MEDIA RELEASE

February 27, 2014

SCOTIA INVESTMENTS REPORTS FIRST QUARTER RESULTS

FIRST QUARTER 2014 HIGHLIGHTS

- **Net income available to common shareholders of $421 million**
- **Earnings per share of $0.99**
- **Return on Average Equity of 13.39%**
- **Productivity ratio of 42.90%**
- **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, 2014. Net income for the quarter was $421 million, $152 million or 26% below the previous quarter ended October 31, 2013 and $66 million or 13% below the quarter ended January 31, 2013.

Earnings per share (EPS) for the quarter was $0.99 compared to $1.15 for the same period last year. Return on Average Equity (ROE) was 13.39%, down from 16.94% last year.

The Board has approved an interim dividend of 45 cents per stock unit, payable on April 10, 2014, to stockholders on record as at March 20, 2014.

Lissant Mitchell, CEO of Scotia Investments commented, “We have made a credible start to the financial year, despite the weakened economic environment and its impact on business operations and investors’ confidence. We continue to record strong growth in funds under management, as we aggressively pursue our strategy to grow off balance sheet business and proactively manage operating expenses to achieve greater efficiencies”.

Commenting further Lissant said, “The next three quarters will continue to be challenging as the Government of Jamaica implements the initiatives agreed with the International Monetary Fund to stabilize the economy. Despite these challenges, 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.”

Scotia Investments

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REVENUES

Total Operating Income, comprising net interest revenue and other income of $989 million for the quarter was $119 million or 11% below the $1.108 billion for the same period last year; and $230 million or 19% below last quarter.

Net Interest Income after impairment

Net interest income after impairment losses for the quarter was $636 million, $126 million or 16% below the same period last year, and $93 million or 13% below last quarter. Interest earnings continue to be impacted by lower yields on the securities portfolio.

Non-Interest Income

Non-interest income, which includes fee income, securities trading gains and net foreign exchange trading income, was $352 million for the quarter, $7 million or 2% above the same period last year; and $138 million or 28% below last quarter, due reduced foreign exchange trading activities.

OPERATING EXPENSES AND PRODUCTIVITY

Our productivity ratio (operating expense/total revenue) – an important measure of cost efficiency – was 42.9% for the first quarter, compared to 38.6% recorded for the prior year.

Total operating expenses were $424 million for the quarter, $4 million or 1% below the same period last year; and $23 million or 5% below last quarter. The company continues to proactively manage operating expenses, which is one of our critical strategic imperatives.

BALANCE SHEET

Total assets of $73 billion declined year over year by $1.6 billion or 2.2% and quarter over quarter by $237 million. The movements remain consistent with our strategic initiative to focus on growth of our off-balance sheet portfolios.

OFF BALANCE SHEET HIGHLIGHTS

Assets under management including the company’s custody book were $124.2 billion as at the end of the quarter, up $17.4 billion or 16% above last year and $4.8 billion or 4% 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 $12.6 billion as at January 31, 2014, an increase of $1 billion or 9% compared to the same period last year, and $137 million compared with last quarter. We continue to exceed our regulatory capital requirement. At the end of the first quarter, our capital adequacy ratio remained solid at 46.82% significantly above the 10% statutory requirement. Our strong capital position also enables us to take advantage of future growth opportunities.

NON-FINANCIAL HIGHLIGHTS

SIJL continued its thrust of youth development through sports and in partnership with Scotia Wealth hosted the Annual Golden Cleats awards to recognize the Male and Female Athlete of the Year, in addition to awarding two scholarships to young athletes who excelled academically, on the field and in extracurricular activities.

Focused also on youth development SIJL in partnership with SJLIC and SPCG supported the Trench Town Reading Centre as it celebrated its 20th anniversary. SIJL has long supported The Centre and at the anniversary celebration volunteers assisted with the activities for the day.

SIJL remains committed to the communities in which it operates and supported the following during the quarter: The Manchester Chamber of Commerce Annual Awards Banquet, The Manchester Business School “Grow your Mind” series of Seminars and the Jamaica Epilepsy Society.

