# Executive Management Committee
- Scotia Group Jamaica Ltd.

**Jacqueline Sharp**
*President & CEO*

Jacqueline Sharp is the President & CEO of Scotia Group Jamaica Limited since September 1, 2013. Prior to being appointed President & CEO, she was the Chief Financial Officer and Chief Administration Officer for the Group with responsibility for financial and regulatory reporting, financial risk management, strategic planning, legal, compliance and oversight of the Systems Support Centre. Jackie has had a range of experience within the Group, since joining in 1997, including establishing the Private Banking Unit and successfully leading Scotia Jamaica Life Insurance Company Limited.

Jackie serves as a member of several Boards including Scotia Group Jamaica Limited, The Bank of Nova Scotia Jamaica Limited, Scotia Investments Jamaica Limited, The Scotia Jamaica Building Society, Scotia Jamaica Life Insurance Company Limited, Scotia Jamaica Microfinance Company Limited and Chair of the Board of Trustees of the Pension Plan for The Bank of Nova Scotia Jamaica Limited.

Jackie holds a BSc (Honours) in Accounting from the University of the West Indies, is a CFA Charter Holder and has successfully completed the Certified Public Accountant (CPA) examinations.

**Monique French**
*Senior Vice-President*
*Credit Risk Management*

As the Senior Vice-President - Credit Risk Management, Monique French is responsible for the structure, risk profile, and quality of the retail, small business, commercial and corporate credit portfolios of Scotiabank Group.

Monique possesses over a decade of experience in Corporate Banking, Treasury & Derivatives, Credit & Market Risk Management, and Policy & Governance. During her career, she has held Executive positions in Risk Management and Treasury, and has led or served on industry and private sector committees/boards.

Monique holds a BSc Accounting Degree (First Class Honours) from the University of the West Indies, and an MBA from the Richard Ivey Business School, University of Western Ontario, Canada. She has completed the Canadian Securities Course and Financial Risk Manager (FRM) Program, is a CFA Charter holder, and an IBM Scholar. Monique has represented Jamaica at the national level in sports and currently serves as a Justice of the Peace for Kingston.

Monique is a member of the Asset and Liability Committee (ALCO) & Investment Committees within the Scotiabank Group.

**Wayne Henry**
*Vice-President*
*Government Affairs*

On September 1, 2011 Dr. Wayne Henry joined Scotiabank Group Jamaica as Vice-President, Government Affairs. In this capacity, he plays an important role in strategically managing Scotiabank's public sector relationships and public policy priorities, providing advice and counsel to the Group, liaising with governments and multilateral institutions in Jamaica and other regional jurisdictions, and monitoring the policy environment for developments that would impact the banking and financial sector.

Wayne is qualified to the doctoral level in Agricultural and Development Economics from the Ohio State University. He also holds a BSc in Economics and Management from the University of the West Indies, an MBA in Finance from Howard University, and an MA in Economics from the Ohio State University.

**Patsy Latchman-Atterbury**
*Vice-President*
*Small and Medium Enterprises*

Patsy Latchman-Atterbury joined Scotiabank in September 2007 with 13 years of General Management experience. She is the Vice-President in charge of Small & Medium Enterprises (SMEs); a strategy growth area of the Group. Under her stewardship, the Bank has positioned itself not only as provider of financing facilities but as a vehicle to provide learning opportunities for SMEs to build their management capacity especially focusing on proper record keeping and best practices in business.

Patsy has held key roles in a leading regional manufacturing and distribution company in the Caribbean for 15 years, including a dynamic 13-year General Management career in the fiercely competitive consumer retail marketplace in Jamaica. It was during this time that she honed her experience in small business and entrepreneurship. She was also one of a four member regional team set up to assess trade opportunities in Central America.

She holds a BSc in Management Studies (Honours) and an Executive MBA (Distinction) in Business Administration from the University of the West Indies. Graduating at the top of her EMBA cohort, she represents a combination of practical business acumen, academia and banking.

**Michael McAnuff- Jones**
*Senior Vice-President*
*Human Resources*

Michael McAnuff-Jones has held key roles across the company, including Assistant General Manager - Operations, and is currently Senior Vice-President - Human Resources, Scotiabank Group.

He completed undergraduate studies in Banking at University of Technology and holds a MSc in Social Sciences from the University of Leicester, and a MBA (Distinction) from the Manchester Business School/University of Wales. He is a graduate of the Executive Human Resource Management programme of the University of Michigan, a graduate Associate of both the UK Chartered Institute of Bankers (ACIB), and the Institute of Chartered Secretaries and Administrators (ACIS).

Michael is a Director of the Scotiabank Jamaica Foundation and is Chairman of the ScotiaBRIDGE Board of Trustees. He serves the wider community as President of the Human Resource Management Association of Jamaica, Chair of the Jamaica Institute of Financial Services and the Jamaica Bankers Association's Education Committee. He also serves as a Director of the UWI Career and Placement Board, Church Services, MIND, and the Hope Gardens/Nature Preservation Foundation.

# Executive Management Committee (cont'd)
- Scotia Group Jamaica Ltd.

**Lissant Mitchell**
*Senior Vice-President*
*Wealth Management*
*& Chief Executive Officer*
*Scotia Investments Jamaica Limited*

Lissant Mitchell has over 20 years experience in the local financial industry. He joined Scotia Investments in October 2007 as Senior Vice-President Treasury & Capital Markets, was promoted to Chief Operating Officer in October 2010, and appointed Senior Vice-President, Wealth Management – Scotiabank Group Jamaica & Chief Executive Officer – Scotia Investments Jamaica Limited, on November 1, 2011.

Lissant has served as the President of the Primary Dealers Association and Secretary of the Jamaica Securities Dealers Association. Lissant also sits on the Scotiabank and Scotia Investments Asset & Liability Committees as well as the Group's Managed Funds Investment Committee. He is also a Director of Scotia Investments Jamaica Limited, Scotia Asset Management Jamaica Limited, Scotia Caribbean Income Fund, and the Jamaica Stock Exchange.

Lissant holds an MBA from the University of Manchester, and a BSc in Accounting and Economics from the University of the West Indies.

**Rosemarie Pilliner**
*Executive Vice-President*
*Operations & Shared Services*

Rosemarie Pilliner currently holds the position of Executive Vice-President, Operations and Shared Services. She has responsibility for Lending Services, Processing Support, Strategic Sourcing, Operations and Shared Services.

Rosemarie has extensive knowledge of Scotiabank's core operations. Her wide-ranging expertise spans varying positions within the organization, including management positions in central operations, Branch Manager and Assistant General Manager of the System Support Centre.

Rosemarie has benefited from several management training courses to hone her credit, leadership, operations and organization developmental skill sets. She is a member of the Board of Scotiabank Jamaica Foundation.

**H. Wayne Powell**
*Executive Vice-President*
*Retail Banking*

A career banker of many years, Wayne Powell is Executive Vice-President, Retail Banking with responsibility for the management of the Branch Network, Small and Medium Business Banking, Customer Experience and Non-Branch Sales. He also has oversight responsibilities for The Scotia Jamaica Building Society and Scotia Jamaica Microfinance Company Limited.

He is an Associate of the Chartered Institute of Bankers and has an MBA from Barry University, as well as Certificates in Marketing Management and Executive Management from the Ivey School of Business, University of Western Ontario.

Wayne is a Justice of the Peace, Chairman of the Scotiabank Jamaica Foundation and the Scotia Jamaica Microfinance Company Limited, and a member of other corporate boards. In 2010, Wayne was inducted as a Life Member of the *Cambridge Who's Who Registry of Executives, Professionals and Entrepreneurs*.

**Hugh Reid**
*President*
*Scotia Jamaica Life Insurance Co. Ltd.*

Hugh Reid has a wealth of experience in the financial sector and in his current capacity he is responsible for driving the growth and profitability of Scotia Jamaica Life Insurance Company Limited (SJLIC).

Prior to joining Scotiabank Group, Hugh held the post of Senior Vice-President & Chief Operating Officer at Victoria Mutual Building Society. He has also held executive level positions at National Housing Trust, Prime Life Assurance Company, and the former Life of Jamaica.

Hugh currently holds a MSc in Accounting and a BSc in Economics from the University of the West Indies. He is also a Fellow of the Life Management Institute (US), Institute of Chartered Accountants (Jamaica) and the Association of Chartered Certified Accountants (UK). Hugh is also a Fellow of the Jamaican Institute of Management in recognition of his sterling service to the private and public sectors as well as the Kiwanis movement. Hugh is currently President of the Insurance Association of Jamaica and serves on the Board of SJLIC.

**Norm Stevenson**
*Senior Vice-President*
*Corporate & Commercial Banking*

Norm Stevenson is a career banker with over 36 years of service with the Scotiabank Group. He joined Scotiabank Group Jamaica in November 2012 as Senior Vice-President, Corporate & Commercial Banking.

Norm has a wealth of banking experience and has held progressively senior leadership positions in branch banking; cash management and electronic banking services; corporate, commercial and mid-market banking; as well as merchant banking. His last position, prior to joining Scotiabank Group Jamaica, was as Regional Director, GTA Region at Roynat Capital, a wholly owned subsidiary of Scotiabank, who provides long-term capital solutions to its client base. During his tenure with Roynat, Norm played a key role in building the brand and team in the Greater Toronto Region.

Norm holds an MBA from Edinburgh Business School, Heriot Watt University.

**Monique Todd**
*Vice-President*
*Marketing, Public & Corporate Affairs*

Monique Todd leads the Marketing, Public & Corporate Affairs team with responsibility for formulating and directing the Group's marketing, public and corporate affairs strategies to improve brand equity, positioning, portfolio growth and revenue generation.

Monique has over 16 years experience in Marketing with 11 of those years specifically focused in the financial industry. She joined Scotiabank in 2006 as Senior Marketing Manager and during her tenure her role was expanded to Marketing Director for Wealth Management.

Monique holds a Bachelor of Business Administration, Honours from Wilfrid Laurier University in Ontario, Canada. Monique is the Co-Chair of the Jamaica Banker's Association Marketing & Public Relations Committee. She also serves as a member of the Bank's Service Management Committee and Product Pricing ALCO Committee; and Scotia Jamaica Life Insurance Company Limited's Investment Advisory Committee. She is also a Director of the Scotiabank Jamaica Foundation and a member of the Women's Leadership Initiative in Jamaica.

# Executive Management Committee (cont'd)
- Scotia Group Jamaica Ltd.

**Gary-Vaughn White**
*Vice-President*
*Treasury*

Gary-Vaughn White was appointed Vice-President Treasury effective February 1, 2012. In this role, he is responsible for the strategic management of the Group's treasury operations, investment and trading activities, foreign exchange trading activities, and Treasury Risk Management.

Gary-Vaughn is a career Scotiabanker who has worked in several subsidiaries across the Group. He has been the Senior Financial Analyst at Scotia Jamaica Life Insurance Company Limited; Manager in charge of Finance and Operations at The Scotia Jamaica Building Society, and Director, Treasury & Foreign Exchange Trading for The Bank of Nova Scotia Jamaica Limited. His breadth of experience is soundly undergirded by successful academic achievements which include a BSc in Actuarial Science and an MSc in Economics from the University of the West Indies.

**Gladstone Whitelocke**
*Vice-President Non-Branch Sales*
*& General Manager*
*The Scotia Jamaica Building Society*

Gladstone Whitelocke has been with Scotiabank for over 25 years with a career that has spanned Retail Banking, Loan Recoveries, Project Management, and Residential Mortgages. He also received extensive training overseas in the Domestic Bank, in the areas of Retail & Commercial Lending and Mortgages.

In his current role, Gladstone is responsible for the Group's mortgage loan business as well as retail business development in non-branch delivery channels.

He completed courses in Banking and Finance at the University of Technology, Certificates in Project Management and Sales Management from the University of New Orleans and holds an MBA (Finance) from Manchester Business School.

Gladstone currently serves on the Asset and Liability Committee of Scotia Group Jamaica Limited.

**Frederick Williams**
*Executive Vice-President*
*Chief Financial Officer &*
*Chief Administration Officer*

Frederick Williams was appointed to the position of Chief Financial Officer and Chief Administration Officer on October 21, 2013. Since 1999 he has held various management positions within Scotia Group Jamaica Limited and its subsidiaries which covered business analytics, finance, investments, strategic planning and risk management. Prior to assuming this role, he was assigned the Chief Financial Officer and Compliance Officer of Scotia Insurance Caribbean Limited in Barbados, with responsibility for developing and implementing the financial, regulatory and compliance framework of the Company.

Frederick holds a BSc (Honours) in Accounting from the University of the West Indies, and is a Fellow of the Association of Certified Chartered Accountants (FCCA) and a member of the Institute of Chartered Accountants of Jamaica.

He serves as a member of the Boards of Scotia Jamaica Microfinance Company Limited and Scotia Insurance Caribbean Limited.

# Management Discussion and Analysis
- Scotia Group Jamaica Ltd.

## Introduction

Scotia Group Jamaica Limited (Scotia Group) has delivered 124 unbroken years of high quality financial services to Jamaica, supported by a network of 38 banking and investment branches, 231 Automated Teller Machines and 2,326 employees. Our parent company, The Bank of Nova Scotia, is headquartered in Toronto, Canada.

We provide a broad range of financial services through our main subsidiaries to a wide base of personal, commercial, corporate and government clients across Jamaica.

