Management's Discussion and Analysis

- Scotia Group Jamaica Limited

INTRODUCTION

Scotia Group Jamaica Limited (Scotia Group) has delivered 125 unbroken years of high quality financial services to Jamaica, supported by a network of 38 banking and investment branches, 237 Automated Teller Machines and 2,282 employees. Our parent company, The Bank of Nova Scotia, operates from headquarters 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 continued to operate in a very challenging environment during the financial year, as efforts by the Government of Jamaica (GOJ) to stabilize the economy further affected market conditions. The tight liquidity conditions which existed at the end of the last financial year intensified during the first half of the year, as the Government strived to meet its Net International Reserve targets in March 2014. During this period, financial institutions experienced increased funding costs as a result of the constrained supply of JMD liquidity.

In May 2014, Government increased asset tax rates to assist in meeting its fiscal targets. The asset tax for regulated entities increased from 0.14% to 0.25%, excluding insurance companies, which experienced a more significant increase from 0.14% to 1.00%. This aggregate additional tax cost imposed on the financial sector is estimated at $2.7 billion per annum. In addition, the sector faces a higher corporate income tax rate of 33.33% compared to 17.5 % – 25% for other companies.

Services Provided

The Bank of Nova Scotia Jamaica Limited	**Deposits, Lending, Foreign Exchange and payment services**
Scotia Jamaica Life 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 Jamaica Microfinancing Company (CrediScotia)	**Micro-Lending, Consumer Finance**

Despite the economic challenges, business confidence for the first 3 quarters of 2014 was higher than the same period for any year since 2007; as some macroeconomic indicators started to trend positively. A substantially higher proportion of businesses expected better conditions in the future and as a result, expressed their intent to increase investments in the year ahead. Consumer confidence, however, continued to decline as opportunities for job creation waned, while purchasing power continued to be eroded by the depreciation of the Jamaica dollar and tax increases, and wages remained stagnant.

Gross loans in institutions regulated by the Bank of Jamaica grew at a generally slower rate this year with gross loans increasing by 7.3% as against 14.9% last year. In the commercial banking sector, loans to the private sector increased by 3.5% or $5.7 billion (vs. 15.5% or $22.1 billion in 2013) while consumer loans increased by $15 billion or 9.2% year over year (vs. 23.8% or $31.2 billion last year) as at September 2014. Deposits grew by 7.3%, down from 13.6% growth in the previous year, with growth in foreign currency deposits outpacing the JMD portfolio. Credit quality for the sector also improved with non-performing loans being 4.8% of total loans as at September 2014 down from 5.8% the prior year. The decline in lending rates impacted the retail sector, in particular, as competitive forces drove lending rates down. Average overall lending rates fell 54 basis points (bps).

The collective investment industry (unit trusts and mutual funds) grew by 42.7% to US$1.0 billion during the year ended October 2014, as institutional investors repositioned their portfolios.

Gross life insurance premiums sold in the industry were flat over the same period, despite the efforts of market participants to launch new products and expand their customer base.

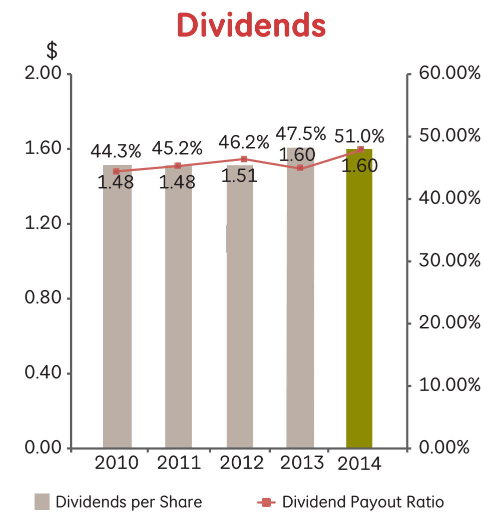
OVERVIEW OF FINANCIAL RESULTS

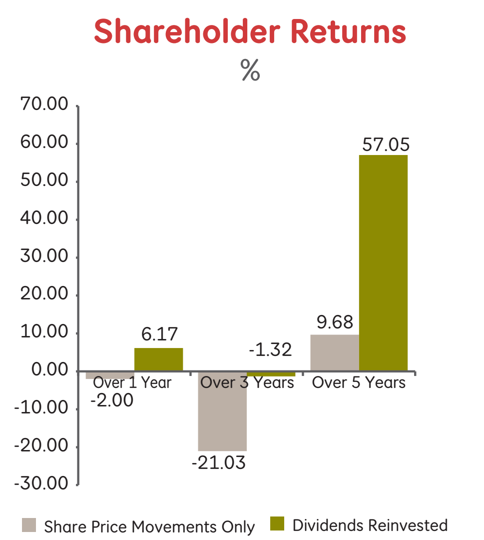
Scotia Group delivered net profit available to common shareholders of $10.118 billion and a return on equity of 13.41%. These results translate to earnings per share of $3.14, down from $3.37 last year. Dividend per share was $1.60, representing a 51% dividend payout ratio, as we continue to boost our Tier 1 regulatory capital and invest in our core business. Our consistent dividend policy is a key component of shareholder return, accounting for 83% of our five year return of 57.0%. Our results were derived from our diversified business lines, as we continue to ensure that we generate sustainable revenue streams, exercise prudent risk management and our dynamic team executes our strategies successfully.

Scotia Group is one of the largest banking and financial services organisations in Jamaica, with assets of $407 billion and deposits held by the public of $191 billion as at October 31, 2014. Our growth was achieved through the increase of our loan portfolio for all business lines - consumer, microfinancing, small and medium enterprises, corporate and commercial. The risk exposure from the growth in the portfolio remains well within the established risk tolerance limits, informed by our risk management framework. Scotia Insurance launched a new universal life insurance product, AFFIRM, and Scotia Investments continued to increase its asset management business year-over-year.

Scotia Group continues to increase its capital base, which grew by $6.0 billion year-over-year. This solidifies our ability to withstand volatility in the market and support our strategic initiatives.

Financial Highlights	31-Oct-14	31-Oct-13
	$ MILLIONS	$ MILLIONS
Total Assets	407,030	389,260
Investments	149,323	152,677
Loans (net of provisions for losses)	145,732	134,824
Deposits by the public	190,727	183,369
Liabilities under repurchase agreements & other client obligations	60,843	55,607
Policyholders' Fund	43,310	43,014
Shareholder's equity	75,327	69,312
Net Profit after tax	10,118	10,893
Return on equity	13.41%	15.67%
Return on assets	2.40%	2.69%
Earnings per share (cents)	314	337
Dividend per share (cents)	160	160





OUR STRATEGY

Our strategic priorities provide a roadmap for our continued long-term success, and are designed to enhance our ability to meet the complex and dynamic needs of our customers. Last year, we continued to execute well on our four strategic priorities. While our supporting initiatives have evolved over time as we respond to shifts in the external environment, our main focus priorities have proven to be effective in creating a sustainable business model, while also earning us a consistently higher level of customer satisfaction.

Sustainable Revenue Growth

Collaborating across our primary business lines of retail and commercial banking, insurance and wealth management allows for the provision of comprehensive solutions for customers and continues to be our primary focus in delivering sustainable and profitable revenue growth. We enhanced and consistently implemented technology and sales tools across the business lines, and refined our sales disciplines to improve collaboration across the Group. In 2015, we will continue to take advantage of our Group structure to enrich the customer experience and deepen our customer relationships by better utilizing available data, increasing the effectiveness of our sales disciplines, and maximizing our alternative delivery channels.

Client Intimacy

We further enhanced our service offering to meet the distinct needs of our affluent customer segment through the expansion of Premium Banking to our Mandeville and the newly-opened Fairview, branches. We also focused on equipping our employees to provide excellent customer service and effectively resolve customer complaints at the first point of contact. We will continue to stay close to our customers, deepening our relationships and building loyalty by delivering the right solutions, the best advice and a seamless experience across all business lines within Scotia Group.

Operational Efficiency

During the year, we continued to consolidate key support functions across the Caribbean which allowed us to reduce costs in Scotia Group. We further upgraded our operational processes to reduce duplication, eliminate waste and ultimately enhance the customer experience, and we increased adoption of our alternative delivery channels, which offer our clients more convenient, cost effective and secure ways of doing business. We anticipate opportunities to further improve efficiencies. We will continue to seek new opportunities to remove structural cost from our business and manage further growth in expenses.

High Performance Culture

The invaluable experience and capabilities of our team are important aspects of our culture and a key source of our competitive advantage. In 2014, identification and development of our staff continued to be major areas of focus. We also allocated resources for development planning and continued to nurture defined competencies throughout our leadership team. We have renewed our emphasis on performance management, to ensure that individuals are best suited for their job functions, so that we have the best team serving our customers. We will continue to invest in our people and to strengthen the foundations of our high performance culture.

Scotia Group has a strong record of achievement. We are confident that our business strategies are sound, and that we can continue to deliver the service and the results that are expected by our customers and our shareholders. Our business model is supported by the global strength of Scotiabank, and we have an ample capital base that will allow us to build on our 125-year legacy as a pioneer in the banking industry in Jamaica.

GROUP FINANCIAL PERFORMANCE

Total Revenue

Total revenue was $35,437 million in 2014, slightly more than the $35,255 million recorded in 2013. Our Retail and Insurance Services segments grew by 4.5% and 8.1% respectively; while our investment management business line declined by 4.4%. Residential mortgages grew by 12.2% or $2,254 million, as we continue to provide competitive offerings for customers in this segment. Retail loans grew by $3,793 million or 6.5% representing a strong performance by our team in a very competitive market. Insurance revenues were higher due to tightly-managed net interest spreads. Increased funding costs resulting from tight market liquidity contributed to a decline in the revenues from our Investment Management business. Average commercial loans grew 14% year-over-year; however the competitive environment restricted the revenue growth from this business segment. Treasury revenues also declined due to lower foreign exchange earnings based on the slower rate of currency devaluation year-over-year, and the tight foreign exchange trading conditions in 2014.

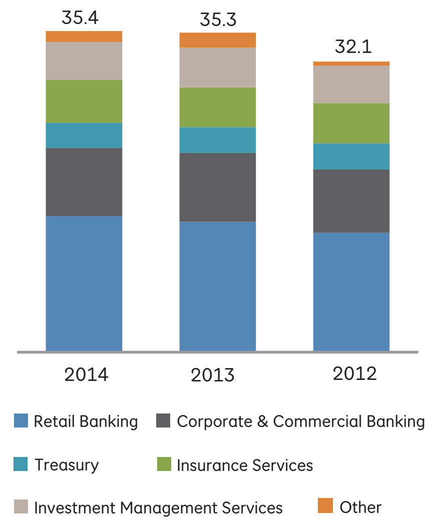
Net Interest Income

Increased loan volumes resulted in improved net interest income of $24.5 billion in 2014, up $647 million from last year. The Group's average earning assets increased by 6%, while the net interest margin (net interest income as a percentage of average earning assets) declined by 19 basis points when compared to 2013. Increased interest income from the growth in our mortgage, consumer, and commercial portfolios was partially offset by lower interest income on our investment portfolio. Average rates on earning assets were lower by 24bps as a result of the competitive environment; and we maintained higher levels of short-term liquidity in response to the tightened JMD market conditions. Year-over-year, the growth in volumes contributed a positive $1,370 million to the changes in net interest income, which more than offset the negative impact from declining asset yields of $722 million.

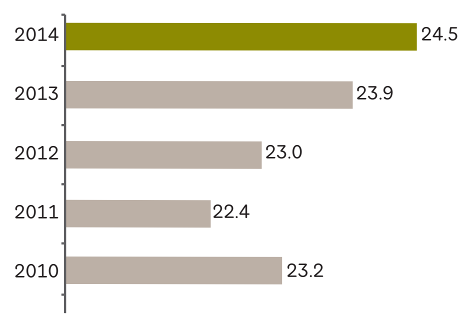
Other Income

Other income, defined as all income other than interest income, was $10.9 billion for this year, down $465 million or 4.1% from last year. We experienced reduced net gains on foreign currency activities of $767 million as currency volatility eased with a JMD: USD exchange rate devaluation of 7% in 2014, compared to 15% last year. Net gains on financial assets, however, increased by $521 million as a result of market making strategies by Scotia Investments. Net fee and commission income remained flat year over year, despite the increase in loan and transaction volumes as we kept our pricing competitive, and incurred increased costs from our credit card programmes.

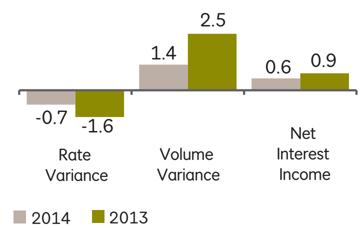
Revenues by Business Line
$Billions



Net Interest Income
$Billions



Rate & Volume Analysis of Changes in Net Interest Income
$Billions



Non-Interest Expenses

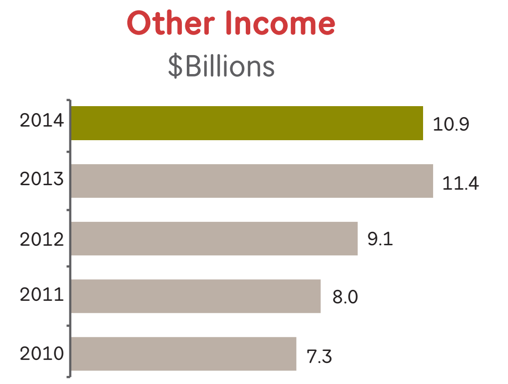
Non-Interest expenses for the year totaled $20.2 billion, up $527 million or 2.6% from last year. We have been successful in containing our total operating expenses, despite the higher asset tax faced by the financial sector. In this financial year, the Group experienced increases in the asset, premium and minimum business taxes of $861 million as a result of the higher rates implemented by the GOJ in May 2014. Salaries and employee benefits costs which represent 51% of our operating expenditure, increased by 3.8%. Property and other expenses were reduced or remained flat year-over-year based on strategies implemented to reduce the impact of the increased asset tax. Higher system-related expenses and technical, management and consultancy fees were recorded as a result of increased transaction volumes, system enhancements, and technical support as we sought to enhance our offerings and meet compliance and regulatory requirements.

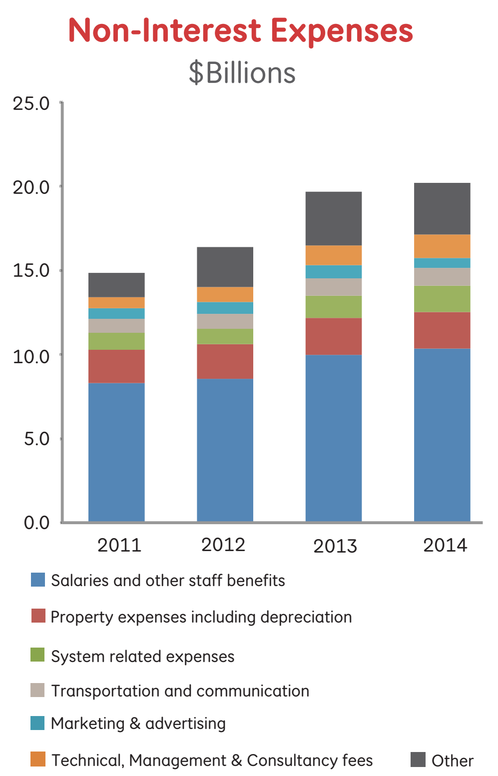
Our productivity ratio, which is calculated as total expenses (including impairment losses on loans) as a percentage of total revenue, increased to 61.48% from 58.63% in 2013. This deterioration was due mainly to the increase in impairment losses on loans. Nevertheless, the credit quality of our portfolio remains within acceptable levels.

