

## To Our Shareholders

The Directors are pleased to announce that the Scotiabank Group realised net income after tax of \$133.5 million for the period ended 31 January 2011, which was an increase of 8.7% over the comparative period, a year ago.

Whilst the local economy has stabilised, and growth of 2.0% is projected for 2011, the market's appetite for credit continues to be subdued.

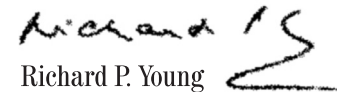
The Directors are satisfied that the Group's major risk concentrations are properly managed and that the risk management framework is sufficiently robust to ensure that the Group continues to generate sustainable growth in all business units.

On the basis of performance to date, the Directors have resolved that the Bank pay a first interim dividend of 32 cents per ordinary share (2010 - 25 cents) on 06 April 2011 to shareholders on record as at 08 March 2011.

24 February 2011



Dr. Trevor Farrell  
Deputy Chairman



Richard P. Young  
Managing Director

## Significant Accounting Policies

### Basis of preparation

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

### Comparative information

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

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

|   | UNAUDITED<br>As at<br>31 January 2011 | UNAUDITED<br>As at<br>31 January 2010 | AUDITED<br>As at<br>31 October 2010 |
|---|---------------------------------------|---------------------------------------|-------------------------------------|
| <b>ASSETS</b>                                     |                                       |                                       |                                     |
| Cash on hand and in transit                       | \$ 89,705                             | \$ 82,218                             | \$ 96,894                           |
| Due from banks and related companies              | 909,414                               | 1,518,450                             | 1,531,827                           |
| Treasury Bills                                    | 1,072,741                             | 672,453                               | 520,766                             |
| Deposits with Central Bank                        | 2,744,625                             | 2,740,765                             | 2,565,619                           |
| Net loans to customers                            | 10,284,986                            | 10,380,203                            | 10,364,772                          |
| Investment securities                             | 673,344                               | 693,114                               | 673,066                             |
| Investment in associate companies                 | 14,173                                | 12,105                                | 14,173                              |
| Assets purchased under resale agreement           | -                                     | 8,271                                 | -                                   |
| Property, plant and equipment                     | 270,236                               | 250,062                               | 264,588                             |
| Miscellaneous assets                              | 135,170                               | 149,128                               | 112,906                             |
| Goodwill  | 2,951                                 | 2,951                                 | 2,951                               |
| <b>TOTAL ASSETS</b>                               | <b>\$ 16,197,345</b>                  | <b>\$ 16,509,720</b>                  | <b>\$ 16,147,562</b>                |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                                       |                                       |                                     |
| <b>LIABILITIES</b>                                |                                       |                                       |                                     |
| Deposits  | \$ 11,695,317                         | \$ 12,454,205                         | \$ 11,512,489                       |
| Due to banks and related companies                | 109,367                               | 90,060                                | 381,333                             |
| Other liabilities                                 | 278,208                               | 205,108                               | 247,293                             |
| Securities sold under repurchase agreement        | 39,855                                | 50,255                                | 41,617                              |
| Provision for taxation                            | 42,502                                | 35,624                                | 34,478                              |
| Policyholders' funds                              | 470,225                               | 379,487                               | 439,159                             |
| Debt security in issue                            | 1,000,000                             | 1,000,000                             | 1,000,000                           |
| Deferred tax liability                            | 16,875                                | 33,440                                | 18,685                              |
| <b>TOTAL LIABILITIES</b>                          | <b>13,652,349</b>                     | <b>14,248,179</b>                     | <b>13,675,054</b>                   |
| <b>SHAREHOLDERS' EQUITY</b>                       |                                       |                                       |                                     |
| Stated capital                                    | 267,563                               | 267,563                               | 267,563                             |
| Statutory reserve fund                            | 377,563                               | 357,563                               | 377,563                             |
| Investment revaluation reserve                    | 25,689                                | 68,177                                | 24,954                              |
| Retained earnings                                 | 1,874,181                             | 1,568,238                             | 1,802,428                           |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                 | <b>2,544,996</b>                      | <b>2,261,541</b>                      | <b>2,472,508</b>                    |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>\$ 16,197,345</b>                  | <b>\$ 16,509,720</b>                  | <b>\$ 16,147,562</b>                |

