



# MEDIA RELEASE

May 30, 2014

## SCOTIA INVESTMENTS REPORTS SIX MONTHS RESULTS

### SECOND QUARTER 2014 HIGHLIGHTS (YEAR TO DATE)

- **Net income available to common shareholders of \$836 million**
- **Earnings per share of \$1.98**
- **Return on Average Equity of 13.16%**
- **Productivity ratio of 41.97%**
- **First quarter dividend of 45 cents per share**

Scotia Investments Jamaica Limited (SIJL) today reported its unaudited financial results for the six months ended April 30, 2014. Net income for the period was \$836 million, down \$23 million or 3% from the same period last year. Net income for the quarter was \$415 million, down \$5 million or 1% below the \$420 million earned in the previous quarter.

Earnings per share (EPS) for the period was \$1.98 compared to \$2.03 for the same period last year. Return on Average Equity (ROE) was 13.16%, down from 14.75% last year.

The Board has approved an interim dividend of 45 cents per stock unit, payable on July 11, 2014, to stockholders on record as at June 20, 2014.

Lissant Mitchell, CEO of Scotia Investments commented, "Notwithstanding the economic challenges, Scotia Investments delivered a solid performance for the six month period to date. The increase in asset tax as imposed by the Government earlier this month impacted our year to date results, and will also have a bearing on our results going forward. Our ongoing strategy to grow our Fund Management business has yielded success, and it is worth mentioning that our Scotia Premium Money Market Fund (SPMMF) has attained \$7.7 Billion in just over two years. We reinforced our leadership in the Collective Investment Scheme market and now command 45% market share of the industry. As we look ahead to the remainder of the financial year, we will continue our focus on executing our long term strategy of offering the best suite of products and portfolio management solutions to our customers; and will continue to provide added value to our shareholders and staff."



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## REVENUES

Total Operating Income, comprising net interest revenue and other income of \$2.06 billion for the period, was flat year over year. Total operating income for the quarter was \$1.07 billion, up \$81 million or 8% recorded last quarter.

### ***Net Interest Income***

Net interest income after impairment losses for the period was \$1.2 billion, down \$175 million or 13% below the same period last year. Net income for the quarter was \$577 million, \$60 million or 9% below the last quarter.

### ***Non-Interest Income***

Non-interest income, which includes fee income, securities trading gains and net foreign exchange trading income, was \$846 million for the six month period, up \$176 million or 26% over the same period last year; and \$494 million for the quarter, up \$141 million or 40% compared with the last quarter; due primarily to gains on financial assets.

## OPERATING EXPENSES AND PRODUCTIVITY

Our productivity ratio (operating expenses/total revenue) – an important measure of cost efficiency – was 41.97% at the end of the period, compared to 40.12% recorded for the prior year.

Total operating expenses for the six month period were \$866 million, up \$21 million or 2% compared with the same period last year; \$442 million for the quarter, up \$18 million or 4% over last quarter. The variance was mainly reflected in other operating expenses associated with the recently increased asset tax. The company continues to proactively manage operating expenses, which is one of our strategic imperatives.

## BALANCE SHEET

Total assets of \$74 billion remained flat year over year; 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 \$129 billion as at the end of the period, up \$20 billion or 19% above last year and \$6 billion or 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 \$12.9 billion as at April 30, 2014, an increase of \$1 billion or 9% compared to the same period last year, and up \$350 million compared with last quarter. We continue to exceed our regulatory capital requirement. At the end of the period, our capital adequacy ratio remained solid at 48.36% significantly above the 10% statutory requirement. Our strong capital position also enables us to take advantage of future growth opportunities.

## **NON-FINANCIAL HIGHLIGHTS**

During the quarter, SIJL continued to build its partnerships with professional groups and organizations by participating as sponsors of the Caribbean Neurosciences Symposium and the CARAIFA 28th Annual Sales Conference.

In addition, SIJL partnered with Scotiabank on a number of sponsorships and promotions to generate leads and increase new funds for Scotia Investments. Some of the activities included the Jamaica Medical Doctors Association Risk Seminar, the Wedding Spectacular Event, Expo Jamaica and MAJ Risk Management Seminar.