Taxes

In 2014, our income tax expense was $3,532 million, down $161 million or 4.3% from last year, while our pre-tax profits fell by $935 million or 6.4%. Our effective income tax rate moved up to 25.9% from 25.3% as a result of the increase in deferred tax on temporary timing differences.

Taxation Charge ($'000)	2014	2013
Profit Before Taxes	13,651,057	14,585,867
Current Income Tax:		
Income tax calculated at 33 1/3%	2,627,437	2,938,730
Income tax calculated at 30%	357,965	566,483
Income tax calculated at 25%	145,040	5,060
Premium tax calculated at 3%		
Investment Income tax calculated at 15%	315,641	285,442
Adjustment for (over)/under provision of prior years' charge	(7,026)	(68,671)
	3,439,057	3,727,044
Deferred Income Tax	93,401	(33,883)
Taxation Charge	3,532,458	3,693,161
Effective Tax Rate	25.9%	25.3%





Credit Quality

Impairment losses on loans grew to $1,603 million, $590 million higher than the amount recorded last year, as we experienced more write-offs in our unsecured retail portfolio. These portfolios are operated at margins that are in line with the risk profile of the products, and are well within the risk appetite framework for the Group. We also improved our recovery of bad debts by 9.7% year-over-year, as we deepened our collaboration with customers to identify viable solutions to their financial challenges.

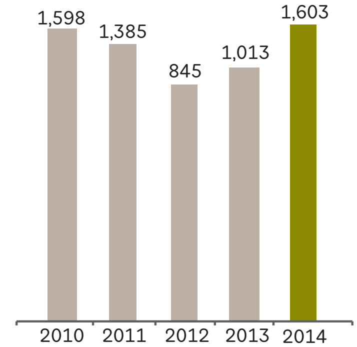
Non-performing loans (NPLs) as at October 31, 2014 totaled $4,903 million (2013: $4,491 million), representing a consistent 3.3% of total loans since last year; and 1.20% (2013: 1.15%) of total assets. The split between retail and commercial NPLs also remained unchanged at 2.46% and 0.85% respectively. The Group's NPLs as a percentage of Gross Loans and as a percentage of Total Assets remain well below the industry averages of 4.8% and 2.2%, respectively.

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

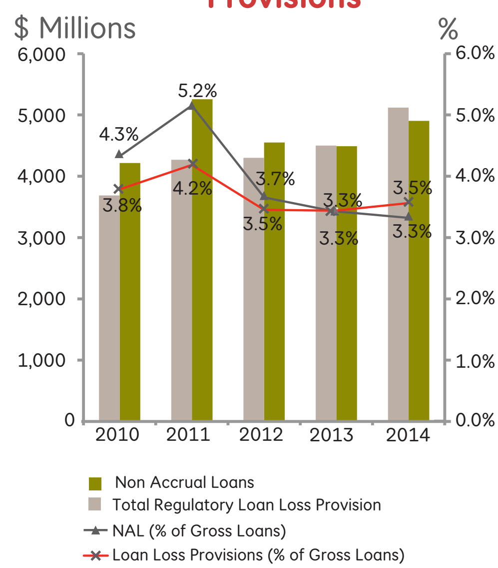
Loan Loss Provision Analysis ($'000)	2014	2013	2012
Gross Loans	147,649,649	136,544,450	124,526,150
Non Accrual Loans	4,902,782	4,491,383	4,551,026
IFRS Loan Loss Provisions	1,917,647	1,720,694	2,001,482
Loan Loss Reserve	3,202,002	2,781,066	2,299,390
Total Regulatory Loan Loss Provision	5,119,649	4,501,760	4,300,872
IFRS Loan Loss Provision as a % of Gross Loans	1.30%	1.26%	1.61%
IFRS Loan Loss Provision as a % of Non Accrual Loans	39.11%	38.31%	43.98%
Total Regulatory Loan Loss Provision as a % of Gross Loans	3.5%	3.3%	3.5%
Total Regulatory Loan Loss Provision as a % of Non Accrual Loans	104.42%	100.23%	94.50%

Impairment Losses on Loans

$Millions



NALs and Loan Loss Provisions



Management's Discussion and Analysis (cont'd)

- Scotia Group Jamaica Limited

GROUP FINANCIAL CONDITION

Assets

The Group's total assets increased by $17.8 billion or 4.6% to $407 billion as at October 31, 2014. Cash resources and loan portfolios increased by a combined $18.5 billion during the year while our stock of investment assets declined by $3.4 billion. Loans now represent 35.8% of total assets, compared to 34.6% last year due to our focus on growing the core lending business.

Cash Resources

Our cash resources held to meet statutory reserves and the Group's prudential liquidity targets stood at $82.5 billion (2013: $74.9 billion). Given the tight market liquidity conditions that existed during the year, we increased our short-term placements along with the growth of inflows from customer deposits. As a result, we maintained adequate liquidity levels to enable us to respond effectively to market demand and changes in cash flow requirements.

Securities

Total investment securities, including pledged assets, decreased by $3.4 billion to $149.3 billion as a result of our strategy to increase our cash resources and overall liquidity, and to increase focus on traditional bank lending opportunities to retail and commercial customers.

Loans

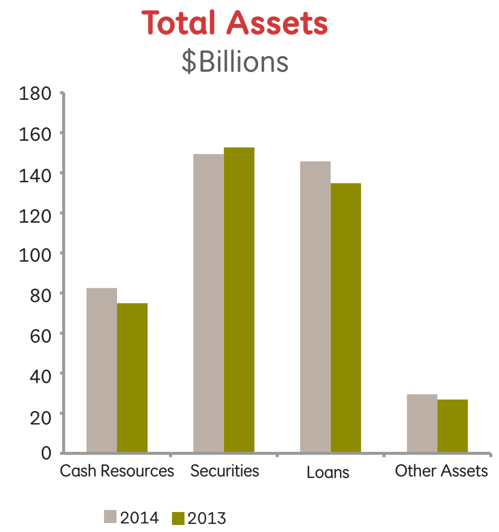
Our loan portfolio grew by 8.1% or $10.9 billion this year, with loans, after allowance for impairment losses, increasing to $145.7 billion. All business lines showed solid growth with business and government increasing by 8.7%, personal and credit cards by 6.5% and residential mortgages by 12.2%.

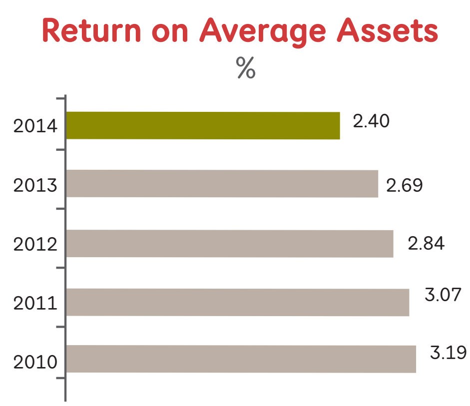
Liabilities

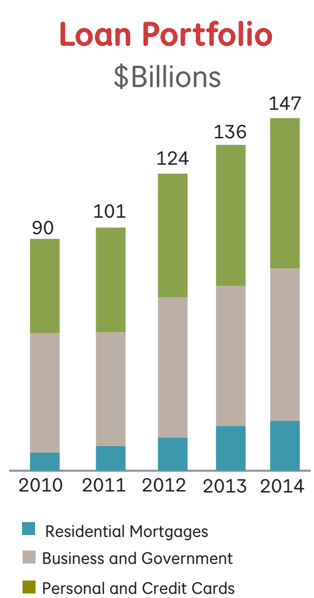
Total liabilities were $328 billion as at October 31, 2014, an increase of $11.5 billion or 3.5% from last year, driven by the growth in wholesale funding as well as an increase in our customers' deposit base.

Deposits

Deposits increased to $190.7 billion, up from $183.4 billion the previous year. This $7.3 billion increase was concentrated in our Commercial foreign currency portfolio as we acquired and deepened relationships with our customers.







Obligations related to repurchase agreements, capital management and government securities funds

These obligations, which represent funds invested by clients of Scotia Investments Jamaica Limited (SIJL), in addition to other wholesale funding increased by $5.2 billion or 9.4% during the year. SIJL clients reduced repurchase agreement (repo) holdings and increased their investment in the unit trusts and mutual funds offered by the company. As a result of the strong confidence which our customers continue to demonstrate in the Scotia brand, there was a $4.8 billion increase in our fund and asset management portfolios, and we remain a dominant player in the collective investment scheme industry.

Policyholders' Fund

The Policyholders' Fund reflects the insurance contract liabilities held at Scotia Insurance for our flagship product ScotiaMINT. The Fund remained flat at $43.3 billion as we focused on the launch of our new universal life product, AFFIRM which offers policyholders significantly improved coverage, as well as multiple investment options.

Shareholders' Equity

Total shareholders' equity rose to $75 billion in 2014, $6.0 billion more than the previous year fuelled by growth in internally-generated capital.

Shareholders' Returns

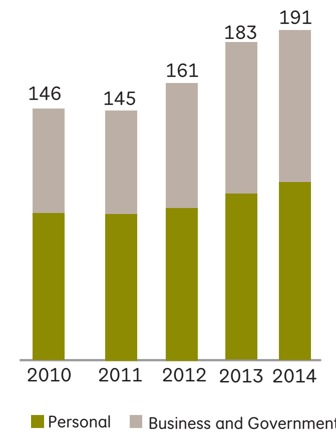
Our total shareholders' return (including both dividends and change in price of the Group's common shares) stood at 6.17% over the past year, and compared favourably to the Jamaica Stock Exchange (JSE) and JSE Select Indices at -7.88% and 3.63% respectively. Scotia Group's returns over the last 3 years from share price movement stood at -21.03% and reflected the fallout in the market resulting from the particularly difficult economic conditions that immediately preceded and followed the IMF agreement in 2013.

Shareholder returns came primarily from regular quarterly dividends which offset the 2.0% decline in the stock price year over year to give a 6.2% return.

Dividends remained at $1.60 per share for this year, reflecting a payout ratio of 51% a dividend return of 8% for 2014. Scotia Group will continue to focus on achieving sustainable, long-term earnings growth and maintaining stable

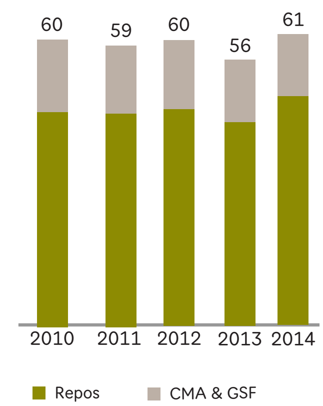
Deposit Portfolio

$Billions



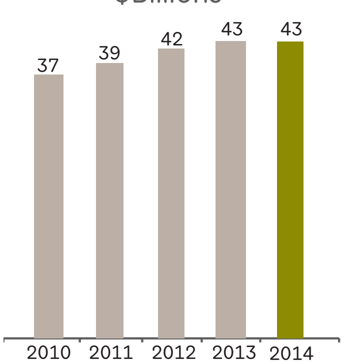
Repurchase Agreement & Capital Management Accounts

$Billions



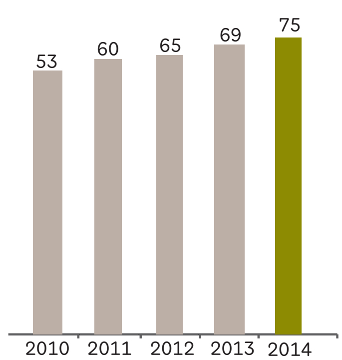
Policyholders' Fund

$Billions



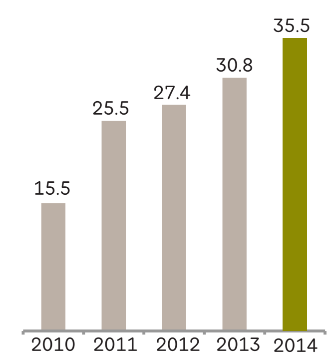
Shareholders' Equity

$Billions

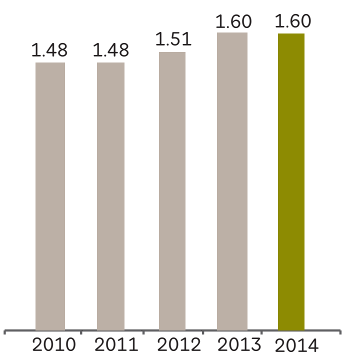


Funds Under Management Unit Trust & Mutual Funds

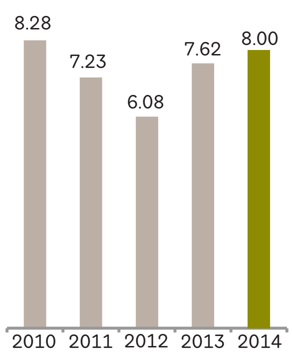
$Billions



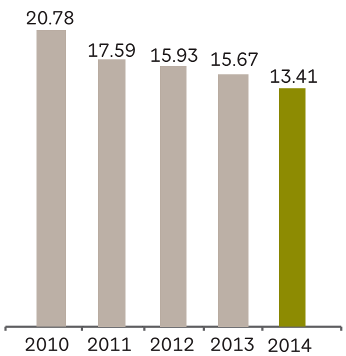
Dividend Per Share
$



Return from Dividends
%



SGJ Return on Equity
%



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	6.17%	-1.32%	57.05%	-2.00%	-21.03%	9.68%
Benchmarks:						
JSE Index	-7.88%	-12.12%	15.23%	-12.36%	-24.72%	-10.98%
JSE Select Index	3.63%	-10.14%	64.23%	-3.83%	-27.13%	17.15%

dividend income streams to our loyal shareholders.

Capital Management

Scotia Group is committed to maintaining a strong capital base to support our business. Strong capital levels provide safety for our deposit customers and foster investor confidence. It also allows our Group to take advantage of growth opportunities as they arise and invest further in our core business to enhance shareholder returns. The capital management framework of Scotia Group includes a capital adequacy assessment process aimed at ensuring that the Group is able to withstand current and future risks and achieve its strategic objectives.

Regulatory Capital

Capital ratios are used to monitor the capital adequacy and the financial strength of financial institutions. Capital adequacy standards are set by the Bank of Jamaica for Deposit Taking Institutions and by the Financial Services Commission for Securities Dealers and Insurance Companies. These standards are largely guided by international standards set by the Basel Committee on Banking Supervision (BCBS).

Capital Adequacy

	2013 Capital Adequacy Ratio	Increase/ (Decrease) in Capital Requirement ('000s)	Increase in Capital Base ('000s)	2014 Capital Adequacy Ratio	Regulatory Requirement	Excess over Regulatory Requirement
Banking and Building Society	12.8%	524,127	2,342,894	13.7%	10.0%	3.7%
Investment Management	41.4%	(322,817)	839,459	50.0%	10.0%	40.0%
Life Insurance*	497.0%	7,788	871,315	562.0%	150.0%	412.0%

* Minimum Continuing Capital on Surplus Ratio

BUSINESS OUTLOOK

The ongoing efforts by the GOJ to stabilize the country's finances will require adherence to tight fiscal policies in order to meet the main anchor of the IMF programme: the 7.5% primary surplus target. The actions that have been taken so far have stabilized the economy, and there have been signs of growth and projections for future growth, with the macroeconomic trends being viewed more favourably by the business community.

We expect commercial and small business customers to continue improving their efficiency and seeking financing to grow their businesses, and we will leverage our international network to provide tangible solutions to these entrepreneurs. The choice of a financial partner will be driven by the ability of financial institutions to meet the specific needs of their clients; particularly for local businesses who want to broaden their global footprint.

As the competition intensifies and credit conditions remain challenging, we will continue to cross-sell to our customers across the Group, and enhance the efficiency of our retail branch network to deliver services using our alternate channel platform.

