

## To Our Shareholders

The Directors are pleased to announce that the Scotiabank Group realised net income after tax of \$262.3 million for the period end 30 April 2011 which was an increase of 9.9% over the comparative period, a year ago.

The latest Central Bank data shows that inflation has trended lower over the past 3 months to March 2011 and indicators that the decline in bank credit has bottomed out. However the Central Bank has revised its estimates of GDP growth from 1% to 2% for 2011.

The Group's ability to consistently generate sustainable shareholders' returns in the current economic climate is directly attributable to Scotia's philosophy of prudent risk and expense management. The cornerstone of this philosophy

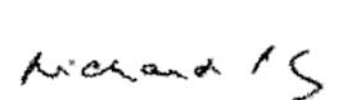
is the Group's strategic human resources management practices which seek to continuously engage employees, at all levels, with a view to improving job satisfaction and identifying and developing competent leaders.

On the basis of performance to date, the Directors have resolved that the Bank pay a second interim dividend of 32 cents per ordinary share (2010 - 25 cents) on 05 July 2011 to shareholders on record as at 06 June 2011.

25 May 2011



Dr. Trevor Farrell  
Deputy Chairman



Richard P. Young  
Managing Director

## Significant Accounting Policies

### Basis of preparation

These financial statements, in all material aspects, have been prepared in accordance with International Financial Reporting Standards. The accounting policies used in the preparation of the financial statements are the same as were followed in the financial statements as at 31 October 2010.

### Comparative information

Comparative amounts in the Consolidated Statement of Income have been restated to conform to presentation changes in the current financial period.

### Consolidated Statement of Financial Position (Stated In \$'000)

|   | UNAUDITED<br>As at<br>30 April 2011 | UNAUDITED<br>As at<br>30 April 2010 | AUDITED<br>As at<br>31 October 2010 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>ASSETS</b>                                     |                                     |                                     |                                     |
| Cash on hand and in transit                       | \$ 131,645                          | \$ 81,389                           | \$ 96,894                           |
| Due from banks and related companies              | 988,922                             | 966,741                             | 1,531,827                           |
| Treasury Bills                                    | 1,083,917                           | 509,168                             | 520,766                             |
| Deposits with Central Bank                        | 2,745,378                           | 2,746,588                           | 2,565,619                           |
| Net loans to customers                            | 10,544,209                          | 10,380,865                          | 10,364,772                          |
| Investment securities                             | 645,326                             | 764,957                             | 673,066                             |
| Investment in associate companies                 | 14,173                              | 12,105                              | 14,173                              |
| Assets purchased under resale agreement           | -                                   | 8,271                               | -                                   |
| Property, plant and equipment                     | 270,365                             | 253,670                             | 264,588                             |
| Miscellaneous assets                              | 131,715                             | 120,638                             | 112,906                             |
| Goodwill  | 2,951                               | 2,951                               | 2,951                               |
| <b>TOTAL ASSETS</b>                               | <b>\$ 16,558,601</b>                | <b>\$ 15,847,343</b>                | <b>\$ 16,147,562</b>                |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                                     |                                     |                                     |
| <b>LIABILITIES</b>                                |                                     |                                     |                                     |
| Deposits  | \$ 11,908,857                       | \$ 11,689,285                       | \$ 11,512,489                       |
| Due to banks and related companies                | 151,581                             | 80,304                              | 381,333                             |
| Other liabilities                                 | 306,897                             | 218,621                             | 247,293                             |
| Securities sold under repurchase agreement        | 38,352                              | 59,912                              | 41,617                              |
| Provision for taxation                            | 33,207                              | 30,733                              | 34,478                              |
| Policyholders' funds                              | 492,421                             | 401,997                             | 439,159                             |
| Debt security in issue                            | 1,000,000                           | 1,000,000                           | 1,000,000                           |
| Deferred tax liability                            | 15,737                              | 29,777                              | 18,685                              |
| <b>TOTAL LIABILITIES</b>                          | <b>\$ 13,947,052</b>                | <b>\$ 13,510,629</b>                | <b>\$ 13,675,054</b>                |
| <b>SHAREHOLDERS' EQUITY</b>                       |                                     |                                     |                                     |
| Stated capital                                    | 267,563                             | 267,563                             | 267,563                             |
| Statutory reserve fund                            | 377,563                             | 357,563                             | 377,563                             |
| Investment revaluation reserve                    | 19,865                              | 71,619                              | 24,954                              |
| Retained earnings                                 | 1,946,558                           | 1,639,969                           | 1,802,428                           |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                 | <b>2,611,549</b>                    | <b>2,336,714</b>                    | <b>2,472,508</b>                    |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>\$ 16,558,601</b>                | <b>\$ 15,847,343</b>                | <b>\$ 16,147,562</b>                |

