

MEDIA RELEASE

November 28, 2014



SCOTIA GROUP JAMAICA REPORTS 2014 NET INCOME OF \$10.1 BILLION

FISCAL 2014 HIGHLIGHTS

- Net Income of **\$10.1 billion**
- Net Income available to common shareholders of **\$9.8 billion**
- Earnings per share of **\$3.14**
- Return on Average Equity of **13.41%**
- Productivity ratio of **61.48%**
- Annual dividends of **\$1.60 per share**

FOURTH QUARTER HIGHLIGHTS

- Net Income of **\$2.5 billion**
- Net Income available to common shareholders of **\$2.4 billion**
- Earnings per share of **\$0.78**
- Return on Average Equity of **12.99%**
- Productivity ratio of **61.51%**
- Fourth quarter dividend of **40 cents per share**

Scotia Group Jamaica Limited (Scotia Group) today reported net income of \$10.1 billion for the year ended October 31, 2014. This represents a decrease of \$774 million or 7% compared with the net income of \$10.9 billion in 2013. The results for the fourth quarter of \$2.5 billion represents an increase of \$129 million or 5% over the same period last year, and a decrease of \$188 million or 7% compared to the previous quarter ended July 31, 2014. The financial statements for 2013 and 2012 were restated in accordance with requirements of the International Financial Reporting Standard to reflect the adoption of IAS 19 (Revised) Employee Benefits (refer note 2).

Earnings per share were \$3.14 compared to \$3.37 in 2013, and the Return on Average Equity was 13.41%, down from 15.67% last year.

The Board of Directors today approved a final dividend of 40 cents per stock unit payable on January 13, 2015, to stockholders on record at December 18, 2014.

Jackie Sharp, President and CEO said, "Scotia Group experienced another year of solid performance across all business lines. We saw 9% growth year over year in our Commercial & SME portfolios; 6% growth in our retail loan portfolio; 12% growth in mortgages; and our Premium Money Market Fund which is offered by our subsidiary, Scotia Investments surpassed the \$10 Billion mark. During the last half of the year, we have seen strong growth and we are poised for another successful year in 2015. We were also awarded Best Foreign Exchange Bank and Best Consumer Internet Bank in Jamaica by Global Finance. The work of our team is very strong in the communities, and as we celebrate 125 years of providing unbroken service to Jamaica, we remain committed to executing our strategies to build on the strong brand of Scotiabank."



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GROUP FINANCIAL PERFORMANCE

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

J\$ Million	2014*	% Contribution
The Bank of Nova Scotia Jamaica Limited (BNSJ)	3,936	40.3%
Scotia Jamaica Life Insurance Company Limited (SJLIC)	2,632	27.0%
Scotia Investments Jamaica Limited (SIJL)	1,225	12.5%
Scotia Group Jamaica Limited (SGJ)	1,063	10.9%
Scotia Jamaica Building Society (SJBS)	893	9.1%
Other subsidiaries	15	0.2%
<small>* Excludes minority interest and eliminations</small>		
Net Income attributable to common shareholders	9,764	100%

TOTAL REVENUES

Total operating income, comprising net interest income after impairment losses and including other revenue, was \$33.8 billion, a decrease of \$408 million relative to the prior year.

NET INTEREST INCOME

Net interest income after impairment losses for the year was \$22.9 billion, an increase of \$57 million when compared to 2013. The Group continues to report strong growth in loan volumes during the year, particularly for our Residential Mortgages, SME and Commercial portfolios. This resulted in an increase in net interest income of \$647 million or 3% over the prior year, as we offer competitive pricing on our suite of products. Our impairment losses on loans, however, continue to reflect the underlying signs of the challenging economic environment faced by our customers and increased by \$590 million year over year.

OTHER REVENUE

Other revenue for this financial year amounted to \$10.9 billion, a reduction of \$465 million or 4% compared to 2013. Net fee and commission income remained stable year over year, despite the growth in loan and transaction volumes. Net gains on foreign currency activities decreased by \$767 million, while net gains on financial assets increased by \$520 million compared to the prior year based on our treasury trading activities.

