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## **MEDIA RELEASE**

### **SCOTIA DBG INVESTMENTS POSTS COMMENDABLE FIRST QUARTER RESULTS.**

#### **FIRST QUARTER 2010 HIGHLIGHTS**

- **Net income of \$546 million**
- **Earnings per share of \$1.29**
- **Return on average equity of 27.66%**
- **Productivity ratio of 30.08%**
- **First quarter dividend of 33.0 cents per share**

Scotia DBG Investments Limited (SDBG) today reported its unaudited financial results for the three months ended January 31, 2010. Net income for the first quarter amounted to \$546 million, representing a 42% increase over the \$385 million earned in the comparative period last year and a 25% decline in results quarter over quarter.

Earnings per share (EPS) for the period was \$1.29 up 42% when compared to the \$0.91 earned for the same period last year. The company's return on average equity (ROE) also remains strong at 27.66% at the end of the quarter.

In commenting on the results, Anya Schnoor, CEO of SDBG stated "Our first quarter's performance was attributable to a combination of growth in funds under management, well-managed interest margins, and strong expense management. During the quarter the company made the important decision to participate in the Government of Jamaica's Debt Exchange (JDX) Offer. The success of this Offer is critical for Jamaica to position itself for sustainable growth into the future.

As we look ahead it is clear that the JDX will have a negative impact on future net interest income. We will however remain well capitalised and will maintain our key regulatory ratios significantly above the minimums required. Last year we began a process of reviewing all the key operating areas in the company and we will accelerate our plans to make the company more efficient and sales-focused. This process is well underway and we expect over the coming quarters to reap the benefits from the reengineering of our operating structure."

## **REVENUES**

Total revenues comprising of net interest revenue and other income was \$1,132 million for the quarter, an increase of \$352 million over the same period last year and down \$39 million when compared to the last quarter.

### ***Net Interest Income***

Net interest income for the quarter amounted to \$995 million, an increase of 60% over the \$623 million reported for the first quarter last year. The results were marginally lower than the \$999.7 million earned for the previous quarter but indicate strong portfolio volume growth and good control over interest margins in a declining interest rate environment.

### ***Other Revenue***

Other revenue, which includes fee income and net foreign exchange trading income, was \$142 million for the quarter, down \$16 million or 10% from the \$158 million reported for the same period last year. There continued to be little activity on the bond market resulting from Jamaica's rating downgrade during the quarter and the roll-out of the Government's debt exchange offer.

## **NON-INTEREST EXPENSES AND PRODUCTIVITY**

The company continued to leverage one of its key strengths by focusing on expense control throughout the year. Our productivity ratio (non-interest expense as a percentage of net revenue) - a key measure of cost efficiency - was 30.08% for the quarter, a notable improvement over the 36.21% for the same period last year.

Non-interest expenses amounted to \$340 million for the quarter, an increase of \$58 million or 21% over last year. This was due primarily to increased staff costs as well as a general increase in other operating costs over the period.

## **BALANCE SHEET**

Total assets at the end of the quarter stood at \$72.8 billion an increase of \$5.2 billion or 7.7% over the same period last year. This increase in the asset base is mainly as a result of continued growth in cash resources and investments. This growth was supported by a solid increase of \$4 billion in repurchase agreements liabilities and capital management accounts.

## **CAPITAL**

The strength of our capital base is evident with total shareholders equity standing at \$8.09 billion at the end of the quarter. This represented an increase of \$2.2 billion or 38% over the equity reported as at the end of the comparative period last year and was also up \$402 million or 5% over the previous quarter. Our investment reserve has improved over the last quarter due to continued recovery of bond prices as interest rates continue to fall. At the end of the quarter, our capital adequacy ratio remained strong at 207%, significantly above the 10% statutory requirement.

## **DIVIDEND**

At the Board of Directors meeting on February 19, 2010 the Board approved an interim dividend of 33.0 cents per stock unit, payable on April 8, 2010, to stockholders on record as at March 15, 2010.

