

MEDIA RELEASE

August 29, 2013

SCOTIA GROUP JAMAICA REPORTS THIRD QUARTER RESULTS

THIRD QUARTER 2013 HIGHLIGHTS (YEAR TO DATE)

- **Net Income of \$8.71 billion**
- **Net Income available to common shareholders of \$8.4 billion**
- **Earnings per share of \$2.70**
- **Return on Average Equity of 16.95%**
- **Productivity ratio of 55.47%**
- **Third quarter dividend of 40 cents per share**

Scotia Group Jamaica Limited (Scotia Group) today reported net income of \$3.06 billion for the third quarter ended July 31, 2013. This is \$127 million above the previous quarter ended April 30, 2013 and \$468 million above the quarter ended July 31, 2012. For the nine months ended July 31, 2013, net income was \$8.71 billion compared to \$7.95 billion for the same period last year.

Earnings per share (EPS) for the nine months was \$2.70 compared to \$2.45 for the same period last year. The Return on Average Equity (ROE) was 16.95%, up from 16.41% last year.

The Board of Directors today approved a third interim dividend of 40 cents per stock unit payable on October 9, 2013, to stockholders on record at September 18, 2013.

Bruce Bowen, President and CEO commented, "Over the past quarter all of our business lines produced solid results despite the challenging economic times, signaling the continued confidence our customers place in Scotia Group. Total loans and deposits in Scotiabank grew significantly quarter over quarter; assets under management at Scotia Investments increased by 14% year over year and new mortgage originations grew by 34% year over year. During the quarter Scotia Insurance celebrated its 15th anniversary." Bowen continued, "As I hand over leadership of the Group to Jacqueline Sharp on September 1st, I am confident that we are well positioned to continue to deliver solid results for our shareholders with our strategy of providing quality products and services, and an excellent customer experience to our customers across all business lines. Under Jackie's leadership Scotia Group will continue to support Jamaica to achieve its medium term economic objectives and will remain focused on helping our customers become financially better off."



For further information contact: Jacqueline Sharp, Executive Vice President and Chief Financial Officer/Chief Administrative Officer

- Email: jacqueline.sharp@scotiabank.com

The contribution (after consolidation), to net income attributable to common shareholders by major subsidiaries is outlined below:-

\$ Billion	2013	% Contribution
The Bank of Nova Scotia Jamaica Limited (BNSJ)	3.48	41%
Scotia Jamaica Life Insurance Company Limited (SJLIC)	2.16	26%
Scotia Investment Jamaica Limited (SIJL)*	1.05	13%
Scotia Group Jamaica Limited (SGJ)	1.09	13%
Scotia Jamaica Building Society (SJBS)	0.62	7%
<small>* Excludes minority interest</small>		
Net Income attributable to common shareholders	8.40	100%

REVENUES

Total operating income, comprising net interest income after impairment losses and including other revenue, was \$25.5 billion, an increase of \$2.2 billion or 9.32% relative to the prior year.

NET INTEREST INCOME

Net interest income after impairment losses for the period was \$16.86 billion, up \$470 million or 2.87% when compared to the same period last year. The Group continues to report strong growth in loan and deposit volumes over the period. Loan loss expense increased by \$215 million when compared with prior year, reflecting growth in the loan portfolio and the impact of continued contraction in the economy, especially on our retail customers.

OTHER REVENUE

Other revenue for the nine months was \$8.6 billion, up \$1.7 billion or 24.6% when compared with prior year. This was due primarily to increased insurance revenue and fee income, gains on securities trading, as well as higher gains on our foreign currency trading and investment book.

OPERATING EXPENSES AND PRODUCTIVITY

Our productivity ratio (operating expense/total revenue) - a key measure of cost efficiency - was 55.47%, compared to 52.78% in 2012. Operating Expenses were \$13.76 billion for the period, representing an increase of \$1.75 billion or 14.6% over prior year. This is due primarily to higher staff-related costs of \$904 million and increase in other operating expenses of \$811 million, reflecting higher asset tax and other tax measures, inflationary increases and devaluation of the Jamaican dollar.

