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November 28, 2011

SCOTIA INVESTMENTS REPORTS ANOTHER YEAR OF SOLID PERFORMANCE

FISCAL 2011 HIGHLIGHTS

- Net income of \$1.985 billion
- Earnings per share of \$4.69
- Return on average equity of 20.39%
- Productivity ratio of 32.26%
- Fourth quarter dividend of 43.0 cents per share

Scotia Investments today reported its results for the financial year ended October 31, 2011. Net income for the year amounted to \$1.985 billion representing an increase of \$498 million or 33.5% over the \$1.487 billion that was reported for last year. The increase year over year is due to improved non-interest revenue and lower taxation charges. Net income pre-tax was \$2.647 billion up \$203 million from the previous year. Net income for the final quarter amounted to \$577 million, up \$102 million or 21% above the \$475 million earned in the previous quarter.

Earnings per share (EPS) for the year was \$4.69 compared to \$3.51 for last year. The company's return on average equity (ROE) stood at 20.39% at the end of the financial year versus 17.64% for the previous year.

In commenting on the results, Lissant Mitchell, CEO stated, "We have produced another solid performance for this financial year. I am especially pleased given that our results were achieved in a challenging economic climate. We continue to streamline the operations of the company to reflect market realities and ultimately diversify away from reliance on net interest income.

In keeping with our focus to deliver products to our clients that are value added, we launched the Scotia Premium Money Market Fund during October 2011. This is a wonderful product innovation that will give short term investors an excellent alternative to repo type investments and deepens our commitment to build a suite of offerings that fulfills specific client needs. Product innovation and development are major strategic imperatives for Scotia Investments as we seek to cement our dominance in off balance sheet investment solutions".

REVENUES

Total revenues comprising net interest revenue and other income was \$3.915 billion for the year, an increase of \$156 million or 4% over last year. Total revenues for the quarter were also up \$80 million or 9% when compared to the same period last year.



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Net Interest Income

Net interest income for the year amounted to \$2.816 billion, a 9% reduction compared to last year's results of \$3.106 billion. Net interest income for the fourth quarter amounted to \$708 million, an increase of \$27 million or 4% above the \$681 million reported for the same period last year.

Other Revenue

Other revenue, which includes fee income and foreign exchange trading income, was \$1.065 billion for the year, up \$364 million or 52% for the same period last year. The quarterly results were also up \$55 million or 30% above the \$186 million recorded for the fourth quarter last year. The company enjoyed robust unit trust and mutual fund sales throughout the year and the overall results were favorably impacted by higher fee income on these managed funds as well as increased securities trading income.

NON-INTEREST EXPENSES AND PRODUCTIVITY

The company maintained its focus on expense management throughout the year. Our productivity ratio (operating expense / total revenue) – an important measure of cost efficiency – was 32.26% for the financial year. This compares favorably with the 33.44% recorded for the same period last year.

Non-interest expenses amounted to \$1.260 billion for the year, a 3% increase of \$32 million over last year. The variance is primarily due to higher operating expenses, which included advertising and professional fees. Non-interest expense amounted to \$306 million for the quarter, and represented a 10% increase above the \$279 million incurred during the same period last year.

BALANCE SHEET

Total assets increased year over year by \$1.8 billion or 2.6% to \$72.8 billion as at October 31, 2011. The increase was driven by the growth in repo liabilities under financial institutions which reflected upwards growth due primarily to increases in US\$ cash inflows.

OFF BALANCE SHEET HIGHLIGHTS

Assets under management including the company's custody book were \$93.9 billion as at October 31, 2011, up \$17.4 billion or 19% compared to the prior year end. The growth year over year has been fuelled by significant net inflows to the Scotia Premium Fixed Income Fund (SPFIF) and Caribbean Income Fund (CIF). This is a noteworthy achievement against the backdrop of the continued declining interest rates throughout 2011.

For the fourth quarter, there was growth of \$2.5 billion to \$93.9 billion from the \$91.4 billion reported at the end of Q3. This was driven by improved Net Asset Values (NAVs) on managed funds. During the year we recorded net inflows into our unit trust products of J\$6.2 billion while net inflows into our mutual fund products were US\$25.6 million.



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CAPITAL

The strength of our capital base is evident with total shareholders' equity standing at \$10.2 billion at the end of the year. This represents an increase of \$1.4 billion or 16.5% over that reported as at the end of last year and was up \$364 million or 3.6% over the previous quarter. Our investment reserve shows a marked improvement over last year due to sustained recovery of bond prices as interest rates continue to fall. At the end of the quarter, our capital adequacy ratio remained solid at 47.8% significantly above the 10% statutory requirement.

