Audited Financial Statements
SCOTIA GROUP JAMAICA LIMITED

KPMG
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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, comprising the separate 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 47 to 149, which comprise the Group's and Company's statement of financial position as at October 31, 2011, 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 notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these 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 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 our judgment, including our assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we 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 control. 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 position of the group and the company as at October 31, 2011, and of the group's and 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 and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

December 1, 2011

SCOTIA GROUP JAMAICA LIMITED

Consolidated Statement of Revenue and Expenses

Year ended October 31, 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2011	2010
Net interest income and other revenue			
Interest from loans and deposits with banks		17,119,714	19,527,133
Interest from securities		13,045,667	15,617,481
Total interest income	6	30,165,381	35,144,614
Interest expense	6	(7,736,277)	(11,975,903)
Net interest income		22,429,104	23,168,711
Impairment losses on loans	24	(1,385,070)	(1,598,165)
Net interest income after impairment losses on loans		21,044,034	21,570,546
Fee and commission income	7	6,357,627	5,401,466
Fee and commission expense	7	(1,708,560)	(1,398,481)
		4,649,067	4,002,985
Net foreign exchange trading income	8	1,150,663	1,128,894
Net gains on financial assets		113,549	20,553
Insurance revenue	9	1,898,764	1,864,985
Other revenue	10	225,929	308,453
		8,037,972	7,325,870
		29,082,006	28,896,416
Expenses			
Salaries, pension contributions and other staff benefits	11	8,294,082	7,694,009
Property expenses, including depreciation		1,970,291	1,880,579
Amortisation and impairment of intangible assets	29	147,229	248,030
Other operating expenses		4,425,784	4,656,704
	12	14,837,386	14,479,322
Profit before taxation	13	14,244,620	14,417,094
Taxation	14	(3,626,965)	(3,715,327)
Profit for the year		10,617,655	10,701,767
Attributable to:			
Stockholders' of the company		10,193,390	10,405,649
Non-controlling interest		424,265	296,118
Profit for the year		10,617,655	10,701,767
EARNINGS PER STOCK UNIT (expressed in $ per share) **attributable to stockholders of the company**	15	3.28	3.34

SCOTIA GROUP JAMAICA LIMITED

Consolidated Statement of Comprehensive Income

Year ended October 31, 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2011	2010
Profit for the year		10,617,655	10,701,767
Other comprehensive income:			
Unrealised gains on available-for-sale financial assets		2,016,168	2,499,783
Realised gains on available-for-sale financial assets		(70,612)	(185,018)
		1,945,556	2,314,765
Taxation	39	(368,685)	(635,878)
Other comprehensive income, net of tax		1,576,871	1,678,887
Total comprehensive income		12,194,526	12,380,654
Attributable to:			
Stockholders' of the company		11,760,388	12,035,861
Non-controlling interest		434,138	344,793
Total comprehensive income		12,194,526	12,380,654

Consolidated Statement of Financial Position

October 31, 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2011	2010
ASSETS			
Cash resources			
Notes and coins of, deposits with, and money at call at, Bank of Jamaica	16	37,419,234	42,529,182
Government and bank notes other than Jamaican		415,607	455,492
Amounts due from other banks	18	12,500,570	9,029,857
Accounts with parent and fellow subsidiaries	19	2,738,090	5,275,897
		53,073,501	57,290,428
Financial assets at fair value through profit or loss	20	356,168	127,895
Government securities purchased under resale agreements	21	1,152,466	200,116
Pledged assets	22	65,371,048	64,029,461
Loans, after allowance for impairment losses	23	99,976,439	95,814,497
Investment securities	26		
Available-for-sale		76,132,244	71,311,343
Held-to-maturity		14,006,187	16,226,976
		90,138,431	87,538,319
Other assets			
Customers' liabilities under acceptances, guarantees and letters of credit		6,742,140	6,261,025
Taxation recoverable		1,827,113	1,472,234
Deferred taxation	39	12,101	12,101
Sundry assets	27	378,959	932,431
Property, plant and equipment	28	3,790,870	3,574,295
Intangible assets	29	1,809,904	1,873,416
Retirement benefit asset	30	7,412,119	6,641,659
		21,973,206	20,767,161
Assets classified as held for sale	31	-	56,076
		332,041,259	325,823,953

Consolidated Statement of Financial Position (Continued)

October 31, 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2011	2010
LIABILITIES			
Deposits			
Deposits by the public	32	144,670,083	145,664,085
Amounts due to other banks and financial institutions	33	2,804,556	3,611,781
Amounts due to parent company	34	7,660,416	7,602,759
Amounts due to fellow subsidiaries	35	325	184
		155,135,380	156,878,809
Other liabilities			
Cheques and other instruments in transit		1,320,363	2,611,469
Acceptances, guarantees and letters of credit		6,742,140	6,261,025
Securities sold under repurchase agreements		44,700,992	45,025,585
Promissory notes		2,436	7,982
Capital management and government securities funds	36	14,241,114	15,156,808
Assets held in trust on behalf of participants		44,140	41,827
Redeemable preference shares	37	-	100,000
Other liabilities	38	1,942,462	2,346,312
Taxation payable		563,470	557,281
Deferred tax liabilities	39	3,373,187	2,844,640
Retirement benefit obligations	30	1,904,277	1,502,123
		74,834,581	76,455,052
Policyholders' liabilities	40	39,019,761	36,891,170
Liability directly associated with assets classified as held-for-sale	31	-	6,109
STOCKHOLDERS' EQUITY			
Share capital	41	6,569,810	6,569,810
Reserve fund	42	3,248,591	3,248,591
Retained earnings reserve	43	11,341,770	10,741,770
Capital reserve		9,383	9,383
Cumulative remeasurement result from available-for-sale securities	44	1,955,115	388,117
Loan loss reserve	45	2,251,257	2,093,499
Other reserves	46	12,892	12,892
Unappropriated profits		34,921,801	30,091,319
Total equity attributable to equity holders of the Company		60,310,619	53,155,381
Non-controlling interest		2,740,918	2,437,432
Total equity		63,051,537	55,592,813
Total equity and liabilities		332,041,259	325,823,953

The financial statements on pages 47 to 149 were approved for issue by the Board of Directors on December 1, 2011 and signed on its behalf by:

Director
Brian J. Porter

Director
Bruce F. Bowen

Director
Charles H. Johnston

Secretary
Julie Thompson-James

SCOTIA GROUP JAMAICA LIMITED

Consolidated Statement of Changes in Stockholders' Equity

Year ended October 31, 2011

(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, 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		-	-	-	-	1,732,405	-	-	-	1,732,405	65,087	1,797,492
Realised gains on available-for-sale securities transferred to statement of revenue and expenses		-	-	-	-	(102,193)	-	-	-	(102,193)	(16,412)	(118,605)
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	55	-	-	-	-	-	-	-	(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**
Profit for the year		-	-	-	-	-	-	-	10,193,390	10,193,390	424,265	10,617,655
Other comprehensive income:												
Unrealised gains on available-for-sale investments, net of taxes		-	-	-	-	1,614,133	-	-	-	1,614,133	16,335	1,630,468
Realised gains on available-for-sale securities transferred to statement of revenue and expenses		-	-	-	-	(47,135)	-	-	-	(47,135)	(6,462)	(53,597)
Total other comprehensive income		-	-	-	-	1,566,998	-	-	-	1,566,998	9,873	1,576,871
Total comprehensive income		-	-	-	-	1,566,998	-	-	10,193,390	11,760,388	434,138	12,194,526
Loan loss reserve transfer		-	-	-	-	-	157,758	-	(157,758)	-	-	-
Transfer to retained earnings reserve		-	-	600,000	-	-	-	-	(600,000)	-	-	-
Net movement in reserves for non-controlling interest		-	-	-	-	-	-	-	-	-	(2,227)	(2,227)
Dividends paid	55	-	-	-	-	-	-	-	(4,605,150)	(4,605,150)	(128,425)	(4,733,575)
Net movement for the year		-	-	600,000	-	1,566,998	157,758	-	4,830,482	7,155,238	303,486	7,458,724
Balances at October 31, 2011		**6,569,810**	**3,248,591**	**11,341,770**	**9,383**	**1,955,115**	**2,251,257**	**12,892**	**34,921,801**	**60,310,619**	**2,740,918**	**63,051,537**

SCOTIA GROUP JAMAICA LIMITED

Consolidated Statement of Cash Flows

Year ended October 31, 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2011	2010
Cash flows from operating activities			
Profit for the year		10,617,655	10,701,767
Adjustments for:			
Interest income	6	(30,165,381)	(35,144,614)
Interest expense	6	7,736,277	11,975,903
Taxation expense		3,626,965	3,715,327
Depreciation	28	423,152	413,898
Amortisation of intangible asset	29	147,229	248,030
Impairment losses on loans	24	1,385,070	1,598,165
Loss on sale of subsidiary	57	7,761	-
(Gain)/loss on sale of property, plant and equipment and intangible assets	10	(3,172)	3,315
Write-off of property, plant and equipment	28	-	601
Gain on shares	10	-	(96,798)
		(6,224,444)	(6,584,406)
Changes in operating assets and liabilities			
Loans		(5,653,242)	(5,199,253)
Deposits by the public		(1,810,747)	3,159,485
Policyholders' fund		2,128,590	2,483,294
Other assets, net		534,887	(474,223)
Other liabilities, net		(391,978)	(148,859)
Due to parent company and fellow subsidiaries		56,675	(327,706)
Amounts due from other banks		(807,225)	768,942
Accounts with parent and fellow subsidiaries		2,375,637	(4,331,979)
Financial assets at fair value through profit or loss		(226,776)	(22,526)
Assets classified as held for sale		49,966	(49,966)
Taxation recoverable		(354,879)	(345,055)
Retirement benefits		(368,306)	(444,884)
Deposits with Bank of Jamaica with tenure greater than 90 days		-	20,739,114
Amounts due to other banks and financial institutions		36,460	(1,897,476)
Statutory reserves at Bank of Jamaica		(236,181)	2,411,101
Securities sold under repurchase agreements		(202,370)	311,034
		(11,093,933)	10,046,637
Interest received		30,756,001	39,440,405
Interest paid		(7,956,362)	(13,490,916)
Taxation paid		(3,460,914)	(3,824,203)
Net cash provided by operating activities (carried forward to page 53)		8,244,792	32,171,923

Consolidated Statement of Cash Flows (continued)

Year ended October 31, 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2011	2010
Cash flows from operating activities (brought forward from page 52)		8,244,792	32,171,923
Cash flows from investing activities			
Investment securities		(968,065)	(8,729,169)
Pledged assets		(1,471,415)	1,208,038
Government securities purchased under resale agreements		204	191,029
Disposal of subsidiary, net of cash	57	8,173	-
Proceeds from the sale of property, plant and equipment		43,742	1,062
Purchase of property, plant and equipment	28	(679,925)	(558,687)
Intangible assets	29	(84,089)	(2,115)
Proceeds from sale of shares		-	181,678
Promissory notes		(5,510)	(46,041)
Net cash used in investing activities		(3,156,885)	(7,754,205)
Cash flows from financing activities			
Redemption of preference shares		(100,000)	-
Dividends paid to stockholders	55	(4,605,150)	(4,605,135)
Dividends paid to non-controlling interest	55	(128,425)	(128,426)
Net cash used in financing activities		(4,833,575)	(4,733,561)
Effect of exchange rate changes on cash and cash equivalents		158,978	(642,123)
Net increase/(decrease) in cash and cash equivalents		413,310	19,042,034
Cash and cash equivalents at beginning of year		34,794,864	15,752,830
Cash and cash equivalents at end of year	17	35,208,174	34,794,864

SCOTIA GROUP JAMAICA LIMITED

Statement of Comprehensive Income

Year ended October 31, 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2011	2010
Net interest income and other revenue			
Dividend income		4,710,375	4,610,264
Expenses			
Operating expenses	12	(18,886)	(19,212)
Profit for the year, being total comprehensive income	13	4,691,489	4,591,052

SCOTIA GROUP JAMAICA LIMITED

Statement of Financial Position

October 31, 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2011	2010
ASSETS			
Cash resources			
Accounts with subsidiary	17	19,681	221,145
Investment in subsidiaries		9,432,408	9,332,408
		9,452,089	9,553,553
LIABILITES			
Accrued charges		3,722	191,525
STOCKHOLDERS' EQUITY			
Share capital	41	6,569,810	6,569,810
Unappropriated profits		2,878,557	2,792,218
Total stockholders' equity		9,448,367	9,362,028
Total liabilities and stockholders' equity		9,452,089	9,553,553

The financial statements on pages 47 to 149 were approved for issue by the Board of Directors on December 1, 2011 and signed on its behalf by:

_____________ Director
Brian J. Porter

_____________ Director
Bruce F. Bowen

_____________ Director
Charles H. Johnston

_____________ Secretary
Julie Thompson-James

Statement of Changes in Stockholders' Equity

Year ended October 31, 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	Share Capital	Unappropriated Profits	Total
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	55	-	(4,605,135)	(4,605,135)
Balances at October 31, 2010		6,569,810	2,792,218	9,362,028
Profit, being total comprehensive income for the year		-	4,691,489	4,691,489
Dividends paid	55	-	(4,605,150)	(4,605,150)
Balances at October 31, 2011		6,569,810	2,878,557	9,448,367

Statement of Cash Flows

Year ended October 31, 2011

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2011	2010
Cash flows from operating activities			
Profit for the year		4,691,489	4,591,052
Changes in operating assets and liabilities			
Other liabilities		(187,803)	15,251
Net cash provided by operating activities		4,503,686	4,606,303
Cash flow from investing activities			
Investment in subsidiary		(100,000)	-
Cash flows from financing activities			
Dividends paid, being net cash used in financing activities		(4,605,150)	(4,605,135)
Net (decrease)/increase in cash and cash equivalents		(201,464)	1,168
Cash and cash equivalents at beginning of year		221,145	219,977
Cash and cash equivalents at end of year	17	19,681	221,145

(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, Scotia Investments Jamaica Limited ("SIJL"), formerly Scotia DBG Investments Limited (SDBG), which is licensed under the Securities Act, and Scotia Jamaica Micro Financing Company Limited. The Company and SIJL are listed on the Jamaica Stock Exchange. As disclosed in note 37, the preference shares of the Bank, which were also listed on the Jamaica Stock Exchange were cancelled effective August 24, 2011.