Scotia Investments wishes to thank all of our stakeholders for their continued support. To our clients, thank you for your continued loyalty and for allowing us to be your trusted financial advisor. To our shareholders, thank you for your commitment, trust and confidence. To our employees, our continued success is a result of your dedication, skill and great execution. Your consistent focus on customer satisfaction will ensure that we continue to deliver a superior customer experience.

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES

Unaudited ($000's)	For the three months ended January 2014	October 2013	January 2013
GROSS OPERATING INCOME	1,507,417	1,660,985	1,696,629
Interest income	1,155,045	1,170,827	1,351,158
Interest expense	(519,245)	(477,522)	(606,100)
Net Interest Income	635,800	693,305	745,058
Impairment losses on loans	918	36,135	17,766
Net interest income after impairment losses	636,718	729,440	762,824
Net fee and commission income	212,582	260,431	204,738
Net foreign exchange trading income	32,129	72,870	52,704
Net gains on financial assets	102,302	152,248	82,602
Other revenue	5,359	4,609	5,427
	352,372	490,158	345,471
TOTAL OPERATING INCOME	**989,090**	**1,219,598**	**1,108,295**
OPERATING EXPENSES			
Salaries and staff benefits	241,362	199,775	234,749
Property expenses, including depreciation	33,391	34,034	32,377
Amortisation of intangible assets	31	31	39
Other operating expenses	149,574	213,635	161,071
	424,358	447,475	428,236
PROFIT BEFORE TAXATION	**564,732**	**772,123**	**680,059**
Taxation	(144,157)	(199,173)	(193,024)
PROFIT FOR THE PERIOD	**420,575**	**572,950**	**487,035**
PROFIT AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY	**420,575**	**572,950**	**487,035**
Earnings per stock unit - Basic (cents)	**99**	**135**	**115**
Return on average equity (annualized)	**13.39%**	**18.59%**	**16.94%**
Productivity ratio	**42.90%**	**36.69%**	**38.64%**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the three months ended		
Unaudited ($000's)	**January 2014**	**October 2013**	**January 2013**
Profit for the period	420,575	572,950	487,035
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Unrealised gains/(losses) on available for sale securities	(84,974)	(67,746)	(66,702)
Realised (gains) losses on available for sale securities	1,701	-	(13,023)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	(16,734)	(2,288)	7,219
	(100,007)	(70,034)	(72,506)
Taxation	(14,491)	13,907	26,482
Other comprehensive income (loss), net of tax	(114,498)	(56,127)	(46,024)
Total comprehensive income for the period	306,077	516,823	441,011
TOTAL COMPREHENSIVE INCOME AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY	306,077	516,823	441,011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Period ended January 31	Year ended October 31	Period ended January 31
Unaudited ($000's)	2014	2013	2013
ASSETS			
CASH RESOURCES	1,367,271	1,978,865	3,493,117
INVESTMENTS			
Financial assets at fair value through profit and loss	455,906	253,305	351,931
Securities available-for-sale	5,252,122	5,180,082	1,885,793
	5,708,028	5,433,387	2,237,724
PLEDGED ASSETS	62,229,302	62,860,190	65,760,317
LOANS, AFTER MAKING PROVISIONS FOR LOSSES	92,738	79,997	441,153
OTHER ASSETS			
Customers' liability under guarantees	2,388,797	2,326,594	2,040,065
Taxation recoverable	918,203	808,992	427,836
Other assets	134,827	114,562	113,480
Property, plant and equipment at cost, less depreciation	44,541	49,480	51,610
Intangible assets	60,112	60,144	64,856
Deferred taxation	39,481	34,349	-
	3,585,961	3,394,121	2,697,847
TOTAL ASSETS	**72,983,300**	**73,746,560**	**74,630,158**
LIABILITIES			
CAPITAL MANAGEMENT ACCOUNTS & GOVERNMENT SECURITIES FUND	12,979,125	13,018,564	14,361,887
OTHER LIABILITIES			
Guarantees issued	2,388,797	2,326,594	2,040,065
Liabilities under repurchase agreements	43,800,490	44,865,128	45,691,464
Other liabilities	681,682	550,213	429,731
Taxation payable	502,682	477,976	366,971
Deferred taxation	2,418	719	79,197
Assets held in trust on behalf of participants	-	15,477	28,233
	47,376,069	48,236,107	48,635,661
STOCKHOLDERS' EQUITY			
Share capital	1,911,903	1,911,903	1,911,903
Cumulative remeasurement result from available-for-sale financial assets	(276,327)	(161,829)	(70,671)
Capital reserve	22,075	22,075	22,075
Reserve for own shares	-	(20,578)	(34,828)
Unappropriated profits	10,970,455	10,740,318	9,804,131
	12,628,106	12,491,889	11,632,610
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**72,983,300**	**73,746,560**	**74,630,158**