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			For the period ended	
	April 2014	January 2014	April 2013	April 2014	April 2013
<b>GROSS OPERATING INCOME</b>	<b>1,622,226</b>	<b>1,507,417</b>	<b>1,453,545</b>	<b>3,129,644</b>	<b>3,150,174</b>
Interest income	1,128,513	1,155,045	1,129,490	2,283,559	2,480,648
Interest expense	(554,333)	(519,245)	(519,235)	(1,073,578)	(1,125,335)
Net Interest Income	574,180	635,800	610,255	1,209,981	1,355,313
Impairment losses on loans	2,708	918	15,562	3,625	33,328
Net interest income after impairment losses	576,888	636,718	625,817	1,213,606	1,388,641
Net fee and commission income	227,893	212,582	217,176	440,476	421,914
Net foreign exchange trading income	52,773	32,129	100,274	84,902	152,978
Net gains on financial assets	207,998	102,302	(6,000)	310,300	76,603
Other revenue	5,049	5,359	12,605	10,407	18,031
	493,713	352,372	324,055	846,085	669,526
<b>TOTAL OPERATING INCOME</b>	<b>1,070,601</b>	<b>989,090</b>	<b>949,872</b>	<b>2,059,691</b>	<b>2,058,167</b>
<b>OPERATING EXPENSES</b>					
Salaries and staff benefits	200,579	241,362	200,688	441,940	435,437
Property expenses, including depreciation	32,684	33,391	32,821	66,075	65,198
Amortisation of intangible assets	31	31	31	63	71
Other operating expenses	208,916	149,574	183,982	358,490	345,052
	442,210	424,358	417,522	866,568	845,758
<b>PROFIT BEFORE TAXATION</b>	<b>628,391</b>	<b>564,732</b>	<b>532,350</b>	<b>1,193,123</b>	<b>1,212,409</b>
Taxation	(213,132)	(144,157)	(160,582)	(357,289)	(353,606)
<b>PROFIT FOR THE PERIOD</b>	<b>415,259</b>	<b>420,575</b>	<b>371,768</b>	<b>835,834</b>	<b>858,803</b>
<b>PROFIT AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY</b>	<b>415,259</b>	<b>420,575</b>	<b>371,768</b>	<b>835,834</b>	<b>858,803</b>
Earnings per stock unit - Basic (cents)	98	99	88	198	203
Return on average equity (annualized)	12.97%	13.39%	12.63%	13.16%	14.75%
Productivity ratio	41.16%	42.85%	43.02%	41.97%	40.12%


CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the three months ended			For the period ended	
	April 2014	January 2014	April 2013	April 2014	April 2013
Unaudited (\$000's)					
Profit for the period	415,259	420,575	371,768	835,834	858,803
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Unrealised gains/(losses) on available for sale securities	230,497	(84,974)	198,560	145,523	131,858
Realised (gains) losses on available for sale securities	7,631	1,701	(17,826)	9,332	(30,849)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	(63,345)	(16,734)	(4,824)	(80,079)	2,395
	174,783	(100,007)	175,910	74,776	103,404
Taxation	(49,672)	(14,491)	(71,538)	(64,163)	(45,056)
Other comprehensive income (loss), net of tax	125,111	(114,498)	104,372	10,613	58,348
Total comprehensive income for the period	540,370	306,077	476,140	846,447	917,151
<b>TOTAL COMPREHENSIVE INCOME AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY</b>	<b>540,370</b>	<b>306,077</b>	<b>476,140</b>	<b>846,447</b>	<b>917,151</b>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Period ended April 30	Year ended October 31	Period ended April 30
Unaudited (\$000's)	2014	2013	2013
<b>ASSETS</b>			
<b>CASH RESOURCES</b>	1,995,604	1,978,865	1,706,921
<b>INVESTMENTS</b>			
Financial assets at fair value through profit and loss	257,424	253,305	361,028
Securities available-for-sale	5,637,888	5,180,082	1,978,213
	<u>5,895,312</u>	<u>5,433,387</u>	<u>2,339,241</u>
<b>PLEGGED ASSETS</b>	62,111,274	62,860,190	65,925,323
<b>LOANS, AFTER MAKING PROVISIONS FOR LOSSES</b>	104,724	79,997	467,340
<b>OTHER ASSETS</b>			
Customers' liability under guarantees	2,521,309	2,326,594	2,210,116
Taxation recoverable	758,043	808,992	683,096
Other assets	181,764	114,562	164,905
Property, plant and equipment at cost, less depreciation	40,058	49,480	47,802
Intangible assets	60,081	60,144	64,825
Deferred taxation	7,858	34,349	8,446
	<u>3,569,113</u>	<u>3,394,121</u>	<u>3,179,190</u>
<b>TOTAL ASSETS</b>	<b>73,676,027</b>	<b>73,746,560</b>	<b>73,618,015</b>
<b>LIABILITIES</b>			
<b>CAPITAL MANAGEMENT ACCOUNTS &amp; GOVERNMENT SECURITIES FUND</b>	12,864,810	13,018,564	15,098,804
<b>OTHER LIABILITIES</b>			
Guarantees issued	2,521,309	2,326,594	2,210,116
Liabilities under repurchase agreements	44,541,390	44,865,128	43,538,876
Other liabilities	605,127	550,213	490,714
Taxation payable	161,900	477,976	332,870
Deferred taxation	3,452	719	63
Assets held in trust on behalf of participants	-	15,477	22,245
	<u>47,833,178</u>	<u>48,236,107</u>	<u>46,594,884</u>
<b>STOCKHOLDERS' EQUITY</b>			
Share capital	1,911,903	1,911,903	1,911,903
Cumulative remeasurement result from available-for-sale financial assets	(151,217)	(161,829)	33,701
Capital reserve	22,075	22,075	22,075
Reserve for own shares	-	(20,578)	(28,814)
Unappropriated profits	11,195,278	10,740,318	9,985,462
	<u>12,978,039</u>	<u>12,491,889</u>	<u>11,924,327</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>73,676,027</b>	<b>73,746,560</b>	<b>73,618,015</b>