## Our Environment

Scotia Group operated in a very challenging environment during the financial year with macroeconomic headwinds which directly impacted our profitability and more importantly, affected our customers. Jamaica's weak fiscal position led to an agreement with the International Monetary Fund (IMF) and other multilateral donor agencies to embark on an aggressive fiscal reform program in exchange for a four-year extended fund facility aimed at supporting the country.

The fiscal reform programme has largely been of a contractionary nature with the implementation of an aggressive tax package and a three year wage freeze for public sector workers. Also included in the reforms was the implementation of the National and Private Debt Exchange (NDX & PDX) programmes in which $860 billion of Government of Jamaica (GOJ) bonds were swapped for new bonds with longer maturities and lower coupons, allowing the Government to reduce its debt obligations by $17 billion over the next seven years. Scotia Group participated in this programme, exchanging securities totaling $119 billion and US$6 million, which resulted in an immediate loss on our Revenue and Expense Statement of $397 million, as well as ongoing lower income from investments.

On a micro level, business and consumer confidence indices in September 2013 were almost at record lows as consumers are faced with shrinking disposable incomes and the private sector expecting further declines in their profitability. The low confidence indices stem from general economic uncertainty related to six quarters of negative economic growth up to June 2013, point-to-point inflation (as at October 2013) of 10.33% and a decline year-over-year (to October 31, 2013) in the value of the Jamaican dollar against its US counterpart by 15.32%.

Notwithstanding these challenges, gross loans in institutions regulated by the Bank of Jamaica grew by 14.9% year-over-year as at September 2013, up from 14.2% growth seen at the same period last year. Deposits grew by 13.6%, up from 7% growth in the prior year. Among commercial banks as at September 2013, loans to the private sector increased by 15.5% or $22 billion while consumer loans increased by $31 billion or 23.8% year-over-year.

Credit quality remained strong with non-performing loans being 5.8% of total loans as at September 2013 down from 6.3% the prior year. This performance translated into a very competitive environment in which institutional aggression and consumer demand combined to keep lending rates relatively low. Year-over-year to October 2013, average lending rates to the commercial sector fell by 27 basis points (bps).

The collective investment industry (unit trusts and mutual funds) grew by 11.6% to US$711.7 million during the year to October 2013 as customers moved to diversify their portfolios while new life insurance premiums in the industry grew 10% over the same period.

## Services Provided

| | |
|---|---|
| The Bank of Nova Scotia Jamaica Limited | Deposits, Lending, Foreign Exchange and payment services |
| Scotia Jamaica Insurance Company Limited | Credit and Life Insurance, Retirement Accumulation and Payout |
| Scotia Investments Jamaica Limited | Investments, Structured Financing, Asset Management, Brokerage |
| The Scotia Jamaica Building Society | Mortgage Lending, Deposits |
| Scotia Jaamaica Microfinancing Company (CrediScotia) | Micro - Lending, Consumer Finance |

## At A Glance

Scotia Group delivered Net Profit available to common shareholders of $11.51 billion, with a strong return on average equity of 17.11%. These results, which translate to earnings per share of $3.70, up 13.5% over the previous year, were delivered as a result of our diversified business model, prudent risk management practices and our dynamic team of Scotiabankers who once again showed that our goal of making our customers financially better off is a winning one.

The Group remains one of the largest banking and financial service organizations in Jamaica, with assets of $389 billion and deposits held by the public of $183 billion as at October 31, 2013. Our growth was largely achieved through retail lending, including mortgages and our commercial deposit portfolios.

Our insurance business line continues to show growth in gross premium income, and the investment business line experienced strong growth in its unit trust and mutual funds as customers sought to diversify their portfolios.

Our growth was achieved within our risk tolerance levels due to strong management and oversight. Our provision for credit losses as a percentage of total loan portfolio was stable, despite strong loan growth as a result of increased focus on working with our customers through difficult times as well as strong collection and recovery activities.

### Financial Highlights

| | 31-Oct-2013 | 31-Oct-2012 |
|---|---|---|
| | $MILLIONS | $MILLIONS |
| Total Assets | 389,306 | 358,209 |
| Investments | 152,677 | 159,340 |
| Loans (net of provisions for losses) | 134,824 | 122,525 |
| Deposits by the public | 183,369 | 160,994 |
| Liabilities under repurchase agreements | | |
| and other client obligations | 55,607 | 59,559 |
| Policyholders' Fund | 43,014 | 41,680 |
| Shareholders' equity | 69,593 | 64,552 |
| Net Profit after tax | 11,925 | 10,575 |
| Return on equity | 17.11% | 16.11% |
| | | |
| Earnings per share (cents) | 370 | 326 |
| Dividend per share (cents) | 160 | 151 |

Scotia Group is committed to maintaining a solid capital base as we continue to exceed the regulatory capital requirement in all our business lines. We have reinvested 56.7% of our profit into the Group, growing our capital base by $5 billion during the year. This will ensure that we have a strong buffer to withstand market volatility, which gives our valued customers confidence that they are safe with us. A robust capital position also places us in a strategic position to take advantage of any future opportunities.

## Our Strategy

Our strategic priorities are the road map for our continued long-term success and are geared towards leveraging our team's strengths to meet the complex and dynamic needs of our customers, while generating sustainable and profitable growth across all our business lines.

Over the course of the last year, we have continued to execute well on our four strategic pillars:

### High Performance Culture

Our high performance culture is a source of competitive advantage and a key driver of our long-term success. During the period, identification and development of our talent source pool continued to be core areas of focus. We augmented and redeployed talent management tools and continued to develop defined competencies throughout our leadership team. We will continue to be deliberate about investing in our people and building on the foundations of our high performance culture.

## Sustainable Revenue Growth

The strength of our 2013 results demonstrates our commitment to delivering sustainable and profitable revenue growth. During the period, we continued to build market share in residential mortgages through targeted sales efforts and a series of well executed initiatives designed to increase our share of wallet in this segment. We also invested in technology and dedicated resources to strengthen collaboration across the Group and deliver integrated solutions for our customers' unique needs. In the coming year, we will continue to deepen relationships with our existing clients as well as penetrate new market segments with effective business models and innovative product offerings.

## Operational Efficiency

We continued to execute our hub strategy to create centers of excellence through the consolidation of key support functions across the Group and drive adoption of our alternative delivery channels which offer our clients more convenient, cost effective and secure ways of doing business with us. We focused our resources to drive adoption of our recently upgraded retail and business internet banking platforms and reengineered our processes to reduce duplication, eliminate waste and ultimately enhance the customer experience. We will continue to leverage our size and international footprint to drive efficiencies and tightly manage expense growth.

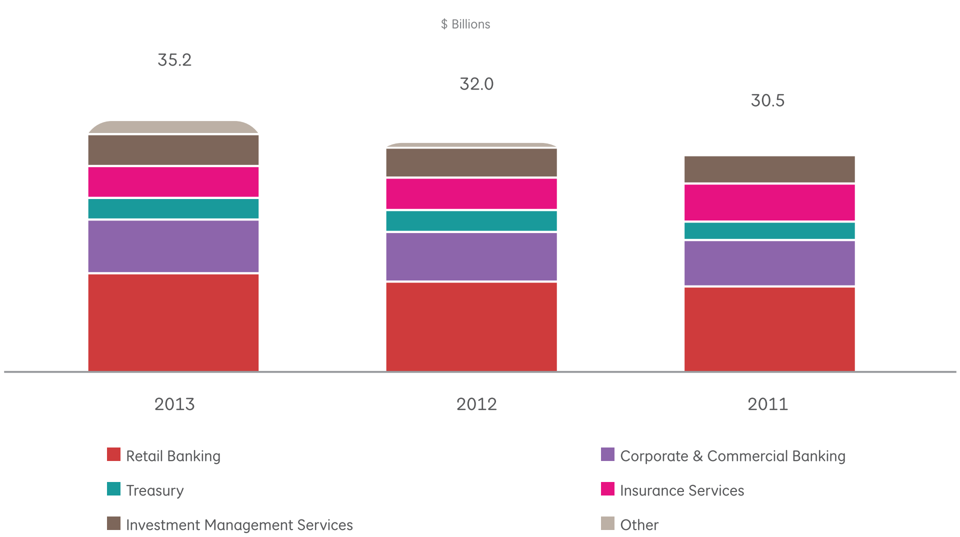
## Client Intimacy

During the period, we enhanced our service offering to meet the distinct needs of our mass affluent customer segment through the launch of Premium Banking and laid the groundwork for empowering staff to respond to customer complaints at the initial point of contact. We will continue to stay close to our customers, deepening relationships and building loyalty by delivering the right solutions, the best advice and a seamless experience across all entities within the Group.

Our strategy is grounded in our robust risk management culture where risks must be understood, measured and managed. Our risk management framework incorporates risk principles and risk appetite measures which guide the management of our business lines. We continued to strengthen our risk management framework and processes throughout the year.

We are confident about our strategic direction and our ability to execute based on our committed team and infrastructure which is supported by the global strength of Scotiabank and the strength of our capital base. Our strategy and business model will continue to guide us as we strive to remain the institution of choice in the Jamaican financial services sector.

**Revenues by Business Line**




# Group Financial Performance

## Total Revenue

Total revenue was $35.2 billion in 2013, an increase of 10% or $3.2 billion over the prior year. Our Retail and Corporate & Commercial Banking divisions had the largest percentage growth year-over-year with both registering 9% increases respectively. Our residential mortgage book grew by 33% or $4,700 million and retail loans grew by $4,488 million or 13% given strategic focus and strong marketing efforts. Average commercial deposits grew by 16% or $14,472 million respectively given strong inflows from large corporate clients. Revenues from our Investment Management business line increased by 6% as a result of foreign exchange trading gains

# Management Discussion and Analysis (cont'd)
- Scotia Group Jamaica Ltd.

## Group Financial Performance

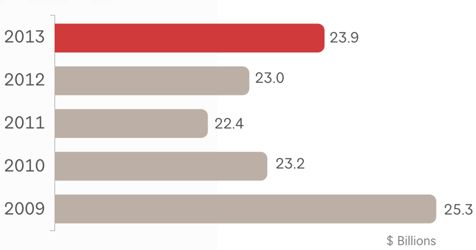
### Total Revenue (cont'd)

while our Insurance division registered a marginal increase in operating revenues as a result of lower earning assets in 2012. Our Treasury division remained flat year-over-year due mainly to lower earnings from our securities book as a result of our participation in the country's debt exchange programmes.

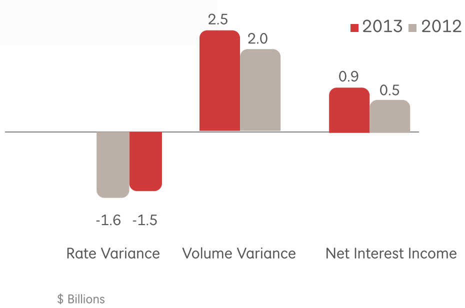
### Net Interest Income

We recorded net interest income of $23.9 billion in 2013, up $908 million from last year. The Group's average earning assets increased by 11% to $335.5 billion, while the net interest margin (net interest income as a percentage of average earning assets) declined relative to prior year by 50 basis points to 6.69%.

**Net Interest Income**




**Rate & Volume Analysis of Changes in Net Interest Income**

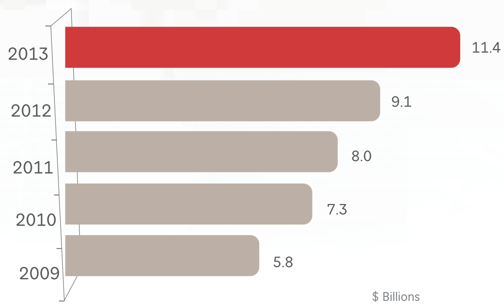



Our net interest margin was well managed during the year, as we experienced a reduction in asset yields resulting from the NDX and PDX, and competitive pressures which kept lending rates down. Year-over-year, the growth in volumes contributed a positive $2,543 million to the changes in net interest income, which more than offset the negative impact from declining asset yields of $1,635 million.

### Other Income

Other income, defined as all income other than interest income, was $11.4 billion for this year, up $2.3 billion or 25.0% over last year.

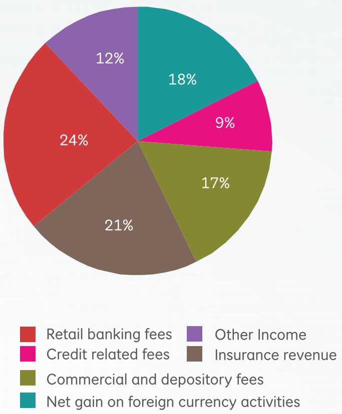
**Other Income**




We achieved growth in insurance fee income of $386.7 million, commercial and depository fees of $281 million and net retail banking fees of $246 million as a result of increased client acquisitions and greater transaction volumes.

We also achieved significant growth of $1,340 million in our net gains on foreign currency activity as a result of increased volatility in the foreign exchange market and a 15% devaluation of the Jamaican dollar over the past year.

**Other Income**




Despite a 10% growth in net loans on our books, credit related fees declined by 12% or $136 million year-over-year, due to increased competition in the retail and commercial lending market.

