

MEDIA RELEASE

February 28, 2013

SCOTIA INVESTMENTS REPORTS FIRST QUARTER RESULTS

FIRST QUARTER 2013 HIGHLIGHTS

- Net income of \$487 million
- Earnings per share of \$1.15
- Return on average equity of 16.94%
- Productivity ratio of 38.64%
- First quarter dividend of 45.0 cents per share

Scotia Investments Jamaica Limited (SIJL) today reported its unaudited financial results for the first quarter ended January 31, 2013. Profit before tax for the period was \$680 million, up \$15 million or 2% from the same period last year. However, as a result of a higher effective tax rate in 2013 when compared to 2012, net income for the period amounted to \$487 million representing a reduction of \$12 million or 2% below the \$499 million that was reported last year.

Earnings per share (EPS) for the quarter was \$1.15 compared to \$1.18 for the same period last year. The company's return on average equity (ROE) stood at 16.94%, down from 19.09% reported last year.

The Board has approved an interim dividend of 45 cents per stock unit, payable on March 28, 2013, to stockholders on record as at March 13, 2013.

Lissant Mitchell, CEO said "Scotia Investments recorded strong first quarter results despite the uncertainties in the market and weakened investor confidence. Our strategic focus on growing our off-balance sheet portfolio and diversifying our revenue streams has provided us with improved non-interest income, increasing by 10% over last year and 6% over last quarter. Our funds under management stood at \$106.8 billion, an increase of 12% over last year and our newest fund the Scotia Premium Money Market Fund (SPMMF) hit the \$2 billion mark in just over a year.

The remaining three quarters will be challenging as the impact of participating in the National Debt Exchange Programme (NDX) will reduce interest revenue. In spite of this, the SIJL team remains focused and confident in our strategy to reduce the reliance on net interest income, and steadily grow our non-interest revenues. Further, with the delivery of superior customer service, prudent risk management and expense control, we are confident that we will continue to provide our shareholders with stable returns."

REVENUES

Total Operating Income, comprising net interest revenue and other income of \$1.108 billion for the quarter was \$104 million or 10% above the \$1.003 billion for the same period last year; and remained relatively flat over last quarter.

Net Interest Income after impairment

Net interest income after impairment losses for the quarter was \$762 million, up \$74 million or 11% compared to the same period last year, and \$43 million or 6% compared to last quarter. Interest earnings continue to be impacted by lower yields on the securities portfolio; however, during the quarter we were able to prudently manage our cost of funds.

Non-Interest Income

Non-interest income, which includes fee income, securities trading gains and net foreign exchange trading income, was \$345 million for the quarter, up \$30 million or 10% compared to the same period last year; and up \$20 million or 6% over last quarter. Improvements are primarily due to increased foreign exchange trading activities.

OPERATING EXPENSES AND PRODUCTIVITY

Our productivity ratio (operating expense/total revenue) – an important measure of cost efficiency – was 38.6% for the first quarter, compared to 33.7% recorded for the prior year.

Total operating expenses was \$428 million for the quarter, representing an increase of 27% increase or \$90 over same period last year; and \$44 million or 12% compared to last. The variance was mainly reflected in staff related costs and other operating expenses associated with the new asset tax. The company continues to proactively manage operating expenses, which is one of our critical strategic imperative.

BALANCE SHEET

Total assets of \$74.6 billion increased year over year by \$1.1 billion or 1.5% and quarter over quarter by \$0.8 billion or 1%. The movements remain consistent with our strategic initiative to focus growth on our off-balance sheet portfolios.

OFF BALANCE SHEET HIGHLIGHTS

Assets under management including the company's custody book were \$106.8 billion as at the end of the quarter, up \$11.3 billion or 12% above last year and \$3.6 billion or 3.5% over last quarter. The growth was driven by the improved net asset values on managed funds.

CAPITAL

The strength of our capital base is evident with total shareholders' equity standing at \$11.6 billion as at January 31, 2012, an increase of \$1.1 billion or 10% compared to the same period last year, and \$0.3 billion or 2.6% over the equity reported last quarter. We continue to exceed our regulatory capital requirement. At the end of the first quarter, our capital adequacy ratio remained solid at 38.56% significantly above the 10% statutory requirement. Our strong capital position also enables us to take advantage of future growth opportunities.

NON-FINANCIAL HIGHLIGHTS

SIJL hosted the Annual Golden Cleats awards to highlight the Male and Female Athlete of the Year, in addition to announcing the Scotiabank/JAAA Scholarship Winner. Further, Scotiabank Group's commitment to the development of Sports in Jamaica was also reiterated.

Beneficiaries of some of SIJL's major sponsorships during the quarter included: The Manchester Chamber of Commerce and their Annual Awards Banquet; and Jamaica Stock Exchange staging of the annual Regional Capital Markets Conference.