## **COMMITMENT TO THE COMMUNITY**

Scotia DBG Investments continues to demonstrate a commitment to Jamaica and the communities in which it operates. During the quarter as part of the wider Wealth Management Division, we hosted the Inaugural Golden Cleats Awards which raised over \$1.5 million for the Jamaica Amateur Athletics Association. The funds raised will be used to purchase much needed training equipment for Jamaican athletes. The Awards dinner was hosted at Jamaica House on January 8, 2010 with over 250 guests in attendance.

During the quarter, SDBG sponsored the Mandeville Art Fair. The Mandeville Art Fair is a popular and well supported event by art lovers and members of the Mandeville community. We also participated as an associate sponsor of the Wolmers 5K road race event and this included branding of the race route and presentation of the prizes to the winners in the race.

SDBG echoes the sentiments of the Scotiabank Group, in thanking all of our stakeholders for their continued support. To our clients, thank you for your loyalty and allowing us to be your most trusted financial advisor. To our shareholders, thank you for the commitment, trust and confidence. To our employees, our continued success is as a result of great execution by our dedicated and skilled team. Your consistent focus on customer satisfaction will ensure that we continue to deliver superior customer service.

**CONSOLIDATED STATEMENT OF INCOME**

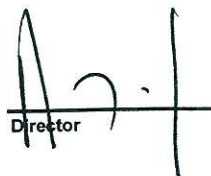
Unaudited (\$000's)	For the three months ended		
	January 2010	October 2009	January 2009
<b>GROSS OPERATING INCOME</b>	2,650,927	2,936,516	2,307,426
Interest income	2,509,100	2,733,743	2,149,378
Interest expense	(1,513,655)	(1,733,950)	(1,526,726)
Net Interest Income	995,445	999,793	622,652
Impairment losses on loans	(5,572)	(31,585)	(1,447)
Net interest income after provision for loan loss	989,873	968,207	621,205
Net fee and commission income	81,138	102,375	51,480
Net foreign exchange trading income	36,878	37,040	62,312
Net gains/(losses) on financial instruments classified as held for trading	6,733	43,577	(5,133)
Net gains on financial instruments designated at fair value	-	4,855	3,066
Gains less losses on securities trading	8,651	14,101	25,966
Other Income	8,427	826	20,359
	141,827	202,773	158,048
<b>TOTAL OPERATING INCOME</b>	<b>1,131,700</b>	<b>1,170,981</b>	<b>779,254</b>
<b>OPERATING EXPENSES</b>			
Staff costs	215,142	184,204	171,459
Property expenses, including depreciation	32,468	44,815	38,031
Amortisation of intangible assets	2,540	2,715	3,666
Other operating expenses	90,284	156,419	69,024
	340,434	388,152	282,179
<b>PROFIT BEFORE TAXATION</b>	<b>791,266</b>	<b>782,829</b>	<b>497,074</b>
Taxation	(245,702)	(50,252)	(111,858)
<b>PROFIT FOR THE PERIOD</b>	<b>545,564</b>	<b>732,577</b>	<b>385,216</b>
<b>PROFIT AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY</b>	<b>545,564</b>	<b>732,577</b>	<b>385,216</b>
Earnings per stock unit - Basic (cents)	129	173	91
Return on average equity	27.66%	39.68%	26.51%
Productivity ratio	30.08%	33.15%	36.21%

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Unaudited (\$000's)	For the three months ended	
	January 2010	January 2009
<b>Profit for the period</b>	545,564	385,216
<b>Other comprehensive income</b>		
Unrealised losses on available for sale securities	(16,769)	(332,309)
Taxation	5,589	110,759
<b>Other comprehensive income, net of tax</b>	(11,180)	(221,550)
<b>Total comprehensive income for the period</b>	534,384	163,666
<b>TOTAL COMPREHENSIVE INCOME AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY</b>	534,384	163,666