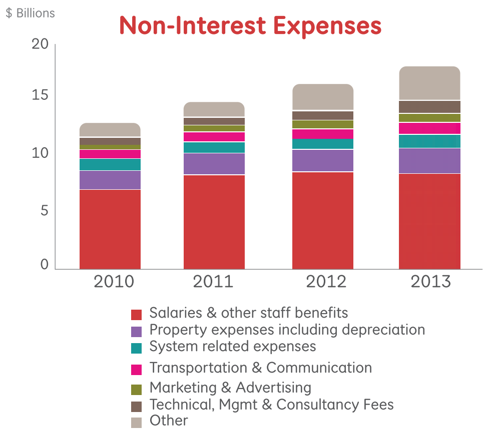
### Non-Interest Expenses

Non-Interest expenses for the year totaled $17,986 million, up $1,616.8 million or 9.9% over last year. We continued our focus on expense management during the year as we managed supplier relationships, consolidated support functions and reengineered processes to drive efficiency.

Our salaries and employee benefits costs, the largest component of our expenses, were $8,418 million, down $125 million or 1.5% over last year given an unusual increase in the pension and post retirement credit of $1.2 billion due to the changes in actuarial assumptions. If the credit were excluded, salaries and benefits costs would have increased by $1.06 billion (12%) primarily as a result of a contractual salary increases during the financial year.

Property expenses grew by $134 million or 6.5% over last year. In contrast, system related expenses rose by $409 million or 45% due to new projects and increased processing costs. Technical, management and consultancy fees grew by 32% due to increased product development and new business projects executed over the period. Marketing expenses increased by 11% or $80 million as a result of the increased activities to generate new business growth. Other expenses increased by $688 million or 29% over the past year largely due to costs related to the new asset tax policy as well as technology support to reduce card fraud.

Our productivity ratio, (total operating expense including loan loss provisions as a percentage of total revenue), increased to 53.89% from 53.69% in 2012. The decline in productivity in 2013 is attributable to the net effect of our growth in operating costs of 9.88% outpacing our growth in revenues of 9.68%.




## Taxation Charge ($'000)

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Profit Before Taxes** | **16,255,242** | **14,850,277** | **14,244,620** |
| Current Income Tax: | | | |
| Income tax calculated at 33 1/3% | 2,938,730 | 3,350,706 | 2,615,111 |
| Income tax calculated at 30% | 566,483 | 303,438 | 237,560 |
| Income tax calculated at 25% | 5,060 | | |
| Premium tax calculated at 3% | 121,152 | 141,866 | 112,800 |
| Investment Income tax calculated at 15% | 285,441 | 337,505 | 501,632 |
| Adjustment for (over)/under provision of prior years' charge | ( 68,671 ) | ( 2,772 ) | |
| | **3,848,195** | **4,130,763** | **3,467,103** |
| Deferred Income Tax | 482,192 | 144,423 | 159,862 |
| **Taxation Charge** | **4,330,387** | **4,275,186** | **3,626,965** |
| **Effective Tax Rate** | **26.6%** | **28.8%** | **25.5%** |

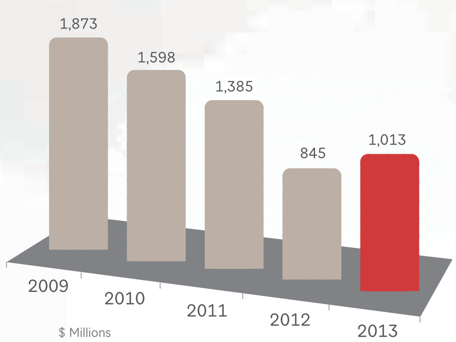
### Taxes
In 2013, our income tax expense was $4,330 million, up $55.2 million or 1.3% from last year. Our effective income tax rate declined from 28.79% in 2012 to 26.64% in 2013. This decrease was primarily due to reduction in the statutory income tax rates for our holding company which has a corporate income tax rate of 25% versus the rate for regulated entities within the Group at 30% and 33 $^{1}/_{3}$%.

### Credit Quality
Despite the challenging economy, our credit fundamentals improved as our loan portfolio reflected the impact of several strategies undertaken by the Group to mitigate our risk. We continued to proactively work with all customers challenged by the continued weak economic environment and tightly managed our past-due loans throughout the year.

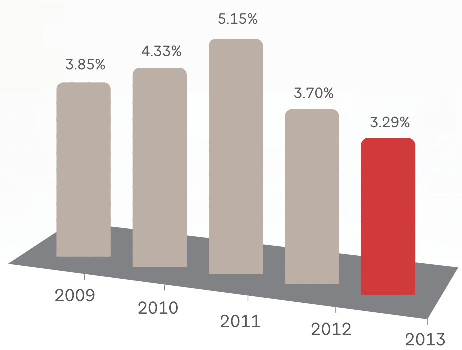
While impairment losses on loans booked during the year was $1,013 million, up $168 million or 19.86% from last year, the increase is due to the fact that in the prior year, significant recoveries on corporate loans created unusually low impairment losses. The longer term trend implies relative stability in reportable delinquency on the portfolio coupled with strong recoveries on non-performing loans as we continued our aggressive collections efforts during the year.

## Loan Loss Provision Analysis ($'000)

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Gross Loans | 136,544,450 | 124,526,150 | 101,992,844 |
| Non Accrual Loans | 4,491,384 | 4,551,026 | 5,257,217 |
| IFRS Loan Loss Provisions | 1,720,694 | 2,001,482 | 2,016,405 |
| Loan Loss Reserve | 2,781,066 | 2,299,390 | 2,251,257 |
| Total Regulatory Loan Loss Provision | 4,501,760 | 4,300,872 | 4,267,662 |
| IFRS Loan Loss Provision as a % of Gross Loans | 1.26% | 1.61% | 1.98% |
| IFRS Loan Loss Provision as a % of Non Accrual Loans | 38.31% | 43.98% | 38.35% |
| Total Regulatory Loan Loss Provision as a % of Gross Loans | 3.30% | 3.45% | 4.18% |
| Total Regulatory Loan Loss Provision as a % of Non Accrual Loans | 100.23% | 94.50% | 81.18% |




Impairment Losses on Loans




NAL as a % of LOANS

## Group Financial Performance (Cont'd)

### Credit Quality (cont'd)

Non-performing loans (NALs) as at October 31, 2013 totalled $4,491 million (2012: $4,551), representing 3.3% (2012: 3.7%) of total loans and 1.15% (2012: 1.3%) of total assets.

The decrease in NALs in 2013 was due primarily to aggressive retail collections, and retail NALs now represent 2.46% of total loans as compared to 2.84% last year. Commercial NALs now represent 0.83% of total loans, compared to 0.82% last year.

The total allowance for loan losses reflects the higher of International Financial Reporting Standards (IFRS) provisions and the Regulatory provisions. Changes in the IFRS provisions are charged to the income statement, while Regulatory provision requirements in excess of the IFRS provision are credited to a non-distributable loan loss reserve. The table above shows the IFRS and Regulatory provisions for the past three years.

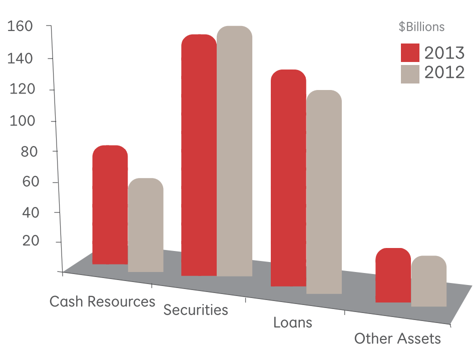
# Summary of Quarterly Results

| $ Billions | 2012 Q1 | 2012 Q2 | 2012 Q3 | 2012 Q4 | 2013 Q1 | 2013 Q2 | 2013 Q3 | 2013 Q4 |
|---|---|---|---|---|---|---|---|---|
| Total Operating Income | 7.6 | 7.8 | 7.9 | 7.9 | 8.2 | 8.3 | 8.9 | 8.8 |
| Operating Expenses | 4.0 | 4.1 | 3.9 | 4.4 | 4.5 | 4.6 | 4.6 | 4.2 |
| Net Income | 2.6 | 2.7 | 2.6 | 2.6 | 2.7 | 2.9 | 3.0 | 2.8 |
| Earnings per share (cents) | 82 | 84 | 80 | 80 | 84 | 92 | 94 | 100 |
| ROE (percentage) | 16.71 | 16.76 | 15.74 | 15.76 | 16.12 | 17.29 | 16.95 | 17.11 |
| Total Assets | 346 | 349 | 348 | 358 | 375 | 382 | 389 | 389 |
| Shareholders' Equity | 61 | 63 | 64 | 65 | 65 | 67 | 68 | 70 |

### Summary of Quarterly Results

Scotia Group experienced four quarters of strong performance as net income has been relatively stable throughout the year (quarterly average of $2.85 billion, 2012: $2.63 billion). Consequently, our Return on Equity (ROE) has increased with our increasing profit performance.

Total Assets




## Group Financial Condition

### Assets

The Group's total assets increased year-over-year by $31.1 billion or 9% to $389 billion as at October 31, 2013. Growth took place primarily in the Group's cash resources and loan portfolios which increased by a combined $34.3 billion during the year while our stock of investment assets declined by $6.7 billion.

### Cash Resources

Our cash resources held to meet statutory reserves and the Group's prudential liquidity targets stood at $74.9 billion (2012: $52.9 billion). This growth is largely due to inflows from customer deposits which were placed on short-term instruments. As a result, we maintained adequate liquidity levels to enable us to respond effectively to changes in our cash flow positions.

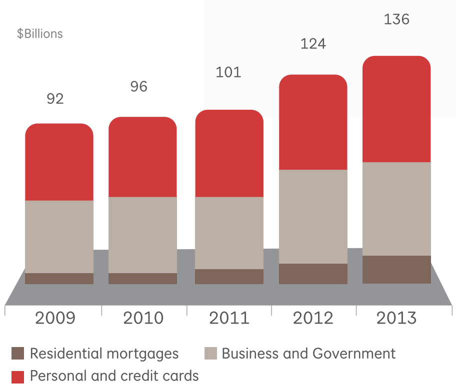
### Securities

Total investment securities, including pledged assets, decreased by $6.67 billion to $152.7 billion. Pledged assets, mainly relating to securities sold under repurchase agreements and the capital management accounts, declined by $4 billion to $59 billion. This is in line with our strategy to grow our Unit Trust and Mutual Fund business, in anticipation of upcoming legislative and regulatory changes in the securities industry. Other investments also decreased by $2.6 billion to $93.6 billion at October 31, 2013 to support loan growth.

### Loans

Our loan portfolio grew by 9% or $12.3 billion this year, with loans, after allowance for impairment losses, growing to $134.8 billion. Net growth was concentrated in the retail segment as our Building Society recorded a $4.7 billion or 33.9% growth in the residential mortgage portfolio year-over-year. This was complemented by growth of $7.2 billion in our personal and credit card loan portfolios. The commercial loan book remained relatively flat as new bookings throughout the year were offset by large repayments.

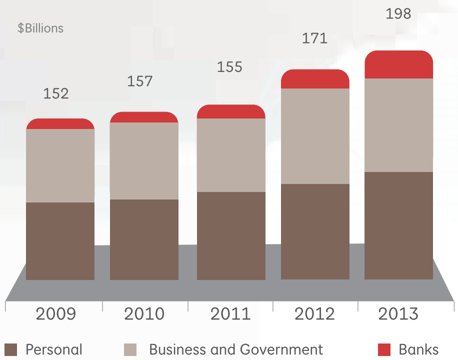
Loan Portfolio (Gross)



### Liabilities
Total liabilities were $316 billion as at October 31, 2013, an increase of $25.8 billion or 9% from last year, driven solely by the increase in our customer's deposit base.

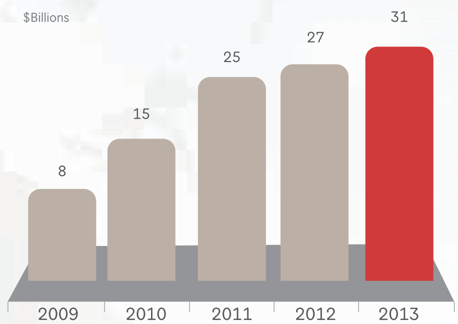
### Deposits
Deposits increased to $197 billion, up from $171 billion the previous year. Deposits by the public grew by $22 billion as our core deposit base remained strong reflecting the confidence felt by our customers in Scotiabank. All segments of the deposit base registered increases over the past year with the greatest growth being in commercial deposits as we acquired new clients and deepened existing relationships.

**Deposit Portfolio**




### Obligations related to repurchase agreements, capital management and government securities funds
These represent funds invested by clients of Scotia Investments. These obligations declined by $4 billion or 6.6% during the year as we saw a shift from our customers towards the more attractive mutual fund and unit trust products. Consequently, there was a $3.2 billion increase in our off-balance sheet unit trust portfolio and we maintained our dominant position in the unit trust and mutual fund industry.

**Managed Funds - Unit Trust**

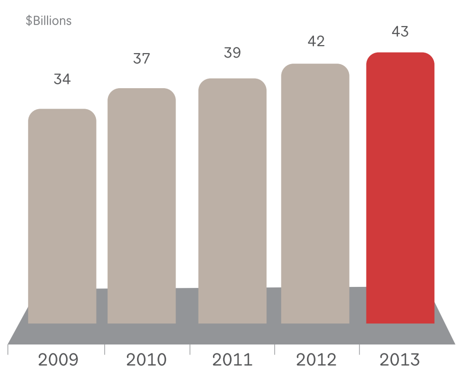



### Policyholders' Fund
The Policyholders' Fund reflects the insurance contract liabilities held at Scotia Insurance for our flagship product ScotiaMINT. The Fund increased to $43 billion, an increase of $1.3 billion or 3.2% over 2012.

