



# MEDIA RELEASE

November 28, 2014

## SCOTIA INVESTMENTS REPORTS ANOTHER YEAR OF SOLID RESULTS

### FISCAL 2014 HIGHLIGHTS

- **Net income available to common shareholders of \$1.79 billion**
- **Earnings per share of \$4.23**
- **Return on Average Equity of 13.59%**
- **Productivity ratio of 38.85%**
- **Fourth quarter dividend of 45 cents per share**

Scotia Investments Jamaica Limited (SIJL) today reported its financial results for the year ended October 31, 2014. Net income for the year was \$1.79 billion, down \$205 million from the last year. Net income for the quarter was \$450 million, down \$54 million from the previous quarter, and \$123 million from the corresponding quarter last year.

Earnings per share (EPS) for the year were \$4.23 compared to \$4.71 for last year. The Return on Average Equity (ROE) was 13.59%, down from 16.55% reported last year.

The Board has approved an interim dividend of 45 cents per stock unit, payable on January 13, 2015, to stockholders on record as at December 18, 2014.

Lissant Mitchell, CEO of Scotia Investments said, “The solid results recorded for 2014 were achieved against the background of our commitment to one of our core long term strategic objectives: to grow our unit trust, mutual funds and asset management business. As at October 31, 2014, total funds under management stood at \$151 billion, of which \$96 billion or 64% represents the off-balance portfolio, compared to 60% last year, and 50% five years ago. This is a noteworthy achievement, as the Scotia Premium Money Market Fund grew to \$10 billion in three years. For 2014, our funds managed through the unit trusts and mutual funds increased by 17% year over year, due to both growth in volume and appreciation in value of the funds.

Continuing into the new financial year, SIJL remains steadfast to working assiduously to identify innovative product solutions to fulfil the needs of our diverse client base. Our team is dedicated to delivering excellent client service and to drive value for our various stakeholders.”



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 was \$4.17 billion, a reduction of \$281 million relative to prior year. Total Operating Income for the quarter of \$986 million was down \$233 million over the corresponding quarter last year.

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

Net interest income after impairment losses for the year was \$2.29 billion, down \$519 million or 18% below last year. Net interest income for the quarter of \$499 million was down \$81 million or 14% below the last quarter.

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

Non-interest income, which includes fee income, securities trading gains and net foreign exchange trading income, was \$1.89 billion for the year, up \$237 million or 14%; and \$487 million for the quarter, down \$61 million compared with the last quarter.

## OPERATING EXPENSES AND PRODUCTIVITY

Our productivity ratio (operating expenses/total revenue) – an important measure of cost efficiency – was 38.85% at the end of the year, compared to 35.84% recorded for the prior year.

Total operating expenses for the period were \$1.62 billion, up \$33 million or 2% compared to period last year; \$364 million for the quarter, down \$32 million or 8% over last quarter. The company continues to proactively manage operating expenses, which is one of our strategic imperatives.

## BALANCE SHEET

Total assets of \$72 billion which has reduced by \$1.4 billion compared to last year. This is consistent with our strategic initiative to focus on the growth of our unit trusts and mutual fund portfolios.

## OFF BALANCE SHEET HIGHLIGHTS

Assets under management including the company's custody book were \$138 billion as at the October 31, 2014, an increase of \$20 billion or 17%.

## CAPITAL

The strength of our capital base is evident with total shareholders' equity standing at \$13.6 billion as at October 31, 2014, an increase of \$1.15 billion or 9% compared to last year. We continue to exceed our regulatory capital requirement. At the end of the year, our capital adequacy ratio remained solid at 40% above the 10% statutory requirement. Our strong capital position also enables us to take advantage of future growth opportunities.

