



# MEDIA RELEASE

September 5, 2014

## SCOTIA INVESTMENTS REPORTS THIRD QUARTER RESULTS

### YEAR TO DATE HIGHLIGHTS

- **Net income available to common shareholders of \$1.3 billion**
- **Earnings per share of \$3.17**
- **Return on Average Equity of 13.87%**
- **Productivity ratio of 39.46%**
- **Third quarter dividend of 45 cents per share**

Scotia Investments Jamaica Limited (SIJL) today reported its unaudited financial results for the nine months ended July 31, 2014. Net income for the period was \$1.3 billion, down \$82 million or 6% from the same period last year. Net income for the quarter was \$504 million, up \$89 million or 21% above the \$415 million earned in the previous quarter.

Earnings per share (EPS) for the period was \$3.17 compared to \$3.36 for the same period last year. Return on Average Equity (ROE) was 13.87%, down from 16.10% last year.

The Board has approved an interim dividend of 45 cents per stock unit, payable on October 16, 2014, to stockholders on record as at September 25, 2014.

Lissant Mitchell, CEO of Scotia Investments commented, "I am pleased to report that the company has recorded a strong performance for the nine month period to date. This was achieved despite the increased asset tax as the company remained strategically focused on heightening our reliance on non-interest revenue by growing our fund management business. Overall, our fund management business has grown 9% year over year; and our flagship money market fund, The Scotia Premium Money Market Fund (SPMMF) has experienced a 105% increase year over year, with a net asset value of over \$9 billion. We have maintained our dominance in the Collective Investment Scheme market with 45% share of the industry. For the remainder of the financial year, Scotia Investments will continue executing our long term strategy of offering the best suite of products and portfolio management solutions to our customers; proactively managing our expenses as we seek to heighten operational efficiencies; and providing added value to our shareholders and staff."



For further information contact Lissant Mitchell, Chief Executive Officer • Tel: 876.960.6699 • Fax: 876. 960.6705

## REVENUES

Total Operating Income, comprising net interest revenue and other income of \$3.19 billion for the period, was down \$48 million or 1% over the same period last year. Total operating income for the quarter was \$1.13 billion, up \$58 million or 5% recorded last quarter.

### ***Net Interest Income after impairment***

Net interest income after impairment losses for the period was \$1.8 billion, down \$288 million or 14% below the same period last year. Net income for the quarter of \$580 million was flat quarter over quarter.

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

Non-interest income, which includes fee income, securities trading gains and net foreign exchange trading income, was \$1.4 billion for the period, up \$240 million or 21% over the same period last year; and \$549 million for the quarter, up \$55 million or 11% 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 39.46% at the end of the period, compared to 36.24% recorded for the prior year.

Total operating expenses for the period were \$1.26 billion, up \$50 million or 4% compared with the same period last year; \$396 million for the quarter, down \$47 million or 11% over last quarter. The variance was mainly reflected in other operating expenses associated with increased asset tax. The company continues to proactively manage operating expenses, which is one of our strategic imperatives.

## BALANCE SHEET

Total assets of \$73 billion remained flat year over year and quarter over quarter; 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 \$135 billion as at the end of the period, up \$21 billion or 18% 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 \$13.4 billion as at July 31, 2014, an increase of \$1.26 billion or 10% compared to the same period last year, and \$931 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% 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 with its thrust to promote our brand and investments products and services through strategic sponsorships and targeted advertising. We partnered with the Medical Association of Jamaica to sponsor their 2014 annual symposium and awards banquet where we generated sales leads from the audience of doctors and consulting medical professionals. SIJL also extended sponsorship support to the Martin Luther King Anniversary banquet and awards, and the Kiwanis National Excellence Awards.

The 2014 Education Wealth Plan Scholarship was opened and offered to clients with Money Market Fund investments. Successful applicants will be awarded an academic scholarship or educational grant.