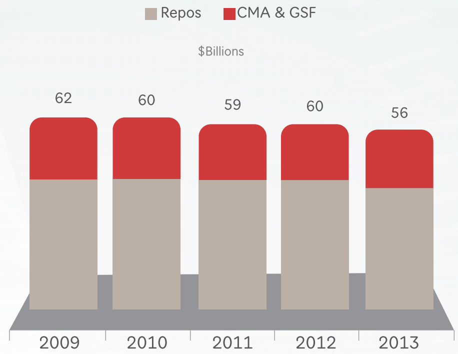
This slowdown in growth of the Fund is largely due to our strategy of diversification to other whole life products.

### Shareholders' Equity
Total shareholders' equity attributable to equity holders of the Company rose to $69 billion in 2013, $5 billion more than prior year fuelled by growth in internally generated capital.

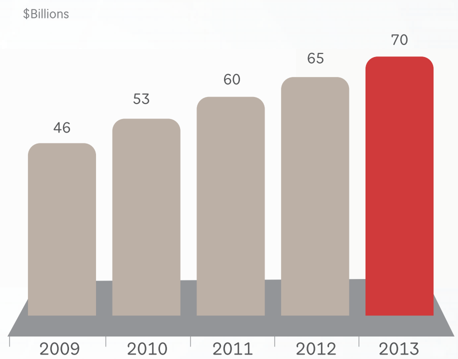
**Policyholders' Fund**




**Repurchase Agreements and Capital Management Accounts**



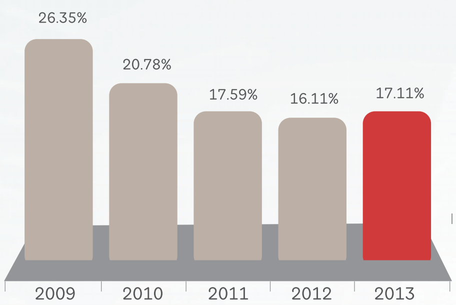

**Shareholders' Equity**



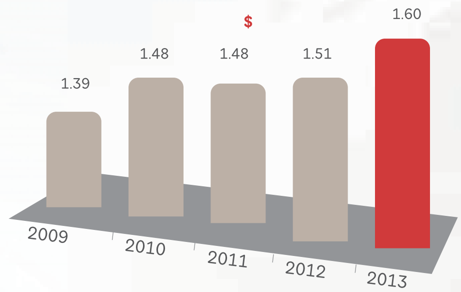

### Shareholders' Return
Our total shareholder return (including both dividends and change in price of the Group's common shares) at 2.85% over the past year is reflective of the performance of financial sector stocks generally. However, over the 3 year and 5 year medium-term, total shareholder return stood at 6% and 7% respectively. Our medium term performance compares favorably with returns on other listed companies on the JSE Index, which grew by 5% and 2% respectively.

Shareholders continued to receive quarterly dividends, which totalled $1.60 per share for this year. We remain focused on achieving sustainable, long-term earnings growth and stable dividend income streams to our shareholders.

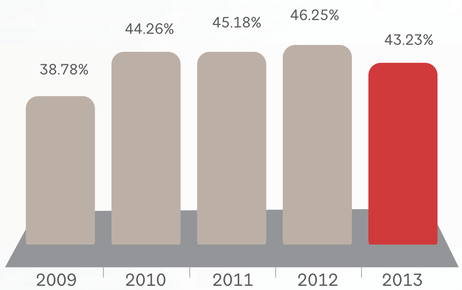
## Return on Equity




## Dividend per Share




## Dividend Payout Ratio




### Shareholders' Return (cont'd)

The dividend payout ratio for 2013 was 43.23% compared to 46.25% last year.

### Capital Adequacy

Scotia Group maintains a strong capital base to support the risks associated with its diversified businesses. This contributes to safety for the Group's customers, and fosters investor confidence, while allowing the Group to take advantage of growth opportunities that may arise and to enhance shareholder returns. Our risk based capital adequacy ratios, a measure of the Group's overall strength, continues to exceed the regulatory requirements and remain among the highest of its peer group.

## Shareholders' Return

| | Dividends reinvested | | | Share Price Movements | | |
|---|---|---|---|---|---|---|
| | Over 1 Year | Over 3 Years | Over 5 Years | Over 1 Year | Over 3 Years | Over 5 Years |
| SGJ Shareholder return | 2.85% | 6.27% | 7.03% | -4.76% | -8.70% | -0.40% |
| Benchmarks: | | | | | | |
| JSE Index | -4.36% | 4.75% | 2.42% | -8.89% | -0.61% | -2.68% |
| JSE Select Index | -11.07% | 3.34% | 5.83% | -15.84% | -2.04% | -1.10% |

## Capital Adequacy

| | Regulatory Requirement | Excess Over Regulatory Requirement | Capital Adequacy Ratio | Capital Adequacy Ratio |
|---|---|---|---|---|
| | 2013 | | | 2012 |
| Banking and Building Society | 10.0% | 2.8% | 12.8% | 12.7% |
| Investment Management | 10.0% | 31.4% | 41.4% | 41.9% |
| Life Insurance* | 150.0% | 347.0% | 497.0% | 512.0% |

* Minimum Continuing Capital on Surplus Ratio

## Business Outlook

The reform measures being undertaken by the Government of Jamaica are meant to improve the competitiveness of the economy, which ultimately will lead to a better business climate in years to come. In the interim, business conditions will remain challenging while consumers and businesses adjust to lower spending by the Government and slow economic growth.

For fiscal year 2014, Scotia Group is committed to supporting our customers to become financially better off and supporting the growth and stability of our economy while continuing to deliver exceptional value to our shareholders and employees.

Competition for retail loans will continue to be strong and we expect economic conditions to remain challenging. We will look for opportunities to utilise the new credit bureau infrastructure to assist in managing credit risk exposures and minimizing credit losses.

Commercial loan growth will continue to be centered on small business and mid-market commercial growth. We will pay keen attention to special account management as well as overall delinquency on the portfolio. Commercial deposits will continue to grow as our customers seek a safe institution as they manage through a difficult environment.

We also expect that the investment management sector will more aggressively pursue strategies of diversification given liquidity and capital considerations. As the collective investment scheme legislation gets finalized in the first half of the year, we expect more competition in this area.

Across the Group, we expect to drive growth by continuing to focus on sales execution and bringing new products into our four cornerstones of financial services: Day-to-Day Banking, Savings and Investments, Borrowing and Protection. We will anchor this strategy with a continued focus on improving operational efficiency through the use of technology and process reengineering.

# Overview of Business Lines

## Retail Banking

### Striding Ahead

Bolstered by market-leading initiatives, the Retail Banking Division continued to achieve our goals in the challenging business environment and posted $14.3 billion in revenues in 2013 and grew pre-tax profits by $450 million or 12.5% year-over-year.

During the year under review, our loan portfolio grew through targeted promotions. In addition, the expansion of our income-based lending programme for employees of selected institutions, as well as the strengthening of our relationships with key players in the automobile industry were among the major contributors to the increase.

### Exclusive and Personalized Service

Scotiabank continues to spearhead initiatives to enhance service to our customers and help them improve their financial status. A highlight of our operations in 2013 was the opening of our Premium Banking Centre at the Scotiabank Financial Centre in Constant Spring. The Premium Banking Service provides high net worth customers with personalized attention and advice from a team of dedicated relationship managers, in a comfortable and private setting. Customers have access to a suite of products that offers the flexibility of everyday banking, and also includes a savings account that pays a preferred rate of interest. A Scotiabank premium credit card, exclusive travel privileges, and Priority Pass membership which facilitates entry to more than 600 airport lounges worldwide, including four complimentary visits annually, are among the other benefits. We plan to further expand the Premium Banking offering to our clients in Montego Bay and Mandeville.

### Enhancing Alternate Delivery Channels

Consistent with our focus on customer convenience we continue to improve our alternative delivery channels. Aggressive marketing, which included the deployment of our sales team to high-traffic commercial locations, resulted in increases in our credit card business.

During the past year, we strengthened our image as the Reward Card Provider, through a series of special campaign offers. These included welcome bonuses for new customers; the US$3,000 Shopping Spree to Miami, Credit Card Days on which customers received discounts from specific Magna and 'More for You' merchants; and the Back-to-School cash back promotion.

As we celebrated the 10th Anniversary of the Scotiabank Magna MasterCard, we received the Most Outstanding Partner Award for our successful co-branded promotion in 2011-2012.

Upgrading and expansion of Scotiabank's ATM network, now the largest in the sector with more than 230 machines islandwide, continued during the year. Fifteen new machines, some with capability to dispense US Dollars, were installed.

More than 30% of our clients now access our Internet Banking portal which was upgraded in 2013 to provide a more customer-friendly service. Features include enlarged images and improved connectivity between topics which have helped to enhance the online experience. The improvements garnered us the award, *Best Consumer Internet Bank 2013* by the Global Finance Magazine.

### Customer Experience

Our continued thrust to create a truly customer-centric culture was rewarded when Scotiabank was named *Winner of the 2013 PSOJ/Jamaica Customer Service Association Service Excellence Award* in the Large Company category. The award reflects the tremendous focus that we have placed on delivering a quality customer experience at all touch points; as well as the many initiatives mounted in departments across our Group in an effort to realize this goal.

### Segment Results

*include retail business in BNSJ and SJBS*

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | $millions | $millions | $millions |
| Revenues | 14,376 | 13,170 | 12,425 |
| Expenses | (10,338) | (9,582) | (9,083) |
| **Profit before taxes** | 4,038 | 3,588 | 3,342 |
| | | | |
| **Average Assets** | **84,384** | **75,234** | **63,595** |
| **Average Liabilities** | **103,801** | **93,202** | **89,448** |

# Management Discussion and Analysis (cont'd)
- Scotia Group Jamaica Ltd.

## Overview of Business Lines
## Retail Banking

### Customer Experience (cont'd)
Our strategies were guided by customer feedback. We used various means to elicit this information, and acted to correct trends that were likely to create customer issues as soon as they became apparent. Training was also a key component of our activities, and we augmented our formal training programmes with on-line courses and in-branch skill builders.

Our main emphasis during 2013 was to achieve consistency in customer interactions and we drove this by measuring specific behaviors. Our customer feedback scores improved steadily during the year and, as at the end of August, 87% of customers leaving our branches rated their Overall Experience as excellent, up from 77% in October 2012.

### Outlook - Improving Service Delivery
In 2014, we will concentrate on reducing the wait time before customers are served. We will also educate our customers about the various service delivery channels available to them to suit their lifestyle and needs; and we will strengthen our problem resolution capabilities.

Despite challenges in the economy, we are confident that we will meet our objectives in the year ahead. We will continue to build our loan and deposit portfolios; and to strengthen our alternate delivery channels by developing new functionalities to meet our customers' expectations for innovative, convenient and efficient service delivery.


**Winning with Scotiabank:** Valdez Bullock (center), is one of three grand prize winners of Scotiabank's 'Win A Shopping Spree Trip for Two to Miami'. In addition to the grand prize Mr. Bullock also received a surprise gift certificate from Jewellery Collection.

(From right) Kelly Tomblin, CEO of Jamaica Public Service Company; Wayne Powell, Executive Vice-President Retail, Scotiabank; Dr Kirk Abbott, Managing Director of New Leaf Energy and Phoebe Buchanan, Manager of Scotiabank's Constant Spring Financial Centre (CSFC) at the launch of the SmartEnergy calculator on December 6, 2012.

### Small & Medium Enterprise (SME) Banking

#### Improved Business Processes and Education in Focus

The Small and Medium Enterprise Banking Unit achieved another positive year of operations in 2013 surpassing the results recorded in 2012. This success was due mainly to our focused approach which included strengthening of the sales management process, implementation of training to improve the effectiveness of our sales officers, policy adjustments to reflect the changing market landscape, and ensuring that our financial solutions met the needs of our customers.

A key element of our strategy this year was improvement of our process efficiency. This was facilitated through the Phase I implementation of the Small Business Blueprint - an enhanced end-to-end loan application and fulfillment process - designed to reduce turn-around time for our customers, and aligned to the retail process. The changes provided a consistent customer experience, whether the entrepreneur was borrowing for business or private purposes.

We strengthened our relationship with the Medical Association of Jamaica and entered into new arrangements with the Jamaica Bar Association and the Jamaica Institution of Engineers to provide financial services to their members through our specially designed Scotia Professional Plan.

#### Capacity Building – A Priority

Providing capacity-building opportunities for small business owners continued to be a priority and during the year the Unit supported a range of initiatives in the sector.

These included:

- Capacity Building Seminars for Scotia Professional Plan and Small Business customers: aimed to provide business persons with the skills and knowledge to increase the probability of business sustainability;
- The Scotia Action Clinic - A programme through which over 30 small business owners were coached and mentored in the rudiments of business practice;
- The University of the West Indies Entrepreneurial Challenge - A business plan competition for UWI graduates students;
- Through our ongoing relationship with the Scotia Chair at UTECH, we partnered with the Club Billionaire Programme which is an incubator for student entrepreneurs at the University.

We also encouraged our customers to utilize technological solutions such as CMS Light - our online Cash Management Service (CMS) facility, to help create or enhance their management information systems as well as to increase efficiencies in their businesses. During the year we increased customers' awareness of our small business website on which resides a number of articles that can assist the small business customer to better organize and grow their business. We will continue to fortify these strategies in 2014.