### Consolidated Statement of Income (Stated In \$'000)

|  | UNAUDITED<br>Three months ended |                   | UNAUDITED<br>Six months ended |                   | AUDITED<br>Year ended |
|--|---------------------------------|-------------------|-------------------------------|-------------------|-----------------------|
|  | 30 April 2011                   | 30 April 2010     | 30 April 2011                 | 30 April 2010     | 31 October 2010       |
| <b>NET INTEREST AND OTHER INCOME</b>         |                                 |                   |                               |                   |                       |
| Net Interest Income                          | \$ 222,288                      | \$ 214,859        | \$ 452,659                    | \$ 429,862        | \$ 865,129            |
| Other Income                                 | 91,926                          | 88,534            | 184,023                       | 172,507           | 385,271               |
| Net Interest and Other Income                | 314,214                         | 303,393           | 636,682                       | 602,369           | 1,250,400             |
| <b>NON-INTEREST EXPENSES</b>                 |                                 |                   |                               |                   |                       |
| Loan loss expense                            | 14,014                          | 20,159            | 32,653                        | 39,804            | 77,117                |
| Other  | 135,197                         | 137,142           | 267,314                       | 257,813           | 515,331               |
| Non-Interest Expenses                        | 149,211                         | 157,301           | 299,967                       | 297,617           | 592,448               |
| <b>INCOME BEFORE TAXATION</b>                | <b>165,003</b>                  | <b>146,092</b>    | <b>336,715</b>                | <b>304,752</b>    | <b>657,952</b>        |
| Provision for taxation                       | (36,197)                        | (30,275)          | (74,435)                      | (66,158)          | (148,727)             |
| <b>INCOME AFTER TAXATION</b>                 | <b>\$ 128,806</b>               | <b>\$ 115,817</b> | <b>\$ 262,280</b>             | <b>\$ 238,594</b> | <b>\$ 509,225</b>     |
| Dividends Paid & Proposed for financial year | \$ 56,430                       | \$ 44,086         | \$ 112,860                    | \$ 88,172         | \$ 193,978            |
| Dividends per share                          | 32.0c                           | 25.0c             | 64.0c                         | 50.0c             | 110.0c                |
| Earnings per share                           | 73.0c                           | 65.7c             | 148.7c                        | 135.3c            | 288.8c                |
| Return on Equity                             | 20.49%                          | 20.66%            | 20.81%                        | 21.45%            | 22.04%                |
| Return on Total Assets                       | 3.23%                           | 2.94%             | 3.23%                         | 3.02%             | 3.17%                 |
| Market Value                                 | \$ 40.26                        | \$ 34.50          | \$ 40.26                      | \$ 34.50          | \$ 36.60              |

### Consolidated Statement Of Total Comprehensive Income (Stated In \$'000)

|   | UNAUDITED<br>Three months ended |                   | UNAUDITED<br>Six months ended |                   | AUDITED<br>Year ended |
|---|---------------------------------|-------------------|-------------------------------|-------------------|-----------------------|
|   | 30 April 2011                   | 30 April 2010     | 30 April 2011                 | 30 April 2010     | 31 October 2010       |
| <b>NET INCOME:</b>  | <b>\$ 128,806</b>               | <b>\$ 115,817</b> | <b>\$ 262,280</b>             | <b>\$ 238,594</b> | <b>\$ 509,225</b>     |
| <b>OTHER COMPREHENSIVE INCOME</b>                         |                                 |                   |                               |                   |                       |
| Revaluation of available-for-sale investments, net of tax | (5,824)                         | 3,442             | (5,089)                       | 37,585            | (9,080)               |
| <b>TOTAL COMPREHENSIVE INCOME, NET OF TAX</b>             | <b>\$ 122,982</b>               | <b>\$ 119,259</b> | <b>\$ 257,191</b>             | <b>\$ 276,179</b> | <b>\$ 500,145</b>     |

