

MEDIA RELEASE

November 28, 2013

SCOTIA INVESTMENTS REPORTS ANOTHER YEAR OF STRONG RESULTS

FISCAL 2013 HIGHLIGHTS

- **Net Income available to common shareholders of \$1.99 billion**
- **Earnings per share of \$4.71**
- **Return on Average Equity of 16.55%**
- **Productivity ratio of 37.24%**
- **Fourth quarter dividend of 45 cents per share**

Scotia Investments Jamaica Limited (SIJL) today reported its results for the financial year ended October 31, 2013. Net income for the year was \$1.99 billion, up \$71 million or 4% from the \$1.92 billion earned in the previous year. Net income for the quarter was \$573 million, up \$161 million or 39% from the \$412 million reported for the corresponding period last year.

Earnings per share (EPS) for the year was \$4.71 compared to \$4.54 for last year. The Return on Average Equity (ROE) stood at 16.55%, down from 17.40% reported last year.

The Board of Directors has approved an interim dividend of 45 cents per stock unit payable on January 13, 2014, to stockholders on record as at December 18, 2013.

Lissant Mitchell, CEO said, "SIJL has again delivered very strong results despite a year that can be categorized as economically challenging. We achieved our results by focusing on our long term strategic imperative: to grow our off-balance sheet business. This focus allowed us to grow our non-interest revenue by 27% over last year; in spite of the \$230 million direct loss incurred from the National Debt Exchange (NDX).

Total off-balance sheet assets under management including the Company's custody book stood at \$119.39 billion, representing a 16% increase over last year. Scotia Premium Money Market Fund (SPMMF) grew over 260% during the year to \$5.15 billion. Our Capital Markets team closed the equivalent of J\$23.40 billion in transactions this year, as the team continues to work closely with our clients to structure and execute unique financing options.

Going in to the new financial year, SIJL remains committed to working assiduously to identify innovative products and investment opportunities to satisfy the needs of our diverse client base. Our team is dedicated to delivering excellent client service and to drive value for our various stakeholders."



REVENUES

Total Operating Income, comprising net interest revenue and other income, was \$4.46 billion for the year, up 8% above the \$4.13 billion recorded last year. Total Operating Income for the quarter was \$1.22 billion, up 18% from the \$1.03 billion recorded for the corresponding quarter last year.

Net Interest Income after impairment

Net interest income after impairment losses for the year was \$2.81 billion, marginally down by \$23 million or 1% when compared to last year. Net interest income for the quarter was \$729 million, \$10 million or 1% above the same period in the previous year.

Non-Interest Income

Non-interest income, which includes fee income, securities trading gains and net foreign exchange trading income, was \$1.64 billion for the year, up \$351 million or 27% compared to last year; and \$490 million for the quarter, up \$175 million or 56% above the corresponding quarter last year.

OPERATING EXPENSES AND PRODUCTIVITY

Our productivity ratio - an important measure of cost efficiency - was 37.24% for the financial year, compared to 33.15% recorded for the prior year.

Total operating expenses for the year were \$1.66 billion, representing an increase of 21% or \$291 million over last year. This variance was mainly due to staff related costs and other operating expenses as a result of the inflationary increases and devaluation of the JMD. Total operating expenses for the quarter were \$447 million, 16% above the same period last year. The Company continues to closely manage operating expenses as this is a critical strategic imperative.

BALANCE SHEET

Total assets of \$73.75 billion remained relatively flat year over year, which is consistent with our strategic initiative to focus on growing our off-balance sheet portfolios.

OFF BALANCE SHEET HIGHLIGHTS

Assets under management, including the Company's custody book, were \$119.39 billion as at the financial year, up \$16.11 billion or 16% above last year, and up \$4.10 billion or 4% over the previous quarter. The growth was driven by increased net asset values in our managed funds.

CAPITAL

The strength of our capital base is evident with total shareholders' equity standing at \$12.49 billion as at October 31, 2013, an increase of \$1.12 billion or 10% compared to last year, and \$0.34 billion or 3% over the equity reported last quarter. We continue to far exceed our regulatory capital requirement. At the end of the financial year, our capital adequacy ratio remained solid at 41.45%, significantly above the 10% statutory requirement. Our strong capital position enables us to take advantage of future growth opportunities.

NON-FINANCIAL HIGHLIGHTS

During the quarter, SIJL hosted of a Mutual Fund Investment Forum in Montego Bay; the main focus of the event was to educate investors about the local and international economic environment and the financial opportunities that exist. Further, SIJL sponsored the Jamaica Stock Exchange Investors' week and the Jamaica Security Dealers' Annual Luncheon.

In partnership with Scotia Insurance, and through the Education Wealth Plan (EWP), SIJL awarded 16 scholarships and bursaries to university, high school and GSAT students valued at \$425,000.

SIJL also launched its Corporate Brand Campaign this quarter, which highlighted the company's core values; Trust, Focus and Expertise and positions the company as the premier provider of wealth management solutions in Jamaica.