The improvements in the legislative framework under the IMF programme have resulted in the passage of several new bills that will have an impact on the financial sector. These include the Banking Services Act, the Security Interest in Personal Property Act, Insolvency Act, and the Securities Amendment Act, while Repurchase Agreement legislation is expected shortly. As a Group we monitor all pending legislative changes impacting our business, provide input to legislation and ensure that our strategies and business plans reflect these changes in the market.

Scotia Group is well positioned to support the growth and stability of our economy and capitalize on the opportunities that will be created. In the year ahead, we will maintain our emphasis on the delivery of quality products and services by our team of professionals as we continue our quest to help customers achieve their financial goals.

OVERVIEW OF BUSINESS LINES

RETAIL BANKING

Retail Banking comprised of personal banking, retail mortgages and small business banking. It is responsible for the delivery of customer service consistent with Scotia Service and Complaint Resolution Standards and Procedures, which is entrenched in our Sales & Service Discipline.

2014 ACHIEVEMENTS

Improving Efficiency:

- Roll out of tools to enhance Sales and Service Discipline across the retail branch network
- Key performance indicators improved through careful management and monitoring of the sales process

Product Enhancement:

- Achieved an unprecedented increase in the credit card portfolio following the re-launch of the AeroPlatinum Card
- Introduced MasterCard Gold Tiered Cashback increasing the benefit to customers when they shop at specific merchants: Groceries and Gas Stations - 3%; Pharmacies - 2%; and all transactions 1%
- Launched a suite of Term Deposit products, which offer customers a variety of options for monthly income and also higher rates of return for long-term deposits
- By delivering our lending products to the place where customers acquire our assets, we've increased our loan bookings while providing greater convenience to our customers.
- Growth in the use of Online and Mobile Banking Platforms

Customer Experience:

- Established the second Premium Banking location in Mandeville, and the third in Fairview, Montego Bay
- Maintained our Customer Loyalty lead over the competition with an average of 60% of customers indicating perfect scores for retention, advocacy, buying a new product and preference as their financial service provider.

STRATEGY & OUTLOOK

The Group continues to place emphasis on:

- Developing an efficient and profitable Retail Network
- Ensuring that we are better organised to serve our customers
- Building our foundation of a strong customer base, our focus on excellent customer service and our cadre of sales officers with a wealth of experience and expertise
- Making it easier for customers to do business with the Group

2015 PRIORITIES

- Build profitable primary customers and maximize our customers' ability to access our full suite of products
- Increase the use of alternate delivery channels to improve the efficiency of our Retail Network and overall customer experience
- Continue to strengthen our Sales Management Process
- Nurture a winning team of high performing sales and service officers with a wealth of experience, knowledge and expertise
- Continue to build a culture of customer-centricity and a commitment to making the customer financially better off

Financial Performance
Retail Banking

	2014	2013	2012
	$ MILLIONS	$ MILLIONS	$ MILLIONS
Revenues	15,020	14,376	13,170
Expenses	(12,007)	(11,271)	(9,582)
Profit before taxes	3,013	3,105	3,588
Segment Assets	90,019	84,384	75,234
Segment Liabilities	111,157	103,801	93,202

Phoebe Buchanan (R), Branch Manager Scotiabank Premier Plaza, engages customers Ayesha Creary (L) and Derick Cross (C). Both were guests at a customer service function held at the branch.

SCOTIA JAMAICA BUILDING SOCIETY (SJBS)

Scotia Jamaica Building Society (SJBS), through its team of mortgage specialists across the branch network, provides residential mortgage and enhanced deposit solutions, anchored by excellent service delivery to its clients.

2014 ACHIEVEMENTS

Growing Market Share

- Scotia Jamaica Building Society (SJBS) increased market share to 20.63%
- This achievement ranks SJBS as the third largest residential mortgage provider in Jamaica
- More than J$4 billion in new mortgages were booked for the year

STRATEGY & OUTLOOK

Scotia Jamaica Building Society is committed to its mandate to provide competitively-priced mortgage financing

- 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
- Based on positive home acquisition trends, SJBS has positioned itself effectively through strategic alliances with developers and realtors to ensure SJBS is viewed as the 'preferred mortgage provider'

2015 PRIORITIES

- Deepen relationships with Real Estate Developers and Brokers
- Continue to focus on targeting professionals

SMALL BUSINESS BANKING

Small Business Banking provides a suite of need-specific financial solutions to Small and Medium-sized enterprises (SME's) and empowers entrepreneurs to sustain their businesses throughout the life cycle.

2014 ACHIEVEMENTS

Enhanced the SME client experience

- Introduced an express credit system which improves the turnaround time of the credit application and adjudication process for lower risk customers
- Launched organizational changes geared towards increasing the sales capacity of Small Business Officers and enhancing relationship and portfolio management
- Improved the sales management process with the launch of a comprehensive sales roadmap and subsequent training workshops culminating with the introduction of a Small Business Accreditation programme

Promoted capacity building

- Scotia Action Clinic coached and mentored 30 small business customers in the rudiments of business sustainability
- Various workshops were implemented for Scotia Professional Plan and Small Business customers; including collaboration with the Branson Centre

Deepened our professional partnerships and strategic relationships

- Continued to partner with the Medical Association of Jamaica, The Jamaica Bar Association and other professional organizations
- We were the first financial institution to issue to a customer, a Development Bank of Jamaica (DBJ) Voucher for technical assistance. We also signed on as a partner for the DBJ World Bank SME Loan Facility under the "Foundations for Competitiveness and Growth Project"
- Signed a Memorandum of Understanding with Jamaica Promotions Corporation (JAMPRO) to assist exporters in building capacity and export potential
- Partnered with the Jamaica Business Development Centre through a series of workshops and other activities to mark Global Entrepreneurship Week

Facilitated loan financing

- Launched a JMD$500 million special loan programme for SMEs in celebration of the Bank's 125th Anniversary

STRATEGY & OUTLOOK

Small Business Banking will continue to build its position as a market leader by:

- Providing SMEs with financial solutions through innovation and greater operating efficiency
- Deepening relationships with our customer base, as well as, our professional and strategic partners
- Continuing the focus on capacity building activities for entrepreneurs
- Ongoing streamlining of organisational changes to operate more efficiently
- Commitment to the development of our most critical resource, our team

2015 PRIORITIES

- Leverage our world-class Contact Centre to heighten the client experience
- Continue training of our Small Business team through select workshops and the Accreditation Programme
- Ongoing promotion of our Business Internet Banking facility, to enhance customers' information systems and business efficiency
- Improve client experience
- Expand and deepen our Professional and Strategic Partnerships

Steve Distant, Branch Manager Scotia Centre, Debra Lopez-Spence, VP SME and Donna Maxwell, Scotia Centre pose with Hat Design Business owner Taje's Trading- GEW week - Scotia Centre.

SCOTIA JAMAICA MICROFINANCE COMPANY LIMITED (CREDISCOTIA)

CrediScotia's primary mandate is to provide financing solutions to consumers and business operators in the microfinance sector. Our products are designed to address the needs of salaried individuals and microenterprises that are focused on achieving sustained financial independence and the provision of employment opportunities.

2014 ACHIEVEMENTS

Solid Financial Performance

- CrediScotia recorded another year of strong growth, surpassing our 2013 performance
- Outstanding results are attributed to:
  - Company's commitment to excellent personalized service
  - Strong expense management
  - Strong sales promotion
  - Loans Portfolio growth of 33.8% over the last year

Spearheaded Customer Training Initiatives

- Launched of the Build Your Business Financial Literacy Training and Certification Programme, designed to improve the financial capability of business operators in the sector
- Expanded opportunities for training in financial literacy with the launch of our website. Customers can now access information on how to plan a business, increase sales, and profitably manage their finances.

STRATEGY & OUTLOOK

CrediScotia is committed to achieving sustainable Net Income growth by:

- Providing value-added solutions to our clients, in a fast, efficient and friendly manner
- Deepening our presence in the market; consolidating key areas for growth
- Executing key strategic and operational initiatives that will enhance the financial well-being of our clients

2015 PRIORITIES

- Promote effective and efficient deployment of resources to areas that support growth and profitability
- Enhance customer service and the Company's operational platform to support accelerated business growth

Business Development Officer, Denesia Mills-Knight assisting with the display at our client Natasha Stewart's shop on Slipe Pen Road.

Fabian Anderson (L) and Opal Haughton (R) sit at the CrediScotia booth at the launch of CrediScotia's motorcycle financing programme at Superior Auto on Hagley Park Road.

Monique Senior, Business Development Officer speaks to Natasha Stewart (L) on how CrediScotia has helped her to 'Make it possible'.

CORPORATE AND COMMERCIAL BANKING

The Corporate and Commercial Banking Centre (CCBC), through our team of business banking specialists, product partners and international oversight is committed to providing consistent and efficient support to our commercial and large corporate clients. CCBC offers industry expertise, innovative ideas and strategic solutions designed to create, protect and realize shareholder value.

2014 ACHIEVEMENTS

Continued Business Growth

- Continued to refine the service delivery platform and recorded a 9% increase in asset growth.
- Booked more than J$15 billion in new/supplemental loans. This included a US$51 million syndicated loan to the Palace Resorts Group of Mexico, for the acquisition of the 730-room property in Ocho Rios formerly known as the "Sunset Jamaica Grande" property
- Wrote more than J$3 billion in loans in support of manufacturing, food processing, agricultural and distribution businesses

Innovative Technology Solutions

- Pioneered the implementation of Chip EMV-enabled terminals for merchant services, significantly enhancing security in the use of credit cards
- Improved the efficiency of our clients' and our own operations by converting high volume cheque issuers to our electronic banking platform

Enhanced Service Delivery

- Boosted customer efficiency

Financial Performance
Corporate Banking

	2014	2013	2012
	$ MILLIONS	$ MILLIONS	$ MILLIONS
Revenues	7,518	7,616	6,994
Expenses	(5,759)	(6,000)	(4,916)
Profit before taxes	1,759	1,616	2,078
Segment Assets	69,792	63,913	62,740
Segment Liabilities	104,573	104,058	89,586

STRATEGY & OUTLOOK

The Corporate and Commercial Banking Centre will continue to improve its competitive position by:

- Providing timely, efficient and customized solutions to our targeted customer base
- Leveraging our international presence to extend tangible solutions to our clients with a regional footprint
- Continuing to invest in our people; and developing strategies to attract, nurture and engage our future leaders

2015 PRIORITIES

- Grow our customer base, while increasing customer loyalty and ensuring retention through enhancement of the Bank's relationship coverage model
- Strengthen employee engagement, and foster a culture of collaboration
- Prudently manage risks and expenses


Craig Mair (R) converses with Dolphin Cove's Stafford Burrowes.

TREASURY

Treasury is responsible for the Group's liquidity, funding, investment management and foreign currency trading functions.

2014 ACHIEVEMENTS

International Awards

- The Division earned the Best of the Best Top Team Award through our internal Peer Recognition Programme, Scotia Applause
- Best Foreign Exchange Bank, conferred by the influential international magazine, Global Finance, for the 6th consecutive year

Growth in Online Foreign Exchange Transactions

- Internet foreign exchange purchases and sales increased 31.5% and 36.3% respectively year-over-year

Supporting Key Business Lines

- Supported growth in the commercial loan portfolio through collaboration with the Corporate & Commercial Banking Centre in the provision of competitive and customised pricing arrangements
- Conducted strategic visits to businesses and designed various solutions that added value to their banking relationships

Financial Performance

Treasury

	2014	2013	2012
	$ MILLIONS	$ MILLIONS	$ MILLIONS
Revenues	2,759	2,844	2,875
Expenses	(364)	(251)	(95)
Profit before taxes	2,395	2,593	2,780
Segment Assets	100,480	94,280	76,189
Segment Liabilities	8,977	2,525	1,414

STRATEGY & OUTLOOK

We remain committed to entrenching Scotia Group as the premier financial institution by:

- Anticipating the needs of our customers/prospects
- Providing service and treasury solutions that exceed expectations

2015 PRIORITIES

- Provision of real-time foreign exchange rate updates, as well as, market information, through the branch network
- Offer our corporate customer base a range of cutting-edge treasury solutions. These include access to the foreign exchange platform which facilitates trading in G7 currencies
- Close collaboration with the Corporate and SME units to deepen relationships in select market segments

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED (SJLIC)

Scotia Insurance provides Life, Health and Retirement solutions to its customers. Our main product categories are credit insurance, individual life insurance, retirement savings, immediate annuities and critical illness insurance.

2014 ACHIEVEMENTS

Market Leader

- SJLIC maintained dominance in the Approved Retirement Schemes (ARS) market with our flagship product, ScotiaBRIDGE
- Innovation, quality service and strategic management of customer relationships continue to be our key success factors

New Product

- Launched AFFIRM, a Universal Life product designed for customers with insurance needs in excess of J$5 million.

Outstanding Sales Team

- Twenty-two (22) team members attended the 2014 Million Dollar Round Table Conference in the USA. This represents more than 50% of our sales force and is a record for the local life insurance industry

Cutting-edge Technology

- A new Ingenium insurance administration system was launched which allows SJLIC to provide improved service to our AFFIRM customers as well as develop new products faster and more efficiently

Financial Performance
Insurance Services

	2014	2013	2012
	$ MILLIONS	$ MILLIONS	$ MILLIONS
Revenues	4,749	4,393	4,457
Expenses	(1,796)	(1,348)	(1,132)
Profit before taxes	2,953	3,044	3,325
Segment Assets	54,036	51,984	50,637
Segment Liabilities	44,064	43,385	42,216

STRATEGY & OUTLOOK

SJLIC continues to improve its competitive position by focusing on its core purpose of protecting individual and family health and wealth. SJLIC will deliver on this mandate by:

- Building on its foundation of innovation and service to meet customer needs, and
- Delivering on its 2015 strategic priorities.

2015 PRIORITIES

- Build market share in life products by acquiring new customers and expanding our distributive capabilities across our various sales channels
- Be truly customer-centric by delivering a consistent and seamless experience, deepening relationships with existing customers to build loyalty and earn customer referrals.
- Improve operational excellence by simplifying processes and driving efficiencies.
- Continue to focus on developing and maximizing the engagement of our excellent team of employees

Hugh Reid (R), President, Scotia Insurance (R), shares a laugh with Shane Alexis, President, Medical Association of Jamaica (L) and Dr. Fenton Ferguson, Minister of Health (c), at the launch of AFFIRM.

SCOTIA INVESTMENTS JAMAICA LIMITED (SIJL)

Scotia Investments offers wealth management products and services including unit trusts, mutual funds, brokerage products and asset management services to retail and institutional clients using an advisory approach

2014 ACHIEVEMENTS

Rapid Growth in Scotia Premium Money Market Fund

- The Scotia Premium Money Market Fund assets under management (AUM) surpassed J$10 billion in 2014
- This doubled the figure recorded in 2013 when AUM stood at J$5 billion
- Launched in 2011, the Fund has grown to become the largest money market fund in Jamaica
- Total market share for collective investment schemes of 37%

Innovative Financing

- The Capital Markets Unit raised the equivalent of US$50 million in financing for corporate clients in very challenging market conditions
- Total deal size since the inception of the Unit in 2011 now exceeds US$800 million

Financial Performance

Investment Management Services

	2014	2013	2012
	$ MILLIONS	$ MILLIONS	$ MILLIONS
Revenues	4,168	4,359	4,106
Expenses	(1,619)	(1,562)	(1,347)
Profit before taxes	2,549	2,797	2,759
Segment Assets	72,314	73,747	73,871
Segment Liabilities	58,674	61,255	62,497
Assets under management	151,579	141,403	138,300

STRATEGY & OUTLOOK

Scotia Investments is focused on delivering strong growth in its off-balance sheet business. This will be achieved by:

- Delivering a high level of customer service and excellent products to enrich the client experience
- Continuing to leverage Scotiabank's global platform and international partnerships to support local talent and expertise

2015 PRIORITIES

- Expand the number of product categories to give clients wider access to the international suite of products and services
- Invest in technology to enhance efficiency and the client experience
- Enhance the client experience by increasing online access to products and services
- Re-engineer procedures and processes to improve service levels

Nick Chamie (L), Scotiabank's Global Investment Strategist makes a point to fellow Scotia Investment executives, (from left) Jason Morris, Brian Frazer, and CEO Lissant Mitchell.