CREDIT QUALITY

Non-performing loans (NPLs) at July 31, 2013 totaled \$4.7 billion, reflecting an increase of \$470 million from prior year, and a decrease of \$330 million from the previous quarter ended April 30, 2013 as our recoveries increased this quarter. The increase year over year is in line with the growth in the loan portfolio. Total NPLs now represent 3.51% of total gross loans compared to 3.58% last year and 3.88% as at April 30, 2013. The Group's aggregate loan loss provision as at July 31, 2013 was \$4.8 billion, representing 100% coverage of the total non-performing loans. For most of these NPLs, the Group holds meaningful collateral.

BALANCE SHEET

Total assets increased year over year by \$40 billion or 11.56% to \$389 billion as at July 31, 2013. Loans grew by \$14.6 billion to close at \$130.9 billion, driven by strong results in both the retail and commercial portfolios, and cash resources increased by \$29 billion primarily as a result of the growth in deposits.

Total customer liabilities (deposits, repo liabilities and policyholder's funds) grew to \$299 billion, an increase of \$34 billion over last year. This growth was mainly reflected in the deposit portfolio as we continued to acquire new customers and see increased balances from existing customers.

CAPITAL

Total shareholders' equity grew to \$70.9 billion, \$4.2 billion above prior year. We continue to exceed regulatory capital requirements in all our business lines. Our strong capital position also enables us to take advantage of future growth opportunities.

OUR COMMITMENT TO COMMUNITY

During the quarter, Scotiabank, through its Scotiabank Foundation made donations totaling \$12 million to support various projects across the island.

In Student Care, the ScotiaFoundation disbursed over \$5.7 million to 60 students in its annual Scotia Shining Star programme whereby scholarships and bursaries are awarded to students at various secondary and tertiary institutions.

In Health Care, the Foundation continued to support Scoliosis Care through partnership with the Kingston Public Hospital and as such \$3 million was donated to facilitate 9 children undergoing corrective surgery. Cornwall Regional Hospital also received \$1 million for the purchase of dialysis supplies for the Scotiabank Jamaica Foundation Hemodialysis Unit and \$1 million was donated to the University Hospital of the West Indies Accident and Emergency Unit to facilitate maintenance work.

The Foundation also made donations totaling \$1.2 million to several community organizations including Jamaica Environment Trust, York Regional Police, Missionaries of the Poor, and the Golden Age Home. Our Scotia Volunteers participated in 48 Labour Day Projects across the island – painting pedestrian crossings, schools and a hospital in the communities in which we operate.

Scotia Group Jamaica takes this opportunity to thank all of our stakeholders. To our customers, thank you for your loyalty and your business. To our shareholders, thank you for the commitment, trust and confidence you continue to show in us. Our continued success is as a result of the great execution by our team of skilled and dedicated employees and we thank them for their professionalism and commitment.

Scotia Group Jamaica Limited
Consolidated Statement of Revenue and Expenses
Period ended July 31, 2013