OPERATING EXPENSES AND PRODUCTIVITY

Our productivity ratio - a key measure of cost efficiency - was 61.48% for 2014, compared to 58.63% as at October 31, 2013. Operating Expenses for the year amounted to \$20.2 billion, an increase of \$527 million or 2.7% compared to the similar period last year. One of our strategic priorities is Operational Efficiency, and we have been successful in managing the operating expenses in the Group, despite the increased cost of doing business as a result of the higher tax burden faced by the financial sector. In this financial year, the Group experienced an increase in the asset, premium and minimum business taxes of \$861 million as a result of the increased rates implemented by the GOJ earlier in the year.

GROUP FINANCIAL CONDITION

ASSETS

Total assets increased year over year by \$18 billion or 4.6% to \$407 billion as at October 31, 2014. The growth was primarily attributable to a \$10.9 billion or 8% increase in Loans, after allowance for impairment losses, and \$7.6 billion or 10% in Cash Resources.

Loans, after allowance for impairment losses amount to \$145.7 billion as at the year end. Non-performing loans (NPLs) at October 31, 2014 totaled \$4.9 billion, reflecting an increase of \$411 million from prior year. Total NPLs now represent 3.32% of total gross loans compared to 3.29% last year and 3.31% as at July 31, 2014. The Group's aggregate loan loss provision as at October 31, 2014 was \$5.1 billion, representing over 100% coverage of the total non-performing loans.

LIABILITIES

Total customer liabilities represented by deposits, securities sold under repurchase agreements, and policyholders' funds grew to \$306 billion, an increase of \$10 billion or 3% compared to 2013.

CAPITAL

Total shareholders' equity grew to \$78.7 billion, increasing by \$6.2 billion above October 2013. We continue to exceed regulatory capital requirements in all our business lines, and our strong capital position also enables us to take advantage of future growth opportunities.

OUR COMMITMENT TO THE COMMUNITY

Scotiabank continued to demonstrate its commitment to Corporate Social Responsibility through its support of programmes aimed at youth development and through the involvement of the Scotia Volunteers in the communities in which we live and work. The Foundation made donations totaling \$11.5 million during the quarter.

In Student Care our Foundation contributed \$10.5 million to fund the award of 16 new Scotia Foundation Shining Star Scholarships to outstanding students in the Grade Six Achievement Test, the continuation of assistance to approximately 87 scholars in secondary and tertiary institutions, and the Breakfast Feeding programme.

In Health Care, five corrective spinal surgeries were completed at the Kingston Public Hospital for beneficiaries of the 2014 Scoliosis and Spine Care programme.

In Community Care, the Foundation contributed \$1 million to replace fans and air conditioning units at the Bustamante Hospital for Children and fund various educational projects. Our staff raised funds totaling \$200,000 to support the Jamaica Cancer Society's Pink Day to support Cancer Awareness Month in October.

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 for 125 years 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
Year ended October 31, 2014