SCOTIA PRIVATE CLIENT GROUP (SPCG)

The Scotia Private Client Group (SPCG) offers our clients a tailored and comprehensive suite of banking, local and international investment advisory services, wealth structuring and customized borrowing solutions. This suite is augmented by seamless delivery across product lines and an excellent customer experience.

2014 ACHIEVEMENTS

Increased our client base by approximately 10%

- Expanded the client base island-wide

Introduced a new organizational structure which:

- Enabled the Team to increase client contact and further deepen our client relationships
- Enhanced the efficiency of our loan processing

Leveraged the competitive advantage of our "Team of Experts" by:

- Increasing client visits and meetings with our partners from our International Investment Advisory arm and International Wealth Structuring Division

(From left) Harry Smith, Dr. Emerson Henry, Leighton McKnight, and Eric Crawford, laugh heartily as they converse with Scotia Private Client Group's Opal Levy-Clarke at cocktails hosted for clients to meet Scotiabank's Global Investment Strategist, Nick Chamie.

STRATEGY & OUTLOOK

Scotia Private Client Group will continue to focus on our core objective of being the premier Private Banking unit in Jamaica with a view to assisting our clients to grow, preserve and transfer their wealth. This will be achieved through:

- Delivery of a seamless experience across all of our channels
- Continued leveraging of our "Team of Experts"; proactively ensuring that the right solution is provided to the client at all times
- Leverage of our global reach
- Growth of our loan portfolio
- Acquisition of new clients
- Driving operational excellence
- Continued training and development of staff to ensure optimum service and to facilitate succession planning

2015 PRIORITIES

- Increase SPCG's presence in Montego Bay
- Review processes and procedures to improve service delivery
- Proactively arrange client meetings while working closely with our investment partners to identify new opportunities to grow clients' portfolios
- Continue to train and develop staff and create a succession plan

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.

Three Lines of Defence

Scotia Group's risk management framework is predicated on the three-lines-of-defence model.

Within this model, functional Business Line staff and management (the first line) incur and own the risks, while Risk Management units and other control functions (the second line) provide independent oversight and objective challenge to the first line of defence. They also monitor and control the risk. Internal Audit Department (the third line) provides assurance that control objectives are achieved by the first and second lines of defence.

1ST LINE OF DEFENCE **Business Line /Corporate Function**	• Owns the risks associated with business activities • Exercises business judgement to evaluate risk	• Ensures activities are within the Group's risk appetite and risk management policies
2ND LINE OF DEFENCE **Risk Management and Other Control Functions**	• Independently facilitates and monitors the implementation of effective risk management practices • Develops policies, measurement & reporting, limits & controls, oversight & monitoring	• Provides oversight and objective challenge to the 1st line of defence • Provides training, tools and advice to support policy and compliance
3RD LINE OF DEFENCE **Internal Audit**	• Independent monitoring and oversight function • Focus on governance framework and control systems	• Audit findings reported to management and Audit Committee

Risk Management Framework

Scotiabank has a robust, disciplined risk management framework supported by a strong risk management 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.

Risk Appetite

The Group's Risk Appetite Framework governs risk taking activities on an enterprise-wide basis. The Group's Risk Appetite Framework consists of the identification of risk capacity, the risk appetite statement and key risk appetite measures. Together, the application of these measures helps to ensure the Group stays within appropriate risk boundaries.

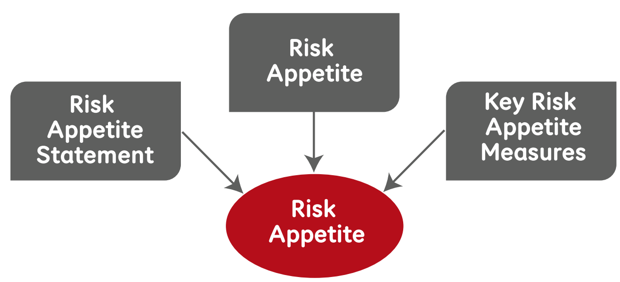
Risk Management Techniques

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

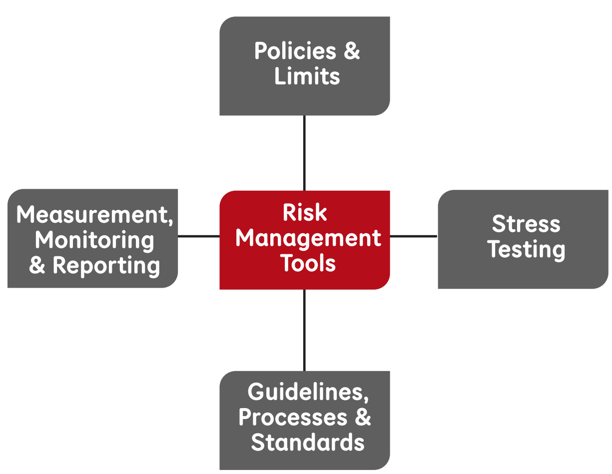
Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Group. Credit risk is the largest risk faced by the Group and arises in the Group's direct lending operations, and in its funding, investment and trading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

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 by 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 organised 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 optimise 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 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 authorised, 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.

The risk ratings also determine the management level at which the facilities can be authorised 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. 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.

Portfolio reports reviewed by Credit Risk Management serve to identify risk-related trends in the Group's portfolio. Lending programmes are discussed and developed jointly by 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 summarsed in Note 46 (b) of the audited 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

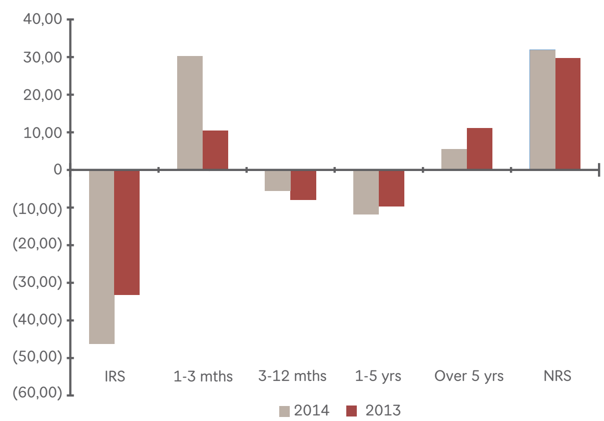
The Group actively manages its interest rate exposures with the objective of enhancing net-interest income within established risk tolerances. Interest rate risk is managed in accordance with Board-approved policies and limits, which are designed to control the risk to income and economic value of shareholders' 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.

Gap analysis, simulation modelling, and sensitivity analysis 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 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 46 (c) (i).

Static Interest Rate Gap

JM$ Millions



Foreign Currency Risk

Foreign currency risk arises from foreign currency operations.

Areas of Market Risk Exposures

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

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 46 (c) (ii).

Credit Spread and 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; and facilitates transactions in 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 and stress testing limits. The quality of the Group's VaR is validated by regular back-testing 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.

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

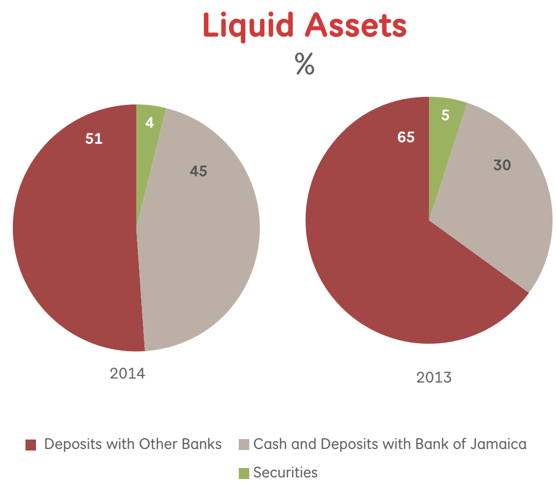
The Group actively measures and forecasts cash flows and manages liquidity through a set of limits including:

- the maximum net cash outflow by currency over specified short-term horizons (cash gaps) and
- a minimum level of core liquidity consisting 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

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.

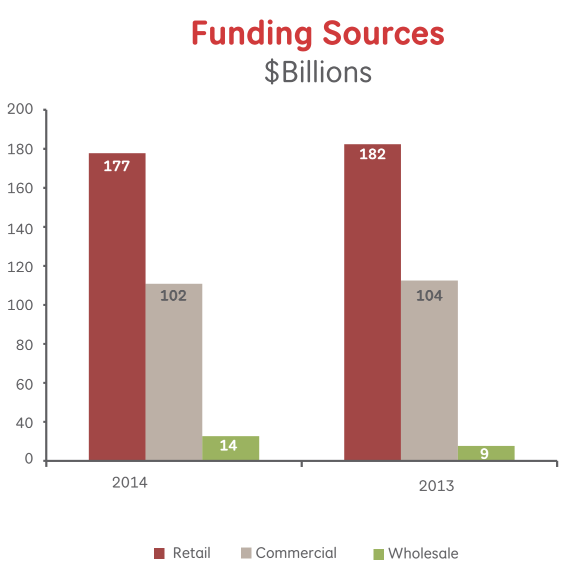
Liquidity Profile

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, 2014, liquid assets were $118.1 billion or 29% of total assets, compared to $88.5 billion or 23% of total assets as at October 31, 2013.



Funding

The Group actively manages the diversification of its deposit liabilities by source, type of depositor, instrument and term. 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 2014 was $1,170 million, an increase of 104% from 2013. The main component of the 2014 expenditure was in relation to the building of a new branch in Fairview, Montego Bay, St. James.

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, and excludes reputational 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.

Operational Risk is managed through policies, processes and assessment methodologies to ensure that operational risk is appropriately identified and managed with effective controls. The Operational Risk Management Policy is approved by the Board on an annual basis.

The processes to manage operational risk include a robust programme of risk Identification and assessment, risk measurement, and risk mitigation. Risk Identification and Assessment is done primarily through the execution of group wide risk and control assessments; and the development and monitoring of key risk indicators to enable proactive management of risk exposures. Risk measurement is primarily done through the active tracking of relevant operational loss data by business line and support function. Meanwhile, the Group uses various tools to mitigate operational risk including its Business Continuity Plan, technology development, and security procedures and controls.

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.

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 programmes, policies, procedures and training. Many relevant checks and balances are executed through the Group's well-established compliance programme and operational risk management programme. 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 minimises 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.

Environmental Risk

Environmental Risk refers to the possibility that environmental concerns involving Scotiabank or its customers could affect the Bank's financial performance.

The Group has a Board-approved Environmental Policy, which guides day-to-day operations, lending practices, supplier agreements, the management of real estate holdings, and external reporting practices. It is supplemented by specific policies and practices relating to individual business lines.

Strategic Risk

Strategic Risk is the risk that the Bank's business strategies are ineffective, being poorly executed, or insufficiently resilient to changes in the business environment.

The Board of Directors is ultimately responsible for oversight of strategic risk, by adopting a strategic planning process and approving, on an annual basis, a strategic plan for the Group.

The execution and evaluation of strategic plans is a fundamental element of the Group's risk management framework. All employees are responsible for clearly understanding the Group's direction and goals. On an ongoing basis, business lines and control units identify, manage, and assess the internal and external events and risks that could impede achievement of strategic objectives. The Executive Management Team regularly meets to evaluate the effectiveness of the Group's strategic plan, and consider what amendments, if any, are required.

Insurance Risk

Insurance Risk is the risk of potential financial loss due to actual experience being different from assumed, caused by factors out of the insurer's control such as claim frequencies and amounts as well as factors under the control of the insurer such as poor underwriting or poor product design.

SJLIC's Board of Directors provides oversight and approval for SJLIC's activities and policies.

Insurance risk identification, measurement and management are controlled by the Insurance Risk Policy and Insurance Risk Management Framework, which sets out an integrated approach to identify, assess, control, mitigate and report insurance risks. It articulates how SJLIC manages insurance risk, including the amount and types of insurance risks it wishes to prudently undertake in pursuing its strategic and financial objectives.


Scotia
Community

CORPORATE HUMAN RESOURCES
Sustaining a High Performance Culture
- Scotia Group Jamaica Limited

Sustaining the Group's high performance culture was the continuing key strategic objective of the Human Resource (HR) function in 2014, with effective talent management; leadership development; enhanced application of technology; improved communication; and re-design of the reward system being among the major areas of focus.

Training and development remains a priority for the Scotiabank Group in our continued effort to improve and sustain performance. The Bank's internal Institute of Leadership (ilead) offerings were delivered on a targeted basis in a series of workshops which equipped members of the leadership corps in key competencies and enhanced their preparedness with respect to current and future leadership roles. These initiatives were complemented by centralization and improved consistency in the quality of entry level recruitment and deepening of the customer service training programme, based on Customer Experience reports. An inaugural Young Leader Forum for development of emerging leaders was also a feature of the Talent Management focus in 2014.

The continuous emphasis on high performance brought tangible results, as 168 employees were presented with the CEO's Excellence Award – up from 138 in 2013. In our continued pursuit of excellence, we embarked upon a restructuring of the reward system to provide universal guidelines across Scotia Group Jamaica Limited and consistently align rewards to three categories of performance – Individual, Team and Bank. This effort will continue beyond 2014.

Preparatory to the roll-out of full Flexible Working Arrangements, we launched a pilot programme to guide the necessary policy development. The 6-month pilot which included compressed work weeks and flexi-time, provided a strong signal of the Bank's commitment to supporting initiatives to improve work-life balance.

Communication Focus

The intensified internal communication programme implemented in 2014 facilitated interface by the President and CEO with more than 1,400 staff members during visits to branches, subsidiaries and departments; and helped foster employee awareness of their contribution to the Group's outcome. Feedback resulted in actionable plans that were subsequently implemented. Other communication strategies included a blog pilot which has paved the way for the roll-out of Group-wide collaboration using online channels; the publication of weekly motivational messages; and campaigns to promote wellness and work-life balance.

Our HR team has simplified its processes to improve efficiency; and in an effort to increase appreciation for HR policies, and bridge the gap between our team and employees in the field, we organized a successful series of cross-island Town Hall Meetings which engaged approximately 1,500 staff members.

Improving Operational Efficiency

In 2015, we will promote increased use of technology to increase operational efficiency and access by staff to HR information. In particular, we aim to improve collaboration and knowledge sharing through blogs; and to further refine our HR Process through Work Simplification. Emphasis will continue to be placed on work-life balance, diversity management, employee growth and development, and effective management of productivity and desired behaviours through aligned rewards. Expanded development of metrics and business-driven usage of metrics are also proposed.

Corporate Human Resources Team with their Core Value awards (from left) Hopelin Hines, Camille Carter James, Michael McAnuff Jones, Debbie Clue and Suzanne Donalds

ScotiaFoundation
Touching Lives Across the Country
- Scotia Group Jamaica Limited

The Scotia Foundation (SJF) intensified its activities in 2014 to meet critical social needs across the island. The more than 1,000 registered ScotiaVolunteers gave 8,211 hours to support various community projects. This is more than double the just over 3,000 man hours recorded in 2013.

To drive long-term value SJF continued to forge strategic partnerships with over 690 entities: including schools, non-government organisations and businesses; and implemented 38 targeted programmes in youth development through education, health and sports through our Bright Futures programme; environmental preservation; and community development. Of the approximately 26,380 beneficiaries of these investments, 18,000 were children.

Nurturing Our Children

Over 750 children, aged 3-12, created beautiful Christmas cards at 'Mary's House' – an art and cultural Christmas House built at Emancipation Park, New Kingston in December 2013 and lasting two weeks. In addition to creating works of art, the children were exposed to Jamaican Christmas traditions through adults telling stories and sharing their Christmas memories of days past. Some of these children subsequently worked with the ScotiaVolunteers to prepare Christmas food packages for needy families.