Unaudited (\$ Thousands)	For the three months ended			For the nine months ended	
	July 2013	April 2013	July 2012	July 2013	July 2012
Interest Income	7,296,855	7,199,781	7,552,002	22,390,744	22,223,971
Interest Expense	(1,390,438)	(1,545,880)	(1,712,101)	(4,707,792)	(5,225,911)
Net Interest Income	5,906,417	5,653,901	5,839,901	17,682,952	16,998,060
Impairment losses on loans	(173,093)	(365,388)	(235,341)	(822,074)	(607,200)
Net interest income after impairment losses	5,733,324	5,288,513	5,604,560	16,860,878	16,390,860
Net fee and commission income	1,496,545	1,450,204	1,298,423	4,322,929	3,948,658
Insurance revenue	709,417	765,684	546,365	1,937,028	1,599,222
Net gains on foreign currency activities	571,079	955,594	393,689	2,052,592	1,017,372
Net gains / (losses) on financial assets	193,655	(176,211)	4,072	99,808	84,784
Other revenue	170,287	20,934	56,095	197,906	259,543
	3,140,983	3,016,205	2,298,644	8,610,263	6,909,579
Total Operating Income	8,874,307	8,304,718	7,903,204	25,471,141	23,300,439
Operating Expenses					
Salaries and staff benefits	2,411,624	2,387,731	1,946,508	7,156,507	6,252,354
Property expenses, including depreciation	585,832	523,917	564,830	1,620,149	1,563,780
Amortisation of intangible assets	30,289	30,190	36,893	90,756	110,638
Other operating expenses	1,621,700	1,649,637	1,394,675	4,894,588	4,083,634
	4,649,445	4,591,475	3,942,906	13,762,000	12,010,406
Profit before taxation	4,224,862	3,713,243	3,960,298	11,709,141	11,290,033
Taxation	(1,167,499)	(782,863)	(1,370,669)	(3,001,243)	(3,336,591)
Profit for the period	3,057,363	2,930,380	2,589,629	8,707,898	7,953,442
Attributable to:-					
Stockholders of the Company	2,934,514	2,851,446	2,488,080	8,400,680	7,630,006
Non-Controlling Interest	122,849	78,934	101,549	307,218	323,436
Earnings per share (cents)	94	92	80	270	245
Return on average equity (annualized)	17.46%	17.29%	15.74%	16.95%	16.41%
Return on assets (annualized)	3.02%	2.98%	2.86%	2.88%	2.92%
Productivity ratio	53.30%	57.17%	51.34%	55.47%	52.78%

Scotia Group Jamaica Limited
Consolidated Statement of Comprehensive Income
Period ended July 31, 2013

Unaudited (\$ Thousands)	For the three months ended			For the nine months ended	
	July 2013	April 2013	July 2012	July 2013	July 2012
Profit for the period	3,057,363	2,930,380	2,589,629	8,707,898	7,953,442
Other comprehensive income					
Unrealised (losses) / gains on AFS assets	(651,639)	811,019	(216,127)	(711,747)	(763,433)
Realised gains on AFS assets	-	(901,484)	(49,591)	(913,845)	(323,612)
Amortisation of fair value reserve on financial instruments reclassified to Loans and Receivable	(33,121)	(4,824)	15,275	(30,726)	49,184
	(684,760)	(95,289)	(250,443)	(1,656,318)	(1,037,861)
Taxation	116,638	(58,461)	53,943	233,782	341,776
Other comprehensive income, net of tax	(568,122)	(153,750)	(196,500)	(1,422,536)	(696,085)
Total comprehensive income for the period	2,489,241	2,776,630	2,393,129	7,285,362	7,257,357
Attributable to:-					
Stockholders of the Company	2,398,440	2,673,701	2,298,790	6,996,778	6,939,563
Non-Controlling Interest	90,801	102,929	94,339	288,584	317,794

SCOTIA GROUP JAMAICA LTD
Consolidated Statement of Financial Position
July 31, 2013