(\$ Thousands)	For the three months ended			For the year ended	
	October 2014	July 2014	Restated October 2013	October 2014	Restated October 2013
Interest Income	7,844,723	7,942,420	7,589,482	30,865,634	29,980,226
Interest Expense	(1,599,599)	(1,710,630)	(1,409,402)	(6,355,302)	(6,117,194)
Net Interest Income	6,245,124	6,231,790	6,180,080	24,510,332	23,863,032
Impairment losses on loans	(226,874)	(497,422)	(191,302)	(1,603,081)	(1,013,376)
Net interest income after impairment losses	6,018,250	5,734,368	5,988,778	22,907,251	22,849,656
Net fee and commission income	1,583,705	1,520,432	1,474,863	5,857,253	5,797,792
Insurance revenue	494,560	660,521	476,083	2,314,048	2,413,111
Net gains on foreign currency activities	233,745	636,601	676,720	1,962,062	2,729,312
Net gains on financial assets	210,233	256,653	149,128	769,411	248,936
Other revenue	1,735	5,415	4,609	23,652	202,515
	2,523,978	3,079,622	2,781,403	10,926,426	11,391,666
Total Operating Income	8,542,228	8,813,990	8,770,181	33,833,677	34,241,322
Operating Expenses					
Salaries and staff benefits	2,606,899	2,604,477	2,510,846	10,340,817	9,966,039
Property expenses, including depreciation	585,793	558,006	570,521	2,151,156	2,190,670
Amortisation of intangible assets	12,634	128,603	142,523	255,626	233,279
Other operating expenses	1,961,303	1,824,176	2,370,879	7,435,021	7,265,467
	5,166,629	5,115,262	5,594,769	20,182,620	19,655,455
Profit before taxation	3,375,599	3,698,728	3,175,412	13,651,057	14,585,867
Taxation	(862,797)	(997,700)	(791,480)	(3,532,458)	(3,693,161)
Profit for the year	2,512,802	2,701,028	2,383,932	10,118,599	10,892,706
Attributable to:-					
Equityholders of the Company	2,411,885	2,614,271	2,283,491	9,764,209	10,485,047
Non-Controlling Interest	100,917	86,757	100,441	354,390	407,659
Earnings per share (cents)	78	84	73	314	337
Return on average equity	12.99%	14.38%	13.36%	13.41%	15.67%
Return on assets	2.37%	2.61%	2.35%	2.40%	2.69%
Productivity ratio	61.51%	60.28%	64.57%	61.48%	58.63%

Scotia Group Jamaica Limited
Consolidated Statement of Comprehensive Income
Year ended October 31, 2014

(\$ Thousands)	For the three months ended			For the year ended	
	October 2014	July 2014	Restated October 2013	October 2014	Restated October 2013
Profit for the year	2,512,802	2,701,028	2,383,932	10,118,599	10,892,706
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plan / obligations	1,358,177	(941,404)	1,370,946	1,535,623	1,993,735
Taxation	(452,725)	313,801	(456,982)	(511,874)	(664,578)
	905,452	(627,603)	913,964	1,023,749	1,329,157
Items that may be subsequently reclassified to profit or loss:					
Unrealised gains / (losses) on available for sale assets	80,623	154,512	(167,992)	241,706	(879,739)
Realised losses / (gains) on available for sale assets	(55,407)	60,798	21,653	33,598	(892,192)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivable	13,312	182,680	(2,288)	115,913	(33,014)
Taxation	38,528	397,990	(148,627)	391,217	(1,804,945)
	(39,831)	(84,496)	41,804	(162,339)	275,586
	(1,303)	313,494	(106,823)	228,878	(1,529,359)
Other comprehensive income, net of tax	904,149	(314,109)	807,141	1,252,627	(200,202)
Total comprehensive income for the year	3,416,951	2,386,919	3,191,073	11,371,226	10,692,504
Attributable to:-					
Equityholders of the Company	3,325,507	2,270,067	3,103,537	10,993,775	10,316,384
Non-Controlling Interest	91,444	116,852	87,536	377,451	376,120

SCOTIA GROUP JAMAICA LTD
Consolidated Statement of Financial Position
October 31, 2014