President & CEO Scotiabank Jacqueline Sharp launches Salvation Army Christmas Kettle Appeal with a donation of $1.0 million to the delight of the Salvation Army officers Majors Mr. & Mrs. Stanley Griffin.

Education remained a major priority for SJF; and scholarships were presented to 16 new ScotiaFoundation Shining Star Scholars with outstanding performance in the Grade Six Achievement Test. This brings to 102 the total number of scholars currently enrolled in the ScotiaFoundation Scholars Club. In addition, scholars at both the secondary and tertiary levels attended professional assessment and career profiling sessions.

The benefits of saving consistently to ensure a sound financial future, was the main message which our ScotiaVolunteers delivered to over 4,000 children across the island on National Teachers' Day and National Reading Day in May. This was achieved in collaboration with Jamaica Junior Achievement.

In our continued focus on environmental protection, SJF once again funded the National Solid Waste Management Authority's Clean School Competition which engaged children from 152 institutions in clean-up activities, as well as recycling and beautification projects at their school.

Other major educational initiatives included construction of a new classroom block at Norwich Primary School in Port Antonio, Portland to replace a 21-year-old wooden structure which was destroyed by Hurricane Sandy in 2012. The project was undertaken in collaboration with the Ministry of Education. The Scotia Foundation also continued to sponsor nutrition as a vital aspect of educational outcomes through its Breakfast Feeding Programme in seven schools, benefiting some 3,500 children.

The classroom block at the Norwich Primary School which was destroyed by Hurricane Sandy and the new block which was built by the Ministry of Education and ScotiaFoundation.

Under youth development through the provision of health care, the Foundation funded surgery for nine children at the Kingston Public Hospital to correct curvature of the spine associated with Scoliosis. This Scoliosis and Spine Care Programme is now in its seventh year.

Reaching out to the Community

In November 2013, SJF once again partnered with the Salvation Army and launched the Give Good Jamaica Grocery Drive to help raise funds and collect non-perishable food items so that less fortunate families were provided meals during the Christmas season. Over 1,100 food packages were delivered to families across the island which was more than double the number of families impacted in the previous year.

On International Women's Day, March 8, SJF, offered assistance to nine women's organisations involved in programmes such as the rehabilitation of teen mothers, after school programmes, and educating female farmers and women in business. Assistance included guidance on the preparation of resumes, as a first step to seeking employment and mini-workshops on grooming, etiquette and public speaking.

ScotiaVolunteers continued to give of their time and talent to support a range of community development programmes. On National Labour Day, more than 108 volunteers collaborated on 14 projects island-wide with the major project taking place at the Kingston Public Hospital where volunteers worked together to establish a green area that would provide an environment for relaxation for the Hospital's patients and staff.

Governor General His Excellency Sir Patrick Allen accepts his ScotiaVolunteer shirt from Scotiabank President & CEO, Jacqueline Sharp. It was His Excellancy's first official visit to Scotiabank and he used the opportunity to endorse the ScotiaVolunteer programme.

ScotiaVolunteers also participated in the following fund raising events mounted by other organisations: The annual Shaggy and Friends Dare To Care Concert, the proceeds of which benefit the Bustamante Hospital for Children; Sigma Corporate Run – for the Sickle Cell Trust; The University of the West Indies 5K Run – for Education; Kingston City Run – to support the homeless in the City; and the Montego Bay City Run through which scholarships are offered for tertiary education.

Developing Sports Talent

The Scotia Foundation continues to invest heavily in sports as a vehicle for youth development.

For the second consecutive year, SJF collaborated with the Jamaica Cycling Federation to identify talented children from the inner-city to be trained for competition in future Olympics. Two camps were held in Kingston and Montego Bay.

Netball Sponsorship Pays Dividends

Scotiabank Jamaica renewed its sponsorship of the national Under 14 and Under 16 Netball teams which is valued at J$12 million. This is our seventh year of sponsorship; and our investment in Netball Jamaica continues to pay dividends with consistent performances by players.

The staging of the inaugural Scotiabank/Netball Jamaica Inter-Parish Under 14 Rally held at Manchester High School, Mandeville, was the highlight of the 2014 development agenda for this age cohort. The Junior Umpires in training also made their mark serving as match officials at the Rally; and three candidates from this programme successfully sat the Theoretical Exams in 2014 in preparation for umpire certification.

Jacqueline Sharp presents a specially written poem to the Under 16 Netballers when they dropped by to pay courtesy visit at Scotiabank. They took the opportunity to show off their trophies after their triumphant 48-5 victory at the Jean Pierre Youth Netball Tournament in Antigua and Barbuda in early 2014.

Cricket Scores Big

Scotiabank Kiddy Cricket, now in its 15th year, continues to grow in keeping with our commitment to reach more children and to grow the sport. Kiddy Cricket targets boys and girls aged 7-12; and it is aimed at exposing participants to quality training, fostering knowledge and appreciation for the game, as well as, building leadership skills. This year, the programme involved 482 promising young players from primary schools around the island. It featured a Kiddy Cricket Festival, a five-day summer camp at the Marine Laboratory in Discovery Bay, St. Ann, and the Kiddy Cricket Display in which 80 top performers from the semi-final round of the Festival showcased their skills in mini-matches at Sabina Park during the lunch break on the first day of the first Test match between the West Indies and New Zealand. Since Kiddy Cricket was introduced in 2000, Scotiabank Jamaica has provided training to thousands of children.

The Scotiabank/Jamaica Cricket Association Preparatory School Cricket Competition has also grown significantly since it was introduced in 2005. This year, 42 schools from Cornwall, Middlesex and Surrey participated in the competition – almost double the number which entered in the first year.

The competition which involved zonal games, a knock-out round, semi-finals among the County champions and the national finals has seen more than 1,000 students participating in the 10 years since its inception.

Kiddy Cricketers are delighted to have mascot Chirpy in their midst at the display ealier this year.

Random Acts of Kindness

Over 1,000 persons across the island experienced a random act of kindness from Scotiabank as part of our 125th Anniversary celebrations.

The Random Acts of Kindness initiative began on August 24th - the actual anniversary of the Bank.

During the period, we treated customers and their families to Devon House ice cream and chocolates from Chocolate Dreams. Over 1,200 persons received complimentary bus rides to their destinations from the Half Way Tree and Montego Bay Transport Centres. Scotiabank also surprised shoppers by paying for their groceries at supermarkets and drivers with free gas at service stations islandwide. We also paid for prescriptions at pharmacies around the island and gave customers in-branch, cell phone credit.

Scotiabank also donated two wheelchairs to the Port Antonio Hospital which culminated the Random Acts of Kindness initiative as we sought to share this momentous occasion with our customers.

Recipients of free bus rides from Barnett Street in Montego Bay pose with their Random Acts Of Kindness Card.

Norman Scott (right) Manager, Scotiabank Port Antonio Branch, tries out a wheelchair as he makes the presentation to Sister Lelete Holson-Patterson Acting Director of Nursing Services at the Port Antonio Hospital.

Our **Awards**

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

Global Finance Magazine

- **Best Consumer Internet Bank Award 2014 (4th consecutive year)**
- **Best FX Provider 2014 - (6th consecutive year)**

Service Quality Management Group

- **World Class Certification for Customer Contact Centre 2014 - (3 years in a row)**

The Bank of the Year Award

Jamaica Stock Exchange Awards

Scotia Group Jamaica Limited awarded PSOJ Corporate Governance Award - (1st Place Runner Up)

Shareholdings
- Scotia Group Jamaica Limited As at 31 October 2014

TOTAL SHAREHOLDINGS (UNITS)

DIRECT (UNITS)

CONNECTED PARTIES (UNITS)

Top Ten Shareholders

1	THE BANK OF NOVA SCOTIA	2,233,403,384
2	SAGICOR POOLED EQUITY FUND	65,067,725
3	NATIONAL INSURANCE FUND	57,924,069
4	SJIML A/C 3119	55,725,439
5	NCB INSURANCE CO. LTD A/C WT109	25,641,176
6	SDBG A/C 560-01	23,127,163
7	RESOURCE IN MOTION	19,505,004
8	GRACE KENNEDY LIMITED PENSION SCHEME	15,701,767
9	SDBG A/C 560-03	12,132,513
10	JCSD TRUSTEE SERVICES LIMITED- SIGMA OPTIMA	9,500,000

Directors

	Total	Direct	Connected Parties
ALEXANDER, BARBARA	205,972	108,000	97,972
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	83,584	2,328	81,256
MATALON, JOSEPH	7,522,132	0	7,522,132
SHARP, JACQUELINE	181,232	23,232	158,000

Senior Managers & Connected Parties

	Total	Direct	Connected Parties
BRIGHT, ALSTON	85,756	85,756	0
BROWN, JAMES 'JIM'	0	0	0
CALLAM, BEVAN	1,314,132	640,952	673,180
HANSON, DONOVAN	89,795	89,795	0
HARVEY VINCENT	30,041	13,576	16,465
HENRY, WAYNE	0	0	0
LATCHMAN-ATTERBURY, PATSY	175,000	175,000	0
LOGAN, CAROL ANN	58,020	58,020	0
LOPEZ-SPENCE, DEBRA	5,305	5,305	0
LYN, CARLENE	0	0	0
MCANUFF-JONES, MICHAEL	372,697	276,647	96,050
MAIR, HORACE CRAIG	1,104	0	1,104
MCLEGGON, MARCETTE	172,676	172,676	0
MILLER, HUGH	59,977	59,977	0
MITCHELL, LISSANT	44,500	0	44,500
PILLINER, ROSEMARIE	154,870	74,216	80,654
RAMSARAN, SHIRLEY	154,189	93,960	60,229
REID, HUGH	1,040	0	1,040
ROPER, GEORGE	0	0	
SHARP, JACQUELINE	181,232	23,232	158,000
SHAW, MICHAEL	51,118	45,528	5,590
STEVENSON, NORMAN	0	0	0
STOKES, ADRIAN	0	0	0
SYLVESTER, COURTNEY	352,199	227,435	124,764
THOMPSON-JAMES, JULIE	7,800	0	7,800
TODD, MONIQUE	18,010	0	18,010
WALTERS, DUDLEY	1,787	1,787	0
WHITE, GARY-VAUGHN	57,074	57,074	0
WHITELOCKE, GLADSTONE	503,561	54,000	449,561
WILLIAMS, DAVID	285,501	172,885	112,616
WILLIAMS, FREDERICK	140,111	93,958	46,153
WRIGHT, SALIANN	433,857	31,169	402,688

Audited Financial Statements

Scotia Group Jamaica Limited

KPMG
Chartered Accountants
The Victoria Mutual Building
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Kingston
Jamaica, W.I.

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INDEPENDENT AUDITORS' REPORT

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Financial Statements

We have audited the financial statements, comprising the separate financial statements of Scotia Group Jamaica Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 59 to 151, which comprise the Group's and Company's statements of financial position as at October 31, 2014, the Group's and Company's statements of revenue and expenses, comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at October 31, 2014, and of the Group's and Company's financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by The Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica
November 28,2014

SCOTIA GROUP JAMAICA LIMITED
Consolidated Statement of Revenue and Expenses
Year ended October 31, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2014	2013 *(Restated)*
Net interest income and other revenue			
Net interest income:			
Interest from loans and deposits with banks		19,929,822	18,599,965
Interest from securities		10,935,812	11,380,261
Total interest income	6	30,865,634	29,980,226
Interest expense	6	(6,355,302)	(6,117,194)
Net interest income		24,510,332	23,863,032
Impairment losses on loans	23	(1,603,081)	(1,013,376)
Net interest income after impairment losses on loans		22,907,251	22,849,656
Other income:			
Fee and commission income	7	9,741,282	8,879,618
Fee and commission expense	7	(3,884,029)	(3,081,826)
		5,857,253	5,797,792
Net gains on foreign currency activities	8	1,962,062	2,729,312
Net gains on financial assets	8	769,411	248,936
Insurance revenue	9	2,314,048	2,413,111
Other revenue	10	23,652	202,515
Total other income		10,926,426	11,391,666
		33,833,677	34,241,322
Expenses			
Salaries, pension contributions and other staff benefits	11	10,340,817	9,966,039*
Property expenses, including depreciation		2,151,156	2,190,670
Amortisation and impairment of intangible assets	28	255,626	233,279
Other operating expenses		7,435,021	7,265,467*
	12	20,182,620	19,655,455
Profit before taxation	13	13,651,057	14,585,867
Taxation	14	(3,532,458)	(3,693,161)*
Profit for the year		10,118,599	10,892,706
Attributable to:			
Equityholders of the company		9,764,209	10,485,047
Non-controlling interest		354,390	407,659
Profit for the year		10,118,599	10,892,706
EARNINGS PER STOCK UNIT (expressed in $ per share) **attributable to stockholders of the company**	15	3.14	3.37

* Restated (note 55)

The accompanying notes form an integral part of these financial statements.

SCOTIA GROUP JAMAICA LIMITED
Consolidated Statement of Comprehensive Income
Year ended October 31, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2014	2013 *(Restated)*
Profit for the year		10,118,599	10,892,706
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plan obligations	29	1,535,623	1,993,735*
Taxation	36	(511,874)	(664,578)*
		1,023,749	1,329,157
Items that are or may be reclassified to profit or loss:			
Unrealised losses on available-for-sale financial assets		241,706	(879,739)
Realised gains on available-for-sale financial assets transferred to profit		33,598	(892,192)
Amortisation of fair values on financial instruments on reclassification to loans and receivable		115,913	(33,014)
		391,217	(1,804,945)
Taxation	36	(162,339)	275,586
		228,878	(1,529,359)
Other comprehensive income/(loss), net of tax		1,252,627	(200,202)
Total comprehensive income		11,371,226	10,692,504
Attributable to:			
Stockholders of the company		10,993,775	10,316,384
Non-controlling interest		377,451	376,120
Total comprehensive income		11,371,226	10,692,504

* Restated (note 55)

The accompanying notes form an integral part of these financial statements.

SCOTIA GROUP JAMAICA LIMITED
Consolidated Statement of Financial Position
October 31, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2014	2013 *(Restated)*	2012 *(Restated)*
ASSETS				
Cash resources				
Cash and balances at Bank of Jamaica	16	32,180,973	26,185,183	33,256,154
Government and bank notes other than Jamaican		710,501	589,748	439,316
Due from other banks	17	32,203,509	34,071,372	8,916,536
Accounts with parent and fellow subsidiaries	18	17,387,578	14,036,260	10,256,701
	19	82,482,561	74,882,563	52,868,707
Financial assets at fair value through profit or loss	20	981,731	813,101	477,941
Pledged assets	21	64,392,080	59,028,856	63,057,493
Loans, after allowance for impairment losses	22	145,732,002	134,823,756	122,524,668
Investment securities	24	83,648,910	92,835,059	95,804,717
Government securities purchased under resale agreements	25	300,516	-	-
Other assets				
Customers' liabilities under acceptances, guarantees and letters of credit		7,630,964	7,173,614	6,333,327
Taxation recoverable		2,270,027	2,499,165	1,692,436
Sundry assets	26	1,346,940	970,319	879,953
Property, plant and equipment	27	5,286,427	4,679,879	4,738,704
Intangible assets	28	1,275,971	1,499,675	1,717,705
Retirement benefits asset	29	11,679,613	10,020,169*	8,046,154*
Deferred taxation	36	2,520	34,349	-
		29,492,462	26,877,170	23,408,279
		407,030,262	389,260,505	358,141,805

* Restated (note 55)

The accompanying notes form an integral part of these financial statements.