  
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	-	-	-	-	858,803	858,803
Other comprehensive income:						
Unrealised losses on available-for-sale securities, net of taxes	-	93,701	-	-	-	93,701
Realised gains on available-for-sale securities	-	(20,566)	-	-	-	(20,566)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	-	(14,787)	-	-	-	(14,787)
Total other comprehensive income	-	58,348	-	-	-	58,348
Total comprehensive income for the period	-	58,348	-	-	858,803	917,151
Other equity transactions:						
Dividends paid	-	-	-	-	(380,875)	(380,875)
Movement in ESOP reserve	-	-	-	13,992	-	13,992
Balance as at 30 April 2013	1,911,903	33,701	22,075	(28,814)	9,985,462	11,924,327
Balance as at 31 October 2013	1,911,903	(161,829)	22,075	(20,578)	10,740,318	12,491,889
Net Profit	-	-	-	-	835,834	835,834
Other comprehensive income:						
Unrealised gains (losses) on available-for-sale securities, net of taxes	-	104,805	-	-	-	104,805
Realised (gains) losses on available-for-sale securities	-	6,221	-	-	-	6,221
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	-	(100,413)	-	-	-	(100,413)
Total other comprehensive income	-	10,613	-	-	-	10,613
Total comprehensive income for the period	-	10,613	-	-	835,834	846,447
Other equity transactions:						
Dividends paid	-	-	-	-	(380,875)	(380,875)
Movement in ESOP reserve	-	-	-	20,578	-	20,578
Balance as at 30 April 2014	1,911,903	(151,216)	22,075	-	11,195,277	12,978,039

CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS

Unaudited (\$000's)	Period ended April 30 2014	Period ended April 30 2013
<b>Cash flows used in operating activities</b>		
Profit for the period	835,834	858,803
Adjustments to net income:		
Depreciation	9,604	9,877
Amortisation of intangible assets	62	71
Impairment losses on loans	(3,625)	(33,328)
Other, net	(852,691)	(1,001,707)
	(10,816)	(166,284)
<b>Changes in operating assets and liabilities</b>		
Pledged assets	1,167,349	(704,373)
Securities sold under repurchase agreements	(389,098)	(2,123,539)
Financial assets at fair value through profit and loss	(4,153)	(185,350)
Other, net	87,639	1,926,142
	850,921	(1,253,404)
<b>Cash flows provided by/(used in) investing activities</b>		
Investment securities	(394,928)	2,296,851
Movement in ESOP	20,578	13,992
Property, plant and equipment, Intangibles, net	(182)	(1,965)
	(374,532)	2,308,878
<b>Cash flows used in financing activities</b>		
Dividends paid	(380,875)	(380,875)
	(380,875)	(380,875)
Effect of exchange rate on cash and cash equivalents	362,558	199,471
Net change in cash and cash equivalents	458,072	874,070
Cash and cash equivalents at beginning of year	9,545,442	5,497,383
	10,003,514	6,371,453
<b>Represented by:</b>		
Cash resources	1,995,604	1,706,921
Less: accrued interest on cash resources	(378)	(675)
Reverse repurchase agreements and other investments less than ninety days	8,008,288	4,665,207
	10,003,514	6,371,453



**Scotia Investments Jamaica Limited**  
**Notes to the Consolidated Financial Statements**  
**April 30, 2014**

**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**  
**Notes to the Consolidated Financial Statements**  
**April 30, 2014**

**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 000's	2013 000's	2014 000's	2013 000's
Securities sold under repurchase agreements:				
Clients	37,229,611	42,390,076	33,100,737	35,508,051
Other financial institutions	12,012,190	8,361,685	11,440,653	8,030,825
Capital management fund and government securities fund	12,869,473	15,173,562	12,864,810	15,098,804
	<u>62,111,274</u>	<u>65,925,323</u>	<u>57,406,200</u>	<u>58,637,680</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 30 April 2014, the Group had financial assets under administration of \$129,352,066,000 (2013: \$108,986,707,000).