**CONSOLIDATED BALANCE SHEET**

	Period ended January 31	Year ended October 31	Period ended January 31
Unaudited (\$000's)	2010	2009	2009
<b>ASSETS</b>			
<b>CASH RESOURCES</b>	2,066,636	1,548,018	1,287,216
<b>INVESTMENTS</b>			
Financial assets at fair value through profit and loss	46,817	105,369	98,171
Securities available-for-sale	812,501	825,782	790,876
	<u>859,318</u>	<u>931,151</u>	<u>889,047</u>
<b>PLEGGED ASSETS</b>	65,934,321	67,189,656	60,318,844
<b>LOANS, AFTER MAKING PROVISIONS FOR LOSSES</b>	2,327,232	2,726,008	3,408,630
<b>LEASES AND HIRE PURCHASE CONTRACTS</b>	106,237	111,457	143,039
<b>OTHER ASSETS</b>			
Customers' liability under guarantees	744,343	716,292	720,400
Taxation recoverable	516,885	424,271	175,819
Other assets	118,075	107,063	129,861
Property, plant and equipment at cost, less depreciation	69,524	77,260	93,654
Intangible assets	13,955	16,495	25,355
Deferred taxation	42,148	101,333	356,945
Goodwill	61,723	61,723	61,723
	<u>1,566,653</u>	<u>1,504,437</u>	<u>1,563,757</u>
<b>TOTAL ASSETS</b>	<b>72,860,397</b>	<b>74,010,727</b>	<b>67,610,533</b>
<b>LIABILITIES</b>			
<b>DEPOSITS</b>			
Deposits by the public	2,539,278	2,644,024	3,927,023
<b>CAPITAL MANAGEMENT ACCOUNTS &amp; GOVERNMENT SECURITIES FUND</b>			
	16,251,266	15,899,029	15,713,467
<b>OTHER LIABILITIES</b>			
Promissory notes	41,528	54,826	66,678
Guarantees issued	744,343	716,292	720,400
Liabilities under repurchase agreements	44,308,747	46,256,737	40,867,835
Other liabilities	267,085	292,215	230,512
Taxation payable	580,647	392,703	172,563
Deferred taxation	224	22,375	21,126
Assets held in trust on behalf of participants	37,892	45,534	38,080
	<u>45,980,466</u>	<u>47,780,682</u>	<u>42,117,194</u>
<b>STOCKHOLDERS' EQUITY</b>			
Share capital	1,911,903	1,911,903	1,911,903
Reserve fund	120,855	117,038	93,976
Retained earnings reserve	498,867	477,235	346,552
Cumulative remeasurement result from available-for-sale financial assets	(162,491)	(151,311)	(630,217)
Loan loss reserve	21,967	21,967	21,967
Capital reserve	22,075	22,075	22,075
Reserve for own shares	(44,852)	(52,518)	(44,978)
Unappropriated profits	5,721,063	5,340,603	4,131,571
	<u>8,089,387</u>	<u>7,686,992</u>	<u>5,852,849</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>72,860,397</b>	<b>74,010,727</b>	<b>67,610,533</b>