	Period ended July 31, 2013	Year ended October 31, 2012	Period ended July 31, 2012
(\$ Thousands)	Unaudited	Audited	Unaudited
ASSETS			
CASH RESOURCES	77,658,085	52,869,707	48,841,950
INVESTMENTS			
Held to maturity	12,007,843	11,323,782	12,684,838
Financial assets at fair value through profit and loss	1,074,269	477,941	159,611
Available for sale	79,229,442	84,480,935	82,787,780
	<u>92,311,554</u>	<u>96,282,658</u>	<u>95,632,229</u>
PLEGGED ASSETS	62,365,913	63,057,493	64,911,355
GOVERNMENT SECURITIES PURCHASED UNDER RESALE AGREEMENTS	150,031	-	-
LOANS, AFTER ALLOWANCE FOR IMPAIRMENT LOSSES	130,947,854	122,524,668	116,321,869
OTHER ASSETS			
Customers' liability under acceptances, guarantees and letters of credit	7,093,403	6,333,327	6,194,664
Property, plant and equipment	4,596,428	4,739,704	4,599,636
Deferred taxation	1,536	-	12,101
Taxation recoverable	2,128,472	1,692,436	1,295,681
Retirement benefit asset	8,696,610	8,113,770	8,020,374
Other assets	1,048,406	879,953	806,092
Intangible assets	1,636,459	1,717,705	1,724,992
	<u>25,201,314</u>	<u>23,475,895</u>	<u>22,653,540</u>
TOTAL ASSETS	389,632,751	358,209,421	348,360,943
LIABILITIES			
DEPOSITS			
Deposits by the public	189,633,012	160,994,182	155,950,057
Other deposits	11,463,524	10,666,786	10,693,904
	<u>201,096,536</u>	<u>171,660,968</u>	<u>166,643,961</u>
OTHER LIABILITIES			
Acceptances, guarantees and letters of credit	7,093,403	6,333,327	6,194,664
Securities sold under repurchase agreements	41,363,845	45,384,758	42,877,012
Capital management and government securities funds	13,722,400	14,174,566	14,589,198
Deferred taxation	2,749,082	2,938,163	3,248,601
Retirement benefit obligation	2,726,905	2,341,321	2,231,456
Assets held in trust on behalf of participants	38,746	41,905	44,183
Other liabilities	6,112,762	6,139,447	4,869,506
	<u>73,807,143</u>	<u>77,353,487</u>	<u>74,054,620</u>
POLICYHOLDERS' FUNDS	42,789,284	41,679,958	40,932,543
STOCKHOLDERS' EQUITY			
Share capital	6,569,810	6,569,810	6,569,810
Reserve fund	3,248,591	3,248,591	3,248,591
Retained earnings reserve	13,291,770	12,441,770	12,441,770
Capital reserve	9,383	9,383	9,383
Loan loss reserve	2,653,774	2,299,390	2,289,010
Other reserves	12,892	12,892	12,892
Cumulative remeasurement result from available for sale assets	(452,226)	642,921	1,264,672
Unappropriated profits	42,481,086	39,327,555	37,960,186
	<u>67,815,078</u>	<u>64,552,212</u>	<u>63,796,314</u>
Non-controlling interest	3,124,710	2,962,796	2,933,505
	<u>70,939,788</u>	<u>67,515,008</u>	<u>66,729,819</u>
TOTAL EQUITY AND LIABILITIES	389,632,751	358,209,421	348,360,943


Director


Director

SCOTIA GROUP JAMAICA LIMITED
Consolidated Statement of Changes in Shareholders' Equity
July 31, 2013