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

|  | UNAUDITED<br>Three months ended<br>31 January 2011 | UNAUDITED<br>Three months ended<br>31 January 2010 | AUDITED<br>Year ended<br>31 October 2010 |
|--|--|--|--|
| <b>NET INTEREST AND OTHER INCOME</b>         |  |  |  |
| Net Interest Income                          | \$ 230,371   | \$ 215,003   | \$ 865,129                               |
| Other Income                                 | 92,097   | 83,973   | 385,271                                  |
| <b>Net Interest and Other Income</b>         | <b>322,468</b>                                     | <b>298,976</b>                                     | <b>1,250,400</b>                         |
| <b>NON-INTEREST EXPENSES</b>                 |  |  |  |
| Loan loss expense                            | 18,639   | 19,645   | 77,117                                   |
| Other  | 132,117  | 120,671  | 515,331                                  |
| <b>Non-Interest Expenses</b>                 | <b>150,756</b>                                     | <b>140,316</b>                                     | <b>592,448</b>                           |
| <b>INCOME BEFORE TAXATION</b>                | <b>171,712</b>                                     | <b>158,660</b>                                     | <b>657,952</b>                           |
| Provision for taxation                       | (38,238)   | (35,883)   | (148,727)                                |
| <b>INCOME AFTER TAXATION</b>                 | <b>\$ 133,474</b>                                  | <b>\$ 122,777</b>                                  | <b>\$ 509,225</b>                        |
| Dividends Paid & Proposed for financial year | \$ 56,430  | \$ 44,086  | \$ 193,978                               |
| Dividends per share                          | 32.0c  | 25.0c  | 110.0c                                   |
| Earnings per share                           | 75.7c  | 69.6c  | 288.8c                                   |
| Return on Equity                             | 21.11%   | 22.09%   | 22.04%                                   |
| Return on Total Assets                       | 3.27%  | 3.00%  | 3.17%                                    |
| Market Value                                 | \$ 37.50   | \$ 33.13   | \$ 36.60                                 |

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

|   | UNAUDITED<br>Three months ended<br>31 January 2011 | UNAUDITED<br>Three months ended<br>31 January 2010 | AUDITED<br>Year ended<br>31 October 2010 |
|---|--|--|--|
| <b>NET INCOME:</b>  | <b>\$ 133,474</b>                                  | <b>\$ 122,777</b>                                  | <b>\$ 509,225</b>                        |
| <b>OTHER COMPREHENSIVE INCOME</b>                         |  |  |  |
| Revaluation of available-for-sale investments, net of tax | 735  | 34,143   | (9,080)                                  |
| <b>TOTAL COMPREHENSIVE INCOME, NET OF TAX</b>             | <b>\$ 134,209</b>                                  | <b>\$ 156,920</b>                                  | <b>\$ 500,145</b>                        |