## **NON-FINANCIAL HIGHLIGHTS**

### **Investor Education and Client Loyalty**

The 4<sup>th</sup> quarter saw the Scotia Investments team focusing its thrust on investor education and client loyalty building initiatives. Our sponsorship of the Jamaica Stock Exchange Investor Education Week focused on the Investment industry and its contribution to the growth agenda of the island. SIJL also hosted an Economic Seminar featuring international guest speaker, Nick Chamie, Head of International Investments, Scotiabank Canada. We also partnered with Scotiabank Group in the celebration of its 125<sup>th</sup> anniversary in August, and invited clients to attend various events throughout this period and meet executives both local and regional Scotiabank executives.

### **Philanthropy**

The SIJL team, as a part of the Scotia Wealth Management Division, supported the staging of the TrenchTown Reading Centre Annual Spelling Bee Competition, which saw more than 80 children aged 5-16 contending for the coveted first-place spot in their respective categories. The Trench Town Reading Centre is a complete nonprofit community library and education centre in the community of Trenchtown and Scotia Investments has supported it for the past six years.

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 year ended	
	October 2014	July 2014	October 2013	October 2014	October 2013
<b>Unaudited (\$000's)</b>					
<b>GROSS OPERATING INCOME</b>	<b>1,537,474</b>	<b>1,730,070</b>	<b>1,660,985</b>	<b>6,397,188</b>	<b>6,401,466</b>
Interest income	1,049,926	1,181,086	1,170,827	4,514,571	4,755,855
Interest expense	(551,766)	(604,258)	(477,522)	(2,229,602)	(2,042,826)
Net Interest Income	498,160	576,828	693,305	2,284,969	2,713,029
Impairment losses on loans	410	2,933	36,135	6,969	97,554
Net interest income after impairment losses	498,570	579,761	729,440	2,291,938	2,810,583
Net fee and commission income	273,804	239,199	260,431	953,479	936,515
Net foreign exchange trading income	10,778	38,328	72,870	134,008	256,000
Net gains on financial assets	201,231	266,041	152,248	777,572	425,511
Other revenue	1,735	5,416	4,609	17,558	27,585
	<b>487,548</b>	<b>548,984</b>	<b>490,158</b>	<b>1,882,617</b>	<b>1,645,611</b>
<b>TOTAL OPERATING INCOME</b>	<b>986,118</b>	<b>1,128,745</b>	<b>1,219,598</b>	<b>4,174,555</b>	<b>4,456,194</b>
<b>OPERATING EXPENSES</b>					
Salaries and staff benefits	212,880	200,261	199,775	855,081	834,697
Property expenses, including depreciation	38,794	34,982	34,034	139,851	132,579
Amortisation of intangible assets	-	21	31	84	133
Other operating expenses	112,220	160,415	213,635	631,125	692,263
	<b>363,894</b>	<b>395,679</b>	<b>447,475</b>	<b>1,626,141</b>	<b>1,659,672</b>
<b>PROFIT BEFORE TAXATION</b>	<b>622,224</b>	<b>733,066</b>	<b>772,123</b>	<b>2,548,414</b>	<b>2,796,522</b>
Taxation	(172,488)	(228,970)	(199,173)	(758,748)	(801,987)
<b>PROFIT FOR THE YEAR</b>	<b>449,736</b>	<b>504,096</b>	<b>572,950</b>	<b>1,789,666</b>	<b>1,994,535</b>
<b>PROFIT AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY</b>	<b>449,736</b>	<b>504,096</b>	<b>572,950</b>	<b>1,789,666</b>	<b>1,994,535</b>
Earnings per stock unit - Basic (cents)	106	119	135	423	471
Return on average equity (annualized)	13.29%	15.28%	18.59%	13.59%	16.55%
Productivity ratio	36.88%	34.89%	34.76%	38.85%	35.84%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the three months ended			For the year ended	
	October 2014	July 2014	October 2013	October 2014	October 2013
<b>Unaudited (\$000's)</b>					
<b>Profit for the year</b>	449,736	504,096	572,950	1,789,666	1,994,535
<b>Other comprehensive income</b>					
<b>Items that may be subsequently reclassified to profit or loss</b>					
Unrealised gains/(losses) on available for sale securities	(4,750)	(53,711)	(67,746)	87,062	(61,168)
Realised (gains) losses on available for sale securities	(30,716)	54,267	-	32,883	(30,849)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	13,312	182,680	(2,288)	115,912	(33,013)
	(22,154)	183,236	(70,034)	235,857	(125,030)
Taxation	(19,047)	(52,338)	13,907	(135,547)	(12,152)
<b>Other comprehensive income (loss), net of tax</b>	(41,201)	130,898	(56,127)	100,310	(137,182)
<b>Total comprehensive income for the year</b>	408,535	634,994	516,823	1,889,976	1,857,353
<b>TOTAL COMPREHENSIVE INCOME AFTER TAXATION ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY</b>	408,535	634,994	516,823	1,889,976	1,857,353