	October 31, 2014	Restated October 31, 2013	Restated October 31, 2012
(\$ Thousands)			
ASSETS			
CASH RESOURCES	82,482,561	74,882,563	52,868,707
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT & LOSS	981,731	813,101	477,941
INVESTMENT SECURITIES	83,648,910	92,835,059	95,804,717
PLEGDED ASSETS	64,392,080	59,028,856	63,057,493
GOVERNMENT SECURITIES PURCHASED UNDER RESALE AGREEMENTS	300,516	-	-
LOANS, AFTER ALLOWANCE FOR IMPAIRMENT LOSSES	145,732,002	134,823,756	122,524,668
OTHER ASSETS			
Customers' liability under acceptances, guarantees and letters of credit	7,630,964	7,173,614	6,333,327
Property, plant and equipment	5,286,427	4,679,879	4,738,704
Deferred taxation	2,520	34,349	-
Taxation recoverable	2,270,027	2,499,165	1,692,436
Retirement benefit asset	11,679,613	10,020,169	8,046,154
Other assets	1,346,940	970,319	879,953
Intangible assets	1,275,971	1,499,675	1,717,705
	<u>29,492,462</u>	<u>26,877,170</u>	<u>23,408,279</u>
TOTAL ASSETS	407,030,262	389,260,505	358,141,805
LIABILITIES			
DEPOSITS			
Deposits by the public	190,726,667	183,369,415	160,994,182
Other deposits	10,916,319	14,152,481	10,666,786
	<u>201,642,986</u>	<u>197,521,896</u>	<u>171,660,968</u>
OTHER LIABILITIES			
Acceptances, guarantees and letters of credit	7,630,964	7,173,614	6,333,327
Securities sold under repurchase agreements	47,840,197	42,588,792	45,384,758
Capital management and government securities funds	13,003,074	13,018,564	14,174,566
Deferred taxation	3,774,323	3,038,539	2,649,080
Retirement benefit obligation	3,408,465	3,224,811	3,140,954
Assets held in trust on behalf of participants	-	38,316	41,905
Other liabilities	7,717,619	7,161,233	6,139,447
	<u>83,374,642</u>	<u>76,243,869</u>	<u>77,864,037</u>
POLICYHOLDERS' FUNDS	43,309,571	43,013,959	41,679,958
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	16,591,770	14,391,770	12,441,770
Capital reserve	9,383	9,383	9,383
Loan loss reserve	3,202,002	2,781,066	2,299,390
Other reserves	12,892	12,892	12,892
Cumulative remeasurement result from available for sale assets	101,566	(463,053)	642,821
Unappropriated profits	45,591,093	42,761,422	38,749,389
	<u>75,327,107</u>	<u>69,311,881</u>	<u>63,974,046</u>
Non-controlling interest	3,375,956	3,168,900	2,962,796
	<u>78,703,063</u>	<u>72,480,781</u>	<u>66,936,842</u>
TOTAL EQUITY AND LIABILITIES	407,030,262	389,260,505	358,141,805

Director

Director

SCOTIA GROUP JAMAICA LIMITED
Consolidated Statement of Changes in Shareholders' Equity
October 31, 2014