**Consolidated Statement of Cash Flows** (Stated In \$'000)

|   | UNAUDITED<br>Three months ended<br>31 January 2011 | UNAUDITED<br>Three months ended<br>31 January 2010 | AUDITED<br>Year ended<br>31 October 2010 |
|---|--|--|--|
| <b>Cash flows from operating activities</b>   |  |  |  |
| Net income before taxes   | \$ 171,712   | \$ 158,660   | \$ 657,952                               |
| Change in loans   | 79,786   | (54,912)   | (39,479)                                 |
| Change in assets purchased under resale agreement   | -  | -  | 8,271                                    |
| Change in deposits  | 182,828  | 534,732  | (406,985)                                |
| Change in securities sold under repurchase agreement  | (1,762)  | (30,062)   | (38,700)                                 |
| Taxation paid   | (29,035)   | (35,308)   | (152,249)                                |
| Other adjustments to reconcile income before taxation to net cash from operating activities | (407,183)  | (221,013)  | 397,648                                  |
| <b>Net cash from operating activities</b>   | <b>\$ (3,654)</b>                                  | <b>\$ 352,097</b>                                  | <b>\$ 426,458</b>                        |
| <b>Cash flows used in investing activities</b>  |  |  |  |
| Increase in Treasury Bills with original maturity date over 3 months                        | \$ (375,899)                                       | \$ -   | \$ (396,897)                             |
| Increase in investments   | (2,532)  | 9,782  | (25,199)                                 |
| Purchase of property, plant & equipment   | (9,866)  | (10,778)   | (41,534)                                 |
| Investment in subsidiary  | -  | -  | -  |
| Proceeds from disposal of property, plant & equipment                                       | 146  | -  | -  |
| <b>Net cash used in investing activities</b>  | <b>\$ (388,151)</b>                                | <b>\$ (996)</b>                                    | <b>\$ (463,630)</b>                      |
| <b>Cash flows used in financing activities</b>  |  |  |  |
| Dividends paid  | (61,721)   | (44,086)   | (176,344)                                |
| <b>Net cash used in financing activities</b>  | <b>\$ (61,721)</b>                                 | <b>\$ (44,086)</b>                                 | <b>\$ (176,344)</b>                      |
| (Decrease) / Increase in cash and cash equivalents  | \$ (453,526)                                       | \$ 307,015   | \$ (213,516)                             |
| Cash and cash equivalents, beginning of period  | 1,752,590  | 1,966,106  | 1,966,106                                |
| <b>Cash and cash equivalents, end of period</b>   | <b>\$ 1,299,064</b>                                | <b>\$ 2,273,121</b>                                | <b>\$ 1,752,590</b>                      |
| <b>Cash and cash equivalents</b>  |  |  |  |
| Cash on hand and in transit   | \$ 89,705  | \$ 82,218  | \$ 96,894                                |
| Due from banks and related companies with original maturity date not exceeding 3 months     | 909,414  | 1,518,450  | 1,531,827                                |
| Treasury Bills with original maturity date not exceeding 3 months                           | 299,945  | 672,453  | 123,869                                  |
| <b>Cash and cash equivalents</b>  | <b>\$ 1,299,064</b>                                | <b>\$ 2,273,121</b>                                | <b>\$ 1,752,590</b>                      |

**Consolidated Statement of Changes In Shareholders' Equity**

FOR THE PERIOD ENDED 31 JANUARY 2011 (Stated In \$'000)