Scotia Investments wishes to thank all of our stakeholders for their continued support. 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, 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 2013	October 2012	January 2012
GROSS OPERATING INCOME	1,696,629	1,629,885	1,608,523
Interest income	1,351,158	1,315,584	1,293,734
Interest expense	(606,100)	(600,583)	(605,189)
Net Interest Income	745,058	715,001	688,545
Impairment losses on loans	17,766	4,196	437
Net interest income after impairment losses	762,824	719,197	688,982
Net fee and commission income	204,738	170,813	224,827
Net foreign exchange trading income	52,704	36,517	21,950
Net gains on financial assets classified as held for trading	64,830	37,908	24,888
Net gains on financial assets available for sale	17,773	1,334	39,286
Other revenue	5,427	67,729	3,838
	345,471	314,301	314,789
TOTAL OPERATING INCOME	1,108,295	1,033,498	1,003,771
OPERATING EXPENSES			
Salaries and staff benefits	234,749	167,257	192,574
Property expenses, including depreciation	32,377	29,890	26,654
Amortisation of intangible assets	39	103	169
Other operating expenses	161,071	186,970	118,889
	428,236	384,220	338,286
PROFIT BEFORE TAXATION	680,059	649,278	665,485
Taxation	(193,024)	(237,497)	(166,514)
PROFIT FOR THE PERIOD	487,035	411,781	498,971
PROFIT AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY	487,035	411,781	498,971
Earnings per stock unit - Basic (cents)	115	97	118
Return on average equity (annualized)	16.94%	14.57%	19.09%
Productivity ratio	38.64%	37.18%	33.70%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited (\$000's)	For the three months ended		
	January 2013	October 2012	January 2012
Profit for the period	487,035	411,781	498,971
Other comprehensive income			
Unrealised losses on available for sale securities	(66,702)	(166,899)	(104,557)
Realised gains on available for sale securities	(13,023)	(730)	(56,209)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	7,219	7,507	18,498
	(72,506)	(160,122)	(142,268)
Taxation	26,482	56,645	146,625
Other comprehensive income, net of tax	(46,024)	(103,477)	4,357
Total comprehensive income for the period	441,011	308,304	503,328
TOTAL COMPREHENSIVE INCOME AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY	441,011	308,304	503,328



MEDIA RELEASE



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Period ended January 31	Year ended October 31	Period ended January 31
Unaudited (\$000's)	2013	2012	2012
ASSETS			
CASH RESOURCES	3,493,117	1,011,830	1,669,972
INVESTMENTS			
Financial assets at fair value through profit and loss	351,931	175,313	489,840
Securities available-for-sale	1,885,793	4,200,586	374,783
	<u>2,237,724</u>	<u>4,375,899</u>	<u>864,623</u>
PLEDGED ASSETS	65,760,317	65,441,552	68,206,267
LOANS, AFTER MAKING PROVISIONS FOR LOSSES	441,153	427,670	425,546
OTHER ASSETS			
Customers' liability under guarantees	2,040,065	1,880,486	1,580,393
Taxation recoverable	427,836	452,101	534,470
Other assets	113,480	161,247	117,342
Property, plant and equipment at cost, less depreciation	51,610	56,309	36,936
Intangible assets	64,856	64,301	55,812
Deferred taxation	-	-	12,101
	<u>2,697,847</u>	<u>2,614,444</u>	<u>2,337,054</u>
TOTAL ASSETS	74,630,158	73,871,395	73,503,462
LIABILITIES			
CAPITAL MANAGEMENT ACCOUNTS & GOVERNMENT SECURITIES FUND	14,361,887	14,174,566	14,551,578
OTHER LIABILITIES			
Guarantees issued	2,040,065	1,880,486	1,580,393
Liabilities under repurchase agreements	45,691,464	45,684,047	46,097,010
Other liabilities	429,731	292,328	315,047
Taxation payable	366,971	356,073	68,677
Deferred taxation	79,197	73,654	226,717
Assets held in trust on behalf of participants	28,233	36,183	45,812
	<u>48,635,661</u>	<u>48,322,770</u>	<u>48,333,656</u>
STOCKHOLDERS' EQUITY			
Share capital	1,911,903	1,911,903	1,911,903
Cumulative remeasurement result from available-for-sale financial assets	(70,671)	(24,647)	107,721
Capital reserve	22,075	22,075	22,075
Reserve for own shares	(34,828)	(42,806)	(52,518)
Unappropriated profits	9,804,131	9,507,534	8,629,047
	<u>11,632,610</u>	<u>11,374,059</u>	<u>10,618,228</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	74,630,158	73,871,395	73,503,462