(\$ Thousands)	Share Capital	Reserve Fund	Retained Earnings Reserve	Capital Reserves	Cumulative Remeasurement result from Available for Sale financial assets	Loan Loss Reserve	Other Reserves	Unappropriated Profits	Total	Non-controlling Interest	Total Equity
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
Effect of Revised IAS 19	-	-	-	-	-	-	-	(578,166)	(578,166)	-	(578,166)
Balance as at 31 October 2012 (restated)	6,569,810	3,248,591	12,441,770	9,383	642,821	2,299,390	12,892	38,749,389	63,974,046	2,962,796	66,936,842
Net Profit	-	-	-	-	-	-	-	10,485,047	10,485,047	407,659	10,892,706
Other Comprehensive Income											
Re-measurement of defined benefit plan/obligations	-	-	-	-	-	-	-	1,329,157	1,329,157	-	1,329,157
Unrealised losses on available-for-sale securities, net of taxes	-	-	-	-	(666,466)	-	-	-	(666,466)	(9,947)	(676,413)
Realised gains on available-for-sale securities, net of taxes	-	-	-	-	(774,864)	-	-	-	(774,864)	(4,728)	(779,592)
reclassified to loans and receivables	-	-	-	-	(56,490)	-	-	-	(56,490)	(16,864)	(73,354)
Total Comprehensive Income	-	-	-	-	(1,497,820)	-	-	11,814,204	10,316,384	376,120	10,692,504
Transfers between reserves											
Transfer to Retained Earnings Reserve	-	-	1,950,000	-	-	-	-	(1,950,000)	-	-	-
Transfer to Loan Loss Reserve	-	-	-	-	-	481,676	-	(481,676)	-	-	-
Transfer to Unappropriated Profits	-	-	-	-	391,946	-	-	(391,946)	-	-	-
Net movement in reserves for non-controlling interests	-	-	-	-	-	-	-	-	-	5,110	5,110
Dividends Paid	-	-	-	-	-	-	-	(4,978,549)	(4,978,549)	(175,126)	(5,153,675)
Balance at 31 October 2013 (restated)	6,569,810	3,248,591	14,391,770	9,383	(463,053)	2,781,066	12,892	42,761,422	69,311,881	3,168,900	72,480,781
Balance at 31 October 2013	6,569,810	3,248,591	14,391,770	9,383	(463,053)	2,781,066	12,892	43,042,579	69,593,038	3,168,900	72,761,938
Effect of Revised IAS 19	-	-	-	-	-	-	-	(281,157)	(281,157)	-	(281,157)
Balance as at 31 October 2013 (restated)	6,569,810	3,248,591	14,391,770	9,383	(463,053)	2,781,066	12,892	42,761,422	69,311,881	3,168,900	72,480,781
Net Profit	-	-	-	-	-	-	-	9,764,209	9,764,209	354,390	10,118,599
Other Comprehensive Income											
Re-measurement of defined benefit plan/obligations	-	-	-	-	-	-	-	1,023,749	1,023,749	-	1,023,749
Unrealised gains on available-for-sale securities, net of taxes	-	-	-	-	178,050	-	-	-	178,050	14,931	192,981
Realised losses on available-for-sale securities, net of taxes	-	-	-	-	4,473	-	-	-	4,473	1,176	5,649
Amortization of fair value reserves on financial assets	-	-	-	-	-	-	-	-	-	-	-
reclassified to loans and receivables	-	-	-	-	23,294	-	-	-	23,294	6,954	30,248
Total Comprehensive Income	-	-	-	-	205,817	-	-	10,787,958	10,993,775	377,451	11,371,226
Transfers between reserves											
Transfer to Retained Earnings Reserve	-	-	2,200,000	-	-	-	-	(2,200,000)	-	-	-
Transfer to Loan Loss Reserve	-	-	-	-	-	420,936	-	(420,936)	-	-	-
Transfer to Unappropriated Profits	-	-	-	-	358,802	-	-	(358,802)	-	-	-
Net movement in reserves for non-controlling interests	-	-	-	-	-	-	-	-	-	4,731	4,731
Dividends Paid	-	-	-	-	-	-	-	(4,978,549)	(4,978,549)	(175,126)	(5,153,675)
Balance at 31 October 2014	6,569,810	3,248,591	16,591,770	9,383	101,566	3,202,002	12,892	45,591,093	75,327,107	3,375,956	78,703,063

Scotia Group Jamaica Limited
Condensed Statement of Consolidated Cash Flows
Year ended 31 October 2014