Unaudited (\$ Thousands)	Share Capital \$'000	Reserve Fund \$'000	Retained Earnings Reserve \$'000	Capital Reserves \$'000	Cumulative Remeasurement result from Available for Sale financial assets \$'000	Loan Loss Reserve \$'000	Other Reserves \$'000	Unappropriated Profits \$'000	Total \$'000	Non-controlling Interest	Total Equity \$'000
Balance at 31 October 2011	6,569,810	3,248,591	11,341,770	9,383	1,955,115	2,251,257	12,892	34,921,801	60,310,619	2,740,918	63,051,537
Net Profit	-	-	-	-	-	-	-	7,630,006	7,630,006	323,436	7,953,442
Other Comprehensive Income											
Unrealised losses on available-for-sale securities, net of taxes	-	-	-	-	(565,125)	-	-	-	(565,125)	(6,106)	(571,231)
Realised gains on available-for-sale securities, net of taxes	-	-	-	-	(226,687)	-	-	-	(226,687)	(29,797)	(256,484)
Amortization of fair value reserves on financial assets reclassified to loans and receivables	-	-	-	-	101,369	-	-	-	101,369	30,261	131,630
Total Comprehensive Income	-	-	-	-	(690,443)	-	-	7,630,006	6,939,563	317,794	7,257,357
Transfer to Retained Earnings Reserve	-	-	1,100,000	-	-	-	-	(1,100,000)	-	-	-
Transfer to Loan Loss Reserve	-	-	-	-	-	37,753	-	(37,753)	-	300	300
Dividends Paid	-	-	-	-	-	-	-	(3,453,868)	(3,453,868)	(125,507)	(3,579,375)
Balance at 31 July 2012	6,569,810	3,248,591	12,441,770	9,383	1,264,672	2,289,010	12,892	37,960,186	63,796,314	2,933,505	66,729,819
									-		
Balance at 31 October 2012	6,569,810	3,248,591	12,441,770	9,383	642,821	2,299,390	12,892	39,327,555	64,552,212	2,962,796	67,515,008
Net Profit	-	-	-	-	-	-	-	8,400,680	8,400,680	307,218	8,707,898
Other Comprehensive Income											
Unrealised losses on available-for-sale securities, net of taxes	-	-	-	-	(573,465)	-	-	-	(573,465)	(1,647)	(575,112)
Realised gains on available-for-sale securities, net of taxes	-	-	-	-	(789,372)	-	-	-	(789,372)	(4,728)	(794,100)
Amortization of fair value reserves on financial assets reclassified to loans and receivables	-	-	-	-	(41,065)	-	-	-	(41,065)	(12,259)	(53,324)
Total Comprehensive Income	-	-	-	-	(1,403,902)	-	-	8,400,680	6,996,778	288,584	7,285,362
Transfer to Retained Earnings Reserve	-	-	850,000	-	-	-	-	(850,000)	-	-	-
Transfer to Loan Loss Reserve	-	-	-	-	-	354,384	-	(354,384)	-	-	-
Transfer to Unappropriated Profits	-	-	-	-	308,853	-	-	(308,853)	-	-	-
Net movement in reserves for non-controlling interests	-	-	-	-	-	-	-	-	-	4,675	4,675
Dividends Paid	-	-	-	-	-	-	-	(3,733,912)	(3,733,912)	(131,345)	(3,865,257)
Balance at 31 July 2013	6,569,810	3,248,591	13,291,770	9,383	(452,228)	2,653,774	12,892	42,481,086	67,815,078	3,124,710	70,939,788

Scotia Group Jamaica Limited
Condensed Statement of Consolidated Cash Flows
July 31, 2013

Unaudited (\$ Thousands)	2013	2012
Cash flows provided by / (used in) operating activities		
Profit for the year	8,707,898	7,953,442
Items not affecting cash:		
Depreciation	414,872	395,787
Impairment losses on loans	822,074	607,200
Amortisation of intangible assets	90,756	110,638
Taxation	3,001,243	3,336,591
Other, net	(17,857,882)	(17,104,857)
	<u>(4,821,039)</u>	<u>(4,701,199)</u>
Changes in operating assets and liabilities		
Loans	(9,291,314)	(16,895,048)
Deposits	28,171,088	11,608,556
Policyholders reserve	1,109,325	1,912,782
Securities sold under repurchase agreement	(3,936,582)	(1,778,977)
Financial Assets at fair value through profit and loss	(596,254)	195,266
Other, net	15,372,674	16,942,168
	<u>26,007,898</u>	<u>7,283,548</u>
Cash flows provided by / (used in) investing activities		
Investments	5,694,186	(5,422,152)
Repurchase Agreements, net	(147,692)	(789,320)
Proceeds from sale of shares	-	187,940
Purchase of property, plant, equipment and Intangibles	(316,979)	(1,230,297)
Proceeds on sale of property, plant and equipment	209,803	1,545
	<u>5,439,318</u>	<u>(7,252,284)</u>
Cash flows used in financing activities		
Dividends paid	(3,865,257)	(3,579,375)
	<u>(3,865,257)</u>	<u>(3,579,375)</u>
Effect of exchange rate on cash and cash equivalents	2,287,933	351,447
Net change in cash and cash equivalents	29,869,892	(3,196,664)
Cash and cash equivalents at beginning of year	31,384,317	35,208,174
Cash and cash equivalents at end of period	61,254,209	32,011,510
Represented by :		
Cash resources	77,656,085	48,841,950
Less statutory reserves at Bank of Jamaica	(19,750,870)	(16,965,533)
Less amounts due from other banks greater than ninety days	(18,584)	(1,279,714)
Less accrued interest on cash resources	(17,913)	(60,000)
Investments, pledged assets and repurchase agreements less than ninety days	4,952,770	2,547,418
Cheques and other instruments in transit, net	(1,567,279)	(1,072,611)
CASH AND CASH EQUIVALENTS AT END OF Period	61,254,209	32,011,510