(Left) Bruce Bowen, SVP, English Caribbean Region, International Banking and Gerard Johnson, General Manager - Caribbean Department Inter-American Development Bank sign the Technical Cooperation Agreement for Scotiabank Enterprise-Wide Risk Management Financing (SERMAF) Programme on February 1, 2013. SERMAF will refine the SME loan appraisal process with enhanced risk management.

Dr Wayne Henry, Vice-President Government Affairs (right) with customers Christopher Lee and Janis Williams at the 'Road Map to financial Success' Small Business Seminar held at The Jamaica Pegasus, April 30. Building the capacity of small businesses through training and support is a key approach of the SME Unit.

# Management Discussion and Analysis (cont'd)

**Small & Medium Enterprise Banking (SME) (cont'd)**

### Capacity Building – A Priority (cont'd)

Much focus was placed on the Scotiabank Enterprise-Wide Risk Management and Financing (SERMAF) Programme. Undertaken in collaboration with the Inter-American Development Bank (IDB), SERMAF targeted some 300 men and women across eight sub-sectors, including health, education, housing, visual and creative arts and transportation.

The main objective of this initiative was to develop a risk management model, based on psychometric analysis of the business owner.

### Outlook - Strengthening Our Team

In 2014, the SME Unit will complete the implementation of its Small Business Blueprint; continue to focus on increased productivity, as well as deepening our relationship with professional associations. Our position as the preferred provider of SME financing will be strengthened by facilitating the growth in the management capabilities of our small business customers and empowering them to make better financial decisions, as well as partnering with them to ensure that they are better off financially.

## Treasury

### Consistent and Competitive Provider

We strengthened our reputation in 2013 as a consistent and competitive foreign exchange provider, in a challenging economy in which fiscal consolidation and rapid depreciation of the Jamaican dollar were predominant factors. Treasury delivered revenues of $2,844 million, marginally down from the 2012 performance of $2,875 million and contributed 16.3% of Scotia Group's pre-tax profits.

For the fifth year running, we achieved the distinction of being named by the internationally recognized Global Finance magazine as the *Best Foreign Exchange Bank in Jamaica*; and we maintained our standing among the top three local providers in terms of volume moved.

Segment Results

*Treasury*

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | $millions | $millions | $millions |
| Revenues | 2,844 | 2,875 | 2,392 |
| Expenses | (188) | (95) | (69) |
| **Profit before taxes** | **2,656** | **2,780** | **2,323** |
| | | | |
| **Average Assets** | **94,280** | **76,189** | **88,701** |
| **Average Liabilities** | **2,525** | **1,414** | **2** |

Our ongoing conversations with customers, enhanced by strong relationships nurtured over the years, as well as careful planning, allowed us to successfully manage market demand at competitive rates. A growing number of customers also took advantage of the Scotia Online service which was introduced in 2012, and which offers the convenience of purchasing or selling foreign exchange through the internet banking platform.

### Outlook - Product Innovations

In the year ahead, we propose to roll out several innovations. These include real-time communication of foreign exchange rates and market information to in-branch customers – a service that was successfully piloted in seven branches in 2013. The range of Treasury solutions available to corporate customers will also be extended with the introduction of a foreign exchange forward product; and an application which will allow these clients to trade G7 currencies online, once they hold a Scotiabank account.

We are optimistic that once capital projects being pursued by the Government are brought on stream, our customer-focused solutions, competitive pricing and up-to-date market information will give us a strong advantage.

# Corporate & Commercial Banking

### Gaining the Winning Edge with Global Banking Solutions

Our business lines that focused on banking services for institutional clients of all sizes delivered $7,616 million in revenues and contributed $2,168 million or 13.3% of Scotia Group's pre-tax profits.

### Strengthening Client Relationships

We continued to expand and upgrade our Corporate and Commercial Banking services to meet the changing financial needs of our diverse business clients.

We responded to the challenges posed by a sluggish economy, the impact of the NDX programme and the increased competitiveness in the loan market, by aggressively cross-selling other products and services offered through the Group. This has served to broaden our client relationships and deepen client loyalty. Despite the less than robust loan demand during the year, based on the team's concerted efforts to grow the portfolio, several major deals in excess of $7 billion which provided innovative loan structures and competitive financing, were concluded with companies in the construction, manufacturing, retail and distribution sectors.


(Left) Craig Mair, Vice-President, Corporate & Commercial Banking accepts the Runner-up Certificate from Lynden Nugent, Vice-President of the Jamaica Exporters Association (JEA). We were recognized in a survey among JEA members for our service and support.

## Segment Results

*include Corporate, Commercial and Small Business Portfolios*

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | $millions | $millions | $millions |
| Revenues | 7,616 | 6,994 | 6,524 |
| Expenses | (5,448) | (4,916) | (4,758) |
| **Profit before taxes** | **2,168** | **2,078** | **1,766** |
| | | | |
| **Average Assets** | **63,913** | **62,740** | **52,249** |
| **Average Liabilities** | **104,058** | **89,586** | **73,329** |

Through our Global Transaction Banking unit, we strengthened and expanded our electronic banking solutions and upgraded our merchant services capabilities. We also successfully piloted a Multi-Country Cash Management Service which allows multinational companies to simultaneously view their accounts across jurisdictions and in different time-zones. The platform also facilitates online international wire payments allowing us to deliver on our commitment to increase efficiencies and reduce costs to our clients.

As part of our focus on payment services to help our clients lower their transaction costs and increase their operational efficiencies, we saw solid growth in the number of clients signed to our convenient and cost effective electronic banking platform. By leveraging our Group's regional footprint and our electronic banking solutions, we were able to significantly increase our deposit flows and added new corporate accounts with regional presence.

### Outlook - Exciting Prospects

Retaining customer loyalty is a major priority for us in the year ahead. To this end, we propose to further strengthen our relationship management capabilities and systems to improve responsiveness to our clients. Implementation of an enhanced client coverage model, whereby specific transactional needs will be fulfilled by a team of specialized service and support personnel,

## Corporate and Commercial Banking

### Outlook - Exciting Prospects (cont'd)

will aid in delivering faster turnaround times to client requests.

We will continue to focus on growing our mid-market segment through increased presence of our highly experienced Relationship Mangers across the island to bring our corporate expertise physically closer to these firms.

The Division will also continue to position itself to undertake larger and more complex transactions by partnering with our Capital Markets team in Scotia Investments Jamaica Limited, as well as leveraging our International Bank's expertise in structured trade financing.

We look forward to the new opportunities that will emerge with the full roll-out of our Multi-Country Cash Management Service in 2014. As we stay in tune with international business trends, we plan to introduce chip technology across our merchant network to mitigate the threat of card fraud and identity theft.

## Scotia Private Client Group

### The Ultimate in Customised Service

Scotia Private Client Group (SPCG) continues to be a leader in the private banking services industry and recorded a solid performance in all the key areas of operation in 2013. During the year, we grew our customized loan portfolio by some 32% and our total assets under management by 15%. The SPCG team's consistently strong performance and commitment to excellence resulted in our being recognized as the *Best Private Banking Service in Jamaica* by the influential Euromoney Magazine.

This positive performance can be attributed to the proactive approach taken by our Relationship Managers and Financial Advisors who are committed to providing customized solutions to meet the complex financial needs of our clients. Our dedicated professionals are able to deliver our value proposition by leveraging the breadth of the Scotiabank global network, which in turn, affords us the ability to offer unique products and services to our clients.

The strategies that were implemented throughout the year also contributed to our success. We continued to provide our clients with access to global investment options through Scotia Investments Jamaica Limited and our International Investment Advisory arm.

Guided by relevant and timely information provided by our local and international investment partners, our clients were able to effectively diversify their holdings and consolidate their assets under the Scotia umbrella. SPCG also widened its array of investment securities that can be used as collateral for our customized credit offering; thereby facilitating increased access to prudent leveraging opportunities.

Efforts to expand our client base and build the SPCG brand outside of Kingston also yielded favourable results.

### Outlook - Building on Existing Strengths

In 2014, our goal is to build on our existing strengths. A new organizational structure to be introduced early in the new financial year will further deepen our relationships with our clients. This initiative, along with a detailed review of our offerings, will help to ensure that we continue to serve our clients in the most efficient way through the best channel in the Scotiabank Group. Ongoing training within SPCG and the Group, locally and globally, is another major priority as we reaffirm our commitment to meet the diverse and complex financial needs of our clients.

Utilizing our unique 'Team of Experts' approach, we intend to further grow our business by providing innovative portfolio diversification strategies, more sophisticated investment options for our clients and convenient access to prudently leverage their assets.

## Scotia Jamaica Microfinance Company Limited (CrediScotia)

### Gearing Micro Businesses for Success

CrediScotia strengthened its position in the marketplace during the year under review, refining its services to un-banked and under-banked entrepreneurs in the microfinance sector.

We continued to focus on meeting the needs of micro business operators in the manufacturing, distribution, agribusiness and service sectors with simple installment loans; and, developed financial solutions to enhance their working capital and facilitate the acquisition of fixed assets. We also added consumer financing for personal loans to our product portfolio.

This year we installed a new information technology system to improve operational efficiency.

In addition, the sales management process was refined during the year to deliver targeted sales efforts and improved monitoring of sales activities.

During the year under review, we trained a group of our clients to apply 'best practices' in their business. Effective cash management, record keeping and customer service delivery were among the areas highlighted in our workshops. Application of these principles is essential in the Microfinance sector, if it is to play a vital role in the recovery of the Jamaican economy.

### Outlook - Empowerment Through Education

CrediScotia is committed to the transformation of this sector of the national economy. In 2014 we will continue to provide appropriate financial solutions, and to educate the micro entrepreneurs with a view to empowering them to establish sound business operations.

## Scotia Jamaica Building Society

### Building a Reputation as the Preferred Mortgage Provider

In 2013, Scotia Jamaica Building Society (SJBS) recorded an unprecedented volume of mortgage sales, booking over $6 billion in loans, and increasing its market share to 17.4%. SJBS now ranks as the third largest Jamaican mortgage provider, in terms of assets and market share.

During the year under review, SJBS maintained its aggressive pricing strategy and lowered its interest rates to 9.5%, to support a 'switch-for-free mortgage programme'. This assisted the Company to meet its goal of attracting business from the competition and growing our portfolio.

Our three main strategies – targeted marketing, competitive rates, and a continued emphasis on nurturing relations with developers and realtors, paid substantial rewards for SJBS.

We targeted young professionals and first home buyers with positive results; and the team cemented its client relationships through a series of mortgage clinics, which gave customers a better appreciation of the key strategies to secure home ownership.

We also strengthened our relations with housing developers and realtors, working on a one-on-one basis, to build on our reputation as the 'preferred mortgage provider.' This alliance yielded several customer referrals during the year.

Our customers continue to benefit from excellent service delivery supported by a robust technology-driven loan adjudication process, which facilitates timely decision-making and efficiency.

### Outlook - Achieving Financial Goals

The continued devaluation of the Jamaican dollar will impact construction costs and therefore potential home owners may be more tentative in making the decision to purchase property. However, we are confident that by working closely with our customers, and assisting them to grasp emerging opportunities, we will find the right solutions that will help them to make critical housing investments, and achieve their financial goals.

## Scotia Investments Jamaica Limited

### Dominant Performance

Scotia Investments Jamaica Limited (SIJL) posted $4,359 million in revenues and contributed 17% of the Group's pre-tax profits in 2013. Our investment business maintained industry dominance in 2013, recording strong growth of $3.2 billion or 12% in its Mutual Funds and Unit Trust business lines to end the year with a market share of just under 50%.

A primary source of the Company's continued success was the Scotia Premium Money Market Fund which, two years after its launch in October 2011, surpassed the $5.1 billion mark in funds under management at October 2013. The Fund, which is the first of its kind on the local market, provides clients with a regular income stream while preserving their capital investment.

Our US Dollar denominated Scotia Caribbean Income Fund, which invests in debt instruments issued by government's and corporations in the regional CARICOM market, also performed well. This tax-free investment fund topped the US$76.4 million mark in 2013.

With a share of approximately 40%, SIJL continues to be the leading player in the capital markets sector. The innovative, customized solutions offered to corporate and institutional clients by the recently established Caribbean Capital Markets team, generated more than US$300 million in deal flow during the financial year and over US$800 million since it was established in 2011.

Segment Results
*SIJL*

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | $millions | $millions | $millions |
| Revenues | 4,359 | 4,106 | 3,874 |
| Expenses | (1,562) | (1,347) | (1,227) |
| **Profit before taxes** | **2,797** | **2,759** | **2,647** |
| | | | |
| **Average Assets** | **73,747** | **73,871** | **72,854** |
| **Average Liabilities** | **61,255** | **62,497** | **62,558** |
| | | | |
| **Funds Under Management** | **141,403** | **138,300** | **138,213** |

Another highlight of the past year was the introduction, in the fourth quarter, of asset management services, which are providing simpler options for our high net worth clients to select their portfolio mix and achieve their financial objectives.

### Reinforcing Our Brand

Scotia Investments is committed to the delivery of quality and innovative service by a team of qualified financial experts with a proven track record of excellence. Our critical success factors are our access to a network of analysts and advisors, our solid reputation built on the trust and confidence of clients and our adherence to a strict code of ethics and professional standards as we nurture long-lasting relationships that deliver the best value for all our stakeholders.