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**

	For the three months ended			For the period ended	
	July 2014	April 2014	July 2013	July 2014	July 2013
<b>Unaudited (\$000's)</b>					
<b>GROSS OPERATING INCOME</b>	1,730,070	1,622,226	1,590,307	4,859,714	4,740,480
Interest income	1,181,086	1,128,513	1,104,381	3,464,645	3,585,028
Interest expense	(604,258)	(554,333)	(439,969)	(1,677,836)	(1,565,303)
Net Interest Income	576,828	574,180	664,412	1,786,809	2,019,725
Impairment losses on loans	2,933	2,708	28,091	6,559	61,419
Net interest income after impairment losses	579,761	576,888	692,503	1,793,368	2,081,144
Net fee and commission income	239,199	227,893	254,170	679,675	676,084
Net foreign exchange trading income	38,328	52,773	30,152	123,230	183,130
Net gains on financial assets	266,041	207,998	196,658	576,341	273,262
Other revenue	5,416	5,049	4,946	15,823	22,976
	548,984	493,713	485,926	1,395,069	1,155,452
<b>TOTAL OPERATING INCOME</b>	<b>1,128,745</b>	<b>1,070,601</b>	<b>1,178,429</b>	<b>3,188,437</b>	<b>3,236,596</b>
<b>OPERATING EXPENSES</b>					
Salaries and staff benefits	200,261	200,579	199,485	642,201	634,922
Property expenses, including depreciation	34,982	32,684	33,347	101,057	98,545
Amortisation of intangible assets	21	31	31	84	102
Other operating expenses	160,415	208,916	133,576	518,906	478,628
	395,679	442,210	366,439	1,262,248	1,212,197
<b>PROFIT BEFORE TAXATION</b>	<b>733,066</b>	<b>628,391</b>	<b>811,990</b>	<b>1,926,189</b>	<b>2,024,399</b>
Taxation	(228,970)	(213,132)	(249,208)	(586,259)	(602,814)
<b>PROFIT FOR THE PERIOD</b>	<b>504,096</b>	<b>415,259</b>	<b>562,782</b>	<b>1,339,930</b>	<b>1,421,585</b>
<b>PROFIT AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY</b>	<b>504,096</b>	<b>415,259</b>	<b>562,782</b>	<b>1,339,930</b>	<b>1,421,585</b>
Earnings per stock unit - Basic (cents)	119	98	133	317	336
Return on average equity (annualized)	15.28%	12.97%	18.69%	13.87%	16.10%
Productivity ratio	34.89%	41.16%	29.41%	39.46%	36.24%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Unaudited (\$000's)	For the three months ended			For the period ended	
	July 2014	April 2014	July 2013	July 2014	July 2013
Profit for the period	504,096	415,259	562,782	1,339,930	1,421,585
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Unrealised gains/(losses) on available for sale securities	(53,711)	230,497	(125,280)	91,812	6,579
Realised (gains) losses on available for sale securities	54,267	7,631	-	63,599	(30,849)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	182,680	(63,345)	(33,121)	102,600	(30,726)
	183,236	174,783	(158,401)	258,011	(54,996)
Taxation	(52,338)	(49,672)	18,997	(116,501)	(26,059)
Other comprehensive income (loss), net of tax	130,898	125,111	(139,404)	141,510	(81,055)
Total comprehensive income for the period	634,994	540,370	423,378	1,481,440	1,340,530
<b>TOTAL COMPREHENSIVE INCOME AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY</b>	634,994	540,370	423,378	1,481,440	1,340,530

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Period ended July 31	Year ended October 31	Period ended July 31
Unaudited (\$000's)	2014	2013	2013
<b>ASSETS</b>			
<b>CASH RESOURCES</b>	1,506,970	1,978,865	1,341,425
<b>INVESTMENTS</b>			
Financial assets at fair value through profit and loss	447,970	253,305	261,079
Securities available-for-sale	6,637,383	5,180,082	988,058
Held to maturity	538,697	-	-
	<u>7,624,050</u>	<u>5,433,387</u>	<u>1,249,137</u>
<b>PLEGGED ASSETS</b>	59,816,812	62,860,190	66,775,363
<b>LOANS, AFTER MAKING PROVISIONS FOR LOSSES</b>	107,405	79,997	74,701
<b>OTHER ASSETS</b>			
Customers' liability under guarantees	2,704,663	2,326,594	2,274,855
Taxation recoverable	758,962	808,992	689,192
Other assets	231,364	114,562	137,246
Property, plant and equipment at cost, less depreciation	35,950	49,480	43,484
Intangible assets	84,202	60,144	64,794
Deferred taxation	43	34,349	1,536
	<u>3,815,184</u>	<u>3,394,121</u>	<u>3,211,107</u>
<b>TOTAL ASSETS</b>	<u>72,870,421</u>	<u>73,746,560</u>	<u>72,651,733</u>
<b>LIABILITIES</b>			
<b>CAPITAL MANAGEMENT ACCOUNTS &amp; GOVERNMENT SECURITIES FUND</b>	12,592,382	13,018,564	13,722,400
<b>OTHER LIABILITIES</b>			
Guarantees issued	2,704,663	2,326,594	2,274,855
Liabilities under repurchase agreements	43,338,508	44,865,128	43,583,927
Other liabilities	603,816	550,213	481,150
Taxation payable	167,418	477,976	408,363
Deferred taxation	41,039	719	63
Assets held in trust on behalf of participants	-	15,477	17,361
	<u>46,855,444</u>	<u>48,236,107</u>	<u>46,765,719</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	(20,319)	(161,829)	(105,702)
Capital reserve	22,075	22,075	22,075
Reserve for own shares	-	(20,578)	(22,468)
Unappropriated profits	11,508,936	10,740,318	10,357,806
	<u>13,422,595</u>	<u>12,491,889</u>	<u>12,163,614</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>72,870,421</u>	<u>73,746,560</u>	<u>72,651,733</u>



