reserves for non-controlling interests	-	-	-	-	-	-	-	-	-	(524)	(524)
Dividends Paid	-	-	-	-	-	-	-	(1,151,275)	(1,151,275)	(32,107)	(1,183,382)
Balance at 31 January 2011	6,569,810	3,248,591	10,741,770	9,383	12,892	2,223,783	803,452	31,401,427	55,011,108	2,502,371	57,513,479
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	2,740,917	63,051,536
Net Profit	-	-	-	-	-	-	-	2,540,343	2,540,343	106,687	2,647,030
Other Comprehensive Income											
Unrealised losses on available-for-sale securities, net of taxes	-	-	-	-	-	-	(276,314)	-	(276,314)	9,616	(266,698)
Realised gains on available-for-sale securities, net of taxes	-	-	-	-	-	-	(134,667)	-	(134,667)	(8,616)	(143,283)
Total Comprehensive Income	-	-	-	-	-	-	(410,981)	2,540,343	2,129,362	107,687	2,237,049
Transfer to Retained Earnings Reserve	-	-	300,000	-	-	-	-	(300,000)	-	-	-
Transfer to Loan Loss Reserve	-	-	-	-	-	54,533	-	(54,533)	-	-	-
Net movement in reserves for non-controlling interests	-	-	-	-	-	-	-	-	-	374	374
Dividends Paid	-	-	-	-	-	-	-	(1,151,289)	(1,151,289)	(41,836)	(1,193,125)
Balance at 31 January 2012	6,569,810	3,248,591	11,641,770	9,383	12,892	2,305,790	1,544,134	35,956,322	61,288,692	2,807,142	64,095,834

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

Unaudited (\$ thousands)	2012	2011
Cash flows provided by / (used in) operating activities		
Profit for the year	2,647,030	2,687,478
Items not affecting cash:		
Depreciation	129,021	124,899
Impairment losses on loans	196,030	485,763
Amortisation of intangible assets	36,892	50,652
Gain on sale of shares	(105,272)	-
Taxation	954,790	853,330
Other, net	(5,553,102)	(5,786,971)
	<u>(1,694,611)</u>	<u>(1,584,849)</u>
Changes in operating assets and liabilities		
Loans	(7,087,813)	1,392,350
Deposits	10,310,283	(3,334,657)
Policyholders reserve	668,156	490,758
Securities sold under repurchase agreement	479,322	(210,973)
Financial Assets at fair value through profit and loss	(132,429)	(9,030)
Other, net	4,461,094	8,189,127
	<u>7,004,002</u>	<u>4,932,726</u>
Cash flows provided by / (used in) investing activities		
Investments	(1,799,369)	(4,980,898)
Repurchase Agreements, net	216,097	(39)
Proceeds from sale of shares	187,940	-
Property, plant and equipment, Intangibles, net	(781,580)	(84,083)
	<u>(2,176,912)</u>	<u>(5,065,020)</u>
Cash flows used in financing activities		
Dividends paid	(1,193,125)	(1,183,382)
	<u>(1,193,125)</u>	<u>(1,183,382)</u>
Effect of exchange rate on cash and cash equivalents	17,628	29,241
Net change in cash and cash equivalents	3,651,593	(1,286,435)
Cash and cash equivalents at beginning of period	35,208,174	34,794,864
Cash and cash equivalents at end of period	<u>38,859,767</u>	<u>33,508,429</u>
Represented by :		
Cash resources	57,390,060	52,441,399
Less statutory reserves at Bank of Jamaica	(16,237,770)	(15,421,285)
Less amounts due from other banks greater than ninety days	(4,809,012)	(6,581,667)
Less accrued interest on cash resources	(38,204)	(78,646)
Reverse repurchase agreements and bonds less than ninety days	3,847,418	6,145,573
Cheques and other instruments in transit, net	(1,292,725)	(2,996,945)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>38,859,767</u>	<u>33,508,429</u>

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

January 31, 2012

Unaudited

(\$ thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	1,214,910	3,235,576	1,317,027	1,005,729	1,024,110	1,039	-	7,798,391
Revenues from other segments	(492,761)	89,923	392,802	(2,395)	(2,001)	1,312,818	(1,298,386)	-
Total Revenues	722,149	3,325,499	1,709,829	1,003,334	1,022,109	1,313,857	(1,298,386)	7,798,391
Expenses	(25,086)	(2,321,008)	(1,205,154)	(337,849)	(265,471)	(8,429)	(33,574)	(4,196,571)
Unallocated expenses								
Profit Before Tax	697,063	1,004,491	504,675	665,485	756,638	1,305,428	(1,331,960)	3,601,820
Taxation								(954,790)
Profit for the period								2,647,030