These core values are highlighted in a multi-channel promotional campaign launched in June 2013 to reinforce and differentiate the SIJL brand in the marketplace.

Our financial education thrust highlighting the four pillars of investment success was also maintained during the year under review.

### Outlook - Ramping Up Service

We will focus on enhancing the client experience in 2014 by providing specialized training to improve the advisory skills of SIJL's sales and service team; and by further streamlining our processes to minimize complaints and resolve challenges in a timelier manner. Online access by investors in our mutual fund and unit trust products is among initiatives in the pipeline.

As we continue to provide our clients with innovative capital market solutions to meet their risk and return objectives, SIJL will be also be expanding its range of international products and services by increasing access to global capital markets.

## Scotia Jamaica Life Insurance Company Limited

### Beating the Odds with Innovation and Quality Service

Innovation and quality service, which have been the hallmark of Scotia Jamaica Life Insurance Company (SJLIC) since its inception 15 years ago, were key success factors in 2013 as the company mitigated the negative impact of the National Debt Exchange. Despite the difficult economic environment, SJLIC performed consistently and contributed some $2.78 billion to the Group's year-end results, marginally down from the $2.88 billion in the previous year.

We maintained our market share in the industry for Gross Premium Income for Individual Life products. ScotiaBRIDGE continues to dominate the Approved Retirement Schemes sector with a market share of just under 50% among life insurance companies during the year under review. In November 2012, ScotiaMINT customers benefitted from an improved value proposition with the introduction of policy loans. For the financial year, more than $602 million in loans, which are secured by the insurance policy, were disbursed.

### Outstanding Team

The excellent performance of our sales force continues to contribute significantly to the dominance of SJLIC in the marketplace and in 2013, 18 team members attended the annual Million Dollar Round Table (MDRT) Conference in Philadelphia, Pennsylvania, USA. In addition, our employees also led the field once again as we retained the *2012 Bancassurance Production Member of the Year Award*, presented by the Jamaica Association of Insurance and Financial Advisors (JAIFA).

Segment Results

*SJLIC*

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | $millions | $millions | $millions |
| Revenues | 4,393 | 4,457 | 5,286 |
| Expenses | (1,227) | (1,132) | (957) |
| **Profit before taxes** | **3,166** | **3,325** | **4,329** |
| | | | |
| **Average Assets** | **51,984** | **50,637** | **49,733** |
| **Average Liabilities** | **43,385** | **42,216** | **39,634** |

### Anniversary Milestone

Several events were mounted during the year to mark the 15th Anniversary of SJLIC which included client appreciation events across the island. Highlights at these events included a session to educate our customers about the importance of estate planning.

Hugh Reid, President, Scotia Insurance and Lana Forbes, Director, Sales and Service cut the cake with three customers in recognition of Scotia Insurance achieving its 15th Anniversary.

### Outlook - Focus on Growth

SJLIC will continue to build on its foundation of innovation and service, developing new products, expanding its distribution channels and deepening its market presence.

Early in the new year, we will roll out a new Universal Life product that will respond to several customer needs under one umbrella. In addition, the ScotiaBRIDGE portfolio is poised for further growth, as we extend our reach into the market.

Two of the major areas of focus for the company in 2014 will be specialized training to keep our agents on the cutting-edge; and upgrading of the Company's core insurance administration system to achieve improved functionality and efficiency in service delivery.

## Risk Management

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are consistent with the Group's strategies and risk appetite, and that there is an appropriate balance between risk and reward in order to maximize shareholder returns.

### Risk Management Framework

Scotiabank has a robust, disciplined risk management framework supported by a strong culture where risk management is a responsibility shared by all of the Group's employees.

This framework is subject to constant evaluation to ensure that it meets the changes in the markets in which the Group operates, including regulatory standards and industry best practices.


The group's risk management framework consists of three key elements:

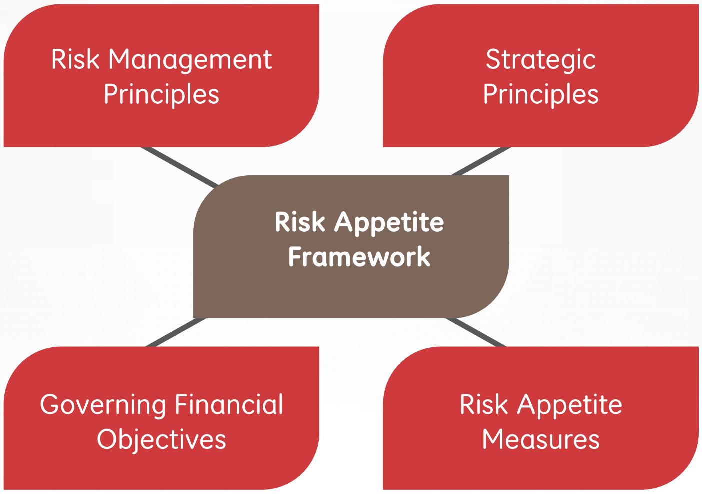
- Risk Governance,
- Risk Appetite, and
- Risk Management Techniques

**Risk Governance**

The Group has a well-established risk governance structure, with an active and engaged Board of Directors supported by an experienced senior management team and a centralized risk management group that is independent of the business lines. Decision-making is highly centralized through a number of senior and executive risk management committees. The Board approves key risk policies, limits and strategies; and receives quarterly updates on the Group's risk profile and performance of the portfolio against defined goals. The Group's Internal Audit department reports independently to the Board on the effectiveness of the risk governance structure and risk management framework.

**Risk Appetite**

The Group's Risk Appetite Framework governs risk taking activities on an enterprise-wide basis. It consists of four components, and combines qualitative as well as quantitative terms of reference to guide the Group in determining the amount and types of risk it wishes to prudently undertake.




**Risk Management Techniques**

Effective risk management includes techniques that are integrated with the Group's strategies and business planning processes. Risk management techniques are regularly reviewed and updated to ensure consistency with risk-taking activities, and relevance to the business and financial strategies of the Group.

### Credit Risk

**Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Group. Credit risk arises in the Group's direct lending operations, and in its funding, investment and trading activities where counterparties have repayment or other obligations to the Group.**

Credit risk is the biggest risk faced by the Group. Credit risk is created in the Group's direct lending operations, and in its funding, investment and trading activities where counterparties have repayment or other obligations to the Group.

Scotia Group's credit risk is managed by applying strategies, policies, and limits that are approved by the Board of Directors. Oversight for these credit risk elements is provided of the Credit Risk Management Department.

The credit risk strategy defines target markets and risk tolerances that are developed at an all-Group level, and then further refined at the business line level. The objectives of the credit risk strategy are to ensure that for the Group, including the individual business lines:

- target markets and product offerings are well defined;
- the risk parameters for new underwritings and for the portfolios as a whole are clearly specified; and
- transactions, including origination and syndication are managed in a manner to ensure the goals for the overall portfolios are met.

The Group's credit risk rating systems are designed to provide for a meaningful differentiation of risk, and allows for reasonable estimation of loss characteristics at the portfolio and risk grade level. The credit risk rating systems provide consistency in terms of credit adjudication, minimum lending standards by risk ratings, and reporting of credit risk. The Group periodically reassesses its risk rating methodologies and makes enhancements when necessary.

The Group's portfolio management methodologies are designed to facilitate consistent underwriting, early identification of problem loans, and timely escalation reporting of high risk exposures. The Group's retail and commercial collections units are organized to support the efficient recovery of late payments and outstanding amounts on credit facilities which are in default. There is ongoing coordination between the Business lines, Collections areas, and Credit Risk Management.

### Corporate and Commercial

Portfolio management objectives and risk diversification are key factors in setting policies and limits. Credit risk limits covering specified industries and exposures are reviewed and approved by the Board of Directors annually, and applied through the credit origination and review process.

Credit exposures are managed through limits, lending criteria and guidelines relevant to each particular risk type.

Borrower limits are set within the context of established guidelines for individual borrowers, particular business segments, and certain types of lending, to ensure the Group does not have excessive concentration in any single borrower, or related group of borrowers. Through the portfolio management process, loans may be syndicated or other actions pursued to reduce overall exposure to a single name. The Group's credit risk limits to counterparties in the financial and government sectors are also managed centrally to optimize the use of credit availability and to avoid excessive risk concentration.

The decision-making process for corporate and commercial credit exposures is intended to ensure that risks are adequately assessed, properly approved, continually monitored and actively managed. All significant credit requests are processed through the credit adjudication units of the Group.

The Group uses a dual risk rating system which separately assesses the risk of borrowers and their associated credit facilities. Borrower risk is evaluated using methodologies that are specific to particular industry sectors and/or business lines. The risk associated with facilities of a given borrower is assessed by considering the facilities' structural and collateral-related elements.

Borrower and facility risk ratings are assigned when a facility is first authorized, and are promptly re-evaluated and adjusted, if necessary, as a result of changes to the customer's financial condition or business prospects. Re-evaluation is an ongoing process, and is done in the context of general economic changes, specific industry prospects, and event risks, such as revised financial projections, interim financial results and extraordinary announcements.

## Risk Management

### Corporate and Commercial (cont'd)
The risk ratings also determine the management level at which the facilities can be authorized or amended. Lower-rated credits require increasingly more senior management involvement.

### Retail
Key factors considered in the assessment of the credit risk of the individual borrower include: the borrower's current and projected income, debt servicing commitments and credit record; and economic trends. Based on this assessment, a risk rating is assigned to the individual borrower and the appropriate amount and structure of credit to the individual is determined.

Individual credit exposures are regularly monitored by the business line units for signs of deterioration. In addition, a review and risk analysis of each borrower is conducted annually, or more frequently for higher-risk borrowers.

Portfolio reports reviewed by Credit Risk Management serve to identify risk-related trends in the Group's portfolio. Lending programmes are discussed between Business Lines and the Credit Risk Management Department to ensure a proper understanding of the level of risks involved and to ensure that reliable mitigants are embedded so that these programmes are consistent with the Group's Credit Strategy and Risk Appetite.

The credit risk exposure for the Group is summarized in Note 44 (b) of the financial statements.

### Market Risk
**Market risk is the risk of loss from changes in market prices and rates (including interest rates, credit spreads, equity prices, and foreign exchange rates), the correlations among them, and their levels of volatility.**

The Board of Directors reviews and approves market risk policies and limits annually. The Group's Asset & Liability Committee (ALCO) oversees the application of the framework set by the Board, and monitors the Group's market risk exposures and the activities that give rise to these exposures.

The Group's Market Risk Management unit provides independent oversight of all significant market risks, supporting the ALCO with analysis, risk measurement, monitoring, reporting and support for new product development. To ensure compliance with policies and limits, market risk exposures are independently monitored on a continuing basis, by Market Risk Management and by the Treasury Accounting units. They provide senior management, business units, and the ALCO with a series of daily, weekly and monthly reports of market risk exposures by business line and risk type.

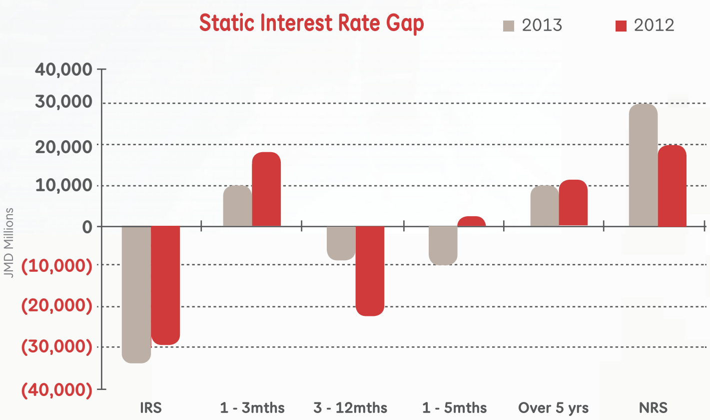
### Investment and Funding Activities
Market risk arising from the Group's investment and funding activities is identified, managed and controlled through the Group's asset-liability management processes. The ALCO meets monthly to review risks and opportunities, and evaluate performance.

### Interest Rate Risk
The Group actively manages its interest rate exposures with the objective of enhancing net interest income within established risk tolerances. Interest rate risk is managed in accordance with Board-approved policies and limits, which are designed to control the risk to income and economic value of shareholders' equity. The income limit measures the effect of a specified change in interest rates on the Group's annual net interest income, while the economic value limit measures the impact of a specified change in interest rates on the present value of the Group's net assets. Interest rate exposures in individual currencies are also controlled by gap limits.

## Areas of Market Risk Exposures

| Types of Risk | Investment Activities | Trading Activities | Funding Activities |
|---|---|---|---|
| Interest Rate Risk | ☑ | ☑ | ☑ |
| Foreign Currency Risk | ☑ | ☑ | ☑ |
| Credit Spread & Equities Risk | ☑ | ☑ | |

Gap analysis, simulation modeling, sensitivity analysis and Value at Risk (VaR) are used to assess exposures and for planning purposes. Interest rate risk exposure is generally based on the earlier of contractual re-pricing or maturity of the Group's assets and liabilities. Certain assets and liabilities without a fixed maturity (such as credit cards and savings deposits) are assigned a maturity profile based on the longevity of the exposure. Common shareholders' equity is assumed to be interest rate sensitive between one and three months.




Further details on the interest rate risk exposure for the Group are summarized in Note 44 (c) (i).

### Foreign Currency Risk

Foreign currency risk arises from foreign currency operations.