**Consolidated Cash Flows (Stated in \$'000)**

|   | UNAUDITED<br>Six months ended<br>30 April 2011 | UNAUDITED<br>Six months ended<br>30 April 2010 | AUDITED<br>Year ended<br>31 October 2010 |
|---|--|--|--|
| <b>Cash flows from operating activities</b>   |  |  |  |
| Net income before taxes   | \$ 336,715                                     | \$ 304,752                                     | \$ 657,952                               |
| Change in loans   | (179,437)                                      | (55,572)                                       | (39,479)                                 |
| Change in assets purchased under resale agreement   | -  | -  | 8,271                                    |
| Change in deposits  | 396,368  | (230,189)                                      | (406,985)                                |
| Change in securities sold under repurchase agreement  | (3,265)  | (20,405)                                       | (38,700)                                 |
| Taxation paid   | (78,130)                                       | (75,489)                                       | (152,249)                                |
| Other adjustments to reconcile income before taxation to net cash from operating activities | (306,923)                                      | (168,127)                                      | 397,648                                  |
| <b>Net cash from operating activities</b>   | <b>\$ 165,328</b>                              | <b>\$ (245,030)</b>                            | <b>\$ 426,458</b>                        |
| <b>Cash flows used in investing activities</b>  |  |  |  |
| Increase in Treasury Bills with original maturity date over 3 months                        | \$ (387,250)                                   | \$ -   | \$ (396,897)                             |
| Increase in investments   | 22,123   | (57,266)                                       | (25,199)                                 |
| Purchase of property, plant & equipment   | (14,453)                                       | (18,342)                                       | (41,534)                                 |
| Investment in subsidiary  | -  | -  | -  |
| Proceeds from disposal of property, plant & equipment                                       | 146  | 2  | -  |
| <b>Net cash used in investing activities</b>  | <b>\$ (379,434)</b>                            | <b>\$ (75,606)</b>                             | <b>\$ (463,630)</b>                      |
| <b>Cash flows used in financing activities</b>  |  |  |  |
| Dividends paid  | (118,150)                                      | (88,172)                                       | (176,344)                                |
| <b>Net cash used in financing activities</b>  | <b>\$ (118,150)</b>                            | <b>\$ (88,172)</b>                             | <b>\$ (176,344)</b>                      |
| (Decrease) / Increase in cash and cash equivalents  | \$ (332,256)                                   | \$ (408,808)                                   | \$ (213,516)                             |
| Cash and cash equivalents, beginning of period  | 1,752,590                                      | 1,966,106                                      | 1,966,106                                |
| <b>Cash and cash equivalents, end of period</b>   | <b>\$ 1,420,334</b>                            | <b>\$ 1,557,298</b>                            | <b>\$ 1,752,590</b>                      |
| <b>Cash and cash equivalents</b>  |  |  |  |
| Cash on hand and in transit   | \$ 131,645                                     | \$ 81,389                                      | \$ 96,894                                |
| Due from banks and related companies with original maturity date not exceeding 3 months     | 988,922  | 966,741  | 1,531,827                                |
| Treasury bills with original maturity date not exceeding 3 months                           | 299,767  | 509,168  | 123,869                                  |
| <b>Cash and cash equivalents</b>  | <b>\$ 1,420,334</b>                            | <b>\$ 1,557,298</b>                            | <b>\$ 1,752,590</b>                      |