DIVIDEND

At the Board of Directors meeting on November 28, 2011 the Board approved an interim dividend of 43.0 cents per stock unit, payable on January 19, 2012, to stockholders on record as at December 22, 2011. This will bring the total dividend paid for the year to \$1.42 per stock unit.

NON-FINANCIAL HIGHLIGHTS

In September Scotia Investments partnered with the Urban Development Corporation and hosted a Corporate Forum-under the theme: the "Redevelopment of Downtown Kingston: Opportunities and Challenges". The forum received positive feedback and garnered high level of public relations exposure.

In conjunction with Scotia Insurance, we again participated in the Financial Services Expo organized during the quarter.

Scotia Investments also participated in the Jamaica Stock Exchange Investor Week Expo in Montego Bay and in the Annual Association of Consultant Physicians Symposium.

CORPORATE SOCIAL RESPONSIBILITY

The Wealth Management Division hosted the Annual Spelling Bee held at the Trench Town Reading Centre on October 29, 2011. Approximately 80 children from the community of Trench Town participated in the Spelling Bee. Volunteers from Scotia Investments were also actively participated in the Spelling Bee as they assisted with coaching the children, judging the competition and ensured that the overall day was a success.

Also, In October, SIJL sponsored a renovation project at the National Children's Home. Funding was provided for projects which included repairs to the gate of the National Children's home and renovation to the kitchen facilities.

Scotia Investments echoes the sentiments of the Scotiabank Group, in thanking all of our stakeholders for their continued support over this past quarter. To our clients, thank you for your continued 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, thanks for your continued dedication and commitment to our strategic objectives. Your consistent focus on customer satisfaction will ensure that we continue to deliver superior customer service.



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CONSOLIDATED STATEMENT OF INCOME

Unaudited (\$000's)	For the three months ended			For the year ended	
	October 2011	July 2011	October 2010	October 2011	October 2010
GROSS OPERATING INCOME	1,573,545	1,636,068	1,637,703	6,527,971	8,044,062
Interest income	1,332,163	1,301,414	1,451,516	5,462,922	7,342,990
Interest expense	(623,474)	(637,057)	(770,336)	(2,646,456)	(4,237,147)
Net Interest Income	708,689	664,357	681,180	2,816,466	3,105,843
Impairment losses on loans	3,384	4,616	6,145	33,868	(47,153)
Net interest income after impairment losses	712,073	668,973	687,325	2,850,334	3,058,690
Net fee and commission income	172,392	165,092	112,331	638,898	406,461
Net foreign exchange trading income	17,419	21,302	29,116	81,343	136,074
Net gains/(losses) on financial assets classified as held for trading	3,463	11,369	504	30,100	11,094
Net gains on financial assets available for sale	-	77,311	-	83,448	9,458
Gains less losses on securities trading	44,167	54,983	39,632	215,446	115,609
Other revenue	3,942	4,597	4,604	15,814	22,377
	241,382	334,654	186,187	1,065,049	701,072
TOTAL OPERATING INCOME	953,455	1,003,627	873,512	3,915,383	3,759,761
OPERATING EXPENSES					
Salaries and staff benefits	174,615	174,202	174,046	720,073	718,524
Property expenses, including depreciation	27,497	32,912	26,223	132,353	154,928
Amortisation of intangible assets	482	674	6,406	2,696	12,914
Other operating expenses	104,190	116,344	72,126	405,324	342,030
	306,783	324,132	278,801	1,260,446	1,228,395
Loss on disposal of subsidiary	(2,000)	(5,761)	-	(7,761)	(86,810)
PROFIT BEFORE TAXATION	644,672	673,734	594,711	2,647,176	2,444,556
Taxation	(67,334)	(198,724)	(193,300)	(662,064)	(957,208)
PROFIT FOR THE PERIOD	577,338	475,010	401,411	1,985,092	1,487,348
PROFIT AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY	577,338	475,010	401,411	1,985,092	1,487,348
Earnings per stock unit - Basic (cents)	136	112	95	469	351
Return on average equity (annualized)	22.84%	19.50%	18.52%	20.39%	17.64%
Productivity ratio	32.24%	32.48%	31.92%	32.26%	33.44%