The Group mitigates the effect of foreign currency exposures by financing its foreign currency assets with borrowings in the same currencies. The differences between foreign currency assets and liabilities are reflected in either positive or negative spot positions. Spot position limits are approved by the Board at least annually, and the ALCO reviews and manages these positions.

The foreign currency risk exposure for the Group is summarized in Note 44 (c) (ii).

### Credit Spread & Equities Risk

The Group holds investment portfolios to meet liquidity and statutory reserve requirements and for investment purposes. These portfolios expose the Group to interest rate, foreign currency, credit spread and equity risks. Debt investments primarily consist of government and corporate bonds. Equity investments include common shares. The majority of these securities are valued using prices obtained from external sources. These portfolios are controlled by a Board-approved policy and limits.

### Trading Activities

Scotiabank's policies, processes and controls for trading activities are designed to achieve a balance between pursuing profitable trading opportunities and managing earnings volatility within a framework of sound and prudent practices. Trading activities are primarily customer focused, but also include a proprietary component. In its trading activities, the Group buys and sells currencies in the spot market; equities and bonds for its customers. Gains and losses from these activities are included in other income.

Market risk arising from these activities is managed in accordance with Board-approved policies, and aggregate VaR limits. The quality of the Group's VaR is validated by regular backtesting analysis, in which the VaR is compared to theoretical and actual profit and loss results.

### Liquidity Risk

**Liquidity risk is the risk that the Group is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to depositors, settlement of securities borrowing and repurchase transactions, and lending and investment commitments.**

Effective liquidity risk management is essential in order to maintain the confidence of depositors and counterparties, and to enable the core businesses to continue to generate revenue, even under adverse circumstances.

Liquidity risk is managed within the framework of policies and limits that are approved by the Board of Directors. The Board receives reports on risk exposures and performance against approved limits.

## Risk Management

### Liquidity Risk (cont'd)

The Asset & Liability Committee (ALCO) provides senior management oversight of liquidity risk and meets regularly to review the Group's liquidity profile.

The key elements of the liquidity risk framework are:

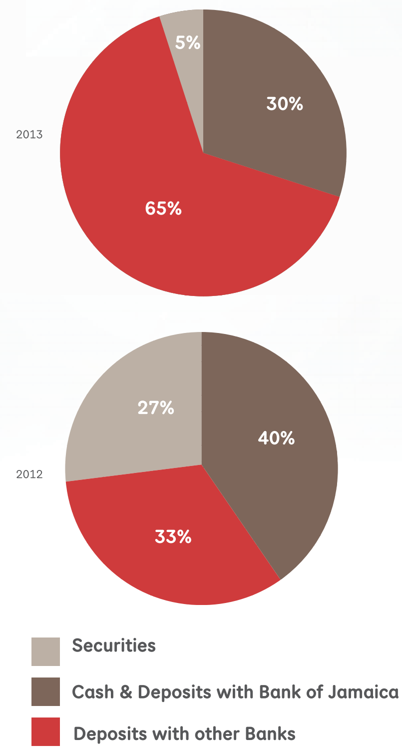
- Measurement and modeling – the Group's liquidity model measures and forecasts cash inflows and outflows, including off-balance sheet cash flows on a daily basis. Risk is managed by a set of key limits over the maximum net cash outflow by currency over specified short-term horizons (cash gaps) and a minimum level of core liquidity;
- Reporting – independent oversight and reporting of all significant liquidity risks through analysis, risk measurement, stress testing, monitoring and reporting;
- Contingency planning – the Group maintains a liquidity contingency plan that specifies an approach for analyzing and responding to actual and potential liquidity events. The plan outlines the governance structure for the management and monitoring of liquidity events, processes for effective internal and external communication, and identifies potential counter measures to be considered at various stages of an event. The liquidity contingency plan is approved by the Board of Directors;
- Funding diversification – the Group actively manages the diversification of its deposit liabilities by source, type of depositor, instrument and term;
- Core liquidity – the Group maintains a pool of highly liquid, unencumbered assets that can be readily sold, or pledged to secure borrowings, under stressed market conditions or due to company specific events.

### Liquidity Profile

The Group maintains large holdings of liquid assets to support its operations. These assets generally can be sold or pledged to meet the Group's obligations.

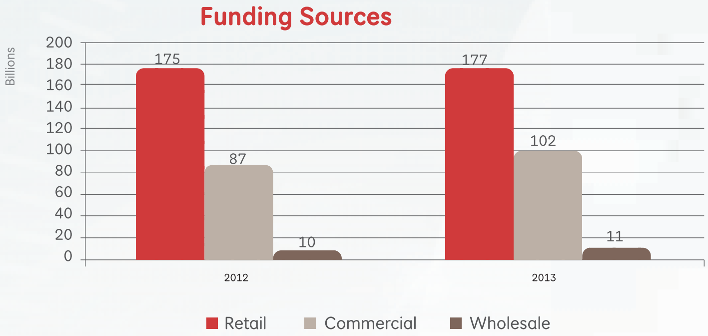
As at October 31, 2013 liquid assets were $88.5 billion or 23% of total assets, compared to $82.8 billion or 23% of total assets as at October 31, 2012. The composition of the liquid assets has changed year-over-year as a result of the increased duration of the Securities portfolio due to participation in the National Debt Exchange in February 2013 and increased short term deposits held with banks. The mix of these assets, including statutory reserves maintained by the regulated entities, is as follows:

**Liquid Assets**




### Funding

The Group ensures that its funding sources are well diversified. Funding source concentrations are regularly monitored and analyzed. The principal sources of funding are capital, core deposits from retail and commercial clients through the branch network, and wholesale funding. To ensure that the Group does not place undue reliance on a single entity as a funding source, the Group maintains a limit on the amount of deposits or client funding it will accept from any one entity.




## Capital Expenditures

Scotia Group has an ongoing programme of capital investment to provide the necessary level of technology and real estate resources to service our customers and meet new product requirements. All major capital expenditures go through a rigorous review and approval process.

Total capital expenditure in 2013 was $557 million, a reduction of 61% from 2013, as the prior year included significant costs for ABM replacements, equipment upgrades and real estate acquisition.

## Operational Risk

**Operational risk is the risk of loss, whether direct or indirect, to which the Group is exposed due to inadequate or failed internal processes or systems, human error, or external events. Operational risk includes legal and regulatory risk, business process and change risk, fiduciary or disclosure breaches, technology failure, financial crime and environmental risk. It exists in some form in every business and function.**

The impact of operational risk may not only result in financial loss, but also regulatory sanctions and damage to the Group's reputation. The Group is very successful at managing operational risk with a view to safeguarding client assets and preserving shareholder value.

The Group has developed policies, processes and assessment methodologies to ensure that operational risk is appropriately identified and managed with effective controls. The governing principles of the Group's operational risk management program include:

- A clear, effective and robust governance structure with well defined, transparent and consistent lines of responsibility. The Operational Risk Management Framework is based on the three lines of defense operating model:
    - The Business Line owns the operational risks in their operations;
    - Operational Risk and Control functions provide independent oversight and develop the methodologies, policies, process and tools to support the Operational Risk Management Framework; and
    - Internal Audit provides independent validation of the effectiveness of the framework.
- Senior Management within the Business Lines is responsible for implementing the Operational Risk Management Framework to ensure the ongoing management of operational risks;
- Processes are developed and implemented with a goal of managing and mitigating operational risk, and as a result minimizing operational risk losses;
- All material operational risks, including risks due to new products/ services or changes to existing products/ services, are identified, managed, measured, monitored and reported;
- Operational Risk Management information is meaningful and is leveraged in business decision-making;
- The Operational Risk Management Policy is approved by the Board on an annual basis; and
- The Group has established contingency and business continuity plans to ensure its ability to operate on an ongoing basis and assist in limiting losses in the event of severe business disruption.

The Operational Risk Management Framework sets out an integrated approach to identify, assess, control, mitigate and report operational risks.

## Reputational risk

**Reputational risk is the risk that negative publicity regarding Scotiabank's conduct, business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures.**

## Risk Management

### Reputational Risk (cont'd)

Negative publicity about an institution's business practices may involve any aspect of its operations, but usually relates to questions of business ethics and integrity, or quality of products and services. Negative publicity and attendant reputational risk frequently arise as a by-product of some other kind of risk management control failure.

Reputational risk is managed and controlled throughout the Group by codes of conduct, governance practices and risk management programs, policies, procedures and training.

Many relevant checks and balances are executed through the Group's well-established compliance and operational risk management programmes. All directors, officers and employees have a responsibility to conduct their activities in accordance with the Scotiabank Guidelines for Business Conduct, and in a manner that minimizes reputational risk. The activities of the Legal, Corporate Secretary, Public, Corporate and Government Affairs and Compliance departments, are particularly oriented to the management of reputational risk.


Scotia Community

## Corporate Human Resources

The Scotiabank Group continues to promote leadership development as an essential aspect of our ongoing programme to build capacity and improve customer loyalty through increased employee engagement. Consistent with this initiative, Corporate Human Resources developed a programme targeted at emerging leaders, with criteria for selection and training, as well as other development requirements. The Mentorship/Value Partnership programme which was piloted in 2012 was also expanded significantly toward year-end; this is facilitating trust-based professional interface between junior and senior employees across the Scotiabank Group, with expectations for ongoing improvements in employee engagement.

The re-design of the training programme for commercial credit trainees and associates to address gaps identified in service delivery was one of the major employee development initiatives undertaken. The programme now offers a broader, more comprehensive mix of technical knowledge and hands-on experience, to facilitate the preparation of candidates for appointment to mission-critical posts. Expansion of the available pool of trained sales officers to improve coverage for increasing demands was another priority during the year under review. We also increased investment in psychometric assessment to support the recruitment of service staff, as well as to identify strengths and opportunities for professional growth. This has positively impacted service levels and, in turn, enhanced the customer experience. Despite an active industrial relations environment in 2013, important compensation change/redesign initiatives were agreed and successfully implemented. We also created organizational agility to align business practices with changing internal and external circumstances by focusing on a non-branch sales staffing strategy, and cost effective hiring practices.

Our internal Communications Programme was revamped and rebranded, and new Internal Communications Champions were oriented and deployed during the year as we continued to promote high interaction and a robust two-way free flow of information across the Group. Increased employee engagement, as evidenced in the Employee Survey, is significantly attributed to the upgraded communication policy and initiatives.

In the new year, the introduction of new communication tools, and deepening of use of HR technology, are among the strategies that will be implemented to improve employee engagement, strengthen the high performance service culture in the Scotiabank Group and enhance the customer experience. Expanded use of predictive tools in recruitment for key branch jobs is another of the strategic initiatives proposed. We will also intensify our focus on leadership and talent development with the full roll-out of our Young Leader Programme, as well as focus on deepening the reward and recognition of top achievers across business lines and support groups.

# Our Community Outreach
- Scotia Group Jamaica Ltd.

Scotiabank past President & CEO, Bruce Bowen (centre), proudly stands with members of his team (from left) Lisa-Marie Sawyers, Rory Rowe, Joylene Griffiths Irving, Gail Mills, Monique Todd and Janet Richards as Scotiabank was nominated for the Gleaner's Honour Award, in the category of Education.

## ScotiaFoundation

### Strengthening Corporate Giving Through Volunteerism

The ScotiaFoundation's corporate giving initiatives in 2013 and the ScotiaVolunteer activities brought value to thousands of persons islandwide who benefited from a range of projects in education and culture; child health and wellness; as well as the environment.

Thirty-three major programmes were the focus of our time, talent and resources as the Foundation responded to pressing social needs and helped to improve the lives of some 51,000 beneficiaries, 14,000 of whom were children. This was facilitated by 1,199 ScotiaVolunteers who gave a recorded 3,066 hours of voluntary service, building strong relationships in the communities while ensuring that projects were effectively implemented and maintained to achieve our long-term objectives.

The partnerships we established with 469 Non-Governmental Organizations (NGOs), educational institutions, private sector entities and government agencies also contributed significantly to the success of our efforts.

The impact of the Foundation's community-based programmes has created strong awareness of the Scotiabank brand, with more than 70% of the respondents acknowledging Scotiabank as a caring corporate citizen.

### Serving the Community

The Foundation once again supported and launched the Salvation Army's Kettle Appeal in December 2012. Our donation of $2 million coupled with our public education efforts ensured many Jamaicans in need were provided food packages.

Repairs to six schools in St. Mary and Portland which were damaged by Tropical Storm, Sandy, in October 2012, was one of ScotiaFoundation's priorities in 2013.

These included Highgate Primary, Belfield Primary, Carron Hall Primary and Infant Schools, and Zion Hill Primary in St. Mary. As we fortified relationships in the Highgate community our ScotiaVolunteers repainted two of these schools and we awarded two of the 15 ScotiaFoundation Shining Star Scholarships for outstanding students in the 2013 Grade Six Achievement Test (GSAT) to scholars in St. Mary. A new two story classroom block to replace the wooden structure destroyed in the storm is being constructed at Norwich Primary, Portland, with joint funding from ScotiaFoundation and the Ministry of Education.

On National Labour Day, our Street Smart, Street Safe programme received a boost from the 400 ScotiaVolunteers who worked in collaboration with Parish Councils, corporate donors, community organizations and children. The volunteers painted 38

# Our Community (cont'd)
- Scotia Group Jamaica Ltd.

### Serving the Community (cont'd)
pedestrian crossings islandwide, seven schools, a police station and a hospital. The major project at Belfield Primary School, St. Mary involved re-painting of the school's lunch room and exterior. Electrical repairs, the donation of five computers and installation of a flag pole were other highlights of the work day.

