

To Our Shareholders

The Directors are pleased to announce that the Scotiabank Group net income after tax for the year ended 31 October 2009 was an increase of 5.4% over the comparative period.

In light of the decline of local economic activity the Scotiabank Group maintained profitability, as it realised income after tax of \$455.1MM for the year ended 31 October 2009. The increase of 5.4% is notable in the context of the current economic environment both in the industry and the country.

As indicated in interim reports, our

profitability was deflated by loan loss provisions which increased by \$64.8MM in the current year. This increase was somewhat expected as a result of the challenging economic conditions that faces all our customers and the worldwide economy.

The Board continues to be satisfied that the Group's credit risk policies, and financial risk management policies to a wider extent, are adequate and provide the Bank with a sound risk analysis framework to achieve desired business and risk results.

Although we anticipate that the coming year will prove to be one with low growth

prospects, the Board of Directors will continue to work assiduously to maintain the Group's position as one of stability and strong creditability in the financial landscape.

On the basis of performance to date, the Directors have resolved that the Bank pay a fourth interim dividend of 25 cents per ordinary share (2008 - 25 cents) on 06 January 2010 to shareholders on record as at 07 December 2009.

R.P. Young
25 November 2009
R.P. Young - Managing Director

Consolidated Balance Sheet Highlights (Stated In \$'000)

	AUDITED Year ended 31 October 2009	AUDITED Year ended 31 October 2008
ASSETS		
Cash on hand and in transit	\$ 83,281	\$ 86,888
Due from banks and related companies	1,161,750	938,228
Treasury bills	721,075	279,539
Deposits with Central Bank	2,648,623	1,554,206
Net Loans to customers	10,325,293	10,476,303
Assets purchased under resale agreements	8,271	13,876
Investment securities	658,275	606,421
Investment in associate companies	12,105	9,684
Property, plant and equipment	243,085	209,741
Miscellaneous assets	43,612	41,283
Goodwill	2,951	2,496
Retirement benefit asset	107,306	110,682
TOTAL ASSETS	\$ 16,015,627	\$ 14,329,347
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits	\$ 11,919,474	\$ 9,671,628
Due to banks and related companies	250,040	1,158,308
Other liabilities	123,481	90,125
Securities sold under repurchase agreement	80,317	167,979
Provision for taxation	32,996	42,420
Policyholders' funds	354,831	273,329
Debt security in issue	1,000,000	1,000,000
Retirement benefit obligations	80,765	74,551
Deferred tax liability	25,016	18,519
TOTAL LIABILITIES	13,866,920	12,496,859
SHAREHOLDERS' EQUITY		
Stated capital	267,563	267,563
Statutory reserve fund	337,563	297,563
Investment revaluation reserve	34,034	(3,478)
Retained earnings	1,509,547	1,270,840
TOTAL SHAREHOLDERS' EQUITY	2,148,707	1,832,488
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 16,015,627	\$ 14,329,347

Consolidated Income Statement (Stated In \$'000)

	AUDITED Year ended 31 October 2009	AUDITED Year ended 31 October 2008
NET INTEREST AND OTHER INCOME		
Net Interest Income	\$ 831,867	\$ 739,670
Other Income	303,111	253,217
Net Interest and Other Income	1,134,978	992,887
NON-INTEREST EXPENSES		
Loan loss expense	86,932	22,135
Other	462,551	413,142
Non-Interest Expenses	549,483	435,277
INCOME BEFORE TAXATION	585,495	557,610
Provision for taxation	(130,444)	(125,767)
INCOME AFTER TAXATION	\$ 455,051	\$ 431,843

Dividends Paid & Proposed for financial year	\$ 176,344	\$ 169,290
Dividends per share	100.0c	96.0c
Earnings per share	258.0c	244.9c
Return on Equity	22.86%	25.38%
Return on Total Assets	3.00%	3.34%
Market Value	\$ 30.02	\$ 31.00

Consolidated Statement of Changes in Shareholders' Equity

FOR THE PERIOD ENDED 31 OCTOBER 2009 (Stated In \$'000)

	Stated Capital	Statutory Reserve	Investment Revaluation Reserve	Retained Earnings	Total Shareholders' Equity
YEAR ENDED 31 OCTOBER 2009					
Balance as at 31 October 2008	\$ 267,563	297,563	(3,478)	1,270,840	1,832,488
Changes in fair value, net of tax	-	-	37,512	-	37,512
Net profit for the period	-	-	-	455,051	455,051
Transfer to statutory reserve	-	40,000	-	(40,000)	-
Dividends paid	-	-	-	(176,344)	(176,344)
Balance as at 31 October 2009	\$ 267,563	337,563	34,034	1,509,547	2,148,707
YEAR ENDED 31 OCTOBER 2008					
Balance as at 31 October 2007	\$ 267,563	297,563	3,680	1,001,232	1,570,038
Gains transferred to net profit, net of tax	-	-	(66)	-	(66)
Changes in fair value, net of tax	-	-	(7,092)	-	(7,092)
Net profit for the period	-	-	-	431,843	431,843
Transfer to statutory reserve	-	-	-	-	-
Dividends paid	-	-	-	(162,235)	(162,235)
Balance as at 31 October 2008	\$ 267,563	297,563	(3,478)	1,270,840	1,832,488

Consolidated Cash Flow (Stated In \$'000)

	AUDITED Year ended 31 October 2009	AUDITED Year ended 31 October 2008
Cash flows (used in) from operating activities		
Net income before taxes	\$ 585,495	\$ 557,610
Decrease / (Increase) in loans	151,011	(1,651,097)
Decrease / (Increase) in assets purchased under resale agreement	5,605	(13,876)
Increase in deposits	2,247,846	1,235,917
(Decrease) / Increase in securities sold under repurchase agreement	(87,662)	89,433
Taxation paid	(144,144)	(120,403)
Other adjustments to reconcile income before taxation to net cash from operating activities	(1,865,818)	203,743
Net cash from operating activities	\$ 892,333	\$ 301,327
Cash flows (used in) / from investing activities		
Increase in investments	\$ (3,569)	\$ (154,964)
Purchase of property, plant & equipment	(50,524)	(23,160)
Investment in subsidiary	(455)	(2,496)
Proceeds from disposal of property, plant & equipment	10	1,338
Net cash used in investing activities	\$ (54,538)	\$ (179,282)
Cash flows (used in) / from financing activities		
Increase in debt security in issue	\$ -	\$ 800,000
Dividends paid	(176,344)	(162,236)
Net cash (used in) / from financing activities	\$ (176,344)	\$ 637,764
Increase in cash and cash equivalents	\$ 661,451	\$ 759,809
Cash and cash equivalents, beginning of period	1,304,655	544,846
Cash and cash equivalents, end of period	\$ 1,966,106	\$ 1,304,655
Cash and cash equivalents		
Cash on hand and intransit	\$ 83,281	\$ 86,888
Due from banks and related companies	1,161,750	938,228
Treasury bills	721,075	279,539
Cash and cash equivalents	\$ 1,966,106	\$ 1,304,655

Significant Accounting Policies

Basis of preparation

These financial statements, in all material aspects, have been prepared in accordance with International Financial Reporting Standards. The accounting policies used in the preparation of the financial statements are the same as were followed in the financial statements as at 31 October 2008.

Comparative information

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