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
<b>Balance as at 31 October 2012</b>	1,911,903	(24,647)	22,075	(42,806)	9,507,534	11,374,059
Net profit	-	-	-	-	1,421,585	1,421,585
<b>Other comprehensive income:</b>						
Unrealised losses on available-for-sale securities, net of taxes	-	(7,165)	-	-	-	(7,165)
Realised gains on available-for-sale securities	-	(20,566)	-	-	-	(20,566)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	-	(53,324)	-	-	-	(53,324)
Total other comprehensive income	-	(81,055)	-	-	-	(81,055)
<b>Total comprehensive income for the period</b>	-	(81,055)	-	-	1,421,585	1,340,530
<b>Other equity transactions:</b>						
Dividends paid	-	-	-	-	(571,313)	(571,313)
Movement in ESOP reserve	-	-	-	20,338	-	20,338
<b>Balance as at 31 July 2013</b>	1,911,903	(105,702)	22,075	(22,468)	10,357,806	12,163,614
<b>Balance as at 31 October 2013</b>	1,911,903	(161,829)	22,075	(20,578)	10,740,318	12,491,889
Net Profit	-	-	-	-	1,339,930	1,339,930
<b>Other comprehensive income:</b>						
Unrealised gains (losses) on available-for-sale securities, net of taxes	-	77,738	-	-	-	77,738
Realised (gains) losses on available-for-sale securities	-	42,399	-	-	-	42,399
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	-	21,373	-	-	-	21,373
Total other comprehensive income	-	141,510	-	-	-	141,510
<b>Total comprehensive income for the period</b>	-	141,510	-	-	1,339,930	1,481,440
<b>Other equity transactions:</b>						
Dividends paid	-	-	-	-	(571,312)	(571,312)
Movement in ESOP reserve	-	-	-	20,578	-	20,578
<b>Balance as at 31 July 2014</b>	1,911,903	(20,319)	22,075	-	11,508,936	13,422,595

CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS

Unaudited (\$000's)	Period ended July 31 2014	Period ended July 31 2013
<b>Cash flows used in operating activities</b>		
Profit for the period	1,339,930	1,421,585
Adjustments to net income:		
Depreciation	13,711	15,118
Amortisation of intangible assets	83	102
Impairment losses on loans	(6,559)	(61,419)
Other, net	(1,200,550)	(1,416,910)
	146,615	(41,524)
Changes in operating assets and liabilities		
Pledged assets	1,881,509	(1,440,883)
Securities sold under repurchase agreements	(1,611,821)	(2,034,193)
Financial assets at fair value through profit and loss	(194,740)	(85,692)
Other, net	(44,327)	1,434,291
	177,236	(2,168,001)
<b>Cash flows provided by/(used in) investing activities</b>		
Investment securities	(1,673,738)	3,113,839
Movement in ESOP	20,578	20,338
Property, plant and equipment, Intangibles, net	(24,323)	(2,888)
	(1,677,483)	3,131,289
<b>Cash flows used in financing activities</b>		
Dividends paid	(571,313)	(571,313)
	(571,313)	(571,313)
Effect of exchange rate on cash and cash equivalents	563,296	254,108
Net change in cash and cash equivalents	(1,508,264)	646,083
Cash and cash equivalents at beginning of year	9,545,442	5,497,383
	8,037,178	6,143,466
<b>Cash and cash equivalents at end of the period</b>	<b>8,037,178</b>	<b>6,143,466</b>
<b>Represented by:</b>		
Cash resources	1,506,970	1,341,425
Less: accrued interest on cash resources	(585)	(728)
Reverse repurchase agreements and other investments less than ninety days	6,530,793	4,802,769
	8,037,178	6,143,466



**Scotia Investments Jamaica Limited**  
**Notes to the Consolidated Financial Statements**  
**July 31, 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**  
**July 31, 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	33,393,763	41,888,708	30,277,939	34,380,269
Other financial institutions	13,722,051	9,606,842	13,060,569	9,203,657
Capital management fund and government securities fund	12,700,998	15,279,813	12,592,382	13,722,400
	<u>59,816,812</u>	<u>66,775,363</u>	<u>55,930,890</u>	<u>57,306,326</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 July 2014, the Group had financial assets under administration of \$135,056,756,000 (2013: \$114,097,303,000).