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 Investments Jamaica Limited and its subsidiaries:	Investment Banking	77.01%		October 31
Scotia Asset Management Jamaica Limited (formerly DBG Fund Managers Limited)	Unit Trust and Fund Management		100%	October 31
Scotia Jamaica Investment Management Limited	Non-trading		100%	October 31
DB&G Corporate Services Limited	Administrative and Management services		100%	October 31
Billy Craig Investments Limited	Non-trading		100%	October 31
Interlink 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, 2011.

(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
Scotia Asset Management St Lucia Inc	Funds Management		100%	October 31
Scotia Jamaica Micro Financing Company Limited	Micro-financing	100%		October 31

All subsidiaries are incorporated in Jamaica except for Scotia Asset Management St Lucia Inc.

During this financial year, the following transactions were effected:

1. On May 2, 2011, Scotia Investments Jamaica Limited sold its 100% interest in its wholly-owned subsidiary, Asset Management Company Limited.
2. On August 26, 2011, SDBG Merchant Bank Limited, a wholly-owned subsidiary of The Bank of Nova Scotia Jamaica Limited, was dissolved and is no longer listed on the Register of Companies.
3. On October 14, 2011, Scotia Jamaica Micro Financing Company Limited was incorporated, and is a wholly owned subsidiary of Scotia Group Jamaica 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, revised and amended standards and interpretations that became effective during the year:

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

IAS 36 (Amendment), ‘Impairment of assets’ (effective for annual reporting periods beginning on or after January 1, 2010). This amendment clarifies that goodwill arising from a business combination should be allocated to cash-generating units for impairment testing. The level of this allocation should be the lowest level where management monitors goodwill. However, this unit may not be 'larger than an operating segment determined in accordance with IFRS 8'. The Group is compliant with this standard.

(i) Statement of compliance (continued)

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

IFRS 2 (Amendment), 'Group cash settled and share-based payment transactions' (effective for annual reporting periods beginning on or after January 1, 2010), clarifies how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. These amendments incorporate guidance previously included in IFRIC 8, *Scope of IFRS 2*, and IFRIC 11, *IFRS 2–Group and Treasury Share Transactions*. This amendment did not have a material impact on the Group's financial statements.

IFRS 3 (Amendment), 'Business combinations' (effective for annual reporting periods beginning on or after July 1, 2010). This amendment clarifies that the amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 32, 'Financial instruments: Presentation', and IAS 39, 'Financial instruments: Recognition and measurement', that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). This amendment allows an accounting policy choice, available on a transaction by transaction basis, to measure non-controlling interests either at fair value or based on the non controlling interest's proportionate share of the acquiree's net assets. This amendment had no significant impact on the Group's financial statements.

IFRS 5, 'Non-current assets held for sale and discontinued operations'(effective for annual reporting periods beginning on or after January 1, 2010). The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still applies, in particular, paragraph 15 (to achieve fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group has complied with this amendment in the financial statements.

IFRS 8, *Operating Segments* has been amended, effective for annual reporting periods beginning on or after January 1, 2010, to clarify that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. The amendment had no impact on segment assets and liabilities reported in the Group's financial statements.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

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

At the date of authorisation of these financial statements, certain new, revised and amended standards and interpretations which were in issue were not effective at the reporting date and had not been early-adopted by the Group. The Group is assessing them and has determined that the following are relevant to its financial statements:

IAS 1, *Presentation of Financial Statements*, has been amended, effective for annual reporting periods beginning on or after July 1, 2012, to require a reporting entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from 'Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income'. However, an entity is still allowed to use other titles.

IAS 12 *Income Taxes*, has been amended, effective for annual reporting periods beginning on or after January 1, 2012, to require an entity to measure deferred taxes relating to an asset based on whether the entity expects to recover the carrying amount of the asset through use or sale.

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.

Improvements to IFRS (2010) contain amendments to six standards and to one interpretation and are effective for annual reporting periods beginning on or after July 1, 2010 or January 1, 2011. The main applicable amendments are as follows:

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New, revised and amended standards and interpretations that are not yet effective (continued):

– 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.

IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2013, retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It also includes guidance on classification and measurement of financial liabilities designated as at fair value through profit or loss and incorporates certain existing requirements of IAS 39, *Financial Instruments: Recognition and Measurement,* on the recognition and de-recognition of financial assets and financial liabilities.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New, revised and amended standards and interpretations that are not yet effective (continued):

IFRS 10, *Consolidated Financial Statements*, which is effective for annual reporting periods beginning on or after 1 January 2013, introduces a new approach to determining which investees should be consolidated. It was issued as part of a suite of consolidation and related standards, also replacing existing requirements for joint ventures (now 'joint arrangements') and making limited amendments in relation to associates. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements,* and SIC-12, *Consolidation – Special Purpose Entities,* and provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. An investor controls an investee when (i) it is exposed, or has rights, to variable returns from its involvement with the investee, (ii) has the ability to affect those returns through its power over the investee and (iii) there is a link between power and returns.

IFRS 11, *Joint Arrangements,* which is effective for annual reporting periods beginning on or after January 1, 2013, does two things. Firstly, it carves out from IAS 31, *Jointly Controlled Entities*, those cases in which, although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remaining arrangements under IAS 31, *Jointly Controlled Entities*, now called *Joint Ventures*, are stripped of the choice of using the equity method or proportionate consolidation; they are now required to use the equity method. The application of the equity method is subject to two exemptions, carried forward from IAS 28 (2008) and IAS 31.

IFRS 12, *Disclosure of Interest in Other Entities,* which is effective for annual reporting periods beginning on or after from January 1, 2013, contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. The disclosure requirements encompass risk exposures for the sponsor of such an entity even if it no longer has any contractual involvement. These required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

The Group is required to: understand what a structured entity is in the context of its operations; apply judgement in assessing whether it is 'involved' with a structured entity, which has the potential to broaden the transactions and relationships to which the disclosures may apply, particularly for those who sponsor, or perhaps even transact business with, but do not consolidate, structured entities; and assess the level of disclosure that it believes will be meaningful to users of the financial statements.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New, revised and amended standards and interpretations that are not yet effective (continued):

IFRS 13, *Fair Value Measurement,* which is effective for annual reporting periods beginning on or after January 1, 2013, defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value, or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The Group is assessing the impact the new, revised and amended standards and interpretations will have on its financial statements when they become effective.

(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.

(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.

(v) Comparative information

Where necessary, comparative amounts have been reclassified to conform with changes in the presentation in the current year. The changes made to the comparative amounts are not considered material.

2. Summary of significant accounting policies (continued)

(b) Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Company and its subsidiaries presented as a single economic entity.

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.

(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 arms 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.

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

(e) **Revenue recognition**

(i) Interest income

Interest income is recognised in profit or loss 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.

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.

2. Summary of significant accounting policies (continued)

(f) Interest expense

Interest expense is recognised in profit or loss 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 net of reinsurance recoveries, are recorded in the profit or loss.

(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.

(i) Current taxation

Current tax charges are based on the taxable profit for the year, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other years, 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.

2. Summary of significant accounting policies (continued)

(i) Taxation (continued)

(ii) Deferred tax (continued)

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.

(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 summarised in note 2(k). These liabilities are adjusted through profit or loss to reflect any changes in the valuation.

2. Summary of significant accounting policies (continued)

(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 year to which it relates.

(l) Financial assets and liabilities

Financial assets comprise cash resources, financial assets at fair value through profit or loss, securities purchased under resale agreements, pledged assets, loans, investment securities, and leases, and other assets. Financial liabilities comprise deposits, securities sold under repurchase agreements, promissory notes, capital management and government securities funds, assets held in trust on behalf of 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 recognised 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 derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

(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.

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 profit or loss.

(2) Loans and receivables

See details at note 2(p).

2. Summary of significant accounting policies (continued)

(m) Financial assets (continued)

(i) Classification (continued)

(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.

(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 financial year end 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.

2. Summary of significant accounting policies (continued)

(m) Financial assets (continued)

(ii) Identification and measurement of impairment (continued)

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.

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.

2. Summary of significant accounting policies (continued)

(m) Financial assets (continued)

(ii) Identification and measurement of impairment (continued)

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.

(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.

2. Summary of significant accounting policies (continued)

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

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.

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 SIJL, 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 SIJL's unit trust management 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 SIJL'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 SIJL 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 profit or loss 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 profit or loss 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 profit or loss 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 expensed 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 profit or loss 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 profit or loss over the average remaining service lives of the participating employees.

Contributions to the defined contribution plan are charged to 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 in profit or loss.

The amount contributed to the ESOP trust (note 56) 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 56) 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 $176,947 (2010: $123,607) lower or $176,947 (2010: $123,422) higher.

(ii) 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.

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 $97,168 and the deferred tax liability by $55,445, if unfavourable; or

- decrease the income tax liability by $97,168 and the deferred tax liability by $55,445, if favourable.

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

(iii) 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 40(c).

(iv) 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.

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

(iv) Pension and other post-employment benefits (continued)

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 $132,000 or decrease by $98,000.

(v) 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 deposit 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 annuities;

(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. The operations of subsidiaries located overseas represents less than 10% of the Group's operating revenue and assets.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental financial information (continued)

	2011							
	Banking							
	Retail	Corporate and Commercial	Treasury	Investment Management Services	Insurance Services	Other	Eliminations	Group
Net external revenues	11,728,178	5,123,079	4,468,315	3,871,383	5,264,377	11,744	-	30,467,076
Revenue/(expenses) from other segments	696,987	1,400,955	(2,076,281)	2,372	21,596	4,708,464	(4,754,093)	-
Total revenues	12,425,165	6,524,034	2,392,034	3,873,755	5,285,973	4,720,208	(4,754,093)	30,467,076
Total expenses and losses	(9,082,745)	(4,757,785)	(68,705)	(1,226,579)	(956,666)	(20,052)	(109,924)	(16,222,456)
Profit before tax	3,342,420	1,766,249	2,323,329	2,647,176	4,329,307	4,700,156	(4,864,017)	14,244,620
Taxation								(3,626,965)
Profit for the year								**10,617,655**
Segment assets	63,595,634	52,248,785	88,701,739	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	89,448,682	75,328,955	2,000	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 amortization	269,319	132,116	-	161,097	7,309	540	-	570,381

(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
Taxation								(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	-	6,456	16,077	-	-	560,802
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)

6. Net interest income

	The Group	
	2011	2010
Interest income:		
Deposits with banks and other financial institutions	1,563,981	3,420,089
Investment securities	12,935,167	15,507,014
Financial assets at fair value through profit or loss	32,538	31,376
Reverse repurchase agreements	77,963	79,077
Loans and advances	15,554,235	16,103,915
Other	1,497	3,143
	30,165,381	35,144,614
Interest expense:		
Banks and customers	3,298,339	5,188,945
Repurchase agreements	2,250,863	3,510,172
Policyholders' liabilities	2,151,298	3,251,480
Other	35,777	25,306
	7,736,277	11,975,903
Net interest income	22,429,104	23,168,711

7. Net fee and commission income

	The Group	
	2011	2010
Fee and commission income:		
Retail banking fees	3,580,838	2,921,229
Credit related fees	783,910	827,192
Commercial and depository fees	1,362,816	1,255,868
Trust and other fiduciary fees	23,515	22,150
Asset management and related fees	606,548	375,027
	6,357,627	5,401,466
Fee and commission expenses	(1,708,560)	(1,398,481)
	4,649,067	4,002,985

8. Net foreign exchange trading income

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

9. Insurance revenue

	The Group	
	2011	2010
Gross premiums		
Individual life	600,557	490,142
Group	719,296	516,487
	1,319,853	1,006,629
Reinsurance ceded	(1,124)	(833)
	1,318,729	1,005,796
Changes in actuarial reserves	580,035	859,189
	1,898,764	1,864,985

10. Other revenue

	The Group	
	2011	2010
Gain on securities disposed of in Jamaica Debt Exchange	-	77,039
Gain on shares and sale of property, plant, equipment and intangible assets	3,172	93,483
Securities trading	215,446	115,609
Loss on disposal of subsidiary	(7,761)	-
Other	15,072	22,322
	225,929	308,453

11. Salaries, pension contributions and other staff benefits

	The Group	
	2011	2010
Wages and salaries	6,630,716	6,047,381
Statutory payroll deductions	575,528	532,933
Pension costs, net defined benefit plan [note 30(a)]	(725,018)	(762,294)
Other post employment benefits [note 30(b)]	450,762	408,835
Other staff benefits	1,362,094	1,467,154
Total (note 12)	8,294,082	7,694,009

(Expressed in thousands of Jamaican dollars unless otherwise stated)

12. Expenses by nature

	The Group		The Company	
	2011	2010	2011	2010
Salaries, pension contributions and other staff benefits (note 11)	8,294,082	7,694,009	-	-
Property expenses, including depreciation	1,975,166	1,880,579	-	-
System related expenses	1,011,126	1,030,008	-	-
Insurance claims and benefits	125,897	177,085	-	-
Transportation and communication	828,023	831,103	-	-
Marketing and advertising	628,655	503,696	-	-
Management and consultancy fees	654,840	610,179	-	-
Deposit insurance	245,315	231,001	-	-
Stationery	254,589	288,460	-	-
Other operating expenses	672,464	985,172	18,886	19,212
Amortisation of intangibles	147,229	248,030	-	-
	14,837,386	14,479,322	18,886	19,212

13. 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	
	2011	2010	2011	2010
Auditors' remuneration	40,262	42,050	3,668	3,412
Depreciation	423,152	413,898	-	-
Directors' emoluments:				
Fees	28,344	30,312	947	1,349
Other	35,306	32,784	-	-
Gain on sale of shares and property, plant and equipment	(3,172)	(93,483)	-	-
Loss on disposal of subsidiary	7,761	-	-	-
Operating lease rentals	375,445	380,379	-	-

(Expressed in thousands of Jamaican dollars unless otherwise stated)

14. 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 2011	The Group 2010
Current income tax:		
Income tax at 33⅓%	2,615,111	2,691,532
Income tax at 30%	237,560	197,563
Premium income tax at 3%	112,800	96,444
Investment income tax at 15%	501,632	664,339
Deferred income tax (note 39)	159,862	65,449
	3,626,965	3,715,327

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

	The Group 2011	The Group 2010
Profit before taxation	14,244,620	14,417,094
Tax calculated at 33⅓%	4,748,207	4,805,698
Adjusted for the tax effects of:		
Different tax regimes applicable to the life insurance and mortgage financing subsidiaries	(898,344)	(924,993)
Income not subject to tax – tax free investments	(474,186)	(569,967)
Expenses not deductible for tax purposes	180,588	149,980
Capital gains	-	(32,266)
Other charges and allowances	70,700	303,160
Prior period overprovision	-	(16,285)
	3,626,965	3,715,327
Effective tax rate	25.46%	25.77%

(Expressed in thousands of Jamaican dollars unless otherwise stated)

14. 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%.