Director



Director

## CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Unaudited (\$000's)	Share Capital	Reserve Fund	Retained Earnings Reserve	Cumulative Re-measurement Result from Available-for-sale		Capital Reserve	Reserve for own shares	Unappropriated Profits	Total
				Financial Assets	Loan Loss Reserve				
<b>Balances as at 31 October 2008</b>	<b>1,911,903</b>	<b>93,976</b>	<b>346,552</b>	<b>(408,666)</b>	<b>21,967</b>	<b>22,075</b>	<b>(78,635)</b>	<b>3,862,733</b>	<b>5,771,904</b>
Net profit	-	-	-	-	-	-	-	2,128,870	2,128,870
<b>Other comprehensive income</b>									
Unrealised gains on available-for-sale investments, net of taxes	-	-	-	268,327	-	-	-	-	268,327
Realised gains on available-for-sale investments transferred to statement of comprehensive income	-	-	-	(10,972)	-	-	-	-	(10,972)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>257,355</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,128,870</b>	<b>2,386,225</b>
Loan loss reserve transfer	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(497,255)	(497,255)
Own shares sold by ESOP	-	-	-	-	-	-	26,117	-	26,117
Transfer to retained earnings reserve	-	-	130,683	-	-	-	-	(130,683)	-
Transfer to reserve fund	-	23,062	-	-	-	-	-	(23,062)	-
<b>Balances as at 31 October 2009</b>	<b>1,911,903</b>	<b>117,038</b>	<b>477,235</b>	<b>(151,311)</b>	<b>21,967</b>	<b>22,075</b>	<b>(52,518)</b>	<b>5,340,603</b>	<b>7,686,992</b>
Net profit	-	-	-	-	-	-	-	545,564	545,564
<b>Other comprehensive income</b>									
Unrealised loss on available-for-sale investments, net of taxes	-	-	-	(11,180)	-	-	-	-	(11,180)
Realised gains on available-for-sale investments transferred to statement of comprehensive income	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>1,911,903</b>	<b>117,038</b>	<b>477,235</b>	<b>(162,491)</b>	<b>21,967</b>	<b>22,075</b>	<b>(52,518)</b>	<b>5,886,167</b>	<b>8,221,376</b>
Loan loss reserve transfer	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(139,655)	(139,655)
Own shares sold by ESOP	-	-	-	-	-	-	7,666	-	7,666
Transfer to retained earnings reserve	-	-	21,632	-	-	-	-	(21,632)	-
Transfer to reserve fund	-	3,817	-	-	-	-	-	(3,817)	-
<b>Balances as at 31 January 2010</b>	<b>1,911,903</b>	<b>120,855</b>	<b>498,867</b>	<b>(162,491)</b>	<b>21,967</b>	<b>22,075</b>	<b>(44,852)</b>	<b>5,721,063</b>	<b>8,089,387</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

Unaudited (\$000's)	Three months ended January 31 2010	Three months ended January 31 2009
<b>Cash flows provided by operating activities</b>		
Net income	545,564	385,216
Adjustments to net income:		
Depreciation	7,736	9,601
Amortisation of intangible assets	2,540	3,666
Impairment losses	5,573	1,447
Other, net	(749,743)	(510,795)
	(188,330)	(110,865)
Changes in operating assets and liabilities		
Pledged assets	2,751,691	(412,166)
Securities sold under repurchase agreements	(1,678,884)	428,621
Financial assets at fair value through profit and loss	58,552	18,780
Other, net	967,463	403,028
	1,910,492	327,399
<b>Cash flows used in investing activities</b>		
Investment securities	(18,354)	(512,063)
Property, plant and equipment, net	-	(1,349)
	(18,354)	(513,412)
<b>Cash flows used in financing activities</b>		
Dividends paid	(139,655)	(116,379)
	(139,655)	(116,379)
Effect of exchange rate on cash and cash equivalents	44,733	283,747
Net change in cash and cash equivalents	1,797,216	(18,645)
Cash and cash equivalents at beginning of year	2,828,590	8,173,546
<b>Cash and cash equivalents at end of period</b>	<b>4,625,806</b>	<b>8,154,901</b>
<b>Represented by:</b>		
Cash resources	2,066,636	1,287,216
Statutory reserves at BOJ	(221,713)	(218,705)
Less: Interest bearing deposits with Central Bank greater than ninety days	(272,342)	(40,022)
Less: Accrued interest on cash resources	(22,085)	(5,970)
Government of Jamaica treasury bills and bonds less than ninety days	3,075,310	7,132,382
<b>Cash and cash equivalents at end of period</b>	<b>4,625,806</b>	<b>8,154,901</b>

**1. Identification**

Scotia DBG Investments Limited is a 77.01% subsidiary of Scotia Group Jamaica Limited, which is incorporated and domiciled in Jamaica. The Bank of Nova Scotia, which is incorporated and domiciled in Canada, is the ultimate parent.

**2. Basis of preparation**

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards, and they also comply with the provisions of the Companies Act. These financial statements are presented in Jamaican dollars, which is the Group's functional currency.