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 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:						
Divdends paid	-	-	-	-	(190,438)	(190,438)
Movement in ESOP reserve	-	-	-	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**
Balance as at 31 October 2013	**1,911,903**	**(161,829)**	**22,075**	**(20,578)**	**10,740,318**	**12,491,889**
Net Profit	-	-	-	-	420,575	420,575
Other comprehensive income:						
Unrealised gains (losses) on available-for-sale securities, net of taxes	-	(69,757)	-	-	-	(69,757)
Realised (gains) losses on available-for-sale securities	-	1,134	-	-	-	1,134
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	-	(45,875)	-	-	-	(45,875)
Total other comprehensive income	-	(114,498)	-	-	-	(114,498)
Total comprehensive income for the period	**-**	**(114,498)**	**-**	**-**	**420,575**	**306,077**
Other equity transactions:						
Divdends paid	-	-	-	-	(190,438)	(190,438)
Movement in ESOP reserve	-	-	-	20,578	-	20,578
Balance as at 31 January 2014	**1,911,903**	**(276,327)**	**22,075**	**-**	**10,970,455**	**12,628,106**

CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS

	Period ended January 31	Period ended January 31
Unaudited ($000's)	**2014**	**2013**
Cash flows used in operating activities		
Profit for the period	420,575	487,035
Adjustments to net income:		
Depreciation	4,938	4,979
Amortisation of intangible assets	31	39
Impairment losses on loans	(918)	(17,766)
Other, net	(491,643)	(552,034)
	(67,017)	(77,747)
Changes in operating assets and liabilities		
Pledged assets	589,465	(1,502,305)
Securities sold under repurchase agreements	(1,047,580)	34,710
Financial assets at fair value through profit and loss	(202,665)	(175,826)
Other, net	326,719	881,561
	(401,078)	(839,607)
Cash flows provided by/(used in) investing activities		
Investment securities	(151,911)	2,213,315
Movement in ESOP	20,578	7,978
Property, plant and equipment, Intangibles, net	-	(874)
	(131,333)	2,220,419
Cash flows used in financing activities		
Dividends paid	(190,438)	(190,438)
	(190,438)	(190,438)
Effect of exchange rate on cash and cash equivalents	183,037	69,223
Net change in cash and cash equivalents	(539,812)	1,259,597
Cash and cash equivalents at beginning of year	9,545,442	5,497,383
Cash and cash equivalents at end of the period	**9,005,630**	**6,756,980**
Represented by:		
Cash resources	1,367,271	3,493,117
Less: accrued interest on cash resources	(177)	(220)
Reverse repurchase agreements and other investments less than ninety days	7,638,536	3,264,083
	9,005,630	**6,756,980**

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.

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	
	2014	2013	2014	2013
	000's	000's	000's	000's
Securities sold under repurchase agreements:				
Clients	37,980,141	43,959,728	33,455,479	39,673,943
Other financial institutions	10,910,971	6,686,673	10,345,011	6,017,521
Capital management fund and government securities fund	13,338,190	15,113,916	12,979,125	14,361,887
	62,229,302	65,760,317	56,779,615	60,053,351

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 January 2014, the Group had financial assets under administration of $124,227,623,000 (2013: $106,813,738,000).