15. Earnings per stock unit

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

	2011	2010
Profit for the year attributable to stockholders of the Company	10,193,390	10,405,649
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)	3.28	3.34

16. Cash and balances at Bank of Jamaica

	The Group	
	2011	2010
Statutory reserves with Bank of Jamaica – interest-bearing	4,057,162	4,222,979
Statutory reserves – non interest bearing	11,646,147	11,244,149
Total statutory reserves (note 17)	15,703,309	15,467,128
Cash in hand and other balances at Bank of Jamaica (note 17)	21,715,925	27,062,054
	37,419,234	42,529,182

Statutory reserves with the Bank of Jamaica represent the required primary reserve ratios as follows:

Relevant legislation	Entity	Reserve percentage			
		Jamaican		Foreign Currency	
		2011	2010	2011	2010
Banking Act, Section 14(i)	BNSJ	12%	12%	9%	9%
Building Society Regulations, Section 31	SJBS	1%	1%	1%	1%

These balances are not available for investment, lending or other use by the Group.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

17. Cash and cash equivalents

	The Group		The Company	
	2011	2010	2011	2010
Cash and balances with Bank of Jamaica	37,419,234	42,529,182	-	-
Less: statutory reserves (note 16)	(15,703,309)	(15,467,128)	-	-
Amounts other than statutory reserve (note 16)	21,715,925	27,062,054	-	-
Accounts with subsidiary	-	-	19,681	221,145
Government and bank notes other than Jamaican	415,606	455,492	-	-
Amounts due from other banks	9,803,094	6,295,501	-	-
Accounts with parent and fellow subsidiaries	148,338	142,232	-	-
Government of Jamaica Securities	4,486,494	3,516,189	-	-
Cheques and other instruments in transit	(1,320,363)	(2,611,469)	-	-
	35,249,094	34,859,999	19,681	221,145
Less interest receivable on Bank of Jamaica Certificates of Deposit	(40,920)	(65,135)	-	-
	35,208,174	34,794,864	19,681	221,145

18. Amounts due from other banks

	The Group	
	2011	2010
Items in course of collection from other banks	720,179	211,789
Placements with other banks	11,780,391	8,818,068
	12,500,570	9,029,857

19. Accounts with parent and fellow subsidiaries

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

20. Financial assets at fair value through profit or loss

	The Group	
	2011	2010
Government of Jamaica Securities	191,499	-
Quoted shares	25,221	10,029
Unit trusts	137,951	117,866
Accrued interest	1,497	-
	356,168	127,895

21. 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	
	2011	2010
Reverse repurchase agreements with an original maturity of less than 90 days	1,150,000	200,000
Interest receivable	2,466	116
	1,152,466	200,116

The fair value of collateral held pursuant to reverse repurchase agreements is $1,186,882 (2010: $205,248) for the Group.

22. Pledged assets

Assets are pledged to other financial institutions, the clearing house and as collateral under repurchase agreements with counterparties. These latter transactions are conducted under terms that are usual and customary for standard repurchase agreements.

	The Group			
	Asset		Related Liability	
	2011	2010	2011	2010
Securities sold under repurchase agreements	51,371,868	49,093,428	44,700,992	45,025,585
Capital Management and Government Securities funds	13,204,540	14,357,472	14,241,114	15,156,808
Securities with other financial institutions and clearing houses	794,640	578,561	-	-
	65,371,048	64,029,461	58,942,106	60,182,393

(Expressed in thousands of Jamaican dollars unless otherwise stated)

22. Pledged assets (continued)

Included in pledged assets are the following categories of assets:

	The Group	
	2011	2010
Deposits with financial institutions	778,637	1,820,206
Government issued securities:		
Fair value through profit or loss	2,137	496,611
Available-for-sale	39,904,035	34,945,557
Loans and receivables	11,900,753	13,928,739
Held-to-maturity	10,989,928	11,774,311
Loans	136,502	94,449
Unitised funds:		
Available-for-sale	845,826	969,588
Other:		
Available-for-sale	813,230	-
	65,371,048	64,029,461

23. Loans, after allowance for impairment losses

	The Group	
	2011	2010
Business and Government	47,258,969	49,642,819
Personal and credit cards	43,565,524	39,212,071
Residential mortgages	10,301,749	7,581,435
Interest receivable	866,602	972,831
Total	101,992,844	97,409,156
Less: allowance for impairment losses (note 24)	(2,016,405)	(1,594,659)
	99,976,439	95,814,497

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

	2011	2010
Neither past due nor impaired	86,599,465	80,948,168
Past due but not impaired		
Past due 0-30 days	4,593,336	5,205,871
Past due 31-60 days	2,773,732	3,296,010
Past due 61-90 days	1,902,493	2,771,022
	9,269,561	11,272,903
Balance carried forward to page 97	95,869,026	92,221,071

(Expressed in thousands of Jamaican dollars unless otherwise stated)

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

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

	The Group	
	2011	2010
Balance brought forward from page 96	95,869,026	92,221,071
Impaired loans:		
Past due more than 90 days	5,257,217	4,215,254
Interest receivable	866,601	972,831
Gross loan portfolio	101,992,844	97,409,156
Less: Allowance for impairment losses	(2,016,405)	(1,594,659)
	99,976,439	95,814,497

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.

(ii) Renegotiated loans

Restructuring activities include extended payment arrangements, approved external management plans, and 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 $3,602,852 (2010: $4,437,548).

(iii) 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 recognized on the Group's statement of financial position.

The Group had no repossessed collateral at the reporting date (2010: None).

(Expressed in thousands of Jamaican dollars unless otherwise stated)

24. Impairment losses on loans

	The Group	
	2011	2010
Total impaired loans	5,257,217	4,215,254
Allowance at beginning of year	1,594,659	1,086,441
Provided during the year	2,284,158	2,363,787
Bad debts written off	(1,866,061)	(1,837,023)
Translation difference on foreign currency provision	3,594	(15,843)
Elimination on reclassification of securities held for sale	55	(2,703)
Allowance at end of year (note 23)	2,016,405	1,594,659
Provided during the year	2,284,158	2,363,787
Recoveries of bad debts	(899,088)	(765,622)
Impairment losses reported in profit or loss	1,385,070	1,598,165

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 $1,753,993 as at October 31, 2011 (2010: $1,218,728) for the Group.

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

	The Group	
	2011	2010
Allowance based on accounting standard - IAS 39 [see (a) below]	2,016,405	1,594,659
Additional allowance based on BOJ regulations [see (b) below]	2,251,257	2,093,499
	4,267,662	3,688,158

(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 (note 45).

(Expressed in thousands of Jamaican dollars unless otherwise stated)

25. Lease receivables

	The Group	
	2011	2010
Gross investment in finance leases receivable in		
Not later than one year	-	50,830
Later than one year and not later than five years	-	17,062
	-	67,892
Less: unearned income	-	(20,250)
Net investment in finance leases	-	47,642
Reclassified to assets held for sale	-	(47,642)
	-	-

The provision for uncollectible finance lease receivables amounted to $Nil as at October 31, 2011 (2010: $ Nil).

26. Investment securities

	The Group	
	2011	2010
Available-for-sale (AFS)		
Quoted shares	179,560	-
Unquoted shares	21,018	101,730
Government of Jamaica securities	73,344,024	68,906,308
Treasury bills	-	512,318
Other	1,203,961	-
Interest receivable	1,383,681	1,790,987
	76,132,244	71,311,343
Held-to-Maturity (HTM)		
Government of Jamaica securities	11,962,692	14,174,945
Other	1,725,556	1,707,650
Interest receivable	317,939	344,381
	14,006,187	16,226,976

Included in investment securities are Government of Jamaica Benchmark Investment Note with a book value of $90,000 (2010: $90,000) 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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

26. Investment securities (continued)

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.

In previous years, certain financial instruments held with fellow subsidiaries were included in accounts held with parent and fellow subsidiaries as part of cash resources. These instruments totalling $1,757,362 have now been reclassified from cash resources to investment securities.

27. Sundry assets

	The Group	
	2011	2010
Accounts receivable and prepayments	281,108	844,457
Other	97,851	87,974
	378,959	932,431

28. 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, 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
Additions	18,924	3,534	56,233	601,234	679,925
Disposals	(41,078)	(12,310)	(379,573)	-	(432,961)
Transfers	256,299	23,867	184,579	(464,745)	-
October 31, 2011	2,795,136	251,765	4,173,965	429,006	7,649,872
Accumulated depreciation:					
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
Charge for the year	49,846	39,684	333,622	-	423,152
Eliminated on disposals	(12,432)	(12,310)	(368,021)	-	(392,763)
October 31, 2011	489,693	230,959	3,138,350	-	3,859,002
Net book values					
October 31, 2011	2,305,443	20,806	1,035,615	429,006	3,790,870
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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

29. Intangible assets

	Customer Relationships	Contract-Based Intangibles	License	Tax Benefits	Goodwill	Computer Software	Total
Cost:							
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
Additions during the year	-	-	-	-	-	84,089	84,089
Disposal	-	-	-	-	-	(1,909)	(1,909)
Write off	-	-	-	-	-	(2,235)	(2,235)
October 31, 2011	1,382,582	348,987	49,470	692,466	136,892	211,306	2,821,703
Amortisation:							
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
Amortisation for the year	73,521	14,971	-	50,834	-	7,570	146,896
Impairment charge	-	-	333	-	-	-	333
Disposal	-	-	-	-	-	(1,909)	(1,909)
Write off	-	-	-	-	-	(1,863)	(1,863)
Movement for the year	73,521	14,971	333	50,834	-	3,798	143,457
October 31, 2011	436,181	41,632	333	368,396	35,611	129,646	1,011,799
Net book values							
October 31, 2011	946,401	307,355	49,137	324,070	101,281	81,660	1,809,904
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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

30. Retirement benefit asset/obligation

Amounts recognised in the statement of financial position:

	The Group	
	2011	2010
Defined benefit pension plan	7,412,119	6,641,659
Other post retirement benefits	(1,904,277)	(1,502,123)
	5,507,842	5,139,536

(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.

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

	The Group	
	2011	2010
Present value of funded obligations	(15,752,204)	(13,384,602)
Fair value of plan assets	34,780,109	30,457,536
Unrecognised actuarial gains	(6,506,312)	(5,290,370)
Unrecognised past service costs	89,931	-
	12,611,524	11,782,564
Unrecognised amount of plan assets due to limitation on economic benefit	(5,199,405)	(5,140,905)
Asset in the statement of financial position	7,412,119	6,641,659

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

	The Group	
	2011	2010
At beginning of year	(13,384,602)	(10,948,143)
Interest and service costs	(2,285,505)	(2,510,844)
Past service cost – vested and unvested benefits	(541,011)	-
Actuarial loss on obligation	(194,842)	(516,830)
Benefits paid	653,756	591,215
At end of year	(15,752,204)	(13,384,602)

(Expressed in thousands of Jamaican dollars unless otherwise stated)

30. Retirement benefit asset/obligation (continued)

(a) Defined benefit pension plan (continued)

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

	The Group	
	2011	2010
At beginning of year	30,457,536	26,446,396
Expected return on plan assets	3,039,640	2,637,883
Actuarial gains on plan assets	1,533,177	1,508,399
Contributions	403,512	456,073
Benefits paid	(653,756)	(591,215)
At end of year	34,780,109	30,457,536

(iv) Composition of plan assets:

	The Group	
	2011	2010
Government stocks and bonds	28,971,714	24,917,929
Quoted equities	3,609,417	2,499,547
Reverse repurchase agreements	531,399	1,485,061
Certificates of deposits	122,975	-
Real estate	988,271	994,265
Net current assets	556,333	560,734
	34,780,109	30,457,536
Plan assets include the following:		
Scotia Group Jamaica Limited's ordinary stock units	1,286,143	1,126,211

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

	The Group	
	2011	2010
Current service cost, net of employee contributions	283,874	99,025
Interest cost	1,643,563	2,007,973
Expected return on plan assets	(3,039,640)	(2,637,883)
Net actuarial gain recognised in year	(122,393)	(89,800)
Past service cost – vested and non vested benefits	451,079	-
Income (recognised)/not recognised due to limit	58,499	(141,609)
Included in staff costs (note 11)	(725,018)	(762,294)

The actual return on plan assets was $4,572,817 (2010: $4,146,281).

(Expressed in thousands of Jamaican dollars unless otherwise stated)

30. Retirement benefit asset/obligation (continued)

(a) Defined benefit pension plan (continued)

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

	The Group 2011	The Group 2010
Discount rate	10.00%	11.5%
Expected return on plan assets	8.50%	10.0%
Future salary increases	6.50%	8.5%
Future pension increases	4.50%	5.5%
Average expected remaining working lives (years)	18.34%	19.4%

(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 7.5% per year (2010: 10%).