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 your commitment, trust and confidence. To our employees, our continued success is as a result of your precise execution and commitment. Your consistent focus on client satisfaction will ensure that we continue to deliver a strong customer experience.



CONSOLIDATED STATEMENT OF INCOME

Unaudited (\$000's)	For the three months ended			For the year ended	
	October 2013	July 2013	October 2012	October 2013	October 2012
GROSS OPERATING INCOME	1,660,985	1,590,307	1,629,885	6,401,466	6,493,737
Interest income	1,170,827	1,104,381	1,315,584	4,755,855	5,199,723
Interest expense	(477,522)	(439,969)	(600,583)	(2,042,826)	(2,387,575)
Net Interest Income	693,305	664,412	715,001	2,713,029	2,812,148
Impairment losses on loans	36,135	28,091	4,195	97,554	21,420
Net interest income after impairment losses	729,440	692,503	719,196	2,810,583	2,833,568
Net fee and commission income	260,431	254,170	170,813	936,515	764,091
Net foreign exchange trading income	72,870	30,152	36,517	256,000	115,433
Net gains on financial assets	152,248	196,658	39,242	425,511	333,202
Other revenue	4,609	4,946	67,729	27,585	81,288
	490,158	485,926	314,301	1,645,611	1,294,014
TOTAL OPERATING INCOME	1,219,598	1,178,429	1,033,497	4,456,194	4,127,582
OPERATING EXPENSES					
Salaries and staff benefits	199,775	199,485	167,257	834,697	715,595
Property expenses, including depreciation	34,034	33,347	29,890	132,579	111,489
Amortisation of intangible assets	31	31	103	133	611
Other operating expenses	213,635	133,576	186,969	692,263	540,664
	447,475	366,439	384,219	1,659,672	1,368,359
PROFIT BEFORE TAXATION	772,123	811,990	649,278	2,796,522	2,759,223
Taxation	(199,173)	(249,208)	(237,497)	(801,987)	(835,844)
PROFIT FOR THE PERIOD	572,950	562,782	411,781	1,994,535	1,923,379
PROFIT AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY	572,950	562,782	411,781	1,994,535	1,923,379
Earnings per stock unit - Basic (cents)	135	133	97	471	454
Return on average equity (annualized)	18.59%	18.69%	14.57%	16.55%	17.40%
Productivity ratio	36.69%	31.10%	37.18%	37.24%	33.15%



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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited (\$000's)	For the three months ended			For the year ended	
	October 2013	July 2013	October 2012	October 2013	October 2012
Profit for the period	572,950	562,782	411,781	1,994,535	1,923,379
Other comprehensive income					
Unrealised gains/(losses) on available for sale securities	(67,746)	(125,280)	(166,899)	(61,168)	(227,120)
Realised gains on available for sale securities	-	-	(730)	(30,849)	(195,144)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	(2,288)	(33,121)	7,507	(33,013)	56,692
	(70,034)	(158,401)	(160,122)	(125,030)	(365,572)
Taxation	13,907	18,997	56,645	(12,152)	237,561
Other comprehensive income (loss), net of tax	(56,127)	(139,404)	(103,477)	(137,182)	(128,011)
Total comprehensive income for the period	516,823	423,378	308,304	1,857,353	1,795,368
TOTAL COMPREHENSIVE INCOME AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY	516,823	423,378	308,304	1,857,353	1,795,368



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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Year ended October 31	Year ended October 31
Unaudited (\$000's)	2013	2012
ASSETS		
CASH RESOURCES	1,978,865	1,011,830
INVESTMENTS		
Financial assets at fair value through profit and loss	253,305	175,313
Securities available-for-sale	5,180,082	4,200,586
	<u>5,433,387</u>	<u>4,375,899</u>
PLEDGED ASSETS	62,860,190	65,441,552
LOANS, AFTER MAKING PROVISIONS FOR LOSSES	79,997	427,670
OTHER ASSETS		
Customers' liability under guarantees	2,326,594	1,880,486
Taxation recoverable	808,992	452,101
Other assets	114,562	161,247
Property, plant and equipment at cost, less depreciation	49,480	56,309
Intangible assets	60,144	64,301
Deferred taxation	34,349	-
	<u>3,394,121</u>	<u>2,614,444</u>
TOTAL ASSETS	73,746,560	73,871,395
LIABILITIES		
CAPITAL MANAGEMENT ACCOUNTS & GOVERNMENT SECURITIES FUND	13,018,564	14,174,566
OTHER LIABILITIES		
Guarantees issued	2,326,594	1,880,486
Liabilities under repurchase agreements	44,865,128	45,684,047
Other liabilities	550,213	292,328
Taxation payable	477,976	356,072
Deferred taxation	719	73,654
Assets held in trust on behalf of participants	15,477	36,183
	<u>48,236,107</u>	<u>48,322,770</u>
STOCKHOLDERS' EQUITY		
Share capital	1,911,903	1,911,903
Cumulative remeasurement result from available-for-sale financial assets	(161,829)	(24,647)
Capital reserve	22,075	22,075
Reserve for own shares	(20,578)	(42,806)
Unappropriated profits	10,740,318	9,507,534
	<u>12,491,889</u>	<u>11,374,059</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	73,746,560	73,871,395