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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited (\$000's)	For the three months ended			For the year ended	
	October 2011	July 2011	October 2010	October 2011	October 2010
Profit for the period	577,338	475,010	401,411	1,985,092	1,487,348
Other comprehensive income					
Unrealised gains on available for sale securities	(80,752)	104,478	98,722	137,714	424,650
Realised gains on available for sale securities	(914)	(31,927)	1,346	(42,154)	(107,078)
	(81,666)	72,551	100,068	95,558	317,572
Taxation	6,459	(24,181)	(33,353)	(52,610)	(105,847)
Other comprehensive income, net of tax	(75,207)	48,370	66,715	42,948	211,726
Total comprehensive income for the period	502,131	523,380	468,126	2,028,041	1,699,074
TOTAL COMPREHENSIVE INCOME AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY	502,131	523,380	468,126	2,028,041	1,699,074



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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Year ended October 31	Year ended October 31
Unaudited (\$000's)	2011	2010
ASSETS		
CASH RESOURCES	3,164,288	3,899,049
INVESTMENTS		
Financial assets at fair value through profit and loss	356,168	127,896
Securities available-for-sale	153,954	112,292
	<u>510,122</u>	<u>240,187</u>
PLEGDED ASSETS	66,365,262	64,889,176
LOANS, AFTER MAKING PROVISIONS FOR LOSSES	426,490	411,796
OTHER ASSETS		
Customers' liability under guarantees	1,522,497	940,667
Taxation recoverable	655,986	393,747
Other assets	103,402	50,087
Property, plant and equipment at cost, less depreciation	39,887	52,371
Intangible assets	53,966	29,837
Deferred taxation	12,101	12,101
	<u>2,387,839</u>	<u>1,478,610</u>
Assets classified as held for sale	-	56,078
TOTAL ASSETS	72,854,001	70,974,893
LIABILITIES		
CAPITAL MANAGEMENT ACCOUNTS & GOVERNMENT SECURITIES FUND	14,241,114	15,156,808
OTHER LIABILITIES		
Promissory notes	2,436	7,980
Guarantees issued	1,522,497	940,667
Liabilities under repurchase agreements	46,211,465	45,026,586
Other liabilities	187,465	272,492
Taxation payable	53,972	513,559
Deferred taxation	292,654	178,806
Assets held in trust on behalf of participants	47,143	37,371
	<u>48,317,632</u>	<u>46,976,459</u>
Liabilities classified as held for sale	-	6,109
STOCKHOLDERS' EQUITY		
Share capital	1,911,903	1,911,903
Cumulative remeasurement result from available-for-sale financial assets	103,364	60,416
Capital reserve	22,075	22,075
Reserve for own shares	(54,137)	(44,451)
Unappropriated profits	8,312,050	6,885,576
	<u>10,295,255</u>	<u>8,835,517</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	72,854,001	70,974,893


Director


Director



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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 Financial Assets	Loan Loss Reserve	Capital Reserve	Reserve for own shares	Unappropriated Profits	Total
Balance as at 31 October 2009	1,911,903	117,038	477,235	(151,311)	21,967	22,075	(52,518)	5,340,603	7,686,992
Net profit	-	-	-	-	-	-	-	1,487,348	1,487,348
Other comprehensive income:									
Unrealised gains on available-for-sale securities, net of taxes	-	-	-	263,114	-	-	-	-	263,114
Realised gains on available-for-sale securities	-	-	-	(71,388)	-	-	-	-	(71,388)
Total other comprehensive income	-	-	-	211,726	-	-	-	-	211,726
Total comprehensive income for the period	-	-	-	211,726	-	-	-	1,487,348	1,699,074
Other equity transactions:									
Dividends paid	-	-	-	-	-	-	-	(558,616)	(558,616)
Own shares sold by ESOP	-	-	-	-	-	-	8,067	-	8,067
Released on disposal of subsidiary	-	-	(477,235)	-	-	-	-	477,235	-
Released on disposal of subsidiary	-	-	-	-	(21,967)	-	-	21,967	-
Released on disposal of subsidiary	-	(117,038)	-	-	-	-	-	117,038	-
Balance as at 31 October 2010	1,911,903	-	-	60,415	-	22,075	(44,451)	6,885,575	8,835,517
Net Profit	-	-	-	-	-	-	-	1,985,092	1,985,092
Other comprehensive income:									
Unrealised gains on available-for-sale securities, net of taxes	-	-	-	71,054	-	-	-	-	71,054
Realised gains on available-for-sale securities	-	-	-	(28,105)	-	-	-	-	(28,105)
Total other comprehensive income	-	-	-	42,949	-	-	-	-	42,949
Total comprehensive income for the period	-	-	-	42,949	-	-	-	1,985,092	2,028,041
Other equity transactions:									
Dividends paid	-	-	-	-	-	-	-	(558,617)	(558,617)
Own shares sold by ESOP	-	-	-	-	-	-	(9,686)	-	(9,686)
Balance as at 31 October 2011	1,911,903	-	-	103,364	-	22,075	(54,137)	8,312,050	10,295,255