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

	The Group 2011	The Group 2010
Present value of unfunded obligations	(2,671,261)	(2,485,118)
Unrecognised past services costs	(8,184)	-
Unrecognised actuarial losses	775,168	982,995
Liability in the statement of financial position	(1,904,277)	(1,502,123)

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

	The Group 2011	The Group 2010
At beginning of year	(2,485,118)	(1,569,756)
Interest and service costs	(436,180)	(398,392)
Actuarial gain on obligation	180,279	(556,170)
Benefits paid	48,609	39,200
Past service cost – vested and non vested benefits	21,149	-
At end of year	(2,671,261)	(2,485,118)

(Expressed in thousands of Jamaican dollars unless otherwise stated)

30. Retirement benefit asset/obligation (continued)

(b) Other post retirement benefits (continued)

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

	The Group	
	2011	2010
Current service cost	139,083	101,156
Interest cost	297,097	297,236
Net actuarial losses recognised in year	27,549	10,443
Past service cost – vested and non vested benefits	(12,967)	-
Included in staff costs (note 11)	450,762	408,835

(c) Five year trend analysis

	Pension				
	2011	2010	2009	2008	2007
Fair value of plan assets	34,780,109	30,457,536	26,446,396	22,726,007	20,514,620
Present value of defined benefit obligation	(15,752,204)	(13,384,602)	(10,948,143)	(9,087,313)	(6,911,961)
Surplus in the plan	19,027,905	17,072,934	15,498,253	13,638,694	13,602,659
Experience adjustments to plan liabilities (gain)/loss	278,387	(762,749)	793,979	427,376	474,870
Experience adjustments to plan assets - gain	1,533,177	1,508,399	1,253,835	204,530	21,643

	Health and Group Life				
	2011	2010	2009	2008	2007
Present value of defined benefit obligation	2,671,261	2,485,118	1,569,756	1,209,160	1,141,333
Deficit in the plan	(2,671,261)	(2,485,118)	(1,569,756)	(1,209,160)	(1,141,333)
Experience adjustments to plan liabilities loss/(gain)	78,638	(318,837)	184,950	(8,502)	(140,505)

(Expressed in thousands of Jamaican dollars unless otherwise stated)

31. Assets classified as held for sale

In 2010, the assets and liabilities of a subsidiary, Asset Management Company Limited, which provided credit financing for the hire-purchase of consumer durables, were presented as held for sale, following the approval of the sale by the Board of Directors. On May 2, 2011, Scotia Investments Jamaica Limited sold its 100% interest in this subsidiary (note 57).

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

	2010
Other liabilities	6,109

32. Deposits by the public

	The Group	
	2011	2010
Personal	85,136,784	85,245,361
Other	59,440,069	60,227,207
Interest payable	93,230	191,517
	144,670,083	145,664,085

Deposits include $32,639 (2010: $35,844) held as collateral for irrevocable commitments under letters of credit.

33. Amounts due to other banks and financial institutions

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

34. Due to parent company

	The Group	
	2011	2010
Facility I	1,003,419	999,943
Facility II	3,156,930	3,124,171
Facility III	3,399,345	3,364,071
	7,559,694	7,488,185
Interest payable	88,857	87,734
	7,648,551	7,575,919
Deposits held with Bank	11,865	26,840
	7,660,416	7,602,759

(i) Facility I is a US$ denominated three (3) year non-revolving loan from the parent company, for onlending. The repayment of the principal will commence January 2012, to be completed May 2013. The facility is subject to interest rate of 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, to be completed by August 2020 and is subject to a fixed interest rate of 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, to be completed by February 2022 and is subject to a fixed interest rate of 5.95%.

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

35. Amounts due to subsidiaries and fellow subsidiaries

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

36. 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)

37. Redeemable preference shares

In 2010, The Bank of Nova Scotia Jamaica Limited's authorised capital included 100,000,000 redeemable preference shares with no par value, all of which were issued and fully paid. These shares were redeemable at the option of the Bank (subject to the Companies Act 2004) and dividends were not discretionary, therefore they were classified as liabilities as required by IFRS.

On August 12, 2011 at an extraordinary general meeting, preference shareholders of The Bank of Nova Scotia Jamaica Limited voted in favor of the scheme of arrangement to redeem the variable rate redeemable preference shares at a price of $1.20 for each cancelled preference shares. The scheme of arrangement was approved by the Court and accordingly the preference shares were cancelled with effect from August 24, 2011.

38. Other liabilities

	The Group	
	2011	2010
Accrued vacation	272,462	229,203
Prepaid letters of credit	88,620	93,098
Other accrued liabilities	1,581,380	2,024,011
	1,942,462	2,346,312

39. Deferred tax assets and liabilities

Deferred income taxes are calculated on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, using an effective tax rate of:

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

33⅓% for Scotia Investments Jamaica Limited and all its subsidiaries.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

39. Deferred tax assets and liabilities (continued)

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

	The Group	
	2011	2010
Balance at beginning of year	(2,832,539)	(2,131,110)
Recognised in the profit for the year (note 14)	(159,862)	(65,449)
Recognised in other comprehensive income:		
Available-for-sale investments		
- fair value re-measurement	(362,785)	(601,684)
- transfer to net profit	(5,900)	(34,194)
	(368,685)	(635,878)
Other movements	-	(102)
Balances at end of year	(3,361,086)	(2,832,539)

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

	The Group	
	2011	2010
Pension benefits	(2,470,706)	(2,213,886)
Other post retirement benefits	634,750	500,708
Available-for-sale investments	(727,445)	(358,653)
Losses carry forward	2,511	2,511
Vacation accrued	86,733	73,834
Accelerated tax depreciation	(111,482)	(118,346)
Impairment losses on loans	(412,000)	(393,877)
Interest receivable	(363,447)	(324,830)
Net deferred tax liability	(3,361,086)	(2,832,539)
This is comprised of :-		
Deferred tax asset	12,101	12,101
Deferred tax liability	(3,373,187)	(2,844,640)
	(3,361,086)	(2,832,539)

(Expressed in thousands of Jamaican dollars unless otherwise stated)

39. Deferred tax assets and liabilities (continued)

(c) The deferred tax charge comprises the following temporary differences and related tax:

	The Group	
	2011	2010
Accelerated tax depreciation	(6,864)	(16,367)
Pensions and other post retirement benefits	122,768	148,294
Allowance for loan impairment	18,133	4,677
Vacation accrued	(12,898)	(48,242)
Losses carry forward	-	1,625
Interest receivable	38,723	(8,538)
Other	-	(16,000)
	159,862	65,449

40. Policyholders' liabilities

(a) Composition of policyholders liabilities

	The Group	
	2011	2010
Policyholders' fund	42,019,066	39,390,270
Benefits and claims payable	103,199	69,525
Unprocessed premiums	11,637	9,436
Annuity fund	42,637	-
Insurance risk reserve – Individual life	(3,550,839)	(2,754,413)
- Individual A&S	122,933	(6,228)
- Group life	271,128	182,580
	39,019,761	36,891,170

(Expressed in thousands of Jamaican dollars unless otherwise stated)

40. Policyholders' liabilities (continued)

(b) Movement in policyholders' liabilities:

	The Group 2011	The Group 2010
Policyholders fund:		
At beginning of year	39,390,270	36,048,630
Gross premium	5,341,715	4,882,812
Disbursements	(4,864,217)	(4,792,652)
Interest credited	2,151,298	3,251,480
At end of year	42,019,066	39,390,270
Benefits and claims payable:		
At beginning of year	69,525	60,645
New claims and benefits made during the year	159,572	185,964
Benefits and claims paid	(125,898)	(177,084)
At end of year	103,199	69,525
Unprocessed premiums:		
At beginning of year	9,436	17,159
Premiums received	6,738,255	5,944,186
Premiums applied	(6,736,054)	(5,951,909)
At end of year	11,637	9,436

2011	Individual life	Group life	Total
Insurance risk reserve:			
At beginning of year	(2,760,641)	182,580	(2,578,061)
Changes in assumptions	(404,017)	2,361	(401,656)
Normal changes	(263,248)	86,187	(177,061)
At end of year	(3,427,906)	271,128	(3,156,778)

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)

40. 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 6.75% in October 2011, decreasing gradually to 5% in the year 2031 and later. Assumed portfolio yields are net of investment income tax and have been decreased by 0.50% as a margin for adverse deviation.

The main source of 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 4% in the first year, 9% in the second year, 7% in the third year, 5% in the fourth year, 4% in the fifth year, 8% in the sixth year and 5% 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.

40. 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 5.5% in October 2011, decreasing to 4% in January 2014, and then decreasing to 2% in year 2031 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, a margin for adverse deviation is included 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)

41. Share capital

	Number of Units '000		Total	
	2011	2010	2011	2010
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.

42. Reserve fund

	The Group	
	2011	2010
Opening balance	3,248,591	3,217,867
Transfer from unappropriated profit	-	30,724
Closing balance	3,248,591	3,248,591

In accordance with the regulations under which they operate, certain companies in the Group are required to make transfers of a minimum of 15% of net profit until the amount in the fund is equal to 50% of the paid-up capital of the bank and thereafter 10% of the net profits until the reserve fund is equal to their respective paid-up capital.

The Building Society is required to make transfers of a minimum of 10% of net profit, until the amount at the credit of the reserve fund is equal to the total of the amount paid up on its capital shares and the amount of its deferred shares.

43. 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.

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

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

45. Loan loss reserve

This is a non-distributable loan loss reserve which represents the excess of the regulatory loan loss provision over the amount determined under IFRS requirements (note 24).

46. Other reserves

This represents reserves arising on consolidation of subsidiaries, net.

47. 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 34.

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)

47. Related party transactions and balances (continued)

	The Group					
	Parent	Fellow subsidiaries	Directors and Key Management Personnel	Connected companies	Total 2011	Total 2010
Loans						
Loans outstanding at beginning of year	-	-	412,049	10,044,561	10,456,610	11,359,466
Net loans issued/(repaid) during the year	-	-	18,462	(2,740,673)	(2,722,211)	(902,856)
Loans outstanding at end of year	-	-	430,511	7,303,888	7,734,399	10,456,610
Interest income earned	-	-	35,725	768,136	803,861	792,057
Average repayment term (Years)	-	-	11.29	5.68	5.99	3.90
Average interest rate (%)	-	-	8.86	8.82	8.82	9.31
Deposits						
Deposits outstanding at beginning of year	7,488,185	-	130,179	2,782,353	10,400,717	10,908,731
Net deposits received/(repaid) during the year	71,509	-	40,853	(243,671)	(131,309)	(508,014)
Deposits outstanding at end of year	7,559,694	-	171,032	2,538,682	10,269,408	10,400,717
Interest expense on deposits	398,268	-	2,201	40,549	441,018	518,896
Other						
Fees and commission earned	-	-	953	54,110	55,063	82,270
Insurance products	-	-	34,682	-	34,682	20,446
Securities sold under repurchase agreements	-	-	(77,593)	-	(77,593)	(147,928)
Interest paid on repurchase agreements	-	-	(781)	-	(781)	(14,540)
Other investment	-	3,732,288	(129,995)	-	3,602,293	1,545,821
Interest paid on other investments	-	163,911	(1,567)	-	162,344	129,527
Due from banks and other financial institutions	119,457	4,597,794	-	-	4,717,251	5,427,021
Due to banks and other financial institutions	11,865	-	-	-	11,865	26,840
Interest earned from banks and other financial institutions	97	14,140	-	-	14,237	17,448
Management fees paid	(566,192)	-	-	-	(566,192)	(420,412)
Guarantee fees paid to parent company	(1,232)	-	-	-	(1,232)	(16,310)
Other operating expense/income	(378,636)	221,833	-	-	(156,803)	(354,242)

	The Group	
	2011	2010
Key management compensation		
Salaries and other short term benefits	636,280	463,492
Post-employment benefits	(143,301)	(59,428)

48. 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; in addition, there are management committees established to manage risks.

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

(i) Board Audit Committee

The Board Audit Committee is comprised of independent directors. This committee oversees the integrity of the Group's financial statements, compliance with legal and regulatory requirements, the performance of the Bank's internal audit function and external auditors, as well as the system of internal controls over financial reporting. The Audit Committee reviews the quarterly and annual financial statements, examining significant issues regarding the financial results, accounting principles and policies, as well as management estimates and assumptions, for recommendation to the Board for approval. This committee is assisted in its oversight role by the Internal Audit Department, which undertakes reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(ii) Executive and Enterprise Risk Committee

The Executive and Enterprise Risk Committee is comprised of independent directors. It reviews and recommend to the Board for approval, the risk management policies, limits, procedures and standards. This involves review of the quarterly reports on the Group's enterprise wide risk profile, including credit, market, operational and liquidity risks. This committee also oversees the corporate strategy and profit plans for the Group, as well as, develop and make recommendations for improvement of the corporate governance policies and procedures.

48. Financial risk management (continued)

(a) Overview and risk management framework (continued)

(iii) Asset and Liability Committee

The Asset and Liability Committee (ALCO), a management committee, 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.

(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 is consistent with the policies outlined in note 2(p).

48. 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)

48. 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	
	2011 (%)	2010 (%)
Excellent	22.2	19.3
Very Good	6.1	0.1
Good	21.4	18.1
Acceptable	6.1	5.3
Higher Risk	44.2	57.2
	100.0	100.0

(Expressed in thousands of Jamaican dollars unless otherwise stated)

48. 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	
	2011 (%)	2010 (%)
Standard	84.3	70.4
Special Mention	8.0	21.0
Sub-Standard	5.0	5.6
Doubtful	0.4	1.2
Loss	2.3	1.8
	100.0	100.0

(Expressed in thousands of Jamaican dollars unless otherwise stated)

48. 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, 2011:

	The Group	
	2011	2010
AAA to AA+	243,867	416,789
BBB+ to BB+	189,294	192,815
BB to B-	171,473,086	170,874,682
	171,906,247	171,484,286

	The Group	
	2011	2010
Classified as follows:		
Deposits with Bank of Jamaica	18,638,926	23,962,165
Financial assets at fair value through profit and loss	192,995	-
Investment securities		
Held-to-maturity	14,006,187	16,226,976
Available-for-sale	75,674,817	71,112,321
Pledged assets, Capital Management and Government Securities Funds:		
Loans and receivables	11,766,377	13,586,856
Held-to-maturity	7,823,737	12,222,605
Available-for-sale	43,803,208	34,373,363
	171,906,247	171,484,286

(Expressed in thousands of Jamaican dollars unless otherwise stated)

48. 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	
	2011	2010	2011	2010
Deposits with the Bank of Jamaica	34,591,180	39,810,122	-	-
Balances due from other banks	15,218,978	14,305,754	19,681	221,145
Financial assets at fair value through profit or loss	330,946	117,866	-	-
Government securities purchased under resale agreements	1,152,466	200,116	-	-
Pledged assets	65,371,048	64,029,461	-	-
Loans, after allowance for impairment losses	99,976,439	95,814,497	-	-
Investment securities				
Available-for-sale	75,931,888	70,792,959	-	-
Held-to-maturity	14,006,187	16,226,976	-	-
Customers' liabilities under acceptances, guarantees and letters of credit	6,742,140	6,261,025	-	-
Assets classified as held for sale	-	48,351		
Other assets	68,970	95,968	-	-
	313,390,242	307,703,095	19,681	221,145

(Expressed in thousands of Jamaican dollars unless otherwise stated)

48. 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 2011	Total 2010
Agriculture, fishing and mining	787,037	39,730	826,767	1,186,586
Construction and real estate	865,853	222,047	1,087,900	1,362,484
Distribution	7,565,704	297,874	7,863,578	8,172,106
Financial institutions	2	2,479,027	2,479,029	2,622,268
Government and public entities	23,391,445	854,907	24,246,352	24,844,118
Manufacturing	2,264,030	254,439	2,518,469	2,918,390
Personal	54,979,781	1,893,060	56,872,841	48,972,737
Professional and other services	5,395,912	694,260	6,090,172	6,901,848
Tourism and entertainment	5,964,922	6,796	5,971,718	5,716,348
Interest receivable	778,158	-	778,158	973,296
Total	101,992,844	6,742,140	108,734,984	103,670,181
Total impairment allowance (note 24)	(2,016,405)	-	(2,016,405)	(1,594,659)
	99,976,439	6,742,140	106,718,579	102,075,522

(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	
	2011	2010
Government of Jamaica	140,644,413	140,850,753
Bank of Jamaica	36,799,351	42,901,000
Financial institutions	21,125,245	17,669,280
Corporates and other	5,076,410	715,317
	203,645,419	202,136,350

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.