 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	-	-	-	-	1,923,379	1,923,379
Other comprehensive income:						
Unrealised losses on available-for-sale securities, net of taxes	-	(134,074)	-	-	-	(134,074)
Realised gains on available-for-sale securities	-	(130,096)	-	-	-	(130,096)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	-	136,159	-	-	-	136,159
Total other comprehensive income	-	(128,011)	-	-	-	(128,011)
Total comprehensive income for the period	-	(128,011)	-	-	1,923,379	1,795,368
Other equity transactions:						
Dividends paid	-	-	-	-	(727,895)	(727,895)
Movement in ESOP reserve	-	-	-	11,331	-	11,331
Balance as at 31 October 2012	1,911,903	(24,647)	22,075	(42,806)	9,507,534	11,374,059
Balance as at 31 October 2012	1,911,903	(24,647)	22,075	(42,806)	9,507,534	11,374,059
Net Profit	-	-	-	-	1,994,535	1,994,535
Other comprehensive income:						
Unrealised gains on available-for-sale securities, net of taxes	-	(43,261)	-	-	-	(43,261)
Realised gains on available-for-sale securities	-	(20,566)	-	-	-	(20,566)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	-	(73,355)	-	-	-	(73,355)
Total other comprehensive income	-	(137,182)	-	-	-	(137,182)
Total comprehensive income for the period	-	(137,182)	-	-	1,994,535	1,857,353
Other equity transactions:						
Dividends paid	-	-	-	-	(761,751)	(761,751)
Movement in ESOP reserve	-	-	-	22,228	-	22,228
Balance as at 31 October 2013	1,911,903	(161,829)	22,075	(20,578)	10,740,318	12,491,889



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CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS

Unaudited (\$000's)	Period ended October 31 2013	Period ended October 31 2012
Cash flows used in operating activities		
Profit for the period	1,994,535	1,923,379
Adjustments to net income:		
Depreciation	20,192	13,402
Amortisation of intangible assets	134	611
Impairment losses on loans	(97,554)	(21,420)
Other, net	(1,906,424)	(1,976,304)
	10,883	(60,332)
Changes in operating assets and liabilities		
Pledged assets	5,272,017	2,059,208
Securities sold under repurchase agreements	(780,783)	(506,020)
Financial assets at fair value through profit and loss	(77,959)	179,407
Other, net	1,111,190	2,368,207
	5,535,348	4,040,470
Cash flows provided by/(used in) investing activities		
Investment securities	(1,096,127)	(4,359,980)
Shares acquired for ESOP	22,227	11,331
Property, plant and equipment, Intangibles, net	(13,958)	(40,770)
	(1,087,858)	(4,389,419)
Cash flows used in financing activities		
Dividends paid	(761,751)	(727,895)
	(761,751)	(727,895)
Effect of exchange rate on cash and cash equivalents	362,319	76,533
Net change in cash and cash equivalents	4,048,058	(1,000,311)
Cash and cash equivalents at beginning of year	5,497,384	6,497,695
Cash and cash equivalents at end of the period	9,545,442	5,497,384
Represented by:		
Cash resources	1,978,865	1,011,830
Less: accrued interest on cash resources	(987)	(747)
Reverse repurchase agreements and other investments less than nin	7,567,564	4,486,301
	9,545,442	5,497,384

Scotia Investments Jamaica Limited
Notes to the Consolidated Financial Statements
October 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, 2013. 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.

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.

Scotia Investments Jamaica Limited
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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	
	<u>2013</u> 000's	<u>2012</u> 000's	<u>2013</u> 000's	<u>2012</u> 000's
Securities sold under repurchase agreements:				
Clients	39,459,542	44,736,094	35,194,054	39,681,409
Other financial institutions	10,186,210	6,500,267	9,671,074	6,002,638
Capital management fund and government securities fund	13,214,438	14,205,191	13,018,564	14,174,566
	<u>62,860,190</u>	<u>65,441,552</u>	<u>57,883,692</u>	<u>59,858,613</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.

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 October 2013, the Group had financial assets under administration of \$119,394,240,000 (2012: \$103,279,035,000).



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10. National Debt Exchange (NDX)/ Private Debt Exchange (PDX)

During the period, Scotia Investments fully participated in the Government of Jamaica's (GOJ) National Debt Exchange (NDX) and the 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 Investments exchanged securities totaling J\$41.1 Billion and US\$22.9 Million. This resulted in an immediate loss of \$239 million which was reported in net gains/ (losses) on financial assets in the Statement of Revenue and Expenses.