Consolidated Balance Sheet

(\$ thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	90,417,022	67,148,680	57,411,599	73,503,462	51,863,396	9,784,082	(12,295,138)	337,833,103
Unallocated assets								7,938,281
Total Assets								345,771,384
Segment liabilities	1,000	91,447,507	83,249,083	62,885,234	41,342,170	59,379	(4,344,839)	274,639,534
Unallocated liabilities								7,036,016
Total liabilities								281,675,550
Other Segment items:								
Capital Expenditure	-	543,710	235,326	2,545	-	-	-	781,581
Impairment losses on loans	-	187,109	9,359	(438)	-	-	-	196,030
Depreciation and amortisation	-	80,480	44,821	38,564	1,913	135	-	165,913

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

January 31, 2011

Unaudited

<i>(\$ thousands)</i>	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	1,234,442	2,839,065	1,308,117	949,789	1,424,298	3,159	-	7,758,870
Revenues from other segments	(583,375)	257,756	317,115	7,156	9,866	1,152,600	(1,161,118)	-
Total Revenues	651,067	3,096,821	1,625,232	956,945	1,434,164	1,155,759	(1,161,118)	7,758,870
Expenses	(17,170)	(2,285,175)	(1,348,361)	(301,940)	(217,936)	(6,200)	(41,280)	(4,218,062)
Unallocated expenses								
Profit Before Tax	633,897	811,646	276,871	655,005	1,216,228	1,149,559	(1,202,398)	3,540,808
Taxation								(853,330)
Profit for the period								2,687,478

Consolidated Balance Sheet

<i>(\$ thousands)</i>	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	83,088,163	57,458,749	52,232,468	70,851,658	56,083,548	10,448,052	(11,703,092)	318,459,546
Unallocated assets								7,269,315
Total Assets								325,728,861
Segment liabilities	-	89,863,875	75,134,716	61,683,844	37,782,438	59,312	(3,093,686)	261,430,499
Unallocated liabilities								6,784,883
Total liabilities								268,215,382
Other Segment items:								
Capital Expenditure	-	32,994	52,572	2,905	-	-	-	88,471
Impairment losses on loans	-	235,866	255,020	(5,123)	-	-	-	485,763
Depreciation and amortisation	-	79,054	38,887	56,275	1,335	-	-	175,551

SCOTIA GROUP JAMAICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
January 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 the recently incorporated subsidiary Scotia Jamaica Micro Financing Limited (100%).

2. Basis of presentation

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). New and revised standards that are effective this year does not have a material impact on the interim financial statements, and the accounting policies are consistent with those applied in the audited financial statements for the year ended October 31, 2011. 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:

IAS 24, Related Party Disclosures, has been amended, effective for annual reporting periods beginning on or after January 1, 2011, to clarify and simplify the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also expands the list of related party transactions to be disclosed.

IFRS 7, Financial Instruments, Disclosures, has been amended, effective for annual reporting periods beginning on or after January 1, 2011, to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial statements. Existing disclosures relating to maximum exposure to credit risk, financial effect of collateral held as security and other enhancements in respect of a financial instrument have been amended. Certain disclosures relating to the carrying amount of financial assets that are not past due or are not impaired as a result of their terms having been renegotiated and description of collateral held as security for financial assets that are past due have been removed.

IAS 1, Presentation of Financial Statements, has been amended, effective for annual reporting periods beginning on or after January 1, 2011, to state that for each component of equity a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity, showing separately changes arising from items recognised in profit or loss, in other comprehensive income and from transactions with owners acting in their capacity as owners.

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.

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

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.

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	43,866	45,417	36,600	40,413
Securities with other financial institutions and clearing houses	<u>10,051</u>	<u>5,310</u>	<u>8,537</u>	<u>4,677</u>
	53,917	50,727	45,137	45,090
Capital management and government securities funds	<u>14,055</u>	<u>14,454</u>	<u>14,552</u>	<u>14,485</u>
	<u>67,972</u>	<u>65,181</u>	<u>59,689</u>	<u>59,575</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.

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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. 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.

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.

8. Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

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. 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.