48. 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 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)

48. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	The Group						
	2011						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	6,478,589	27,108,956	825,718	-	-	18,660,238	53,073,501
Financial assets at fair value through profit or loss	751	62,479	128,269	-	-	164,669	356,168
Securities purchased under resale agreements	-	1,150,000	-	-	-	2,466	1,152,466
Loans (2)	15,408,924	36,828,304	11,331,509	27,771,810	7,571,761	1,064,131	99,976,439
Investment securities (1)							
- Available-for-sale	-	41,422,349	7,707,362	17,227,627	7,910,418	1,864,488	76,132,244
- Held to maturity	-	2,373,000	1,454,439	9,860,809	-	317,939	14,006,187
Pledged assets	259,039	44,343,083	10,885,661	5,672,793	2,012,888	2,197,584	65,371,048
Other assets	-	-	-	-	-	21,973,206	21,973,206
Total assets	22,147,303	153,288,171	32,332,958	60,533,039	17,495,067	46,244,721	332,041,259
Deposits (3)	128,086,972	15,985,227	4,508,593	3,153,990	3,218,342	182,256	155,135,380
Securities sold under repurchase agreements	1,480,136	37,417,869	5,496,838	5,241	-	300,908	44,700,992
Promissory notes	-	2,376	-	-	-	60	2,436
Other liabilities	-	-	-	-	-	15,890,039	15,890,039
Capital Management and Government Securities funds	14,240,026	-	-	-	-	1,088	14,241,114
Policyholders' liabilities	25,772,280	3,529,324	12,760,099	-	-	(3,041,942)	39,019,761
Stockholders' equity	-	-	-	-	-	63,051,537	63,051,537
Total liabilities and stockholders' equity	169,579,414	56,934,796	22,765,530	3,159,231	3,218,342	76,383,946	332,041,259
Total interest rate sensitivity gap	(147,432,111)	96,353,375	9,567,428	57,373,808	14,276,725	(30,139,225)	-
Cumulative gap	(147,432,111)	(51,078,736)	(41,511,308)	15,862,500	30,139,225	-	-
	2010						
Total assets	30,437,994	96,087,139	58,604,615	63,362,963	32,066,911	45,264,331	325,823,953
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	-	-

(Expressed in thousands of Jamaican dollars unless otherwise stated)

48. 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					
	2011					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
ASSETS						
Cash resources	2.19	4.20	1.18	-	-	3.50
Securities purchased under resale agreements	-	6.00	-	-	-	6.00
Loans (2)	14.16	20.74	15.09	14.27	9.31	16.44
Investment securities (1)						
Available-for-sale	-	7.25	9.58	10.12	12.02	8.66
Held to maturity	-	7.25	11.58	11.12	-	10.50
Pledged assets	0.10	7.56	8.94	12.03	11.31	8.28
LIABILITIES						
Deposits (3)	1.55	3.04	3.68	5.91	5.80	1.94
Securities sold under repurchase agreements	5.49	4.87	3.86	3.92	-	4.77
Promissory notes	-	5.25	-	-	-	5.25
Capital Management and Government Securities fund	3.23	-	-	-	-	3.23
Policyholders' liabilities	4.65	5.75	5.21	-	-	4.91

	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

(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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

48. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity to interest rate movements

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. The analysis is performed on the same basis as for 2010.

	2011	2010
JMD Interest rates	Increase/decrease by 125bps	Increase/decrease by 450bps
USD Interest rates	Increase/decrease by 200bps	Increase/decrease by 200bps

	2011	2010
Effect on profit or loss	950,480	1,993,231
Effect on stockholders' equity	1,672,783	3,303,724

Sensitivity to interest rate risk for SJLIC, the insurance subsidiary, is considered in note 48(e) under the DCAT scenarios.

(ii) Currency risk

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

48. Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

The table below summarizes the Group's exposure to foreign currency risk:

JMD Equivalent $'000	2011 JMD	USD	CAD	GBP	EUR	Other	Total
ASSETS							
Cash resources	34,693,671	12,062,471	1,481,877	4,474,519	320,938	40,025	53,073,501
Investments	79,482,456	10,486,408	-	-	169,567	-	90,138,431
Financial assets at fair value through profit or loss	356,168	-	-	-	-	-	356,168
Govt securities purchased under resale agreements	1,152,466	-	-	-	-	-	1,152,466
Pledged assets	42,620,436	21,692,712	243,837	(709)	814,772	-	65,371,048
Loans	75,138,174	24,358,201	371,604	14,513	93,947	-	99,976,439
Other assets	19,060,695	1,916,754	348,270	553,258	95,942	(1,713)	21,973,206
	252,504,066	70,516,546	2,445,588	5,041,581	1,495,166	38,312	332,041,259
LIABILITIES							
Deposits	104,529,830	44,454,948	1,704,713	4,023,622	421,981	286	155,135,380
Other liabilities	47,359,096	24,752,174	678,229	920,481	1,116,032	8,569	74,834,581
Policyholders' liabilities	39,019,761	-	-	-	-	-	39,019,761
	190,908,687	69,207,122	2,382,942	4,944,103	1,538,013	8,855	268,989,722
NET POSITION	61,595,379	1,309,424	62,646	97,478	(42,847)	29,457	63,051,537

(Expressed in thousands of Jamaican dollars unless otherwise stated)

48. Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

JMD Equivalent $'000	2010						
	JMD	USD	CAD	GBP	EUR	Other	Total
ASSETS							
Cash resources	38,447,220	11,991,912	1,567,894	4,989,302	234,464	59,636	57,290,428
Investments	70,735,785	16,322,443	416,789	-	63,302	-	87,538,319
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**

The following significant exchange rates were applied during the period:

	Average Rate for the Period		Reporting Date Spot Rate	
	2011	2010	2011	2010
USD	85.7820	87.7303	86.2778	85.3825
CAD	86.4078	83.3297	85.6213	83.1572
GBP	137.0296	135.8581	137.6197	135.5446
EUR	119.0004	117.1296	119.4035	116.8623

(Expressed in thousands of Jamaican dollars unless otherwise stated)

48. Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

Sensitivity to foreign exchange rate movements

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 2010. 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:

	2011	2010
USD	Increase/decrease by 7.5%	Increase/decrease by 15%
CAD	Increase/decrease by 20%	Increase/decrease by 30%
GBP	Increase/decrease by 20%	Increase/decrease by 25%
EUR	Increase/decrease by 27.5%	Increase/decrease by 30%

	2011	2010
Effect on profit and stockholders' equity	321,378	608,721

(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:

	2011	2010
Financial assets at fair value through profit or loss	24,475	10,029
Pledged assets	1,556	3,372

(Expressed in thousands of Jamaican dollars unless otherwise stated)

48. 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, 2011 would have increased or decreased equity and profit by the amounts shown below:

This analysis is performed on the same basis as 2010. 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 2011	11,207	4,763	11,920	5,066
31 October 2010	2,640	2,197	2,967	2,579

(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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

48. 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						
	2011						
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Carrying Total	amounts
Financial liabilities							
Deposits	144,333,380	4,591,783	3,188,620	3,218,353	-	155,332,136	155,135,380
Promissory notes	2,497	-	-	-	-	2,497	2,436
Securities sold under repurchase agreements	39,665,102	5,608,999	5,473	-	-	45,279,574	44,700,992
Capital Management and Government Securities fund	14,241,114	-	-	-	-	14,241,114	14,241,114
Policyholders liabilities	26,286,331	13,160,929	-	-	-	39,447,260	39,019,761
Other liabilities	6,740,963	1,373,801	1,894,927	22,684	1,978,557	12,010,932	15,890,039
Total liabilities	231,269,387	24,735,512	5,089,020	3,241,037	1,978,557	266,313,513	268,989,722

	2010						
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Carrying Total	amounts
Financial liabilities							
Deposits	142,715,560	7,064,662	3,594,134	3,951,770	-	157,326,126	156,878,809
Promissory notes	7,995	-	-	-	-	7,995	7,982
Securities sold under repurchase agreements	40,190,687	5,617,827	16,063	-	-	45,824,577	45,025,585
Capital Management and Government Securities fund	15,156,808	-	-	-	-	15,156,808	15,156,808
Policyholders liabilities	24,669,708	13,985,745	-	-	-	38,655,453	36,891,170
Liabilities classified as held-for-sale	6,109	-	-	-	-	6,109	6,109
Other liabilities	7,644,628	1,344,366	2,671,873	23,448	1,535,282	13,219,597	16,264,677
Total liabilities	230,391,495	28,012,600	6,282,070	3,975,218	1,535,282	270,196,665	270,231,140

48. 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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

48. 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 2011	%	Before and After Reinsurance 2010	%
Individual Life Benefits assured per life				
0 to 250,000	6,547,895	16	5,973,352	17
250,001 to 500,000	2,723,537	7	2,476,377	7
500,001 to 750,000	4,192,838	10	3,790,762	11
750,001 to 1,000,000	3,393,548	8	3,281,931	9
1,000,001 to 1,500,000	8,105,665	20	6,761,636	19
1,500,001 to 2,000,000	4,411,926	11	4,132,194	11
Over 2,000,000	11,988,291	28	9,580,286	26
Total	41,363,700	100	35,996,538	100

	Total benefits assured			
	Before and After Reinsurance 2011	%	Before and After Reinsurance 2010	%
Group Life Benefits assured per life				
0 to 250,000	5,800,205	14	3,827,102	13
250,001 to 500,000	4,884,047	12	4,048,314	14
500,001 to 750,000	3,959,922	10	2,438,511	8
750,001 to 1,000,000	2,724,637	7	1,551,586	5
1,000,001 to 1,500,000	6,201,750	15	3,774,876	13
1,500,001 to 2,000,000	3,652,433	9	2,483,296	9
Over 2,000,000	12,798,233	33	10,810,677	38
Total	40,021,227	100	28,934,362	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.

48. 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 40(c) for detailed policy assumptions.

48. 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)

48. 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:

	2011	2010
Interest rates decrease by 1%	31,005	132,764
Interest rates increase by 1%	(13,689)	(131,167)
Mortality increases by 10%	256,557	163,677
Mortality decreases by 10%	(264,835)	(167,399)
Expenses increase by 10%	214,618	174,144
Expenses decrease by 10%	(212,143)	(171,642)
Lapses and withdrawals increase by 10%	183,245	129,712
Lapses and withdrawals decrease by 10%	(202,784)	(143,642)

(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 reported 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.

48. 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 2011, 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 2011, 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 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 2011, 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% 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 the MCCSR ratio falls.

- Flat sales
  This scenario assumed sales were 20% less than existing sales starting in 2011 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)

48. 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 for 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.

	2011		2010	
	Surplus	MCCSR	Surplus	MCCSR
Base	20,521,718	2,205%	15,200,252	1,898%
Variable				
Mortality risks	20,442,342	2,207%	15,154,972	1,899%
Low lapse rates	20,827,446	2,134%	15,431,427	1,855%
Higher lapse rates	19,211,686	2,526%	14,174,767	2,102%
Expense risks	20,374,538	2,201%	15,074,957	1,889%
Low interest rate	21,568,514	1,963%	15,424,367	1,865%
High Interest rate	19,504,642	2,249%	15,228,552	1,917%
High sales growth	20,523,314	2,176%	15,195,824	1,875%
Flat sales	20,306,238	2,247%	15,028,865	1,927%

Subsequent to the calculation of the DCAT in 2010, a shareholder dividend was paid which resulted in the reduction in the MCCSR to 887% as at October 31, 2011 (note 50).

49. 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: 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;

(Expressed in thousands of Jamaican dollars unless otherwise stated)

49. Fair value of financial instruments (continued)

(ii) financial instruments classified as 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;

(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 reporting 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 2011	Fair Value 2011	Carrying Value 2010	Fair Value 2010
Financial assets				
Loans	99,976,439	101,223,714	95,814,497	96,080,758
Pledged assets	23,085,820	25,313,221	27,617,705	28,730,175
Investment securities:				
Held-to-maturity	14,006,187	14,646,078	16,226,976	17,098,114
Financial liability				
Deposits	155,135,380	155,123,242	156,878,809	156,981,767

(Expressed in thousands of Jamaican dollars unless otherwise stated)

49. Fair value of financial instruments (continued)

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.

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			
	2011			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
- Debt securities	-	277,148	-	277,148
- Equity securities	25,221	53,799	-	79,020
Available-for-sale securities				
- Debt securities	-	75,654,754	-	75,654,754
- Equity securities	179,561	276,911	15,777	472,249
Pledged assets				
- Debt securities	-	40,719,402	-	40,719,402
- Equity securities	1,235	844,591	-	845,826
	206,017	117,826,605	15,777	118,048,399

	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 securities				
- Debt securities	416,789	70,792,824	-	71,209,613
Pledged assets				
- Debt securities	-	35,442,168	-	35,442,168
- Equity securities	3,371	966,216	-	969,587
	430,189	107,319,074	-	107,749,263

50. 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, investment 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 a quarterly 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)

50. 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]	
	2011	2010	2011	2010
Tier 1 Capital	18,456,173	17,989,189	9,861,897	8,529,045
Tier 2 Capital	924,064	846,257	24,664	24,870
	19,380,237	18,835,446	9,886,561	8,553,915
Less prescribed deductions	(242,093)	(1,121,093)	95,656	88,236
Total regulatory capital	19,138,144	17,714,353	9,982,217	8,642,151
Risk weighted assets				
On-balance sheet	107,322,499	97,071,905	20,584,935	8,365,164
Off-balance sheet	13,107,196	7,633,239	-	-
Foreign exchange exposure	387,787	1,349,589	301,989	262,851
Total risk weighted assets	120,817,482	106,054,733	20,886,924	8,628,015
Actual regulatory capital to risk weighted assets	15.8%	16.7%	47.8%	100.2%
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 [note 57(b)].