SCOTIA GROUP JAMAICA LIMITED
Consolidated Statement of Financial Position (continued)
October 31, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2014	2013 *(Restated)*	2012 *(Restated)*
LIABILITIES				
Deposits by the public	30	190,726,667	183,369,415	160,994,182
Due to other banks and financial institutions	31	4,597,906	6,135,159	2,983,656
Due to parent company	32	6,316,733	8,017,008	7,682,871
Due to fellow subsidiaries	33	1,680	314	259
		201,642,986	197,521,896	171,660,968
Other liabilities				
Cheques and other instruments in transit		1,731,046	1,608,106	1,409,206
Acceptances, guarantees and letters of credit		7,630,964	7,173,614	6,333,327
Securities sold under repurchase agreements		47,840,197	42,588,792	45,384,758
Capital management and government securities funds	34	13,003,074	13,018,564	14,174,566
Assets held in trust on behalf of participants		-	38,316	41,905
Other liabilities	35	5,352,788	4,369,520	2,714,471
Taxation payable		633,785	1,183,607	2,015,770
Deferred tax liabilities	36	3,774,323	3,038,539*	2,649,080*
Retirement benefits obligations	29	3,408,465	3,224,811*	3,140,954*
		83,374,642	76,243,869	77,864,037
Policyholders' liabilities	37	43,309,571	43,013,959	41,679,958
EQUITY				
Share capital	38	6,569,810	6,569,810	6,569,810
Reserve fund	39	3,248,591	3,248,591	3,248,591
Retained earnings reserve	40	16,591,770	14,391,770	12,441,770
Capital reserve	41	9,383	9,383	9,383
Cumulative remeasurement result from available-for-sale securities	42	101,566	(463,053)	642,821
Loan loss reserve	43	3,202,002	2,781,066	2,299,390
Other reserves	44	12,892	12,892	12,892
Unappropriated profits		45,591,093	42,761,422*	38,749,389*
Total equity attributable to equity holders of the Company		75,327,107	69,311,881	63,974,046
Non-controlling interest		3,375,956	3,168,900	2,962,796
Total equity		78,703,063	72,480,781	66,936,842
Total equity and liabilities		407,030,262	389,260,505	358,141,805

The financial statements on pages 59 to 151 were approved for issue by the Board of Directors on November 28, 2014 and signed on its behalf by:

Director
Sylvia D. Chrominska

Director
Jacqueline T. Sharp

Director
Anthony V. Chang

Secretary
Julie Thompson-James

* Restated (note 55)

The accompanying notes form an integral part of the financial statements.

SCOTIA GROUP JAMAICA LIMITED
Consolidated Statement of Changes in Stockholders' Equity
Year ended October 31, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

		Attributable to equity holders of the Company										
	Notes	Share capital	Reserve fund	Retained earnings reserve	Capital reserve	Cumulative remeasurement result from available for sale financial assets	Loan loss reserve	Other reserves	Unappropriated profits	Total	Non controlling interest	Total equity
Balances at October 31, 2012:												
As previously reported		**6,569,810**	**3,248,591**	**12,441,770**	**9,383**	**642,821**	**2,299,390**	**12,892**	**39,327,555**	**64,552,212**	**2,962,796**	**67,515,008**
Prior year adjustment	55	-	-	-	-	-	-	-	(578,166)	(578,166)	-	(578,166)
As restated		6,569,810	3,248,591	12,441,770	9,383	642,821	2,299,390	12,892	38,749,389	63,974,046	2,962,796	66,936,842
Profit for the year, as previously reported		-	-	-	-	-	-	-	11,517,195	11,517,195	407,659	11,924,854
Prior year adjustment	55	-	-	-	-	-	-	-	(1,032,148)	(1,032,148)	-	(1,032,148)
As restated		-	-	-	-	-	-	-	10,485,047	10,485,047	407,659	10,892,706
Other comprehensive income:												
Unrealised losses on available-for-sale securities, net of taxes		-	-	-	-	(666,466)	-	-	-	(666,466)	(9,947)	(676,413)
Realised gains on available-for-sale securities transferred to profit or loss		-	-	-	-	(774,864)	-	-	-	(774,864)	(4,728)	(779,592)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables		-	-	-	-	(56,490)	-	-	-	(56,490)	(16,864)	(73,354)
Total other comprehensive income as previously stated		-	-	-	-	(1,497,820)	-	-	-	(1,497,820)	(31,539)	(1,529,359)
Prior year adjustment	55	-	-	-	-	-	-	-	1,329,157	1,329,157	-	1,329,157
Total comprehensive income as restated		-	-	-	-	(1,497,820)	-	-	11,814,204	10,316,384	376,120	10,692,504
Transfer to loan loss reserve		-	-	-	-	-	481,676	-	(481,676)	-	-	-
Transfer to retained earnings reserve		-	-	1,950,000	-	-	-	-	(1,950,000)	-	-	-
Transfer to unappropriated profits		-	-	-	-	391,946	-	-	(391,946)	-	-	-
Net movement in reserves for non-controlling interest		-	-	-	-	-	-	-	-	-	5,110	5,110
Transactions with owners of the Company:												
Dividends paid	53	-	-	-	-	-	-	-	(4,978,549)	(4,978,549)	(175,126)	(5,153,675)
Net movement for the year		-	-	1,950,000	-	391,946	481,676	-	(7,802,171)	(4,978,549)	(170,016)	(5,148,565)
Balances at October 31, 2013 as restated		**6,569,810**	**3,248,591**	**14,391,770**	**9,383**	**(463,053)**	**2,781,066**	**12,892**	**42,761,422**	**69,311,881**	**3,168,900**	**72,480,781**
Profit for the year		-	-	-	-	-	-	-	9,764,209	9,764,209	354,390	10,118,599
Other comprehensive income:												
Re-measurement of defined benefit plan/obligations		-	-	-	-	-	-	-	1,023,749	1,023,749	-	1,023,749
Unrealised gains on available-for-sale securities, net of taxes		-	-	-	-	178,050	-	-	-	178,050	14,931	192,981
Realised losses on available-for-sale securities transferred to profit or loss		-	-	-	-	4,473	-	-	-	4,473	1,176	5,649
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables		-	-	-	-	23,294	-	-	-	23,294	6,954	30,248
Total other comprehensive income		-	-	-	-	205,817	-	-	1,023,749	1,229,566	23,061	1,252,627
Total comprehensive income		-	-	-	-	205,817	-	-	10,787,958	10,993,775	377,451	11,371,226
Transfer to loan loss reserve		-	-	-	-	-	420,936	-	(420,936)	-	-	-
Transfer to retained earnings reserve		-	-	2,200,000	-	-	-	-	(2,200,000)	-	-	-
Transfer to unappropriated profits		-	-	-	-	358,802	-	-	(358,802)	-	-	-
Net movement in reserves for non-controlling interest		-	-	-	-	-	-	-	-	-	4,731	4,731
Transactions with owners of the company:												
Dividends paid	53	-	-	-	-	-	-	-	(4,978,549)	(4,978,549)	(175,126)	(5,153,675)
Net movement for the year		-	-	2,200,000	-	358,802	420,936	-	(7,958,287)	(4,978,549)	(170,395)	(5,148,944)
Balances at October 31, 2014		**6,569,810**	**3,248,591**	**16,591,770**	**9,383**	**101,566**	**3,202,002**	**12,892**	**45,591,093**	**75,327,107**	**3,375,956**	**78,703,063**

The accompanying notes form an integral part of the financial statements.

SCOTIA GROUP JAMAICA LIMITED
Consolidated Statement of Cash Flows
Year ended October 31, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2014	2013 *(Restated)*
Cash flows from operating activities			
Profit for the year		10,118,599	10,892,706*
Adjustments for:			
Taxation charge	14	3,532,458	3,693,161*
Depreciation	27	488,788	544,069
Amortisation of intangible asset	28	255,626	233,279
Impairment losses on loans	23	2,756,012	2,063,978
Gain on sale of property, plant and equipment	10	(1,967)	(174,930)
Write-off of property, plant, equipment and intangibles	27,28	39,004	18,698
		17,188,520	17,270,961
Interest income	6	(30,865,634)	(29,980,226)
Interest expense	6	6,355,302	6,117,194
		(7,321,812)	(6,592,071)
Changes in operating assets and liabilities:			
Loans		(13,696,968)	(14,297,454)
Deposits by the public		7,331,424	22,398,728
Policyholders' liabilities		295,612	1,334,001
Other assets, net		(376,621)	(90,366)
Other liabilities, net		944,952	1,651,460
Due to parent company and fellow subsidiaries		(1,691,012)	331,285
Amounts due from other banks		(3,808,653)	(312,398)
Accounts with parent and fellow subsidiaries		(5,633,667)	(13,196,889)
Financial assets at fair value through profit or loss		(165,680)	(335,126)
Taxation recoverable		229,138	(806,729)
Retirement benefits asset, net		59,833	103,577*
Amounts due to other banks and financial institutions		(1,537,253)	3,151,503
Statutory reserves at Bank of Jamaica		343,828	(2,820,520)
Securities sold under repurchase agreements		5,025,401	(3,885,503)
		(20,001,478)	(13,366,502)
Interest received		30,997,646	30,326,786
Interest paid		(6,126,856)	(6,204,247)
Taxation paid		(3,988,880)	(4,559,206)
Net cash provided by operating activities (carried forward to page 65)		880,432	6,196,831

* Restated (note 55)

The accompanying notes form an integral part of the financial statements.

SCOTIA GROUP JAMAICA LIMITED
Consolidated Statement of Cash Flows (Continued)
Year ended October 31, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2014	2013
Cash flows from operating activities			
(brought forward from page 64)		880,432	6,196,831
Cash flows from investing activities			
Investment securities		9,554,093	759,029
Pledged assets		(4,132,343)	7,071,940
Proceeds from disposal of property, plant and equipment		6,094	227,704
Purchase of property, plant and equipment	27	(1,117,321)	(556,716)
Intangible assets	28	(53,069)	(15,249)
Net cash provided by investing activities		4,257,454	7,486,708
Cash flows from financing activities			
Dividends paid to stockholders	53	(4,978,549)	(4,978,549)
Dividends paid to non-controlling interest	53	(175,126)	(175,126)
Net cash used in financing activities		(5,153,675)	(5,153,675)
Effect of exchange rate changes on cash and cash equivalents		2,293,147	3,192,489
Net increase in cash and cash equivalents		2,277,358	11,722,353
Cash and cash equivalents at beginning of year		43,106,670	31,384,317
Cash and cash equivalents at end of year	19	45,384,028	43,106,670

The accompanying notes form an integral part of the financial statements.

SCOTIA GROUP JAMAICA LIMITED
Statement of Comprehensive Income
Year ended October 31, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2014	2013
Net interest income and other revenue			
Interest from deposit with banks		34,129	28,008
Interest from securities		531,261	617,854
	6	565,390	645,862
Net gains on foreign currency activities		651,561	1,006,287
Net gains on financial assets	8	-	7,268
Dividend income		3,748,014	4,801,818
		4,399,575	5,815,373
Total income		4,964,965	6,461,235
Expenses			
Operating expenses	12	(34,831)	(27,992)
Profit before taxation	13	4,930,134	6,433,243
Taxation	14	(119,522)	(167,887)
Profit for the year		4,810,612	6,265,356
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Unrealised losses on available-for-sale financial assets		(2,490)	(3,558)
Realised losses/(gains) on available-for-sale financial assets transferred to profit		7,064	(7,869)
		4,574	(11,427)
Taxation		(1,268)	3,726
Other comprehensive income/(loss), net of tax		3,306	(7,701)
Total comprehensive income for the year		4,813,918	6,257,655

The accompanying notes form an integral part of the financial statements.

SCOTIA GROUP JAMAICA LIMITED
Statement of Financial Position
October 31, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2014	2013
ASSETS			
Cash resources			
Accounts with subsidiary	19	11,455,655	8,615,808
Loans to subsidiary	22	70,000	50,012
Investment securities			
Available-for-sale	24	4,818,098	8,056,988
Investment in subsidiaries, at cost		9,532,408	9,532,408
Other assets			
Taxation recoverable		390,719	248,311
		26,266,880	26,503,527
LIABILITES			
Accrued expenses and other liabilities		10,172	8,210
Taxation payable		97,035	159,756
Deferred tax liabilities	36	14,121	25,378
		121,328	193,344
EQUITY			
Share capital	38	6,569,810	6,569,810
Cumulative remeasurement resulting from Available-for-sale securities	42	1,560	(1,746)
Unappropriated profits		19,574,182	19,742,119
Total stockholders' equity		26,145,552	26,310,183
Total liabilities and equity		26,266,880	26,503,527

The financial statements on pages 59 to 151 were approved for issue by the Board of Directors on November 28, 2014 and signed on its behalf by:

_____________ Director
Sylvia D. Chrominska

_____________ Director
Jacqueline T. Sharp

_____________ Director
Anthony V. Chang

_____________ Secretary
Julie Thompson-James

The accompanying notes form an integral part of the financial statements.

SCOTIA GROUP JAMAICA LIMITED
Statement of Changes in Stockholders' Equity
Year ended October 31, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	Share Capital	Cumulative Remeasurement result from available for sale financial assets	Unappropriated Profits	Total
Balances at October 31, 2012		6,569,810	5,955	18,455,312	25,031,077
Profit for the year		-	-	6,265,356	6,265,356
Other comprehensive income:					
Unrealised losses on available for sale securities, net		-	(2,192)	-	(2,192)
Realised gains on available for sale sale securities, net		-	(5,509)	-	(5,509)
		-	(7,701)	-	(7,701)
Total comprehensive income		-	(7,701)	6,265,356	6,257,655
Transaction with owners:					
Dividends paid	53	-	-	(4,978,549)	(4,978,549)
Balances at October 31, 2013		6,569,810	(1,746)	19,742,119	26,310,183
Profit for the year		-	-	4,810,612	4,810,612
Other comprehensive income:					
Unrealised losses on available for sale securities, net		-	(1,992)	-	(1,992)
Realised losses on available for sale sale securities, net		-	5,298	-	5,298
		-	3,306	-	3,306
Total comprehensive income		-	3,306	4,810,612	4,813,918
Transaction with owners:					
Dividends paid	53	-	-	(4,978,549)	(4,978,549)
Balances at October 31, 2014		6,569,810	1,560	19,574,182	26,145,552

The accompanying notes form an integral part of the financial statements.

SCOTIA GROUP JAMAICA LIMITED
Statement of Cash Flows
Year ended October 31, 2014
(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Note	2014	2013
Cash flows from operating activities			
Profit for the year		4,810,612	6,265,356
Adjustments for:			
Interest income	6	(565,390)	(645,862)
Taxation	14	119,522	167,887
		4,364,744	5,787,381
Changes in operating assets and liabilities			
Loan to subsidiary		(20,000)	(50,000)
Other assets, net		(142,408)	(165,626)
Account with fellow subsidiary		(2,950,155)	(8,402,270)
Other liabilities		1,964	3,537
		1,254,145	(2,826,978)
Interest received		598,071	729,332
Taxation paid		(194,768)	(125,750)
Net cash provided by/(used in) operating activities		1,657,448	(2,223,396)
Cash flow from investing activity			
Investment securities		3,210,363	3,536,327
Cash flows from financing activities			
Dividends paid, being net cash used in financing activities	53	(4,978,549)	(4,978,549)
Net decrease in cash and cash equivalents		(110,738)	(3,665,618)
Cash and cash equivalents at beginning of year		209,995	3,875,613
Cash and cash equivalents at end of year	19	99,257	209,995

The accompanying notes form an integral part of the financial statements.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

1. Identification, Regulation and Licence

Scotia Group Jamaica Limited ("the Company") is incorporated and domiciled in Jamaica. It is a 71.78% subsidiary of The Bank of Nova Scotia, which is incorporated and domiciled in Canada and is the ultimate parent. The registered office of the Company is located at the Scotiabank Centre, Corner of Duke and Port Royal Streets, Kingston, Jamaica.