<i>(\$ Thousands)</i>	2014	Restated 2013
Cash flows provided by / (used in) operating activities		
Profit for the year	10,118,599	10,892,706
Items not affecting cash:		
Depreciation	488,788	544,069
Impairment losses on loans	2,756,012	2,063,978
Amortisation of intangible assets	255,626	233,279
Taxation	3,532,458	3,693,161
Net interest income	(24,510,332)	(23,863,032)
Other	37,037	(156,232)
	<u>(7,321,812)</u>	<u>(6,592,071)</u>
Changes in operating assets and liabilities		
Loans	(13,656,800)	(14,297,454)
Deposits	7,331,390	22,398,728
Policyholders reserve	295,611	1,334,001
Securities sold under repurchase agreement	5,025,401	(3,885,503)
Financial Assets at fair value through profit and loss	(165,680)	(335,126)
Interest received	30,873,949	30,326,786
Interest paid	(6,126,822)	(6,204,247)
Taxation paid	(3,988,880)	(4,559,206)
Other	(11,461,416)	(11,989,077)
	<u>804,941</u>	<u>6,196,831</u>
Cash flows provided by / (used in) investing activities		
Investments and pledged assets	5,497,243	7,830,969
Purchase of property, plant, equipment and intangibles	(1,170,390)	(571,965)
Proceeds on sale of property, plant and equipment	6,094	227,704
	<u>4,332,947</u>	<u>7,486,708</u>
Cash flows used in financing activities		
Dividends paid	(5,153,675)	(5,153,675)
	<u>(5,153,675)</u>	<u>(5,153,675)</u>
Effect of exchange rate on cash and cash equivalents	2,293,145	3,192,489
Net change in cash and cash equivalents	2,277,358	11,722,353
Cash and cash equivalents at beginning of period	43,106,670	31,384,317
Cash and cash equivalents at end of year	45,384,028	43,106,670
Represented by :		
Cash resources	82,482,561	74,882,563
Less statutory reserves at Bank of Jamaica	(20,019,688)	(20,363,517)
Less amounts due from other banks greater than ninety days	(21,551,509)	(14,402,336)
Less accrued interest on cash resources	(56,872)	(9,027)
Pledged assets and repurchase agreements assets less than ninety days	6,260,582	4,607,093
Cheques and other instruments in transit, net	(1,731,046)	(1,608,106)
CASH AND CASH EQUIVALENTS AT END OF YEAR	45,384,028	43,106,670

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

October 31, 2014

<i>(\$ Thousands)</i>	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	3,240,169	15,806,392	6,357,492	4,231,670	4,583,861	1,217,174	-	35,436,758
Revenues from other segments	(480,633)	(785,997)	1,160,390	(64,084)	164,980	10,574	(5,230)	-
Total Revenues	2,759,536	15,020,395	7,517,882	4,167,586	4,748,841	1,227,748	(5,230)	35,436,758
Expenses	(364,199)	(12,007,534)	(5,758,846)	(1,619,173)	(1,795,717)	(35,983)	(204,249)	(21,785,701)
Profit Before Tax	2,395,337	3,012,861	1,759,036	2,548,413	2,953,124	1,191,765	(209,479)	13,651,057
Taxation								(3,532,458)
Profit for the year								10,118,599

Consolidated Balance Sheet

<i>(\$ Thousands)</i>	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	100,479,999	90,019,053	69,792,560	72,314,291	54,035,771	26,453,962	(19,100,285)	393,995,351
Unallocated assets								13,034,911
Total Assets								407,030,262
Segment liabilities	8,976,846	111,156,905	104,573,035	58,673,598	44,064,366	180,220	(10,485,719)	317,139,251
Unallocated liabilities								11,187,948
Total liabilities								328,327,199
Other Segment items:								
Capital Expenditure	-	592,101	530,753	25,828	21,708	-	-	1,170,390
Impairment losses on loans	-	1,551,628	58,422	(6,969)	-	-	-	1,603,081
Depreciation and amortisation	-	313,469	156,141	264,826	9,978	-	-	744,414

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

October 31, 2013

Restated

(\$ Thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	3,994,553	14,841,254	6,140,309	4,362,579	4,255,241	1,660,762	-	35,254,698
Revenues from other segments	(1,150,317)	(464,939)	1,475,811	(3,938)	137,641	7,141	(1,399)	-
Total Revenues	2,844,236	14,376,315	7,616,120	4,358,641	4,392,882	1,667,903	(1,399)	35,254,698
Expenses	(251,087)	(11,271,090)	(6,000,388)	(1,562,118)	(1,348,437)	(28,813)	(206,898)	(20,668,831)
Profit Before Tax	2,593,149	3,105,225	1,615,732	2,796,523	3,044,445	1,639,090	(208,297)	14,585,867
Taxation								(3,693,161)
Profit for the year								10,892,706