**Basis of consolidation**

The consolidated financial statements include the assets, liabilities and results of operation of the Company and its subsidiaries, and the Employee Share Ownership Plan (ESOP) which is classified as a special purpose entity. The results of the ESOP are not material to the Group. Intra-group transactions, balances and unrealized gains and losses are eliminated in preparing the consolidated financial statements.

**Comparative Information**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

**3. Significant new standards and amendments to published standards that became effective during the period:**

*IAS 1 (Revised) Presentation of Financial Statements*

This standard became effective for annual periods beginning on or after January 1, 2009. It requires the presentation of all non-owner changes in equity in one or two statements: either in a single statement of comprehensive income or in a statement of income and a statement of comprehensive income. The Group has adopted the two statements presentation.

*IFRS 8 – Operating Segments*

This standard became effective for annual periods beginning on or after January 1, 2009. It replaces IAS 14 and sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates and its major customers. An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, and whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. This standard did not have any material impact on the financial statements. At this time there are no material segments into which the Group's business may be broken down.

**4. Financial assets**

The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss; loans and receivables; and available-for-sale. Management determines the classification of its investments at initial recognition.

- *Financial Assets at Fair Value through Profit and Loss*  
This category includes financial assets acquired principally for the purpose of selling in the short term or if so designated by management.
- *Loans and Receivables*  
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

- **Available-for-Sale**  
 Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or equity prices.

Financial instruments are measured initially at cost, including transaction costs. Subsequent to initial recognition, all available-for-sale instruments and financial assets at fair value through profit and loss are measured at fair value, except that any available-for-sale instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured, is stated at cost, including transactions costs, less impairment losses. Gains and losses arising from changes in the fair value of available-for-sale instruments are recognized directly in statement of comprehensive income, while gains and losses arising from changes in the fair value of trading securities are included in the statement of income in the period in which they arise. Interest calculated using the effective interest method is recognized in the statement of income.

## 5. Pledged assets

Assets are pledged as collateral under repurchase agreements; capital management fund and government securities fund obligations; as well as mandatory reserve deposits held with The Bank of Jamaica.

- All repurchase agreements mature within twelve (12) months and are conducted under terms that are usual and customary to standard securities borrowing and repurchase agreements.
- The capital management fund and the government securities fund are managed on a non-recourse basis, on behalf of investors.
- Included in other balances are Government of Jamaica Local Registered Stocks and Investment Bonds valued at \$133,400,000 (2009:\$ 310,670,553) held by the Bank of Jamaica as security for the Group against possible shortfalls in the operating account.

	Asset		Related Liability	
	<u>2010</u> 000's	<u>2009</u> 000's	<u>2010</u> 000's	<u>2009</u> 000's
Securities sold under repurchase agreements	45,601,339	39,757,573	41,496,552	37,734,245
Capital management fund and government securities fund	16,727,392	15,876,002	16,251,266	15,713,467
Securities with BOJ and other financial institutions	<u>3,605,590</u>	<u>4,685,269</u>	<u>2,812,195</u>	<u>3,133,590</u>
	<u>65,934,321</u>	<u>60,318,844</u>	<u>60,560,013</u>	<u>56,581,302</u>

## 6. Loan loss provision

IFRS loan loss provision is established on the difference between the carrying amount and the recoverable amount of loans. The recoverable amount being the present value of expected future cash flows, discounted based on the interest rate at inception or the last reprice date of the loan. Regulatory loan loss provisioning requirements that exceed these amounts are maintained within a loan loss reserve in the equity component of the balance sheet.

## 7. Deferred taxation

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

## 8. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment loss.

**9. 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 three months, which are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in their fair value.

**10. Managed funds**

Scotia DBG Fund Managers Limited, a wholly owned subsidiary, manages funds, on a non-recourse basis, on behalf of investors. The Group has no legal or equitable right or interest in these funds and, accordingly, they have been excluded from the financial statements.

At January 31, 2010, these funds aggregated \$9,136,159,000 (October 31, 2009: \$7,547,284,000).

The Group also manages pension and trust funds with a total asset value of \$38,216,873,000 as at January 31, 2010.