**Consolidated Statement Of Changes In Equity For The Period Ended 30 April 2011 (Stated in \$'000)**

|  | Stated Capital    | Statutory Reserve | Investment Revaluation Reserve | Retained Earnings   | Total Shareholders' Equity |
|--|-------------------|-------------------|--------------------------------|---------------------|----------------------------|
| <b>SIX MONTHS ENDED 30 APRIL 2011</b>                          |                   |                   |                                |                     |                            |
| Balance as at 31 October 2009                                  | \$ 267,563        | \$ 377,563        | \$ 24,954                      | \$ 1,802,428        | \$ 2,472,508               |
| Net income for the year  | -                 | -                 | -                              | 262,280             | 262,280                    |
| <b>Other comprehensive income, net of tax</b>                  |                   |                   |                                |                     |                            |
| - Revaluation of available-for-sale, investments               | -                 | -                 | (5,089)                        | -                   | (5,089)                    |
| <b>Total comprehensive income</b>                              |                   |                   | (5,089)                        | 262,280             | 257,191                    |
| <b>Transactions with owners, recorded directly into equity</b> |                   |                   |                                |                     |                            |
| Transfer to statutory reserve                                  | -                 | -                 | -                              | -                   | -                          |
| Dividends paid   | -                 | -                 | -                              | (118,150)           | (118,150)                  |
| <b>Balance as at 30 April 2011</b>                             | <b>\$ 267,563</b> | <b>\$ 377,563</b> | <b>\$ 19,865</b>               | <b>\$ 1,946,558</b> | <b>\$ 2,611,549</b>        |
| <b>SIX MONTHS ENDED 30 APRIL 2010</b>                          |                   |                   |                                |                     |                            |
| Balance as at 31 October 2009                                  | \$ 267,563        | \$ 337,563        | \$ 34,034                      | \$ 1,509,547        | \$ 2,148,707               |
| Net income for the year  | -                 | -                 | -                              | 238,594             | 238,594                    |
| <b>Other comprehensive income, net of tax</b>                  |                   |                   |                                |                     |                            |
| - Revaluation of available-for-sale, investments               | -                 | -                 | 37,585                         | -                   | 37,585                     |
| <b>Total comprehensive income</b>                              |                   |                   | 37,585                         | 238,594             | 276,179                    |
| <b>Transactions with owners, recorded directly into equity</b> |                   |                   |                                |                     |                            |
| Transfer to statutory reserve                                  | -                 | 20,000            | -                              | (20,000)            | -                          |
| Dividends paid   | -                 | -                 | -                              | (88,172)            | (88,172)                   |
| <b>Balance as at 30 April 2010</b>                             | <b>\$ 267,563</b> | <b>\$ 357,563</b> | <b>\$ 71,619</b>               | <b>\$ 1,639,969</b> | <b>\$ 2,336,714</b>        |
| <b>YEAR ENDED 31 OCTOBER 2010</b>                              |                   |                   |                                |                     |                            |
| Balance as at 31 October 2009                                  | \$ 267,563        | \$ 337,563        | \$ 34,034                      | \$ 1,509,547        | \$ 2,148,707               |
| Net income for the year  | -                 | -                 | -                              | 509,225             | 509,225                    |
| <b>Other comprehensive income, net of tax</b>                  |                   |                   |                                |                     |                            |
| - Revaluation of available-for-sale, investments               | -                 | -                 | (9,080)                        | -                   | (9,080)                    |
| <b>Total comprehensive income</b>                              |                   |                   | (9,080)                        | 509,225             | 500,145                    |
| <b>Transactions with owners, recorded directly into equity</b> |                   |                   |                                |                     |                            |
| Transfer to statutory reserve                                  | -                 | 40,000            | -                              | (40,000)            | -                          |
| Dividends paid   | -                 | -                 | -                              | (176,344)           | (176,344)                  |
| <b>Balance as at 31 October 2010</b>                           | <b>\$ 267,563</b> | <b>\$ 377,563</b> | <b>\$ 24,954</b>               | <b>\$ 1,802,428</b> | <b>\$ 2,472,508</b>        |