Consolidated Balance Sheet

(\$ Thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	94,280,448	84,383,754	63,912,978	73,746,560	51,983,533	26,684,543	(16,810,610)	378,181,206
Unallocated assets								11,079,298
Total Assets								389,260,504
Segment liabilities	2,525,000	103,800,509	104,058,101	61,254,671	43,385,480	251,782	(8,457,257)	306,818,286
Unallocated liabilities								9,961,438
Total liabilities								316,779,724
Other Segment items:								
Capital Expenditure	-	197,807	317,639	25,381	31,138	-	-	571,965
Impairment losses on loans	-	1,071,273	39,657	(97,554)	-	-	-	1,013,376
Depreciation and amortisation	-	332,513	185,250	246,719	12,866	-	-	777,348

SCOTIA GROUP JAMAICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34, 'Interim financial reporting'. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended October 31, 2013, which was prepared in accordance with International Financial Reporting Standards, except for the adoption of relevant new standards and interpretations effective as of January 1, 2013. These financial statements are presented in Jamaican dollars, which is the Group's functional currency.

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

IAS 19, Employee benefits - On 1 November 2013, the Group adopted IAS 19 (Revised), 'Employee benefits', (effective for annual periods beginning on or after January 1, 2013). IAS 19 (Revised) requires the elimination of the corridor approach and recognition of all actuarial gains and losses in other comprehensive income as they occur. It also immediately recognises all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. The Group has applied this standard retrospectively in accordance with the transition provisions of the standard and the impact on the Group is illustrated in note 9.

IFRS 10, Consolidated Financial Statements, (effective for annual reporting periods beginning on or after 1 January 2013), introduces a new approach to determining which investees should be consolidated. It was issued as part of a suite of consolidation and related standards, also replacing existing requirements for joint ventures (now 'joint arrangements') and making limited amendments in relation to associates. IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities, and provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. An investor controls an investee when (i) it is exposed, or has rights, to variable returns from its involvement with the investee, (ii) has the ability to affect those returns through its power over the investee and (iii) there is a link between power and returns. This standard did not have any significant effect on the interim financial statements.

Improvements to IFRS 2009-2011 cycle contains amendments to certain standards and interpretations (effective for accounting periods beginning on or after January 1, 2013). The main amendments applicable to the group are as follows:

- *IAS 1, Presentation of Financial Statements*, has been amended to clarify that only one comparative period, which is the preceding period, is required for a complete set of financial statements. IAS 1 requires the presentation of an opening statement of financial position when an entity applies an accounting policy retrospectively or makes a restatement or reclassification. IAS 1 has been amended to clarify that (a) the opening statement of financial position is required only if a change in accounting policy, a restatement or a reclassification has a material effect upon the information in that statement of financial position; (b) except for the disclosures required under IAS 8, notes related to the opening statement of financial position are no longer required; and (c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented.

2. Basis of presentation (continued)

Improvements to IFRS 2009-2011 cycle amendments (continued) :

- *IAS 16, Property, Plant and Equipment*, has been amended to clarify that the definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether spare parts, standby equipment and servicing equipment should be accounted for under the standard. If these items do not meet the definition, then they are accounted for using IAS 2, Inventories.
- *IAS 32, Financial Instruments: Presentation*, has been amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.
- *IAS 34, Interim Financial Reporting*, has been amended to require the disclosure of a measure of total assets and liabilities for a particular reporting segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

The Group has applied the disclosure requirements of this standard where applicable.

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.

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.

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4. Pledged Assets

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

(\$ Thousands)

	<u>2014</u>	<u>2013</u>
Investments pledged as collateral for securities sold under repurchase agreements	54,839,346	39,459,542
Capital Management and Government Securities funds	9,018,771	10,252,065
Securities with regulators, clearing houses and other financial institutions	<u>533,963</u>	<u>9,317,249</u>
	<u>64,392,080</u>	<u>59,028,856</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 reprice 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.

9. Employee benefits

The Group operates both defined benefit and defined contribution pension plans. The assets of the plans are held in separate trustee-administered funds. The pension plans are funded by contributions from employees and by the relevant group companies, taking into account the recommendations of qualified actuaries.