### Promoting Reading & Financial Literacy
National Read Across Jamaica Day and National Teachers' Day on May 6 and 7, respectively, gave our Volunteers a welcome opportunity to introduce students across the island to the benefits of saving consistently to meet their financial needs.

### Environmental Preservation a Priority
Sustained preservation of the environment remained a priority for the ScotiaFoundation, which partnered with several specialist organizations during the year to achieve this objective.

Major initiatives included our participation in activities to mark International Coastal Clean-up Day on September 21.

Scotiabank's Director of Corporate Social Responsibility; Mrs. Joylene Griffiths Irving (centre), Jhenell Wint, Kofie-Mania Josephs and Nicholas Watt joined the Forestry Department's project to plant 157 trees at Breezy Castle, Kingston on National Tree Planting Day, Friday, October 4, 2013. Scotiabankers across the island planted trees in schools and community centres and in support of the Forestry Department's target of planting 75,000 trees for this year.

We also supported tree planting programmes organized by the Forestry Department as part of its 75th Anniversary celebrations; as well as, a competition spearheaded by the Urban Development Corporation (UDC). More than 1,300 trees were planted by our Volunteers.

The underwater experience enjoyed by visitors on the "SS Scotia Submarine" at the Rainforest Seafood Festival hosted by the WE CARE Foundation in Montego Bay in February, was our latest effort in our ongoing public education programme to curb the threat posed by Lionfish to the local fishing industry.

The ScotiaFoundation contributed just over $1 million to the WE CARE Foundation for the Cornwall Regional Hospital; and the mock submarine booth was subsequently donated to the Marine Laboratory for educational purposes.

### Developing Talent Through Sport
We expanded our support of sport beyond our usual Valencia Football Camp; Kiddy Cricket; Preparatory School Cricket; Caribbean Premier League T20 Cricket; Junior Netball and Umpire Programme to include cycling and basketball. A total of 900 youths islandwide benefited from these programmes.

The Foundation partnered with Restaurants of Jamaica as the major donor of 14 racing bikes to the Youth Development Through Cycling Federation, which facilitated 22 youths in a two week training camp. The Scotiabank Bright Future Soul to Sole Basketball Camp was sponsored by the Foundation and this partnership will result in a renovated basketball camp for youths in Portland in the coming year.

### Focus on Partnerships
Our focus on employee volunteerism has enabled the ScotiaFoundation to connect on a more personal level with the communities that it serves. In the year ahead, we intend to strengthen our team, as well as our links with partners on the ground, as we seek to improve our understanding of local needs and develop programmes that result in greater long-term impact.

# Our Awards

We are proud of our recognition by global industry publications and local groups. Among our achievements this year were the following awards:

**Jamaica Stock Exchange**

- Private Sector Organisation of Jamaica /Jamaica Stock Exchange, Joint Winner, Corporate Governance Award

**Jamaica Customer Association**

- Private Sector Organisation of Jamaica /Jamaica Customer Service Association, Service Excellence Award (Large Company Category)

**The Banker Magazine**

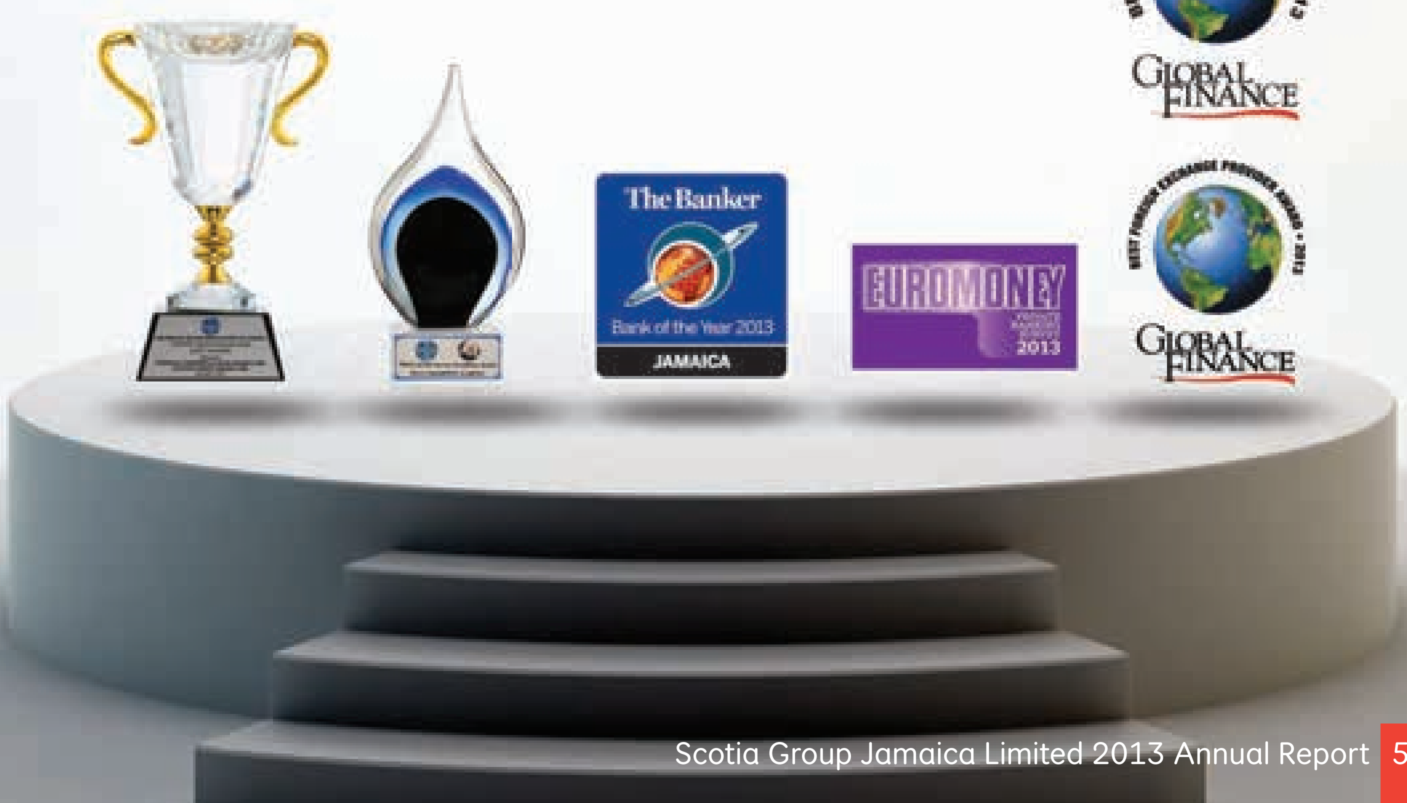
- Bank of The Year Award

**Euromoney Magazine**

- Best Private Banking Services in Jamaica
- Best Relationship Management in Private Banking Services in the Caribbean

**Global Finance Magazine**

- Best Consumer Internet Bank
- Best Emerging Markets Bank
- Best Foreign Exchange Bank

# Shareholdings
## - Scotia Group Jamaica Ltd.

TOTAL SHAREHOLDINGS (UNITS)

DIRECT (UNITS)

CONNECTED PARTIES (UNITS)

**SCOTIA GROUP JAMAICA LIMITED**
**TOP TEN (10) LARGEST SHAREHOLDERS**
**AS AT 31 OCTOBER 2013**

## Top Ten

| | | Total Shareholdings (Units) |
|---|---|---|
| 1 | THE BANK OF NOVA SCOTIA | 2,233,403,384 |
| 2 | SAGICOR PIF EQUITY FUND | 65,478,370 |
| 3 | SCOTIA JAMAICA INVESTMENT MANAGEMENT LTD A/C 3119 | 55,725,439 |
| 4 | NATIONAL INSURANCE FUND | 52,924,069 |
| 5 | NCB INSURANCE CO. LTD A/C WT109 | 25,641,176 |
| 6 | SDBG A/C 560-01 | 19,832,309 |
| 7 | INV NOM LTD A/C LAS. HENRIQUES ET AL S/F | 15,849,258 |
| 8 | GRACE KENNEDY LIMITED PENSION SCHEME | 15,701,767 |
| 9 | SDBG A/C 560-03 | 11,235,200 |
| 10 | KINGSTON PORT WORKERS SUPERANNUATION FUND | 10,000,000 |

**SCOTIA GROUP JAMAICA LIMITED**
**SHAREHOLDINGS OF DIRECTORS AND CONNECTED PARTIES**
**AS AT 31 OCTOBER 2013**

## Directors

| | Total Shareholdings (Units) | Direct (Units) | Connected Parties (Units) |
|---|---|---|---|
| ALEXANDER, BARBARA | 310,400 | 108,000 | 202,400 |
| BOWEN, BRUCE | 39,550 | 39,550 | 0 |
| CHANG, ANTHONY | 403,274 | 3,274 | 400,000 |
| CHROMINSKA, SYLVIA | 50,000 | 50,000 | 0 |
| HALL, JEFFREY | 40,000 | 0 | 40,000 |
| JOHNSTON, CHARLES | 2,083,584 | 2,328 | 2,081,256 |
| MATALON, JOSEPH M. | 5,052,032 | 0 | 5,052,032 |
| SHARP, JACQUELINE | 173,206 | 15,206 | 158,000 |
| THOMPSON, HERBERT | 29,640 | 0 | 29,640 |

**SCOTIA GROUP JAMAICA LIMITED**
**SHAREHOLDINGS OF SENIOR MANAGERS AND CONNECTED PARTIES**
**AS AT 31 OCTOBER 2013**

## Senior Managers

| | Total Shareholdings (Units) | Direct (Units) | Connected Parties (Units) |
|---|---|---|---|
| ANTHONY, MONIQUE | 38,076 | 38,076 | 0 |
| BARRETT, DORETTE | 31,223 | 1,097 | 30,126 |
| BRIGHT, CARL | 0 | 0 | 0 |
| BROWN, JAMES 'JIM' | 0 | 0 | 0 |
| BROWN, JEFFREY | 0 | 0 | 0 |
| DAVIS, ADZA | 127,978 | 127,778 | 200 |
| DONALDS, SUZANNE | 6,068 | 0 | 6,068 |
| DOUGLAS, PAMELA | 3,145 | 3,145 | 0 |
| ELVY, LENNOX | 0 | 0 | 0 |
| FRENCH, MONIQUE | 144,500 | 144,500 | 0 |
| GRIFFITHS IRVING, JOYLENE | 120,712 | 120,712 | 0 |
| HANSON, DONOVAN | 89,795 | 89,795 | 0 |
| HARVEY, VINCENT | 21,830 | 5,365 | 16,465 |
| HENRY, WAYNE | 0 | 0 | 0 |
| HINES, HOPELIN | 112,728 | 107,728 | 5,000 |
| KEAN, CAROLYN | 2,414 | 0 | 2,414 |
| LATCHMAN-ATTERBURY, PATSY | 175,000 | 175,000 | 0 |
| LAWSON-LAING, SHAUN | 0 | 0 | 0 |
| LYN, CARLENE | 0 | 0 | 0 |
| LOGAN, CAROL | 58,020 | 58,020 | 0 |
| LOPEZ-SPENCE, DEBRA | 5,305 | 5,305 | 0 |
| MCANUFF-JONES, MICHAEL | 361,253 | 265,203 | 96,050 |
| MCCALLA MILLER, CLAUDINE | 0 | 0 | 0 |
| MCLEGGON, MARCETTE | 172,676 | 172,676 | 0 |
| MITCHELL, LISSANT | 44,500 | 0 | 44,500 |
| PARKER ROBINSON, MARCIA | 0 | 0 | 0 |
| PILLINER, ROSEMARIE | 154,870 | 74,216 | 80,654 |
| POWELL, HUGH WAYNE | 1,510,221 | 15,566 | 1,494,655 |
| RAMSARAN, SHIRLEY | 143,707 | 83,478 | 60,229 |
| REID, HUGH | 1,040 | 0 | 1,040 |
| REYNOLDS, ADRIAN | 47,500 | 0 | 47,500 |
| REYNOLDS, LINLEY | 179,472 | 158,934 | 20,538 |
| RHODEN, CECIL | 13,536 | 0 | 13,536 |
| ROPER, EDMOND GEORGE | 0 | 0 | 0 |
| SEGREE WHITE, SHEILA | 0 | 0 | 0 |
| SHARP, JACQUELINE | 173,206 | 15,206 | 158,000 |
| SHAW, MICHAEL | 42,828 | 37,238 | 5,590 |
| STOKES, ADRIAN | 0 | 0 | 0 |
| THOMPSON-JAMES, JULIE | 7,800 | 0 | 7,800 |
| TODD, MONIQUE | 10,560 | 0 | 10,560 |
| VOORDOUW, ROSEMARIE | 28,725 | 16,525 | 12,200 |
| WALTERS, DUDLEY | 1,787 | 1,787 | 0 |
| WHITE, GARY-VAUGHN | 47,790 | 47,790 | 0 |
| WHITELOCKE, GLADSTONE | 502,406 | 54,000 | 448,406 |
| WILLIAMS, DAVID M. | 274,057 | 161,441 | 112,616 |
| WILLIAMS, FREDERICK | 129,630 | 83,477 | 46,153 |
| WRIGHT, SALIANN | 433,857 | 31,169 | 402,688 |