|  | Stated Capital    | Statutory Reserve | Investment Revaluation Reserve | Retained Earnings | Total Shareholders' Equity |
|--|-------------------|-------------------|--------------------------------|-------------------|----------------------------|
| <b>THREE MONTHS ENDED 31 JANUARY 2011</b>                      |                   |                   |                                |                   |                            |
| <b>Balance as at 31 October 2010</b>                           | \$ 267,563        | 377,563           | 24,954                         | 1,802,428         | 2,472,508                  |
| Net income for the year  | -                 | -                 | -                              | 133,474           | 133,474                    |
| <b>Other comprehensive income, net of tax</b>                  |                   |                   |                                |                   |                            |
| - Revaluation of available-for-sale investments                | -                 | -                 | 735                            | -                 | 735                        |
| <b>Total comprehensive income</b>                              | -                 | -                 | 735                            | 133,474           | 134,209                    |
| <b>Transactions with owners, recorded directly into equity</b> |                   |                   |                                |                   |                            |
| Transfer to statutory reserve                                  | -                 | -                 | -                              | -                 | -                          |
| Dividends paid   | -                 | -                 | -                              | (61,721)          | (61,721)                   |
| <b>Balance as at 31 January 2011</b>                           | <b>\$ 267,563</b> | <b>377,563</b>    | <b>25,689</b>                  | <b>1,874,181</b>  | <b>2,544,996</b>           |
| <b>THREE MONTHS ENDED 31 JANUARY 2010</b>                      |                   |                   |                                |                   |                            |
| <b>Balance as at 31 October 2009</b>                           | \$ 267,563        | 337,563           | 34,034                         | 1,509,547         | 2,148,707                  |
| Net income for the year  | -                 | -                 | -                              | 122,777           | 122,777                    |
| <b>Other comprehensive income, net of tax</b>                  |                   |                   |                                |                   |                            |
| - Revaluation of available-for-sale investments                | -                 | -                 | 34,143                         | -                 | 34,143                     |
| <b>Total comprehensive income</b>                              | -                 | -                 | 34,143                         | 122,777           | 156,920                    |
| <b>Transactions with owners, recorded directly into equity</b> |                   |                   |                                |                   |                            |
| Transfer to statutory reserve                                  | -                 | 20,000            | -                              | (20,000)          | -                          |
| Dividends paid   | -                 | -                 | -                              | (44,086)          | (44,086)                   |
| <b>Balance as at 31 January 2010</b>                           | <b>\$ 267,563</b> | <b>357,563</b>    | <b>68,177</b>                  | <b>1,568,238</b>  | <b>2,261,541</b>           |
| <b>YEAR ENDED 31 OCTOBER 2010</b>                              |                   |                   |                                |                   |                            |
| <b>Balance as at 31 October 2009</b>                           | \$ 267,563        | 337,563           | 34,034                         | 1,509,547         | 2,148,707                  |
| Net income for the year  | -                 | -                 | -                              | 509,225           | 509,225                    |
| <b>Other comprehensive income, net of tax</b>                  |                   |                   |                                |                   |                            |
| - Revaluation of available-for-sale investments                | -                 | -                 | (9,080)                        | -                 | (9,080)                    |
| <b>Total comprehensive income</b>                              | -                 | -                 | (9,080)                        | 509,225           | 500,145                    |
| <b>Transactions with owners, recorded directly into equity</b> |                   |                   |                                |                   |                            |
| Transfer to statutory reserve                                  | -                 | 40,000            | -                              | (40,000)          | -                          |
| Dividends paid   | -                 | -                 | -                              | (176,344)         | (176,344)                  |
| <b>Balance as at 31 October 2010</b>                           | <b>\$ 267,563</b> | <b>377,563</b>    | <b>24,954</b>                  | <b>1,802,428</b>  | <b>2,472,508</b>           |