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

July 31, 2013

Unaudited

(\$ Thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	3,042,867	10,973,847	4,586,460	3,166,167	3,268,604	1,255,270	-	26,293,215
Revenues from other segments	(957,374)	(289,902)	1,142,864	9,010	87,948	7,284	170	-
Total Revenues	2,085,493	10,683,945	5,729,324	3,175,177	3,356,552	1,262,554	170	26,293,215
Expenses	(178,215)	(8,062,420)	(4,171,341)	(1,150,778)	(926,267)	(24,460)	(70,593)	(14,584,074)
Profit Before Tax	1,907,278	2,621,525	1,557,983	2,024,399	2,430,285	1,238,094	(70,423)	11,709,141
Taxation								(3,001,243)
Profit for the period								8,707,898

Consolidated Balance Sheet

(\$ Thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	97,935,843	83,090,230	62,434,191	72,651,733	51,826,125	26,352,608	(15,497,209)	378,793,521
Unallocated assets								9,839,230
Total Assets								388,632,751
Segment liabilities	400,165	107,388,968	104,926,282	60,488,120	43,097,221	243,414	(7,262,029)	309,282,141
Unallocated liabilities								8,410,822
Total liabilities								317,692,963
Other Segment items:								
Capital Expenditure	-	199,742	113,829	2,888	520	-	-	316,979
Impairment losses on loans	-	882,796	697	(61,419)	-	-	-	822,074
Depreciation and amortisation	-	257,181	143,384	99,658	6,405	-	-	505,628

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

July 31, 2012

Unaudited

<i>(\$ Thousands)</i>	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	3,515,955	9,487,090	4,233,506	3,032,786	3,452,866	185,436	-	23,907,639
Revenues from other segments	(1,226,527)	142,361	1,109,670	44,074	(15,846)	(24,950)	(28,782)	-
Total Revenues	2,289,428	9,629,451	5,343,176	3,076,860	3,437,020	160,486	(28,782)	23,907,639
Expenses	(71,116)	(7,184,336)	(3,498,541)	(966,916)	(776,399)	(18,563)	(101,735)	(12,617,606)
Profit Before Tax	2,218,312	2,445,115	1,844,635	2,109,944	2,660,621	141,923	(130,517)	11,290,033
Taxation								(3,336,591)
Profit for the period								7,953,442

Consolidated Balance Sheet

<i>(\$ Thousands)</i>	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	72,549,724	73,963,103	58,869,782	72,116,432	49,689,210	25,035,568	(12,623,448)	339,600,371
Unallocated assets								8,760,572
Total Assets								348,360,943
Segment liabilities	200,000	93,115,718	82,482,836	60,878,735	41,486,477	115,870	(4,461,842)	273,817,794
Unallocated liabilities								7,813,330
Total liabilities								281,631,124
Other Segment items:								
Capital Expenditure	-	749,236	467,784	12,976	301	-	-	1,230,297
Impairment losses on loans	-	786,183	(161,759)	(17,224)	-	-	-	607,200
Depreciation and amortisation	-	248,324	138,198	115,095	4,403	405	-	506,425

SCOTIA GROUP JAMAICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2013

1. Identification

Scotia Group Jamaica Limited (the Company) is a 71.78% subsidiary of The Bank of Nova Scotia, which is incorporated and domiciled in Canada and is the ultimate parent.

The Company is the parent of the Bank of Nova Scotia Jamaica Limited (100%), Scotia Investments Jamaica Limited (77.01%) and Scotia Jamaica Micro Finance Limited (100%).

2. Basis of presentation

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). New and revised standards that are effective this financial year has no material impact on the interim 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.

New and revised standards that became effective during this financial year:

IAS 1, Presentation of Financial Statements, has been amended, effective for annual reporting periods beginning on or after July 1, 2012, to require a reporting entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently, an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from 'Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income'. However, an entity is still allowed to use other titles.