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Unaudited (\$'000's)	Year ended October 31 2011	Year ended October 31 2010
Cash flows (used in)/provided by operating activities		
Profit for the period	1,985,092	1,487,348
Adjustments to net income:		
Depreciation	18,742	27,495
Amortisation of intangible assets	2,696	12,914
Impairment losses on loans	(33,868)	47,154
Loss on disposal of subsidiary	7,761	86,810
Other, net	(2,155,389)	(2,148,779)
	(174,966)	(487,058)
Changes in operating assets and liabilities		
Pledged assets	(1,475,508)	2,300,909
Securities sold under repurchase agreements	1,307,605	(220,503)
Financial assets at fair value through profit and loss	(226,776)	(22,526)
Other, net	379,401	3,453,139
	(190,244)	5,023,961
Cash flows (used in)/provided by investing activities		
Investment securities	52,861	48,051
Disposal of subsidiary, net of cash disposal	8,173	(11,635)
Shares acquired for ESOP	(9,686)	8,067
Property, plant and equipment, Intangibles, net	(32,277)	(3,897)
	19,071	40,586
Cash flows used in financing activities		
Dividends paid	(558,617)	(558,616)
	(558,617)	(558,616)
Effect of exchange rate on cash and cash equivalents	21,410	(146,530)
Net change in cash and cash equivalents	(708,380)	4,359,401
Cash and cash equivalents at beginning of year	7,206,075	2,846,674
Cash and cash equivalents at end of the period	6,497,695	7,206,075
Represented by:		
Cash resources	3,164,288	3,902,441
Less: accrued interest on cash resources	(3,087)	(9,874)
GOJ treasury bills, repurchase agreements and bonds less than ninety days	3,336,494	3,316,189
	6,497,695	7,208,756



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Scotia Investments Jamaica Limited
Notes to the Consolidated Financial Statements
October 31, 2011

1. Identification

Scotia Investments Jamaica 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. New and revised standards that became effective this year did not have any material impact on the financial statements and the accounting policies are consistent with those applied in the audited financial statements for the year ended October 31, 2011. 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. Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss; loans and receivables; available-for-sale and held-to-maturity. 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 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, and may be sold in response to needs for liquidity or changes in interest rates or equity prices.
- *Held-to-Maturity*
Held-to-maturity 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.



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Scotia Investments Jamaica Limited
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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.

4. Pledged assets

Assets pledged as collateral under repurchase agreements with clients and other financial institutions are government securities.

- i. 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.
- ii. The capital management fund and the government securities fund are managed on a non-recourse basis, on behalf of investors.

	Asset		Related Liability	
	2011 000's	2010 000's	2011 000's	2010 000's
Securities sold under repurchase agreements:				
Clients	44,151,249	44,084,433	38,691,455	40,656,658
Other financial institutions	7,954,589	5,008,995	7,520,010	4,368,927
Capital management fund and government securities fund	14,259,424	15,795,747	14,241,114	15,156,808
	<u>66,365,262</u>	<u>64,889,175</u>	<u>60,452,579</u>	<u>60,182,393</u>

5. 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 flow, discounted based on the interest rate at inception or the last re-price 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.

6. 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.

7. Property, plant and equipment

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



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Scotia Investments Jamaica Limited
Notes to the Consolidated Financial Statements
October 31, 2011

8. 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.

9. Managed funds

Scotia Asset Management (Jamaica) 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 October 31, 2011, these funds aggregated \$25,468,459,193 (October 31, 2010: \$15,482,585,937).

The Group also manages pension and trust funds with a total asset value of \$49,290,508,000 as at October 31, 2011 (October 31, 2010: \$43,211,504,000).

10. Disposal of Subsidiary

On May 2, 2011 the Group completed the sale of its 100% shareholdings in Asset Management Company Limited. This subsidiary contributed profit before tax of \$1,515,484 to the Group for the period November 1, 2010 to May 1, 2011.



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