[2] This relates to Scotia Investments Jamaica 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, 2011 and 2010 is set out below:

	2011	2010
Regulatory capital held	8,283,794	15,136,372
Minimum regulatory capital	934,313	757,395
Minimum Continuing Capital on Surplus Requirements Ratio	887%	1,998%

(Expressed in thousands of Jamaican dollars unless otherwise stated)

51. Commitments

	The Group	
	2011	2010
(a) Capital expenditure:		
Authorised and contracted	-	45,860
(b) Commitments to extend credit:		
Originated term to maturity of more than one year	17,857,901	20,370,357

(c) Operating lease commitments:

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

	The Group	
	2011	2010
Not later than one year	208,059	180,277
Later than one year and not later than five years	611,012	714,733
Later than five years	1,933,684	3,146,886
	2,752,755	4,041,896

52. 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			
	2011		2010	
	Carrying value	Fair value	Carrying value	Fair value
Securities:				
US$ GOJ Global Bonds	10,791,648	11,524,547	12,796,250	13,450,715
EURO GOJ Global Bonds	808,262	914,676	790,605	916,173

(a) Fair value losses, excluding deferred tax liabilities of $103,259 (2010: $132,410), were recognized in equity in relation to the above investments reclassified in 2008.

52. Reclassification of financial assets (continued)

(b) Fair value gains of $559,542 (2010: $780,033), 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, 2011. 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 $19,021,354.

53. 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 $95,479,007 (2010: $77,278,071).

54. 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 fair chance of success. Consequently, no provision has been made for this amount in these financial statements.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

55. Dividends

(a) Paid

	The Group		The Company	
	2011	2010	2011	2010
Scotia Group Jamaica Limited				
Paid to stockholders:				
In respect of 2009	-	1,151,282	-	1,151,282
In respect of 2010	1,151,289	3,453,853	1,151,289	3,453,853
In respect of 2011	3,453,861	-	3,453,861	-
	4,605,150	4,605,135	4,605,150	4,605,135
Paid to minority interest in a subsidiary	128,425	128,426	-	-
	4,733,575	4,733,561	4,605,150	4,605,135

(b) Proposed

At the Board of Directors meeting on December 1, 2011, a dividend in respect of 2011 of $0.37 per share (2010: $0.37 per share) amounting to $1,151,282 (2010: $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.

56. 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)

56. Employee Share Ownership Plan (continued)

(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 $9,728 (2010: $35,606).

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:

	2011	2010
Number of shares	1,839,252	5,342,216
Fair value of shares	45,797	108,714

(ii) Scotia Investments Jamaica Limited

Scotia Investments Jamaica Limited has an Employee Share Ownership Plan ("ESOP"), the purpose of which is to encourage eligible employees of SIJL 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:

	2011	2010
Number of shares	1,704,972	1,798,028
Fair value of shares	46,546	36,860

(Expressed in thousands of Jamaican dollars unless otherwise stated)

57. Disposal of subsidiary

(a) On May 2, 2011, the Group sold its 100% shareholdings in Asset Management Company Limited. This subsidiary contributed profit before tax of $1,515 to the Group for the period November 1, 2010 to May 1, 2011.

		2011
(i)	Analysis of the assets and liabilities disposed of:	
	Cash and cash equivalents	5,822
	Hire purchase contracts, receivable	46,011
	Other assets	5,132
	Other liabilities	(35,209)
	Net assets disposed of	21,756
(ii)	Net cash inflow on disposal of subsidiary	
	Proceeds from sale	18,000
	Less: cash and cash equivalents in subsidiary sold	(5,822)
	Less: transaction costs	(4,005)
	Net cash inflow	8,173
(iii)	Loss on disposal of subsidiary	
	Consideration received	18,000
	Net assets disposed of	(21,756)
	Transaction costs	(4,005)
	Loss on disposal	(7,761)

(b) Dissolution of subsidiary

On June 1, 2010, The Bank of Nova Scotia Jamaica Limited acquired 100% interest in Scotia DBG Merchant Bank Limited. The assets and liabilities were vested to the Bank on October 1, 2010 pursuant to a vesting order issued by The Minister of Finance and Public Service.

On August 26, 2011, Scotia DBG Merchant Bank Limited was dissolved and is no longer listed on the Registrar of Companies.

Economic Review

INTERNATIONAL MARKET

Mounting sovereign debt, high unemployment, weak consumer confidence and political gridlocks were the major themes affecting developed nations during the period under review.

Amongst the most frequently scrutinized by the markets was the Greek debt quandary which plagued not only the Euro zone, but also threatened global growth due to its contagion effects. Yields on Greece one year bonds grew exponentially from 10.09% as at November 2010 to a staggering 143.31% at the year-end October 2011, as the market continued to price in the probability that the principal repayment would be reduced or cut by 50%.

There are vast similarities between a Greek default and the Lehmann debacle back in 2008. However, the stakes are much higher with a potential Greek default as it threatens to destabilize the entire European Banking system, including those of the bell-wether nations Germany and France. As a result, for an extended period we should expect at best anaemic growth in the European region which is likely to spread to the US and impact global growth adversely.

The US economy already showed weak growth throughout the year especially as a political standoff on fiscal policies ensued. US unemployment remained high (above 9.00%) during the period, while consumer confidence weakened throughout the year. These factors plus the European debt problems does not bode well for growth of the US economy.

Although developed nations struggled, emerging markets continued to demonstrate strong growth. Countries like India, Brazil and China continued their trend of robust growth although signs emerged that the pace will slow going forward. For the most part, 2012 is likely to see emerging market growth being offset by weak developed nations' fundamentals.

JAMAICAN MARKET

Gross Domestic Product (GDP)

After thirteen crippling quarters of contraction, the Jamaican economy returned to positive growth during the financial year. Real GDP growth amounted to 1.6%, 2.2% and 0.6% for the first, second and third quarters of the 2011 calendar year respectively and compared favorably to declines of -1.1% and -0.6% for the third and fourth quarters of 2010 respectively.

The Productive sector recorded stellar performances following notable improvements in the Mining and Agriculture sub-sectors. Mining continues to recover on the back of increased production levels in crude bauxite and alumina whereas the Agricultural sub-sector posted higher growth due to more pleasant weather conditions. The Construction sub-sector also expanded for the first nine months of 2011 attributable largely to the increased expenditure associated with Jamaica Development Infrastructure Programme (JDIP).

Growth in the Service sector was largely buttressed by the Hotels & Restaurants sub-sector. All the other sub-sectors have shown some signs of restoration with the exception of Finance & Insurance which continues to contract ever since the Jamaica Debt Exchange (JDX) in the first quarter of 2010.

Fiscal Accounts

The performance of the fiscal accounts has been mixed over the past year. The government successfully completed its third review under the International Monetary Fund (IMF) Standby-Agreement and saw a total of US$838.2 million pour into its coffers. The fiscal deficit target for FY2010/11 of 6.5% of GDP was accomplished owing to the retrenchment in debt servicing costs and chops to capital programme expenditure. However, despite the cuts in capital spending, weak revenue inflows and overruns on recurrent expenditure led to the primary surplus of 4.4% of GDP failing short of target by 0.3% of GDP for the FY2010/11.

For this fiscal year (FY2011/12), four months following the tabling the 2011/12 fiscal budget the government revealed its first supplementary estimates. The revised figures were tabled to accommodate the conceded 7.0% civil servants wage increase which tagged on J$8.00 billion to total expenditure. Though partially compensated for by the downward adjustment in other expenditure categories, the fiscal deficit and primary surplus targets were amended lower deviating from the original International Monetary Fund (IMF) targets. Moreover, for the period of April to October the fiscal story continued to show deterioration with the primary and fiscal balances underperforming planned numbers due to the anaemic revenue collections; total revenues were trailing budget by J$7.03 billion or 0.5% of GDP.

Inflation

During the financial year under review, the movements in headline inflation levels were fuelled mostly by the transient factors. For the first two months, monthly inflation climbed higher due to supply shortages of agricultural produces. This phenomenon was however reversed in the subsequent two months due to a glut which led to the inflation rates falling into negative territory. Headline inflation again reaccelerated in March reaching 1.1% on the heels of surging oil prices emanating from heightened geo-political risks. Thereafter, monthly inflation hovered within the band of 0.5% to 0.8%, reaching the high-point in only the presence of increases in utility costs and higher tuition costs.

As at October 2011, all inflation measures were all lower than the comparable period of 2010 helped partly by the deflation observed in the first two months of 2011. Calendar year-to-date inflation stood at 5.1%, virtually half the 9.0% observed one year ago. Point-to Point (PTP) inflation amounted to 7.7% against the 11.2% inflation rate for the analogous period last year. Fiscal inflation closed at 4.6%, 0.1% lower than 2010.

FOREIGN EXCHANGE

Exchange Rates - JMD per	Nov. 1, 2010	Oct.31, 2011	Change
USD	85.59	86.49	1.05%
POUND	136.46	135.46	-0.73%
CAD	83.57	84.82	1.50%

For the period November 1, 2010 to October 12, 2011, the Jamaican dollar lost 90 cents against its US dollar counterpart. The Jamaican dollar closed the period at an average selling rate of J$86.49/US$1. The local currency hovered below the J$86/US$1 mark for the greater part of this period, but started showing signs of mild depreciation closer to the year-end. For the period, the local currency gained versus the British Pound, rising by 0.73% or J$1.00. Conversely, the Jamaican dollar lost 1.50% or J$1.25 to the Canadian dollar.

The local currency's relative stability was directly due to the fall-off in the demand for the US currency coupled with the increasing support from the Central Bank. Despite the Bank of Jamaica (BOJ) intervening in the foreign exchange market on numerous occasions to quell market volatility, the country's Net International Reserves (NIR) remained at adequate levels above U$2.00 billion and even reached a high of US$2.60 billion in April 2011.

Domestic Money Market

Interest Rates	Nov. 1, 2010	Oct. 31, 2010	Change 2011
30 Days BOJ OMO	8.00%	6.25%	-1.75%
90 Days T-bills	7.73%	6.22%	-1.51%
180 Days T-bills	7.92%	6.27%	-1.65%

The domestic financial system continued to experience increased stability underpinned by high levels of liquidity and the general improvements in the broad macro-economy during the review period. Accordingly, the BOJ maintained its expansionary monetary policy stance lowering the interest rate for its 30-day open market instrument. As at October 31, 2011, the 30-day BOJ Certificate of Deposit interest rate stood at 6.25% which represents a decline of 1.75% from the start of November 2010. The persistent reduction of interest rates by the BOJ has been supported by contained inflation rates and moderate volatility in the foreign exchange market.

The movements in market-determined interest rates were mixed. The average yields on the 90-day and 180-day Treasury bill (T-bill) tenors commenced the period at 7.92% and 7.73% respectively. Subsequent reductions in T-bill yields coincided with cuts in the 30-day BOJ Certificate of Deposit interest rate. However, in the absence of the rate actions yields inched higher as market participants remained in 'wait and see' mode. T-bill yields closed the period at 6.27% for the 180-day and 6.22% for the 90-day, declining 165 basis points for the former and 151 basis points for the latter.

Global Bond Market

The Global Bond market has seen reduction in prices over the past year across the spectrum of the curve. The market has been characterized by heightened volatility amid renewed recessionary fears in the global economy. This is fuelled in large part by the unrelenting concerns regarding the debt crisis in the Euro zone. In addition, the local economy continues to grapple with the concerns regarding the state of the country's Stand-by Agreement with the IMF which is currently on hiatus.

Stock Market

	Nov. 1, 2010	Oct. 31, 2011	Change	Change
JSE Main Index	83,352.14	92,270.73	11,918.59	14.3%
All Jamaica Composite	77,745.11	101,997.96	24,252.85	31.2%
JSE Select	2,098.4	2,890.65	792.25	37.8%
JSE Junior Market	292.4	731.84	439.44	150.3%

For the financial year, the Jamaica Stock Exchange (JSE) Main Index registered a 14.3% rise. Movement in the main index came amidst stronger financial performance from many of the listed companies. Low prevailing interest rates also contributed to the increased activity in the market. The Junior Market performed remarkably more than doubling over the year moving from 292 points to 731 points. The market welcomed five new companies to the index over the period, as interest continued to grow in the Junior Stock Exchange.