Defined Benefit Plan:

The asset or liability in respect of the defined benefit plan is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of plan assets.

SCOTIA GROUP JAMAICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. Employee benefits

Defined Benefit Plan (continued):

Where a pension asset arises, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The pension costs are assessed using the Projected Unit Credit Method. Under this method, the cost of providing pensions is charged as an expense 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, who carry out a full valuation of the plan every year in accordance with IAS 19. Re-measurements comprising actuarial gains and losses, return on plan assets and change in the effect of asset ceiling are reported in other comprehensive income. The pension obligation is measured as the present value of the estimated future benefits of employees, in return for service in the current and prior periods, using estimated discount rates based on market yields on Government securities which have terms to maturity approximating the terms of the related liability.

Other post-retirement obligations:

The Group also provides health, dental and life insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the completion of a minimum service period and the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by qualified independent actuaries.

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

Financial impact of the adoption of revised IAS 19:-

IAS 19 (revised) has been adopted retrospectively in accordance with IAS 8. Consequently, the prior period financial statements were restated to show the effect of these changes on the statement of revenue and expenses, statement of financial position and the statement of comprehensive income as follows:

	Restated Quarter ended October 31, 2013 \$'000	Restated Year ended October 31, 2013 \$'000
<u>Statement of Revenue and Expenses:</u>		
Net profit, as previously reported	3,216,956	11,924,854
Adjustments for actuarial gains previously reported in profit	(1,249,536)	(1,548,222)
Deferred tax thereon	<u>416,512</u>	<u>516,074</u>
Net profit, restated	<u>2,383,932</u>	<u>10,892,706</u>
<u>Other comprehensive income:</u>		
Other comprehensive income, as previously reported	(106,823)	(1,529,359)
Re-measurement of defined benefit plan/obligations	1,370,946	1,993,735
Deferred tax thereon	<u>(456,982)</u>	<u>(664,578)</u>
Other comprehensive income, restated	<u>807,141</u>	<u>(200,202)</u>
<u>Total comprehensive income:</u>		
Total comprehensive income, as previously reported	3,110,133	10,395,495
Re-measurement of defined benefit plan/obligations	121,410	445,513
Deferred tax thereon	<u>(40,470)</u>	<u>(148,504)</u>
Total comprehensive income, restated	<u>3,191,073</u>	<u>10,692,504</u>

SCOTIA GROUP JAMAICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. Employee benefits (continued)

Adoption of revised IAS 19 (continued):-

	Restated October 31, 2013 \$'000	Restated October 31, 2012 \$'000
<u>Statement of Financial Position:</u>		
Retirement benefit asset, as previously reported	10,065,469	8,113,770
Effect of re-measurement of defined benefit plan	<u>(45,300)</u>	<u>(67,616)</u>
Retirement benefit asset, restated	<u>10,020,169</u>	<u>8,046,154</u>
Retirement benefit obligations, as previously reported	2,848,375	2,341,321
Effect of re-measurement of post retirement obligations	<u>376,436</u>	<u>799,633</u>
Retirement benefit obligations, restated	<u>3,224,811</u>	<u>3,140,954</u>
Deferred taxation as previously reported	3,179,118	2,938,163
Tax effect of re-measurement of retirement benefit asset/obligations	<u>(140,579)</u>	<u>(289,083)</u>
Deferred taxation, restated	<u>3,038,539</u>	<u>2,649,080</u>
Unappropriated profit, as previously reported	43,042,579	39,327,555
Effect of re-measurement of retirement benefit asset/obligations	<u>(281,157)</u>	<u>(578,166)</u>
Unappropriated profit, restated	<u>42,761,422</u>	<u>38,749,389</u>

10. Litigation

During the period, The Bank of Nova Scotia Jamaica Limited ("BNSJ"), a subsidiary of Scotia Group Jamaica Limited, settled the claim filed in April 1999 against Scotiabank Jamaica Investment Management Limited (SJIM) for breach of contract and negligent performance of a letter of undertaking issued by SJIM in May 1997.

11. 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.