Director


Director

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Unaudited (\$000's)	Share Capital	Cumulative Re-measurement Result from Available-for-sale Financial Assets	Capital Reserve	Reserve for own shares	Unappropriated Profits	Total
Balance as at 31 October 2011	1,911,903	103,364	22,075	(54,137)	8,312,050	10,295,255
Net profit	-	-	-	-	498,971	498,971
Other comprehensive income:						
Unrealised losses on available-for-sale securities, net of taxes	-	(75,041)	-	-	-	(75,041)
Realised gains on available-for-sale securities	-	(32,488)	-	-	-	(32,488)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	-	111,886	-	-	-	111,886
Total other comprehensive income	-	4,357	-	-	-	4,357
Total comprehensive income for the period	-	4,357	-	-	498,971	503,328
Other equity transactions:						
Dividends paid	-	-	-	-	(181,974)	(181,974)
Own shares sold by ESOP	-	-	-	1,619	-	1,619
Balance as at 31 January 2012	1,911,903	107,721	22,075	(52,518)	8,629,047	10,618,228
Balance as at 31 October 2012	1,911,903	(24,647)	22,075	(42,806)	9,507,534	11,374,059
Net Profit	-	-	-	-	487,035	487,035
Other comprehensive income:						
Unrealised losses on available-for-sale securities, net of taxes	-	(43,073)	-	-	-	(43,073)
Realised gains on available-for-sale securities	-	(8,682)	-	-	-	(8,682)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	-	5,731	-	-	-	5,731
Total other comprehensive income	-	(46,024)	-	-	-	(46,024)
Total comprehensive income for the period	-	(46,024)	-	-	487,035	441,011
Other equity transactions:						
Dividends paid	-	-	-	-	(190,438)	(190,438)
Own shares sold by ESOP	-	-	-	7,978	-	7,978
Balance as at 31 January 2013	1,911,903	(70,671)	22,075	(34,828)	9,804,131	11,632,610



MEDIA RELEASE



CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS

	Period ended January 31	Period ended January 31
Unaudited (\$000's)	2013	2012
Cash flows used in operating activities		
Profit for the period	487,035	498,971
Adjustments to net income:		
Depreciation	4,979	3,480
Amortisation of intangible assets	39	169
Impairment losses on loans	(17,766)	(437)
Other, net	(552,034)	(522,031)
	(77,747)	(19,848)
Changes in operating assets and liabilities		
Pledged assets	(1,502,305)	(3,227,853)
Securities sold under repurchase agreements	34,710	(70,178)
Financial assets at fair value through profit and loss	(175,826)	(132,429)
Other, net	881,561	917,505
	(839,607)	(2,532,803)
Cash flows provided by/(used in) investing activities		
Investment securities	2,213,315	(362,915)
Shares acquired for ESOP	7,978	1,619
Property, plant and equipment, Intangibles, net	(874)	(2,545)
	2,220,419	(363,841)
Cash flows used in financing activities		
Dividends paid	(190,438)	(181,974)
	(190,438)	(181,974)
Effect of exchange rate on cash and cash equivalents	69,223	(4,238)
Net change in cash and cash equivalents	1,259,597	(3,082,856)
Cash and cash equivalents at beginning of year	5,497,383	6,497,694
Cash and cash equivalents at end of the period	6,756,980	3,414,838
Represented by:		
Cash resources	3,493,117	1,669,972
Less: accrued interest on cash resources	(220)	(165)
Reverse repurchase agreements and other investments less than ninety days	3,264,083	1,745,031
	6,756,980	3,414,838

Scotia Investments Jamaica Limited
Notes to the Consolidated Financial Statements
January 31, 2013

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, 2012. 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.

Scotia Investments Jamaica Limited
Notes to the Consolidated Financial Statements
January 31, 2013

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	
	2013 000's	2012 000's	2013 000's	2012 000's
Securities sold under repurchase agreements:				
Clients	43,959,728	44,957,306	39,673,943	37,559,889
Other financial institutions	6,686,673	8,923,647	6,017,521	8,537,121
Capital management fund and government securities fund	15,113,916	14,325,314	14,361,887	14,551,578
	<u>65,760,317</u>	<u>68,206,267</u>	<u>60,053,351</u>	<u>60,648,588</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.



INNOVATION

Scotia Investments Jamaica Limited
Notes to the Consolidated Financial Statements
January 31, 2013

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

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.

The subsidiary, Scotia Asset Management (Jamaica) Limited also 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 31 January 2013, the Group had financial assets under administration of \$106,813,738,000 (2012: \$97,108,126,000).

10. Subsequent Event

National Debt Exchange (NDX)

On February 22, 2013, the Government of Jamaica (GOJ) successfully concluded the National Debt Exchange (NDX) programme. The NDX was offered to all holders of specified, domestically-issued GOJ securities and included a par for par exchange of new bonds with lower coupon rates and longer tenures. The Board of Directors of Scotia Investments Jamaica Limited had met and approved the full participation in the NDX Offer. As a result the Company exchanged bonds with a face value of J\$41.1 Bn on February 22, 2013. The financial impact of accepting the offer will be reflected in the Q2 results.