The Company is the parent of The Bank of Nova Scotia Jamaica Limited, ("the Bank") which is licensed under the Banking Act, Scotia Investments Jamaica Limited ("SIJL"), which is licensed under the Securities Act, and Scotia Jamaica Microfinance Company Limited. The Company and SIJL are listed on the Jamaica Stock Exchange.

The Company's subsidiaries, which together with the Company are referred to as "the Group", are as follows:

		Holding by		
Subsidiaries	**Principal Activities**	**Company**	**Subsidiary**	**Financial Year-End**
The Bank of Nova Scotia Jamaica Limited and its subsidiaries:	Banking	100%		October 31
The Scotia Jamaica Building Society	Mortgage Financing		100%	October 31
Scotia Jamaica Life Insurance Company Limited	Life Insurance		100%	December 31*
Scotia Jamaica Financial Services Limited	Non-trading		100%	October 31
Brighton Holdings Limited	Non-trading		100%	October 31
Scotia Investments Jamaica Limited and its subsidiaries:	Investment Banking	77.01%		October 31
Scotia Asset Management Jamaica Limited	Unit Trust and Fund Management		100%	October 31
Scotia Jamaica Investment Management Limited	Non-trading		100%	October 31
DB&G Corporate Services Limited	Administrative and Management services		100%	October 31
Billy Craig Investments Limited	Non-trading		100%	October 31
Interlink Investments Limited	Non-trading		100%	October 31
Scotia Asset Management (St. Lucia) Inc	Funds Management		100%	October 31
Scotia Jamaica Microfinance Company Limited	Micro-financing	100%		October 31

All subsidiaries are incorporated in Jamaica except for Scotia Asset Management (St. Lucia) Inc. and Interlink Investments Limited.

*The statements included in the consolidation are audited financial statements as at and for the year ended October 31, 2014.

2. Summary of significant accounting policies

(a) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, and comply with the Jamaican Companies Act ("the Act").

New, revised and amended standards and interpretations that became effective for annual periods beginning on or after January 1, 2013.

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements.

- IAS 19, *Employee Benefits,* led to a change in the accounting policy with respect to the basis for determining the income or expense related to post-employment defined benefits.

  The Group now determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the net defined benefit obligation at the beginning of the annual period to the net defined benefit liability at the beginning of the year. Net interest also takes into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Actuarial gains and losses are now recognised immediately in other comprehensive income. Previously, the Group recognised actuarial gains and losses using the corridor method, which required that any cumulative unrecognised gains or losses exceeding 10% of the present value of the defined benefit obligation were recognised in profit or loss over the expected average remaining working lives of the employees affected.

  The change in policy is applied retrospectively (see note 55).

- IFRS 7, Disclosures – *Offsetting financial assets and financial liabilities*. These amendments require an entity to disclose information about the rights to offset and provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. This standard had no material impact on the financial statements.

- IFRS 10, *Consolidated Financial Statements,* introduces a new approach to determining which investees should be consolidated. It focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

  The Group has reassessed the control conclusion in respect of its investees as at January 1, 2013. This has, however, not resulted in any changes to the control conclusions previously determined.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New, revised and amended standards and interpretations that became effective for annual periods beginning on or after January 1, 2013 (continued)

- IFRS 11, *Joint Arrangements*, identifies two main types of joint arrangements – joint operations and joint ventures:

  (i) *Joint operations* refers to those cases in which although there is a separate vehicle created by the venturers, that separation is ineffective in certain ways. These joint arrangements are treated similarly to jointly controlled assets/operations under IAS 31.

  (ii) *Joint ventures* refers to all other joint arrangements. They are required to be accounted for using the equity method (thus prohibiting the use of proportionate consolidation). The application of the equity method is subject to two exemptions carried forward from IAS 28 (2008) and IAS 31.

  This standard had no impact on the Group's financial statements.

- IFRS 12, *Disclosure of Interest in Other Entities* contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. Structured entities are entities that are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. The disclosure requirements encompass risk exposures for the sponsor of such an entity even if it no longer has any contractual involvement. These required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

- IFRS 13, *Fair Value Measurement* establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. Consequently, the Group has included additional disclosures in this regard (note 47).

  Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New, revised and amended standards and interpretations that are not yet effective

At the date of authorisation of these financial statements, certain new, revised and amended standards and interpretations which were in issue were not effective at the reporting date and had not been early-adopted by the Group. The Group is assessing them and has determined that the following are relevant to its financial statements.

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

  The Group is assessing the impact that the standard will have on its 2018 financial statements.

- IFRS 15, *Revenue from Contracts with Customers* is effective for periods beginning on or after January 1, 2017. It replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*.

  The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New, revised and amended standards and interpretations that are not yet effective (continued)

- Amendments to IAS 32, *Offsetting of Financial Assets and Financial Liabilities* which is effective for annual reporting periods beginning on or after January 1, 2014, clarifies those conditions needed to meet the criteria specified for offsetting financial assets and liabilities. It requires the entity to prove that there is a legally enforceable right to set off the recognised amounts. Conditions such as whether the set off is contingent on a future event and the nature and right of set-off and laws applicable to the relationships between the parties involved should be examined. Additionally, to meet the criteria, an entity should intend to either settle on a net basis or to realise the asset and settle the liability simultaneously.

- Amendments to IAS 36, *Recoverable Amount Disclosures for Non-Financial Assets*, which is effective for accounting periods beginning on or after January 1, 2014, reverse the unintended requirement in IFRS 13, *Fair Value Measurement*, to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. The amendment requires the recoverable amount to be disclosed only when an impairment loss has been recognised or reversed.

- Amendments to IFRS 10, *Consolidated Financial Statements*, IFRS 12- *Disclosure of interest in Other Entities* and IAS 27- *Consolidated* and *Separate Financial Statements* is effective for accounting periods beginning on or after January 1, 2014. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss, instead of consolidating those subsidiaries in its consolidated financial statements. In addition, the amendments introduce new disclosure requirement related to investment entities in IFRS 12, *Disclosure of Interests in Other Entities and IAS 27, Separate financial Statements*.

- IFRIC 21, *Levies* which is effective for accounting periods beginning on or after January 1, 2014 provides guidance on accounting for levies in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It requires an entity to recognise a liability for a levy when and only when the triggering event specified in the legislation occurs. This interpretation is likely to affect the Group's recognition of asset tax liabilities when adopted. At the reporting date, management had not completed its evaluation of the effect of this interpretation.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

New, revised and amended standards and interpretations that are not yet effective (continued)

- Improvements *to IFRS 2010-2012 and 2011-2013* cycles contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after July 1, 2014. The main amendments applicable to the Group are as follows:

  - IFRS 3, *Business Combinations* is amended to clarify the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to IAS 32, *Financial Instruments: Presentation*, rather than to any other IFRSs. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognized in profit or loss. Consequential amendments are also made to IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 9, *Financial Instruments* to prohibit contingent consideration from subsequently being measured at amortised cost. In addition, IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* is amended to exclude provisions related to contingent consideration of an acquirer. IFRS 3, has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11, Joint Arrangements i.e. including joint operations in the financial statements of the joint arrangements themselves.

  - IFRS 13, *Fair Value Measurement* is amended to clarify that issuing of the standard and consequential amendments to IAS 39, and IFRS 9, did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

  - *IAS 24, Related Party Disclosures* has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis, as modified for the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS and the Jamaican Companies Act requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(iv) Functional and presentation currency

These financial statements are presented in Jamaican dollars, which is the Group's functional currency. Financial information presented is shown in thousands of Jamaican dollars, unless otherwise stated.

(v) Comparative information

Where necessary, comparative amounts have been reclassified to conform with changes in the presentation in the current year (see note 55).

(b) Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Company and its subsidiaries presented as a single economic entity.

Subsidiaries are those entities controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The company and its subsidiaries are collectively referred to as "Group"

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries are consistent with those of the Group.

The Group uses the acquisition method of accounting for business combinations. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of revenue and expenses.

2. Summary of significant accounting policies (continued)

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to, and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as its chief operating decision maker. All transactions between business segments are conducted on an arms length basis, with inter-segment revenue and costs eliminated on consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

(d) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the reporting date. Foreign currency non-monetary items that are measured at historical cost are translated at historical rates. Foreign currency items measured at fair value are translated into the functional currency using the rate of exchange at the date the fair value was determined.

Foreign currency gains and losses resulting from the settlement of foreign currency transactions and from the translation at the reporting date exchange rates of foreign currency monetary assets and liabilities are recognized in the statement of revenue and expenses.

(e) Revenue recognition

(i) Interest income

Interest income is recognised in profit or loss for interest earning instruments using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently. Interest income includes coupons earned on fixed income investments and accretion of discounts on treasury bills and other discounted instruments, and amortization of premiums on instruments bought at a premium.

Where collection of interest income is considered doubtful, or payment is outstanding for more than 90 days, the banking regulations stipulate that interest should be taken into account on the cash basis. IFRS requires that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the amounts recognized under the banking regulations and such amounts as would have been determined under IFRS is considered to be immaterial.

2. Summary of significant accounting policies (continued)

(ii) Fee and commission income

Fee and commission income are recognised on the accrual basis when service has been provided. Origination fees for loans are recognised in profit or loss immediately, as they are not considered material for deferral.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees are recognised over the period the service is provided. The same principle is applied for financial planning and custody services that are continuously provided over an extended period of time.

Fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(iii) Premium income

Gross premiums are recognized as revenue when due. The related actuarial liabilities are computed when premiums are recognized, resulting in benefits and expenses being matched with revenue. Unearned premiums are those proportions of premiums written in the current year that relate to periods of risk after the reporting date.

(iv) Dividend income

Dividend income is recognized when the right to receive payment is established.

(f) Interest expense

Interest expense is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability.

(g) Claims

Death claims net of reinsurance recoveries, are recorded in the profit or loss.

(h) Reinsurance contracts held

The Group enters into contracts with reinsurers under which it is compensated for losses on contracts it issues and which meet the classification requirements for insurance contracts. Reinsurance does not relieve the Group of its liability and reinsurance recoveries are recorded when collection is reasonably assured.

(i) Taxation

Taxation on the profit or loss for the year comprises current and deferred income taxes. Current and deferred income taxes are recognised as tax expense or benefit in profit or loss, except where they relate to a business combination, or items recognized in other comprehensive income.

2. Summary of significant accounting policies (continued)

(i) Taxation (continued)

(i) Current income tax

Current income tax charges are based on the taxable profit for the year, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The current tax is calculated at tax rates that have been enacted at the reporting date.

(ii) Deferred income tax

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised. Deferred tax assets are reviewed at each reporting date to determine whether it is probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

Current and deferred tax assets and liabilities are offset when the legal right of set-off exists, and when they relate to income taxes levied by the same tax authority on either the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

(j) Insurance contracts

(i) Classification

The Group issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Group defines insurance risk as significant if an insured event could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transactions. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits, at the occurrence of an insured event, that are at least 10% more than the benefits payable if the insured event did not occur.

(ii) Recognition and measurement

These contracts insure human life events (for example death or permanent disability) over a long duration. The accounting treatment differs according to whether the contract bears investment options or not. Under contracts that do not bear investment options, premiums are recognised as income when they become payable by the contract holder and benefits are recorded as an expense when they are incurred.

2. Summary of significant accounting policies (continued)

(j) Insurance contracts

Under contracts that bear an investment option, the investment portion of insurance premiums received are initially recognised directly as liabilities. These liabilities are increased by interest credited and are decreased by policy administration fees, mortality charges and any withdrawals or surrenders; the resulting liability is the policyholders' fund. Income consists of fees deducted for mortality, policy administration, withdrawals and surrenders. Interest credited to the policy and benefit claims in excess of the cash surrender value incurred in the period are recorded as expenses in the statement of revenue and expenses.

Insurance contract liabilities are determined by an independent actuary using the Policy Premium Method of valuation as summarised in note 2(k). These liabilities are adjusted through profit or loss to reflect any changes in the valuation.

(k) Policyholders' liabilities

(i) The policyholders' liabilities have been calculated using the Policy Premium Method (PPM) of valuation. Under this method explicit allowance is made for all future benefits and expenses under the policies. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves.

(ii) Annuities

Annuities are immediate payouts of fixed and variable amounts for a guaranteed period and recognised on the date that they originate. Benefits are recognised as liabilities until the end of the guaranteed period.

These liabilities are increased by credited interest and are decreased by policy administration fees, period payment charges and any withdrawals. Income consists mainly of fees deducted for fund administration and interest credited is treated as an expense in profit or loss. The annuity fund is included as a part of policyholders' liabilities [note 37(a)].

(l) Financial assets and liabilities

Financial assets comprise cash resources, financial assets at fair value through profit or loss, securities purchased under resale agreements, pledged assets, loans, investment securities, leases, and certain other assets. Financial liabilities comprise deposits, securities sold under repurchase agreements, promissory notes, capital management and government securities funds, assets held in trust on behalf of participants, certain other liabilities and policyholders' liabilities.

(i) Recognition

The Group initially recognises loans and receivables and deposits on the date at which the Group becomes a party to the contractual provisions of the instrument, i.e., the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated as at fair value through profit or loss) are initially recognized on the settlement date – the date on which the asset is delivered to or by the Group.

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

(ii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset have expired, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Group enters into transactions whereby it transfers assets, but retains either all or a portion of the risks and rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

(iii) Measurement

On initial recognition, financial assets and liabilities are measured at fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The measurement of financial assets subsequent to initial recognition depends upon their classification as set out in note 2(m) below, namely: loans and receivables are measured at amortised cost; held-to-maturity investments are measured at amortised cost; investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably determined are measured at cost.

Other financial assets are measured at their fair values without any deduction for transaction costs that may be incurred on sale or other disposal.

Financial liabilities are measured at amortised cost, after initial recognition.

(m) Financial assets

(i) Classification

The Group classifies its financial assets into the following categories: Management determines the classification of its investments at initial recognition.

(1) Financial assets at fair value through profit or loss

This category includes financial assets held for trading. A financial asset is classified in this category at inception if acquired principally for the purpose of selling in the short term or if so designated by management. These assets are measured at fair value and all related gains and losses are included in profit or loss.

2. Summary of significant accounting policies (continued)

(m) Financial assets (continued)

(i) Classification (continued)

(2) Loans and receivables

See details at note 2(p).

(3) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity and which are not designated as fair value through profit or loss or as available-for-sale. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale and the Group would be prohibited from classifying investment securities as held-to-maturity for two financial years. Held-to-maturity investments are measured at amortised cost.

(4) Available-for-sale

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified in any of the other three categories of financial assets. They are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or market prices. Available-for-sale investments are measured at fair value except for any unquoted equity securities whose fair value cannot be reliably measured, which are carried at cost. Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss when the Group becomes entitled to the dividend. Other unrealized gains and losses arising from changes in fair value of available-for-sale investments are recognized in other comprehensive income. On disposal or impairment of these investments, the unrealized gains or losses included in stockholders' equity are transferred to profit or loss.

(ii) Identification and measurement of impairment

At each financial year end, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

2. Summary of significant accounting policies (continued)

(m) Financial assets

(ii) Identification and measurement of impairment (continued)

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset level and collectively. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, management makes judgements as to current economic and credit conditions and their effect on default rates, loss rates and the expected timing of future recoveries, ensuring that assumptions remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected as an allowance against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale securities are recognised by transferring the cumulative loss that has been recognised directly in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in other comprehensive income.

(n) Investment in subsidiaries

Investments by the Group in subsidiaries are stated at cost less impairment losses.