IAS 12, Income Taxes, has been amended, effective for annual reporting periods beginning on or after January 1, 2012, to require an entity to measure deferred taxes relating to an asset based on whether the entity expects to recover the carrying amount of the asset through use or sale.

Basis of consolidation

The consolidated financial statements include the assets, liabilities, and results of operations of the Company and its subsidiaries presented as a single economic entity. Intra-group transactions, balances, and unrealized gains and losses are eliminated in preparing the consolidated financial statements.

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; held-to-maturity; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Financial Assets at Fair Value through Profit and Loss

This category includes a financial asset 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.

Held-to-Maturity

Held-to-maturity investments 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.

3. Financial Assets (continued)

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.

Available-for-sale investments and financial assets at fair value through profit and loss are carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of trading securities are included in the statement of revenue and expenses in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in the statement of comprehensive income. Interest calculated using the effective interest method is recognized in the statement of revenue and expenses.

4. Pledged Assets

Assets are pledged to other financial institutions, the clearing house and as collateral under repurchase agreements with counterparties.

(\$millions)	<u>Asset</u>		<u>Related Liability</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Securities sold under repurchase agreements	39,563	43,171	32,160	36,776
Securities with other financial institutions and clearing houses	<u>9,889</u>	<u>6,547</u>	<u>9,204</u>	<u>6,101</u>
	49,452	49,718	41,364	42,877
Capital management and government securities funds	<u>12,914</u>	<u>15,193</u>	<u>13,722</u>	<u>14,589</u>
	<u>62,366</u>	<u>64,911</u>	<u>55,086</u>	<u>57,466</u>

5. Insurance and investment contracts

Insurance contracts are those contracts that transfer significant insurance risks. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk, the possibility of having to pay benefits at the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur.

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 last repriced 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 statement of financial position.

7. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation.

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 ninety days, which are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in their fair value.

SCOTIA GROUP JAMAICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2013

9. Employee benefits

The Group operates both a defined benefit and a defined contribution pension plan, the assets of which are held in separate trustee-administered funds.

Defined benefit pension plan- the pension costs is assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of income in such a manner as to spread the regular cost over the service lives of the employees in accordance with the advice of the actuaries. The asset or liability is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service costs, as well as subject to certain limits.

Other post-retirement obligations – The Group provides post retirement healthcare and group life insurance benefits to retirees. This is measured based on the present value of the estimated future cash outflow, using estimated discount rates based on market interest rates.

Defined contribution plan- contributions to this plan are charged to the statement of income in the period to which it relates.

10. Segment reporting

The Group is organized into six main business segments:

- Retail Banking – incorporating personal banking services, personal deposit accounts, credit and debit cards, customer loans and mortgages;
- Corporate and Commercial Banking – incorporating non-personal direct debit facilities, current accounts, deposits, overdrafts, loans and other credit facilities and foreign currency transactions;
- Treasury – incorporating the Group’s liquidity and investment management function, management of correspondent bank relationships, as well as foreign currency trading;
- Investment Management Services- incorporating investments, unit trusts, pension and other fund management, brokerage and advisory services, and the administration of trust accounts.
- Insurance Services – incorporating the provision of life and medical insurance, individual pension administration and annuities;
- Other operations of the Group comprise the parent company and non trading subsidiaries.

Transactions between the business segments are on normal commercial terms and conditions. The Group’s operations are located mainly in Jamaica. The operations of subsidiaries located overseas represent less than 10% of the Group’s operating revenue and assets.

11. National Debt Exchange (NDX) and Private Debt Exchange (PDX)

During the period, Scotia Group fully participated in the Government of Jamaica’s (GOJ) National Debt Exchange (NDX) and Private Debt Exchange (PDX) programmes, both of which involved the exchange of GOJ securities to new bonds with lower coupon rates and longer tenures. Scotia Group exchanged securities totaling J\$119 Billion and US\$6 million. This resulted in an immediate loss of \$397 million for the Group which was reported in net gains/(losses) on financial assets in the Statement of Revenue and Expenses. Further, the exchange resulted in a capital loss of J\$1.35 billion throughout the Group.