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Year ended October 31	Year ended October 31
Unaudited (\$000's)	2014	2013
<b>ASSETS</b>		
<b>CASH RESOURCES</b>	2,924,484	1,978,865
<b>INVESTMENTS</b>		
Financial assets at fair value through profit and loss	527,338	253,305
Securities available-for-sale	5,415,017	5,180,082
	<u>5,942,355</u>	<u>5,433,387</u>
<b>PLEGGED ASSETS</b>	59,419,866	62,860,190
<b>LOANS, AFTER MAKING PROVISIONS FOR LOSSES</b>	110,226	79,997
<b>OTHER ASSETS</b>		
Customers' liability under guarantees	2,837,844	2,326,594
Taxation recoverable	752,557	808,992
Other assets	212,209	114,562
Property, plant and equipment at cost, less depreciation	30,464	49,480
Intangible assets	84,202	60,144
Deferred taxation	83	34,349
	<u>3,917,359</u>	<u>3,394,121</u>
<b>TOTAL ASSETS</b>	<b>72,314,290</b>	<b>73,746,560</b>
<b>LIABILITIES</b>		
<b>CAPITAL MANAGEMENT ACCOUNTS &amp; GOVERNMENT SECURITIES FUND</b>	13,003,074	13,018,564
<b>OTHER LIABILITIES</b>		
Guarantees issued	2,837,844	2,326,594
Liabilities under repurchase agreements	42,022,859	44,865,128
Other liabilities	639,115	550,213
Taxation payable	64,614	477,976
Deferred taxation	106,092	719
Assets held in trust on behalf of participants	-	15,477
	<u>45,670,524</u>	<u>48,236,107</u>
<b>STOCKHOLDERS' EQUITY</b>		
Share capital	1,911,903	1,911,903
Cumulative remeasurement result from available-for-sale financial assets	(61,519)	(161,829)
Capital reserve	22,075	22,075
Reserve for own shares	-	(20,578)
Unappropriated profits	11,768,233	10,740,318
	<u>13,640,692</u>	<u>12,491,889</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>72,314,290</b>	<b>73,746,560</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
<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	-	-	-	-	1,994,535	1,994,535
<b>Other comprehensive income:</b>						
Unrealised losses on available-for-sale securities, net of taxes	-	(43,261)	-	-	-	(43,261)
Realised gains on available-for-sale securities	-	(20,566)	-	-	-	(20,566)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	-	(73,355)	-	-	-	(73,355)
Total other comprehensive income	-	(137,182)	-	-	-	(137,182)
<b>Total comprehensive income for the year</b>	-	(137,182)	-	-	1,994,535	1,857,353
<b>Other equity transactions:</b>						
Dividends paid	-	-	-	-	(761,751)	(761,751)
Movement in ESOP reserve	-	-	-	22,228	-	22,228
<b>Balance as at 31 October 2013</b>	1,911,903	(161,829)	22,075	(20,578)	10,740,318	12,491,889
<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	-	-	-	-	1,789,666	1,789,666
<b>Other comprehensive income:</b>						
Unrealised gains (losses) on available-for-sale securities, net of taxes	-	64,945	-	-	-	64,945
Realised (gains) losses on available-for-sale securities	-	5,117	-	-	-	5,117
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables	-	30,248	-	-	-	30,248
Total other comprehensive income	-	100,310	-	-	-	100,310
<b>Total comprehensive income for the year</b>	-	100,310	-	-	1,789,666	1,889,976
<b>Other equity transactions:</b>						
Dividends paid	-	-	-	-	(761,751)	(761,751)
Movement in ESOP reserve	-	-	-	20,578	-	20,578
<b>Balance as at 31 October 2014</b>	1,911,903	(61,519)	22,075	-	11,768,233	13,640,692

CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS

Unaudited (\$000's)	Year ended October 31	Year ended October 31
	2014	2013
<b>Cash flows used in operating activities</b>		
Profit for the year	1,789,666	1,994,535
Adjustments to net income:		
Depreciation	16,575	20,192
Amortisation of intangible assets	84	134
Impairment losses on loans	(6,969)	(97,554)
Other, net	(1,522,094)	(1,906,424)
	277,262	10,883
Changes in operating assets and liabilities		
Pledged assets	1,747,475	5,272,017
Securities sold under repurchase agreements	(2,937,178)	(776,165)
Financial assets at fair value through profit and loss	(271,082)	(77,959)
Other, net	732,384	1,106,572
	(451,139)	5,535,348
<b>Cash flows provided by/(used in) investing activities</b>		
Investment securities	37,239	(1,096,127)
Movement in ESOP	20,578	22,227
Property, plant and equipment, Intangibles, net	(25,829)	(13,958)
	31,988	(1,087,858)
<b>Cash flows used in financing activities</b>		
Dividends paid	(761,751)	(761,751)
	(761,751)	(761,751)
Effect of exchange rate on cash and cash equivalents	519,734	362,319
Net change in cash and cash equivalents	(661,168)	4,048,058
Cash and cash equivalents at beginning of year	9,545,442	5,497,384
	8,884,274	9,545,442
<b>Cash and cash equivalents at end of the year</b>		
<b>Represented by:</b>		
Cash resources	2,924,484	1,978,865
Less: accrued interest on cash resources	(793)	(987)
Reverse repurchase agreements and other investments less than ninety days	5,960,583	7,567,564
	8,884,274	9,545,442



**Scotia Investments Jamaica Limited**  
**Notes to the Consolidated Financial Statements**  
**October 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**  
**October 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	32,319,158	39,459,542	28,567,997	35,194,054
Other financial institutions	14,092,366	10,186,210	13,454,861	9,671,074
Capital management fund and government securities fund	13,008,342	13,214,438	13,003,074	13,018,564
	<u>59,419,866</u>	<u>62,860,190</u>	<u>55,025,932</u>	<u>57,883,692</u>

**5. Loan loss provision**

IFRS loan loss provision is established on the difference between the carrying amount and the recoverable amount of loans. The recoverable amount being the present value of expected future cash flow, discounted based on the interest rate at inception or the last re-price date of the loan. Regulatory loan loss provisioning requirements that exceed these amounts are maintained within a loan loss reserve in the equity component of the balance sheet.

**6. Deferred taxation**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

**7. Property, plant and equipment**

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment loss.

**8. Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bank of Jamaica, amounts due from other banks, and highly liquid financial assets with original maturities of less than three months, which are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in their fair value.

**9. Managed funds**

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties. This involves the group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

The subsidiary, Scotia Asset Management (Jamaica) Limited also manages funds on a non-recourse basis, on behalf of investors. The Group has no legal or equitable right or interest in these funds and accordingly, they have been excluded from the financial statements.

At 31 October 2014, the Group had financial assets under administration of \$138,167,3686,000 (2013: \$118,260,892,000).