**Segment Reporting** FOR THE PERIOD ENDED 31 JANUARY 2011 (Stated In \$'000)

|   | Corporate/ Commercial & Merchant Banking | Retail Banking | Insurance Services | Other           | Total Segments   | Unallocated Amounts/ Eliminations | Total            |
|---|--|----------------|--------------------|-----------------|------------------|-----------------------------------|------------------|
| <b>UNAUDITED THREE MONTHS ENDED 31 JANUARY 2011</b>                           |  |                |                    |                 |                  |                                   |                  |
| Net interest income (expense)   | \$ 68,053                                | 160,953        | 12,325             | (13,297)        | 228,034          | 2,337                             | 230,371          |
| Fees and commissions  | 32,157                                   | 31,981         | 8,468              | (3,475)         | 69,131           | 22,966                            | 92,097           |
| Other revenues  | -  | -              | -                  | -               | -                | -                                 | -                |
| <b>Net segment interest and other income excluding inter-segment revenues</b> | <b>\$ 100,210</b>                        | <b>192,934</b> | <b>20,793</b>      | <b>(16,772)</b> | <b>297,165</b>   | <b>25,303</b>                     | <b>322,468</b>   |
| Inter-segment revenues  | 429                                      | -              | 6                  | 49              | 484              | (484)                             | -                |
| <b>Net segment interest and other income</b>                                  | <b>\$ 100,639</b>                        | <b>192,934</b> | <b>20,799</b>      | <b>(16,723)</b> | <b>297,649</b>   | <b>24,819</b>                     | <b>322,468</b>   |
| Net segment profit (loss) before taxes  | \$ 90,476                                | 71,230         | 18,249             | (33,062)        | 146,893          | 24,819                            | 171,712          |
| Segment Assets  | \$ 3,688,794                             | 5,842,569      | 747,752            | 7,886,744       | 18,165,859       | (1,968,514)                       | 16,197,345       |
| Segment Liabilities   | \$ 3,372,537                             | 8,058,512      | 482,355            | 3,557,118       | 15,470,522       | (1,818,173)                       | 13,652,349       |
| <b>UNAUDITED THREE MONTHS ENDED 31 JANUARY 2010</b>                           |  |                |                    |                 |                  |                                   |                  |
| Net interest income (expense)   | \$ 62,287                                | 142,226        | 10,437             | (2,306)         | 212,644          | 2,359                             | 215,003          |
| Fees and commissions  | 34,788                                   | 35,947         | 6,217              | 3,140           | 80,092           | 3,881                             | 83,973           |
| Other revenues  | -  | -              | -                  | -               | -                | -                                 | -                |
| <b>Net segment interest and other income excluding inter-segment revenues</b> | <b>\$ 97,075</b>                         | <b>178,173</b> | <b>16,654</b>      | <b>834</b>      | <b>292,736</b>   | <b>6,240</b>                      | <b>298,976</b>   |
| Inter-segment revenues  | 604                                      | -              | 28                 | 803             | 1,435            | (1,435)                           | -                |
| <b>Net segment interest and other income</b>                                  | <b>\$ 97,679</b>                         | <b>178,173</b> | <b>16,654</b>      | <b>1,637</b>    | <b>294,171</b>   | <b>4,805</b>                      | <b>298,976</b>   |
| Net segment profit (loss) before taxes  | \$ 88,183                                | 67,551         | 13,996             | (15,875)        | 153,855          | 4,805                             | 158,660          |
| Segment Assets  | \$ 3,850,575                             | 5,979,044      | 608,740            | 12,928,155      | 23,366,514       | (6,856,794)                       | 16,509,720       |
| Segment Liabilities   | \$ 3,897,469                             | 6,650,100      | 596,004            | 9,207,579       | 20,351,152       | (6,102,973)                       | 14,248,179       |
| <b>AUDITED YEAR ENDED 31 OCTOBER 2010</b>                                     |  |                |                    |                 |                  |                                   |                  |
| Net interest income (expense)   | \$ 238,134                               | 605,645        | 45,268             | (36,759)        | 852,288          | 12,841                            | 865,129          |
| Fees and commissions  | 159,468                                  | 140,345        | 40,567             | 13,638          | 354,018          | (68,290)                          | 285,728          |
| Other revenues  | -  | -              | -                  | 2,888           | 2,888            | 96,655                            | 99,543           |
| <b>Net segment interest and other income excluding inter-segment revenues</b> | <b>\$ 397,602</b>                        | <b>745,990</b> | <b>85,835</b>      | <b>(20,233)</b> | <b>1,209,194</b> | <b>41,206</b>                     | <b>1,250,400</b> |
| Inter-segment revenues  | 5,403                                    | -              | 51                 | 1,532           | 6,986            | (6,986)                           | -                |
| <b>Net segment interest and other income</b>                                  | <b>\$ 403,005</b>                        | <b>745,990</b> | <b>85,886</b>      | <b>(18,701)</b> | <b>1,216,180</b> | <b>34,220</b>                     | <b>1,250,400</b> |
| Net segment profit (loss) before taxes  | \$ 363,050                               | 267,542        | 76,072             | (82,932)        | 623,732          | 34,220                            | 657,952          |
| Segment Assets  | \$ 3,539,318                             | 6,013,474      | 720,619            | 6,319,335       | 16,592,746       | (445,184)                         | 16,147,562       |
| Segment Liabilities   | \$ 3,296,715                             | 7,062,053      | 656,105            | 5,304,057       | 16,318,930       | (2,643,876)                       | 13,675,054       |