Shareholdings

Scota Group Jamaica Limited
Shareholdings of Directors and Connected Parties as at October 31, 2011

	Units
Porter, Brian	50,000
Alexander, Barbara	108,000
Alexander, Joseph	2,400
Smith, Duhaney/Alexander-Smith, Dorothy	200,00
Bowen, Bruce	39,550
Chang, Anthony	3,274
Chrominska, Sylvia	50,000
Hall, Jeffrey	NIL
Hall, Dr. Marshal/Hall, Jeanette	436,612
Johnston, Charles	2,328
Jamaica Producers Group Jamaica Limited	2,000,000
Johnston, Aaron	2,328
Johnston, Edward	2,328
Johnston, Marek	2,328
McGregor-Johnston, Lisa	9,800
Marine Management Services	64,472
McDonald, Warren	10,000
McDonald, Joan Maxine	15,828
Norfolk, Claude	50,000
Thompson, Dr. Herbert	NIL
Thompson, Dr. Herbert/Thompson, Avery	29,640
Vasciannie, Prof. Stephen	43,079

*Inclusive of shares in Jamaica Central Securities Depository

Scotia Group Jamaica Limited
List of Top Ten (10) Largest Shareholders as at October 31, 2011

	Units
1. The Bank of Nova Scotia	2,233,403,384
2. Sagicor PIF Equity Fund	65,338,508
3. Scotia Jamaica Investment Management Ltd. -A/C 3119	55,725,439
4. National Insurance Fund	36,595,552
5. Investment Nominees Ltd -A/C Lascelles Henriques ET AL S/F	32,109,937
6. SDBG A/C 560-01	18,067,998
7. Grace Kennedy Limited Pension Scheme	14,099,767
8. NCB Insurance Co. Ltd. A/C WT089	12,983,520
9. Capital and Credit Merchant Bank Limited	12,679,587
10. UTC Growth & Income Fund	11,750,000

Scotia Group Jamaica Limited and its Subsidiaries
Shareholdings of Senior Management Officers and Connected Parties as at October 31, 2011

	Units
Bowen, Bruce	39,550
Callam, Bevan	516,790
Callam, Bevan/Callam, Lilieth	673,180
French, Monique	144,500
Hanson, Donovan	89,795
Harvey, Vincent	3,000
Harvey, Gail, Harvey, Vincent	1,800
Harvey, Vincent, Harvey, Gail	1,158
Heron, Vinette, Harvey, Vincent	800
Jones, Michael	239,384
Jones, Michael/Davis-Jones, Joan	96,050
Latchman Atterbury, Patsy	175,000
Lopez - Spence, Debra	5,305
McLeggon, Marcette	172,676
Miller, Hugh	39,448
McDonald Miller, Sheila	5,172
Miller, Canute	820
Mitchell, Lissant	NIL
Mitchell, Lissant, Mitchell, Elmay	40,000
Mitchell, Lissant, Mitchell, Mathew	4,500
Pilliner, Rosemarie	74,216
Pilliner, Rosemarie/Pilliner, Gordon St. Elmo	72,458
Fakhourie, Peter	8,196
Powell, H. Wayne	NIL
Powell, H. Wayne/Powell, Althea Yanique	58,424
Powell, H. Wayne/Powell, Jennifer Maxine	1,277,527
Powell, H. Wayne/Powell, Melissa-Ann	4,000
Yanissa Investments	144,448
Ramsaran, Shirley	61,822
Ramsaran, Shirley/Ramsaran, Nellie/Ramsaran, Clive	60,229
Reid, Hugh	NIL
Roper, George	1,040
Sharp, Jacqueline	NIL
Sharp, Jacqueline/Sharp, Jason	138,000
Shim, Dawn/Shim, Stephen	20,000
Shaw, Michael	173,214
Sylvester, Courtney	152,676
Sylvester, Courtney/Sylvester, Corah-Ann Robertson	124,764
Sylvester, Courtney/Sylvester, Fay	37,496
Thompson, Michael	100,000
Thompson James, Julie	NIL
James, Marcus/James, Mathew/James, Eric	1,000
James, Marcus/James, Alyssa	500
James, Marcus	6,300
Todd, Monique	NIL
Todd, Michael Ewan/Todd, Monique P	4,000
Walters, Dudley	1,787
Whitelocke, Gladstone	54,000
Campbell, Ruth/Whitelocke, Gladstone	10,000
Whitelocke, Gladstone/Whitelocke, Elaine	65,000
Whitelocke, Gladstone/Whitelocke, Justin	3,000
Whitelocke, Gladstone/Whitelocke, Renee	3,000
Justin, Whitelocke/Gladstone,Whitelocke	1,200
Whitelocke, Renee P.	1,320
Whitelocke, Kathleen	8,000
Williams, David M.	135,621
Williams, David M./Williams, Fay	112,616
Williams, Frederick	61,818
Williams, Frederick/Williams, Colleen	46,153

*Inclusive of shares in Jamaica Central Securities Depository

Branches & Team Leaders - The Bank of Nova Scotia Jamaica Limited

As at October 31, 2011

METRO EAST

(From left to right standing) **Rhoan Bennett** - Manager, Cross Roads Branch, **Peter Mohan** - Manager, UWI Mona Branch
Avril Leonce - Manager, New Kingston Branch , **Conrad Wright** - Manager, Portmore Branch
Regald Reid - Manager, Port Antonio Branch, **Michelle Lee Rutland** - Manager, Linstead Branch
Paul Wallace- Manager, Port Maria Branch, **Junior Clarke** - Manager, Spanish Town Branch
(from left to right seated) **Lenworth Sutherland**- Manager, Morant Bay Branch, **Audrey Barrett** - Manager Sales and Service Support, **Heather John-Kieth** - Manager, Highgate Branch, **Courtney Sylvester** - District Vice-President
Junior Carter James - Manager, Half-Way-Tree Branch, **Carey Wiggan** - Manager, Oxford Road Branch

METRO WEST

(From left to right standing) **Carl Bright** - Manager, Mandeville Branch, **Peter Walters** - District Vice-President **Dean Webb** - Manager, Hagley Park Branch, **Michael Lee** - Manager, Liguanea Branch **Nyesa Ebanks** - Manager, Black River Branch, **June Thompson** - Manager, Junction Branch, **Steve Distant** - Manager, Scotia Centre Branch, **Denise Hyman** - Manager, Santa Cruz Branch, (from left to right seated) **Andrica Senior** - Manager, Christiana Branch **Phoebe Buchannan** - Manager, Constant Spring Branch, **Dayne Bucknor** - Manager, Old Harbour Branch **Claudia Sanderson** - Manager, Sales and Service Support, **Althea Howard** - Manager, Premier Branch **Earl Blake** - Manager, May Pen Branch. Missing from photo: **Valerie Omess** - Manager, King Street Branch

METRO NORTH

(From left to right standing) **Michael Shaw,** District Vice-President, **Garth Graham** - Manager, Westgate Branch **Kevin Burton** - Manager, Ironshore Branch, **Fitzaudy Wright** - Manager, Ocho Rios Branch **Dwight Bryan** - Manager, Lucea Branch, (from left to right seated) **Milton Elliot** - Manager, Sales and Service Support **Marlene Davidson** - Manager, Falmouth Branch, **Michelle Senior,** Manager, St. Ann's Bay Branch **Paul Brown** - Manager, Brown's Town Branch, **Doreen Mortimer** - Manager, Negril Branch and **Caswell Dawes** - Manager, Savanna-la-Mar Branch. Missing from photo: **Raphael Sangster** - Manager (Relief), Montego Bay Branch

Branches & Team Leaders - The Bank of Nova Scotia Jamaica Limited (continued)

As at October 31, 2011

BLACK RIVER
6 High Street
P. O. Box 27
Black River
St. Elizabeth

Mrs. N. A. Ebanks, Manager

BROWN'S TOWN
Main Street
P. O. Box 35
Brown's Town
St. Ann

Mr. P. O. Brown, Manager

CHRISTIANA
Main Street
P. O. Box 11
Christiana, Manchester

Miss A. E. Senior, Manager

CONSTANT SPRING
(Scotiabank Group Financial Centre)
132-132A Constant Spring Road
Kingston 8

Miss P. N. Buchanan, Manager

CORPORATE & COMMERCIAL BANKING CENTRE

Mr. D. M. Brown, Manager, Corporate Client Relationships

Mrs. D. R. Brown, Senior Manager Corporate Client Relationships

Miss V. M. Chambers
Assistant Manager
Commercial Client Relationships

Mrs. R. M. Dixon
Manager, Credit Solutions

Mr. H. P. Ebanks
Senior Manager, Credit Solutions

Miss M. A. Flake, Senior Manager Commercial Client Relationships

Miss A. M. Fong, Assistant Manager Electronic Commercial Services

Mrs. N. G. Heywood
Senior Manager
Corporate & Government Relationships

Mr. G. A. Hogarth,
Portfolio Manager

Miss A. M. Jones, Manager
Commercial Client Relationships

Mrs. S. Lue-Whittingham
Manager, Commercial Client Relationships

Miss C. A. Lyn
Senior Manager, Credit Solutions

Mr. H. C. Mair
Assistant General Manager
Commercial Client Relationships and Business Development

Mrs. G. A. Morrison, Manager
Commercial Client Relationships and Business Development

Mr. M. S. A. Nelson,
Manager, Credit Solutions

Mr. K. E. Reese, Senior Manager
Commercial Client Relationships

Miss. C. A. Rochester, Manager
Commercial Client Relationships

Mr. H. D. Stephens,
Manager, Commercial Client Relationships

Mr. C. M. Wisdom
Manager, Credit Solutions

CROSS ROADS
86 Slipe Road
P. O. Box 2
Kingston 5

Mr. R. W. Bennett, Manager

FALMOUTH
Trelawny Wharf
P. O. Box 27
Falmouth
Trelawny

Mrs. M. V Davidson, Manager

HAGLEY PARK ROAD
128 Hagley Park Road
P. O. Box 5
Kingston 11

Mr. D. E. Webb, Manager

Mr. V. L. Johnson,
Assistant Manager
Business Banking

HALF-WAY-TREE
80 Half-Way-Tree Road
P. O. Box 5
Kingston 10

Mrs J. Carter-James, Manager

Miss V. J. Williams
Asst. Manager, Business Banking

Mr. D. A. Palmer
Asst. Manager, Personal Banking

Mrs. D. M. Monroe
Asst. Manager
Operations & Service

HIGHGATE
Main Street
P. O. Box 9
Highgate
St. Mary

Mrs. H. J. John-Keith, Manager

IRONSHORE SERVICE CENTRE
Shops 2 & 3, Golden Triangle
Shopping Centre
Ironshore
Montego Bay

Mr. K. L. Burton, Manager

JUNCTION
Junction P. O.
St. Elizabeth

Miss J. D. Thompson, Manager

KING STREET
35-45 King Street
P. O. Box 511, Kingston

Miss V. I. Omess, Manager

Mrs. I. C Tucker
Asst. Manager, Business Banking

Mr. S. G. Stewart
Asst. Manager, Personal Banking

Mrs. A. A. Douglas
Asst. Manager
Operations & Service

LIGUANEA
125-127 Old Hope Road
P. O. Box 45
Kingston 6

Mr. M. O. Lee, Manager

LINSTEAD
42 King Street
P. O. Box 19
Linstead
St. Catherine

Mrs. M. G. Lee - Rutland
Manager

LUCEA
Willie Delisser Boulevard
P. O. Box 63
Lucea
Hanover

Mr. D. Bryan, Manager

MANDEVILLE
1A Caledonia Road
P. O. Box 106
Mandeville, Manchester

Mr. A. C. Bright, Manager

Mr. A. O. Harvey
Manager, Personal Banking

Mrs. J. D. Billings - Frith
Asst. Manager, Business Banking

Mrs. L. M. Vickers
Asst. Manager
Operations & Service

MAY PEN
36 Main Street
P.O. Box 32
May Pen
Clarendon

Mr. E. A. Blake, Manager

MONTEGO BAY
6-7 Sam Sharpe Square
P.O. Box 311
Montego Bay
St. James

Mr. R. A. Sangster
Manager (Relief)

Dr. N. Smellie
Asst. Manager, Business Banking

Mr. C. Samuels
Asst. Manager, Personal Banking

Miss L. A. Hosang
Asst. Manager
Operations & Service

MORANT BAY
23 Queen Street
P. O. Box 30
Morant Bay
St. Thomas

Mr. L. V. Sutherland, Manager

NEGRIL
Negril Square
Negril P. O.
Westmoreland

Miss D. M. Mortimer
Manager

NEW KINGSTON
2 Knutsford Boulevard
P. O. Box 307
Kingston 5

Miss A. Leonce, Manager

Mr. A. D. T. Thompson
Asst. Manager, Business Banking

Mr. A. L. Leach
Asst. Manager, Personal Banking

Mrs. J. M. Thompson
Asst. Manager,
Operations & Service

OCHO RIOS
Main Street
P. O. Box 150
Ocho Rios
St. Ann

Mr. F. O. Wright, Manager

OLD HARBOUR
4 South Street
P. O. Box 43
Old Harbour
St. Catherine

Mr. D. O. Bucknor, Manager

OXFORD ROAD
6 Oxford Road
P. O. Box 109
Kingston 5

Mr. C. C. Wiggan, Manager

PORT ANTONIO
3 Harbour Street
P. O. Box 79
Port Antonio
Portland

Mr. R. R. Reid, Manager

PORT MARIA
57 Warner Street
P. O. Box 6
Port Maria
St. Mary

Mr. P. Wallace, Manager

PORTMORE
Lot 2 Cookson Pen, Bushy Park
P.O. Box 14
Greater Portmore
St Catherine

Mr. C. A. Wright, Manager

PREMIER
10 Constant Spring Road
P. O. Box 509
Kingston 10

Mrs. A. Y. Howard, Manager

ST. ANN'S BAY
18 Bravo Street
P. O. Box 2
St. Ann's Bay
St. Ann

Ms. M. A. Senior, Manager

SANTA CRUZ
77 Main Street
P. O. Box 20
Santa Cruz
St. Elizabeth

Miss D. A. Hyman, Manager

SAVANNA-LA-MAR
19 Great George's Street
P.O. Box 14
Savanna-La-Mar
Westmoreland

Mr. C. A. Dawes, Manager

Mrs. A. A. Rhule Hudson
Asst. Manager, Business Banking

SCOTIABANK CENTRE
Cnr. Duke & Port Royal Streets
P. O. Box 59
Kingston

Mr. S. A. Distant, Manager

Mrs. D. A. Maxwell
Asst. Manager, Business Banking

Mrs. J. M. Badson-Mignott
Manager, Operations

SPANISH TOWN
Shops 25 & 26
Oasis Shopping Plaza
6 March Pen Road
Spanish Town

Mr. J. A. Clarke, Manager

UWI, MONA CAMPUS
Cnr. Ring Road & Shed Lane
Kingston 7

Mr. P. G. Mohan, Manager

WESTGATE
Westgate Shopping Centre
P.O. Box 11
Montego Bay
St. James

Mr. G. C. Graham, Manager

SUB-BRANCHES

BARNETT STREET
(Sub to Montego Bay)
51 Barnett Street
Montego Bay
St. James

CLAREMONT
(Sub to St. Ann's Bay)
Claremont P.O.
Claremont
St. Ann

FRANKFIELD
(Sub to Christiana)
Frankfield
Clarendon

PARK CRESCENT
(Sub to Mandeville)
17 Park Crescent
Mandeville
Manchester

Subsidiaries, Board Members and Senior Officers

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Head Office, Scotiabank Centre
Cnr. Duke & Port Royal Streets
P.O. Box 709
Kingston, Jamaica

Board of Directors
B. J. Porter – Chairman
R. H. Pitfield*
Hon. M. M. Matalon, OJ** - Deputy Chairman
A. V. Chang
Ms. B.A. Alexander
B. F. Bowen
Ms. S. D. Chrominska
J. M. Hall
C. H. Johnston, CD
W. A. McDonald, JP
C. S. Norfolk
Dr. H. J. Thompson, CD
Prof. S. C. Vasciannie

Senior Officers

B. F. Bowen
President & CEO

Mrs. R. A. Pilliner
Executive Vice-President,
Operations & Shared Services

H. W. Powell
Executive Vice-President,
Retail Banking

Mrs. J. T. Sharp
Senior Vice-President
Chief Financial Officer &
Chief Administrative Officer

* Resigned January 24, 2011
** Resigned May 12, 2011

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED

5th Floor, Scotiabank Centre
Cnr. Duke & Port Royal Streets
Kingston, Jamaica

Board of Directors
A. V. Chang - Chairman
B. F. Bowen
N. A. Foster
H. W. Powell
Dr. A. E. Samuels-Harris
A. Mijares Ricci
P. B. Scott
Prof. S. C. Vasciannie
O. Zimmerman

Senior Officers
H. A. Reid
General Manager

Mrs. M. Williams
Manager Finance
& Reporting

Mrs. L. H. Forbes
Director Sales and Channel
Delivery

THE SCOTIA JAMAICA BUILDING SOCIETY

95 Harbour Street
P.O. Box 8463
Kingston, Jamaica

Board of Directors
Dr. H. J. Thompson, CD - Chairman
Ms. B. A. Alexander, Deputy Chairperson
Dr. C. D. Archer
B. F. Bowen
Dr. A. N. Law
H. W. Powell
D. Walters

Senior Officers
G. F. Whitelocke
Vice-President &
General Manager
Non-Branch Sales

L. S. Reynolds
Assistant General Manager,
Business Development
and Non-Branch Sales

Mrs. M. D. Scott
Manager, Financial Reporting

SCOTIA JAMAICA FINANCIAL SERVICES LIMITED

Scotiabank Centre
Cnr. Duke & Port Royal Streets
P.O. Box 709
Kingston, Jamaica

Board of Directors
B. F. Bowen - Chairman
H. W. Powell
J. T. Sharp

SCOTIA JAMAICA MICROFINANCE CO. LTD.