**Segment Reporting For The Period Ended 30 April 2011 (Stated in \$'000)**

|  | Corporate/ Commercial & Merchant Banking | Retail Banking | Insurance Services | Other           | Total Segments   | Unallocated Amounts/ Eliminations | Total            |
|--|--|----------------|--------------------|-----------------|------------------|-----------------------------------|------------------|
| <b>UNAUDITED SIX MONTHS ENDED 30 APRIL 2011</b>                              |  |                |                    |                 |                  |                                   |                  |
| Net interest income (expense)  | \$ 125,270                               | 323,419        | 24,954             | (24,337)        | 449,306          | 3,353                             | 452,659          |
| Fees and commissions   | 63,784                                   | 64,805         | 19,348             | 5,627           | 153,564          | 30,459                            | 184,023          |
| Other revenues   | -  | -              | -                  | -               | -                | -                                 | -                |
| <b>Net segment interest and other income excluding intersegment revenues</b> | <b>\$ 189,054</b>                        | <b>388,224</b> | <b>44,302</b>      | <b>(18,710)</b> | <b>602,870</b>   | <b>33,812</b>                     | <b>636,682</b>   |
| Inter-segment revenues   | 1,126                                    | -              | 11                 | 52              | 1,189            | (1,189)                           | -                |
| <b>Net segment interest and other income</b>                                 | <b>\$ 190,180</b>                        | <b>388,224</b> | <b>44,313</b>      | <b>(18,658)</b> | <b>604,059</b>   | <b>32,623</b>                     | <b>636,682</b>   |
| Net segment profit (loss) before taxes                                       | \$ 170,011                               | 146,712        | 38,449             | (51,081)        | 304,091          | 32,624                            | 336,715          |
| Segment Assets   | \$ 3,771,067                             | 5,972,878      | 764,429            | 8,062,645       | 18,571,019       | (2,012,418)                       | 16,558,601       |
| Segment Liabilities  | \$ 3,445,338                             | 8,232,466      | 492,767            | 3,633,903       | 15,804,474       | (1,857,421)                       | 13,947,053       |
| <b>UNAUDITED SIX MONTHS ENDED 30 APRIL 2010</b>                              |  |                |                    |                 |                  |                                   |                  |
| Net interest income (expense)  | \$ 124,401                               | 293,141        | 21,473             | (15,062)        | 423,953          | 5,909                             | 429,862          |
| Fees and commissions   | 63,035                                   | 69,546         | 20,594             | 5,649           | 158,824          | 13,683                            | 172,507          |
| Other revenues   | -  | -              | -                  | -               | -                | -                                 | -                |
| <b>Net segment interest and other income excluding intersegment revenues</b> | <b>\$ 187,436</b>                        | <b>362,687</b> | <b>42,067</b>      | <b>(9,413)</b>  | <b>582,777</b>   | <b>19,592</b>                     | <b>602,369</b>   |
| Inter-segment revenues   | 1,463                                    | -              | 38                 | (389)           | 1,112            | (1,112)                           | -                |
| <b>Net segment interest and other income</b>                                 | <b>\$ 188,899</b>                        | <b>362,687</b> | <b>42,105</b>      | <b>(9,802)</b>  | <b>583,889</b>   | <b>18,480</b>                     | <b>602,369</b>   |
| Net segment profit (loss) before taxes                                       | \$ 168,752                               | 127,992        | 36,484             | (46,956)        | 286,272          | 18,480                            | 304,752          |
| Segment Assets   | \$ 4,074,353                             | 5,996,310      | 653,915            | 5,668,265       | 16,392,843       | (545,500)                         | 15,847,343       |
| Segment Liabilities  | \$ 3,439,616                             | 6,728,928      | 619,915            | 5,404,223       | 16,192,682       | (2,682,053)                       | 13,510,629       |
| <b>AUDITED YEAR ENDED 31 OCTOBER 2010</b>                                    |  |                |                    |                 |                  |                                   |                  |
| Net interest income (expense)  | \$ 238,134                               | 605,645        | 45,268             | (36,759)        | 852,288          | 12,841                            | 865,129          |
| Fees and commissions   | 159,468                                  | 140,345        | 40,567             | 13,638          | 354,018          | (68,290)                          | 285,728          |
| Other revenues   | -  | -              | -                  | 2,888           | 2,888            | 96,655                            | 99,543           |
| <b>Net segment interest and other income excluding intersegment revenues</b> | <b>\$ 397,602</b>                        | <b>745,990</b> | <b>85,835</b>      | <b>(20,233)</b> | <b>1,209,194</b> | <b>41,206</b>                     | <b>1,250,400</b> |
| Inter-segment revenues   | 5,403                                    | -              | 51                 | 1,532           | 6,986            | (6,986)                           | -                |
| <b>Net segment interest and other income</b>                                 | <b>\$ 403,005</b>                        | <b>745,990</b> | <b>85,886</b>      | <b>(18,701)</b> | <b>1,216,180</b> | <b>34,220</b>                     | <b>1,250,400</b> |
| Net segment profit (loss) before taxes                                       | \$ 363,050                               | 267,542        | 76,072             | (82,932)        | 623,732          | 34,220                            | 657,952          |
| Segment Assets   | \$ 3,539,318                             | 6,013,474      | 720,619            | 6,319,335       | 16,592,746       | (445,184)                         | 16,147,562       |
| Segment Liabilities  | \$ 3,296,715                             | 7,062,053      | 656,105            | 5,304,057       | 16,318,930       | (2,643,876)                       | 13,675,054       |