12 Duke Street, Kingston,
Jamaica, W.I.

Board of Directors
B. F. Bowen
H. W. Powell
J. T. Sharp

Senior Officer
Mrs. Y. Anderson
General Manager

SCOTIABANK JAMAICA FOUNDATION

Scotiabank Centre
Cnr. Duke & Port Royal Streets
P.O. Box 709
Kingston, Jamaica

Board of Directors
H.W. Powell - Chairman
B. F. Bowen
Mrs. J. A. Griffiths Irving
M. D. Jones
Mrs. R. A. Pilliner
H. W. Powell
Mrs. M. Todd
Mrs. R. Voordouw

Senior Officer
Mrs. J. A. Griffiths-Irving
Executive Director

BRIGHTON HOLDINGS LIMITED

Scotiabank Centre
Cnr. Duke & Port Royal Streets
Kingston, Jamaica

Board of Directors
B. F. Bowen - Chairman
H. W. Powell
J. T. Sharp

SCOTIA INVESTMENTS JAMAICA LIMITED

Head Office: 7 Holborn Road
Kingston 10, Jamaica

Board of Directors
Prof. S. C. Vasciannie, Chairman
Ms. B. A. Alexander
A. V. Chang
Mrs. A. M. Fowler
Dr. A. N. Law
P. P. Martin
Miss A. M. Schnoor
J. A. Woodward
D. Wright

Senior Officers
Miss A. M. Schnoor
Chief Executive Officer

Miss Y. Pandohie
Vice-President &
Chief Financial Officer

L. L. Mitchell
Chief Operating Officer

SCOTIA ASSET MANAGEMENT (JAMAICA) LIMITED

1B Holborn Road, Kingston 10
Jamaica

Board of Directors
Ms. B. A. Alexander, Chairperson
Ms. K. Bilyk
Mrs. A. Fowler
L. Mitchell
Ms. A. Richards
Miss A. M. Schnoor
Mrs. J. T. Sharp

Senior Officers
B. O. Frazer
Vice-President, Asset Management
& General Manager

SCOTIA JAMAICA INVESTMENT MANAGEMENT LIMITED

Scotiabank Centre
Cnr. Duke & Port Royal Streets
P.O. Box 627
Kingston, Jamaica

Board of Directors
B. F. Bowen
H. W. Powell

Corporate Data

SECRETARY

Julie Thompson-James
Vice-President/Senior Legal Counsel
& Corporate Secretary

The Bank of Nova Scotia Jamaica Limited
Executive Offices
Scotiabank Centre
Cnr. Duke & Port Royal Streets
P.O. Box 709
Kingston, Jamaica

AUDITORS

KPMG
6 Duke Street
Kingston, Jamaica

Telephone: (876) 922.6640
Fax: (876) 922.7198
(876) 922.4500

REGISTERED OFFICE

Scotiabank Centre
Cnr. Duke & Port Royal Streets
P.O. Box 709
Kingston, Jamaica

Telephone: (876) 922.1000
Fax: (876) 922.6548
Website: www.jamaica.scotiabank.com
Telex: 2297
SWIFT Bic Code: NOSCJMKN

Management Officers

(of the Group and its Subsidiaries)
As at October 31, 2011

EXECUTIVE OFFICERS

Mr. Bruce Bowen
President & Chief Executive Officer

Mrs. Rosemarie A. Pilliner
Executive Vice-President, Operations & Shared Services

Mr. H. Wayne Powell
Executive Vice-President, Retail Banking

Miss Anya M. Schnoor
Executive Vice-President, Wealth Management & Insurance
Scotiabank Group &
CEO Scotia Investments Jamaica Limited

Miss Monique French
Senior Vice-President, Credit Risk Management

Mr. Michael D. Jones
Senior Vice-President, Human Resources

Mr. Hugh Reid
Senior Vice-President & General Manager
Scotia Jamaica Life Insurance Company Limited

Mrs. Jacqueline Sharp
Senior Vice-President, Chief Financial Officer &
Chief Administrative Officer

Mr. Michael Thompson
Senior Vice-President, Corporate & Commercial Banking

SENIOR MANAGEMENT OFFICERS

Retail Banking

Mrs. Patsy Latchman Atterbury
Vice-President, Small & Medium Enterprises

Mr. Michael E. Shaw
District Vice-President - Metro North

Mr. Courtney A. Sylvester
District Vice-President - Metro East

Mr. Dudley E. Walters
District Vice-President - Metro West

Mr. Gladstone Whitelocke
Vice-President Non-Branch Sales & General Manager -SJBS

Mr. Linley Reynolds
Assistant General Manager, SJBS Business Development &
Non-Branch Sales & Service

Miss Pamela Douglas
Senior Manager, SME Projects

Centralized Retail Collection Unit

Mr. Vincent Harvey, Vice-President Collections & Recovery

Compliance

Mr. George Roper, Vice-President, Compliance

Contact Centre

Mrs. Sheila Segree-White, General Manager

Corporate & Commercial Banking

Miss Marcette McLeggon, Vice-President, Credit Solutions

Mr. H. Craig Mair
Assistant General Manager,
Commercial Client Relationships & Business Development

Corporate Human Resources

Miss Suzanne Donalds, Director
HR Planning, Staffing & Capability Development

Mrs. Hopelin Hines
Director, Total Rewards and Evaluations

SENIOR MANAGEMENT OFFICERS

Credit Risk Management

Mr. Bevan A. Callam, Vice-President

Miss Carol Logan, Assistant General Manager

Mr. Lennox Elvy, Director, Retail Risk

Customer Experience

Mrs. Rosemarie Voordouw, Director, Customer Experience

Employee Consultations & Ombuds Services

Mrs. Claudine McCalla, Director

Finance

Miss Shirley K. Ramsaran
Vice-President, Finance & Comptroller

Mr. Frederick A. Williams
Vice-President
Business Analytics & Strategy and Risk Management

Miss Carolyn Kean
Director, Business Intelligence

Corporate & Legal

Mrs. Julie Thompson-James
Vice-President/Senior Legal Counsel & Corporate Secretary

Marketing, Public & Corporate Affairs

Mrs. Monique Todd
Vice-President, Marketing, Public & Corporate Affairs

Mrs. Joan Forrest Henry
Director, Marketing Programmes

Mrs. Joylene A. Griffiths Irving,
Director, Corporate Social Responsibility
& Executive Director, Scotiabank Jamaica Foundation

Shared Services

Mr. David M. Williams
Vice-President, Operations, Shared Services

Mr. Donovan Hanson, Vice-President, Lending Services

Mrs. Sallian Wright, Director, Processing Support Centre

Mrs. Marcia Parker Robinson,
Director, Procurement and Logistic

Mr. Cecil Rhoden, Director, Retail Risk Assessment

Mrs. Dorette Barrett
Director, Corporate & Commercial Support Centre

Scotia Private Client Group

Mrs. Debra Lopez-Spence
Centre Director

Systems Support Centre

Mr. Adza Davis, Acting Director, Technology Delivery

Treasury

Mr. Hugh G. Miller
Vice-President, Treasury

Mr. Gary-Vaughn White
Director, Treasury & Foreign Exchange Trading

Glossary

ALLOWANCE FOR IMPAIRMENT LOSSES: An allowance set aside which, in management's opinion, is adequate to absorb all credit-related losses. It is decreased by write-offs, realized losses and recoveries; and increased by new provisions. It includes specific and general allowances, and is deducted from the related asset category on the Group's consolidated balance sheet.

ASSETS UNDER ADMINISTRATION AND MANAGEMENT: The total market value of assets owned by customers, for whom the Group and its subsidiaries provides custody, trustee, corporate administration, investment management and advisory services, and are not reported on the Group's consolidated balance sheet.

ASSETS HELD IN TRUST: Consists of custodial and non-discretionary trust assets administered by the Group and its subsidiaries, which are beneficially owned by customers and are therefore not reported on the Group's consolidated balance sheet. Services provided in respect of these assets are administrative in nature, such as security custody; trusteeship, stock transfer and personal trust services.

BOJ: The Bank of Jamaica, the regulator for Commercial Banks, Merchant Banks, and Building Societies in Jamaica.

BASIS POINT: A unit of measure defined as one-hundredth of one per cent; 100bp equals 1%.

CAPITAL: Consists of common shareholders' equity. Capital supports asset growth, provides against loan losses and protects the Group and its subsidiaries' depositors.

FAIR VALUE: The amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

FOREIGN EXCHANGE CONTRACTS: Commitments to buy or sell a specified amount of foreign currency on a set date and at a predetermined rate of exchange.

FSC: The Financial Services Commission, the regulator for securities dealers, insurance companies, and pension funds in Jamaica.

GENERAL PROVISIONS: Established against the loan portfolio in the Group and its subsidiaries when management's assessment of economic trends suggests that losses may occur, but such losses cannot yet be specifically identified on an individual item-by-item basis.

IFRS: International Financial Reporting Standards issued by the International Accounting Standards Board, the global accounting standards setting body, which have been adopted by the Institute of Chartered Accountants of Jamaica.

MARKED-TO-MARKET: The valuation of certain financial instruments at market prices as of the balance sheet date.

NET INTEREST MARGIN: Net interest income, expressed as a percentage of average total assets.

NON-PERFORMING (IMPAIRED) LOANS: Loans on which the Group and its subsidiaries no longer have reasonable assurance as to the timely collection of interest and principal, or where a contractual payment is past due for a prescribed period. Interest is not accrued on non-performing loans.

OPERATING LEVERAGE: Operating Leverage is defined internally as the difference between the rate of revenue growth and the rate of expense growth.

PRODUCTIVITY RATIO: Measures the efficiency with which the Group and its subsidiaries incur expenses to generate revenue. It expresses non-interest expenses as a percentage of the sum of net interest income and other income. A lower ratio indicates improved productivity.

REPOS: Repos is short for "obligations related to assets sold under repurchase agreements" – a short-term transaction where the Group and its subsidiaries sell assets, normally Government bonds, to a client and simultaneously agrees to repurchase them on a specified date and at a specified price. It is a form of short-term funding.

RETURN ON EQUITY: Net income available to common shareholders, expressed as a percentage of average common shareholders' equity.

REVERSE REPOS: Short for "assets purchased under resale agreements" – a short-term transaction where the Group and its subsidiaries purchase assets, normally Government bonds, from a client and simultaneously agree to resell them on a specified date and at a specified price. It is a form of short-term collateralized lending.

RISK-WEIGHTED ASSETS: Calculated using weights based on the degree of credit risk for each class of counterparty. Off-balance sheet instruments are converted to balance sheet equivalents, using specified conversion factors, before the appropriate risk weights are applied.

STANDBY LETTERS OF CREDIT AND LETTERS OF GUARANTEE: Assurances given by the Group and its subsidiaries that it will make payments on behalf of clients to third-parties in the event that the customer defaults. The Group and its subsidiaries have recourse against its customers for any such advanced funds.

STRESS TESTING: A scenario that measures market risk under unlikely but plausible events in abnormal markets.

TIER 1, TIER 2 CAPITAL RATIOS: These are ratios of capital to risk-weighted assets, as stipulated by the Bank of Jamaica and the Financial Services Commission, based on guidelines developed under the auspices of the Bank for International Settlements (BIS). Tier 1 capital is more permanent and based on the regulator. It is defined as follows:

(a) For entities regulated by the BOJ: Tier 1 capital consists primarily of common shareholders' equity, and certain designated retained earnings which by statute may not be distributed or reduced without permission from the Bank of Jamaica.

(b) For entities regulated by the FSC: Tier 1 capital consists primarily of common shareholders' equity and certain reserves designated by the Commission such as retained earnings and investment reserves. Deductions may also be applied for net investments in associates /subsidiaries, goodwill and other intangibles assets, among other things.

Tier 2 capital consists mainly of eligible general allowances. Together, Tier 1 and Tier 2 capital less certain deductions, comprise total regulatory capital.

YIELD CURVE: A graph showing the term structure of interest rates, plotting the yields of similar quality bonds by term to maturity.

Notes

Paper materials produced from well-managed forests and tree farms, chemical-free printing plates and soya-based inks were used for the production of this Annual Report.

• Design & Production: Marketing Department, Scotiabank Group Jamaica Ltd.
• Printing: Pear Tree Press

SCOTIA GROUP JAMAICA LIMITED

www.jamaica.scotiabank.com
1-888-4-SCOTIA (726842)