2. Summary of significant accounting policies (continued)

(o) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase the asset at a fixed price on a future date (repurchase agreements) and securities purchased under agreements to resell the asset at a fixed price on a future date (reverse repurchase agreements) are treated as collateralised financing transactions. In the case of reverse repurchase agreements, the underlying asset is not recognized in the Group's financial statements; in the case of repurchase agreements the underlying collateral is not derecognized but is segregated as pledged assets. The difference between the sale/purchase and repurchase/resale price is recognised as interest over the life of the agreements using the effective interest method.

(p) Loans and receivables and allowance for impairment losses

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell immediately or in the near term, and that, upon initial recognition, the Group designates as at fair value through profit or loss, or as available-for-sale.

Loans are initially recorded at the fair value of the consideration given, which is the cash disbursed to originate the loan, including any transaction costs, and are subsequently measured at amortised cost.

The Group considers a loan to be impaired when there is objective evidence of impairment as a result of one or more loss events that occurred after the date of initial recognition of the loan and the loss event has an impact on the estimated future cash flows of the loan that can be reliably estimated. An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. Objective evidence is represented by observable data that comes to the attention of the Group and includes events that indicate:

i. significant financial difficulty of the borrower;

ii. default or delinquency in interest or principal amounts;

iii. the probability of the borrower entering a phase of bankruptcy or financial reorganization;

iv. measurable decrease in the estimated future cash flows from the loan.

The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the impaired loans.

As required by statutory regulations, if a payment on a loan is contractually 90 days in arrears, the loan will be classified as impaired, if not already classified as such. On classification as a non-performing loan, any interest that is contractually due but in arrears is reversed from the profit or loss, and interest is thereafter recognized on the cash basis. The regulations stipulate the criteria for specific provisions based on length of time in arrears, whether or not the loan is secured and the collateral held. The regulations also require a general provision of 1% be established for all loans excluding those with specific provisions.

2. Summary of significant accounting policies (continued)

(p) Loans and receivables and allowance for impairment losses (continued)

The recognition of interest on impaired loans in accordance with the regulations differs from IFRS, which requires that interest on the impaired asset continues to be recognised through the unwinding of the discount that was applied to the estimated future cash flows. The difference is not considered material.

Statutory and other regulatory loan loss provisions that exceed the amounts required under IFRS are included in a non-distributable loan loss reserve as an appropriation of profits.

(q) Acceptances and guarantees

The Group's potential liability under acceptances and guarantees is reported as a liability in the statement of financial position. The Group has equal and offsetting claims against its customers in the event of a call on these commitments, which are reported as an asset.

(r) Intangible assets

(i) Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on the straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate being accounted for prospectively.

(ii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of intangible assets and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

(iii) Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

2. Summary of significant accounting policies (continued)

(r) Intangible assets (continued)

(iv) Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(v) Acquired customer relationships

This asset represents the present value of the benefit to the Group from customer lists, contracts, or customer relationships that can be identified separately and measured reliably. Acquired customer relationships include those of SIJL, and stockbroking customer relationships with an estimated useful life of 15 years.

(vi) Contract-based intangible assets

Contract-based intangible assets represent the Group's right to benefit from SIJL's unit trust management contracts. This asset has an indefinite useful life and is therefore tested for impairment annually and whenever there is an indication that the asset may be impaired.

(vii) Licences

The asset represents the value of SIJL's Jamaica Stock Exchange seat, which has an indefinite useful life. The asset is tested for impairment annually, and whenever there is an indication that the asset may be impaired.

(viii) Tax Shield

The asset represents the present value of tax saving on tax-free bonds held by SIJL recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefit. The carrying amount of the tax asset is reviewed at each reporting date and reduced to the extent that the benefit is already realised, or it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The assets are measured at the tax rate that is expected to apply in the period in which the asset is realised, based on tax rates (and tax laws) that have been enacted by the reporting date.

2. Summary of significant accounting policies (continued)

(r) Intangible assets (continued)

(ix) Computer software

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with acquiring identifiable and unique software products which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. However, such costs are expensed where they are considered to be immaterial.

(s) Leases

(i) As lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised at the inception of the lease at the lower of the fair value of the leased asset and the present value of future minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged as an expense and included in profit or loss over the lease period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to profit or loss on the straight-line basis over the period of the lease.

(ii) As lessor

The present value of the lease payments under finance leases is recognised as a receivable. The difference between the gross payments receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

Assets leased out under operating leases are included in property, plant and equipment. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on the straight-line basis over the lease term.

(t) Property, plant and equipment

Land is stated at historical cost. All other property, plant and equipment are stated at historical cost less accumulated depreciation and, if any, impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Expenditure subsequent to acquisition is included in the asset's carrying amount or is recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other expenditure is classified as repairs and renewals and charged as expense in profit or loss during the financial period in which it is incurred.

2. Summary of significant accounting policies (continued)

(t) Property, plant and equipment (continued)

Depreciation and amortisation are calculated on the straight-line method at rates that will write off the depreciable amount of the assets over their expected useful lives, as follows:

Buildings	40 Years
Furniture, fixtures and equipment	10 Years
Computer equipment	4 Years
Motor vehicles	5 Years
Leasehold improvements	Period of lease

The depreciation methods, useful lives and residual values are reassessed at each reporting date.

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining the profit or loss for the year.

(u) Employee benefits

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions and vacation leave; non-monetary benefits such as medical care; post-employments benefits such as pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. Post-employment benefits, termination benefits and equity compensation benefits are accounted for as described below. Other long-term benefits are not considered material and are expensed when incurred.

(i) Pension obligations

The Group operates both defined benefit and defined contribution pension plans. The assets of the plans are held in separate trustee-administered funds. The pension plans are funded by contributions from employees and by the relevant group companies for the Bank and the investment subsidiaries, respectively. Taking into account the recommendations of qualified actuaries and based on the rules of the plan. Contributions for the investment subsidiary are charged to the statement of revenue and expenses in the period to which it relates.

2. Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

(i) Pension obligations (continued)

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

The group determines the net interest income on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit asset at the beginning of the annual period to the net defined benefit asset for the year, taking into account any changes in the asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses post-retirement obligations is recognised in profit or loss.

When the benefits of a plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Contributions to the defined contribution plan are charged to the statement of revenue and expenses in the period to which they relate.

(ii) Termination benefits

Termination benefits are payable whenever an employee's service is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the services of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the financial year end are discounted to present value.

(iii) Other post-retirement obligations

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

2. Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

(iv) Equity compensation benefits

The Group has two Employee Share Ownership Plans (ESOPs) for eligible employees. In the case of the first, the Group provides a fixed benefit to each participant, which is linked to the number of years of service. This benefit is recorded in salaries and staff benefits in profit or loss.

The amount contributed to the ESOP trust (note 54) by the Group for acquiring shares and allocating them to employees is recognised as an employee expense at the time of making the contribution, as the effect of recognising it over the two-year period in which the employees become unconditionally entitled to the shares, is not considered material. Further, the effect of forfeitures is not considered material.

The special purpose entity that operates the Plan has not been consolidated as the effect of doing so is not considered material.

In the case of the second, the Group provides a fixed benefit to eligible employees, after one full year of service. This benefit is recorded in salaries and staff benefits expense in profit or loss.

The amount contributed to the ESOP trust (note 54) by the Group for acquiring shares and allocating them to employees is recognised as an employee expense at the time of making the contribution. The special purpose entity that operates the Plan has been consolidated.

(v) Annual leave

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the year end.

(v) Borrowings

Borrowings are recognised initially at fair value of consideration received net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the statement of revenue and expenses immediately, as they are not considered material for deferral.

(w) Share capital

(i) Classification

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets.

Preference share capital is classified as equity, except where it is redeemable on a specific or determinable date or at the option of the shareholders and/or if dividend payments are not discretionary, in which case it is classified as a liability.

2. Summary of significant accounting policies (continued)

(w) Share capital (continued)

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividends

Dividends on ordinary shares are recognized in stockholder's equity in the period in which they are approved by the Board of Directors, thereby becoming irrevocably payable.

Dividend payments on preference shares classified as a liability are recognized in the statement of revenue and expenses as interest expense.

(x) Fiduciary activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets, and income arising thereon, are excluded from these financial statements, as they are not assets or income of the Group.

(y) Cash and cash equivalents

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

(z) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of goodwill is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2. Summary of significant accounting policies (continued)

(z) Impairment of non-financial assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Critical accounting estimates, and judgements made in applying accounting policies

The Group makes estimates, assumptions and judgements that affect the reported amounts of, and disclosures relating to, assets, liabilities, income and expenses reported in these financial statements. Amounts and disclosures based on these estimates assumptions and judgements may be different from actual outcomes, and these differences may be reported in the financial statements of the next financial year. Estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are continually evaluated.

(i) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Income taxes

Estimates and judgements are required in determining the provision for income taxes. The tax liability or asset arising from certain transactions or events may be uncertain in the ordinary course of business. In cases of such uncertainty, the Group recognises liabilities for possible additional taxes based on its judgement. Where, on the basis of a subsequent determination, the final tax outcome in relation to such matters is different from the amount that was initially recognised, the difference will impact the current and deferred income tax provisions in the period in which such determination is made.

(iii) Estimate of future payments and premiums arising from long-term insurance contracts

The liabilities under long-term insurance contracts have been determined using the Policy Premium Method of valuation, which is outlined in note 2 (k).

3. Critical accounting estimates, and judgements made in applying accounting policies (continued)

(iii) Estimate of future payments and premiums arising from long-term insurance contracts (continued)

The process of calculating policy liabilities necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provisions for adverse deviations from the estimates. Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

These estimates are more fully described in note 37(c).

(iv) Pension and other post-employment benefits

The cost of these benefits and the present value of the pension and the other post-employment liabilities depend on a number of factors that are determined on an actuarial basis using assumptions. The assumptions used in determining the net periodic cost/(income) for pension and other post-employment benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost/(income) recorded for pension and post-employment benefits and may affect planned funding of the pension plans.

The Group determines the appropriate discount rate at the end of each year; such rate represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-retirement benefit obligations. In determining the appropriate discount rate, the Group considers interest rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. The expected rate of increase of medical costs has been determined by comparing the historical relationship of the actual medical cost increases with the rate of inflation. Past experience has shown that the actual medical costs have increased on average by the rate of inflation. Other key assumptions for the pension and other post-employment benefit cost and credit are based, in part, on current market conditions.

(v) Recognition and measurement of intangible assets

The recognition and measurement of intangible assets, other than goodwill, in a business combination, involve the utilization of valuation techniques. These intangibles may be market related, consumer related, contract based or technology based.

For significant amounts of intangibles arising from a business combination, the Group has utilized independent professional advisors to assist management in determining the recognition and measurement of these assets.

3. Critical accounting estimates, and judgements made in applying accounting policies (continued)

(vi) Valuation of financial instruments

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates.

Considerable judgment is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

4. Responsibilities of the appointed actuary and external auditors

The Board of Directors, pursuant to the Insurance Act, appoints the Actuary, whose responsibility is to carry out an annual valuation of the Group's insurance policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and stockholders. In performing the valuation, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Group and the insurance policies in force. An actuarial valuation is prepared annually.

The shareholders, pursuant to the Companies Act, appoint the external auditors. Their responsibility is to conduct an independent audit of the financial statements in accordance with International Standards on Auditing and report thereon to the stockholders. In carrying out their audit, the auditors make use of the work of the appointed Actuary and his report on the policyholders' liabilities.

5. Segmental financial information

The Group is organised into six main business segments:

(a) Retail Banking - incorporating personal banking services, personal deposit accounts, credit and debit cards, consumer loans and mortgages and microfinance;

(b) Corporate and Commercial Banking - incorporating non-personal direct debit facilities, current accounts, deposits, overdrafts, loans and other credit facilities, and foreign currency activities;

(c) Treasury - incorporating the Group's liquidity and investment management function, management of correspondent bank relationships, as well as foreign currency activities;

(d) Investment Management Services – incorporating investments, unit trusts, pension and other fund management, brokerage and advisory services, and the administration of trust accounts;

5. Segmental financial information (continued)

(e) Insurance Services - incorporating the provision of life and medical insurance, individual pension administration and annuities;

(f) Other operations of the Group – comprising the parent company and non-trading subsidiaries.

Transactions between the business segments are on normal commercial terms and conditions.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of items on the statement of financial position, but exclude items such as taxation, retirement benefits asset and obligation and borrowings. Eliminations comprise intercompany transactions and balances.

The Group's operations are located mainly in Jamaica. The operations of subsidiaries located overseas represents less than 10% of the Group's operating revenue and assets.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental financial information (continued)

	2014							
	Banking							
	Retail	Corporate and Commercial	Treasury	Investment Management Services	Insurance Services	Other	Eliminations	Group
Net external revenues	15,806,392	6,357,492	3,240,169	4,231,670	4,583,861	1,217,174	-	35,436,758
Revenue from other segments	(785,997)	1,160,390	(480,633)	(64,084)	164,980	10,574	(5,230)	-
Total revenues	15,020,395	7,517,882	2,759,536	4,167,586	4,748,841	1,227,748	(5,230)	35,436,758
Total expenses and losses	(12,007,534)	(5,758,846)	(364,199)	(1,619,173)	(1,795,717)	(35,983)	(204,249)	(21,785,701)
Profit before tax	3,012,861	1,759,036	2,395,337	2,548,413	2,953,124	1,191,765	(209,479)	13,651,057
Taxation								(3,532,458)
Profit for the year								**10,118,599**
Segment assets	90,019,053	69,792,560	100,479,999	72,314,291	54,035,771	26,453,962	(19,100,285)	393,995,351
Unallocated assets								13,034,911
Total assets								**407,030,262**
Segment liabilities	111,156,905	104,573,035	8,976,846	58,673,598	44,064,366	180,220	(10,485,719)	317,139,251
Unallocated liabilities								11,187,948
Total liabilities								**328,327,199**
Other segment items:								
Capital expenditure	592,101	530,753	-	25,828	21,708	-	-	1,170,390
Impairment losses on loans	1,551,628	58,422	-	(6,969)	-	-	-	1,603,081
Depreciation and amortisation	313,469	156,141	-	264,826	9,978	-	-	744,414

(Expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental financial information (continued)

	2013 (Restated)							
	Banking							
	Retail	Corporate and Commercial	Treasury	Investment Management Services	Insurance Services	Other	Eliminations	Group
Net external revenues	14,841,254	6,140,309	3,994,553	4,362,579	4,255,241	1,660,762	-	35,254,698
Revenue from other segments	(464,939)	1,475,811	(1,150,317)	(3,938)	137,641	7,141	(1,399)	-
Total revenues	14,376,315	7,616,120	2,844,236	4,358,641	4,392,882	1,667,903	(1,399)	35,254,698
Total expenses and losses	(11,271,090)	(6,000,388)	(251,087)	(1,562,118)	(1,348,437)	(28,813)	(206,898)	(20,668,831)
Profit before tax	3,105,225	1,615,732	2,593,149	2,796,523	3,044,445	1,639,090	(208,297)	14,585,867
Taxation								(3,693,161)
Profit for the year								**10,892,706**
Segment assets	84,383,754	63,912,978	94,280,448	73,746,560	51,983,533	26,684,543	(16,810,609)	378,181,206
Unallocated assets								11,079,299
Total assets								**389,260,505**
Segment liabilities	103,800,509	104,058,101	2,525,000	61,254,671	43,385,480	251,782	(8,457,256)	306,818,287
Unallocated liabilities								9,961,437
Total liabilities								**316,779,724**
Other segment items:								
Capital expenditure	197,807	317,639	-	25,381	31,138	-	-	571,965
Impairment losses on loans	1,071,273	39,657	-	(97,554)	-	-	-	1,013,376
Depreciation and amortisation	332,513	185,250	-	246,719	12,866	-	-	777,348

(Expressed in thousands of Jamaican dollars unless otherwise stated)

6. Net interest income

	The Group		The Company	
	2014	2013	2014	2013
Interest income:				
Deposits with banks and other financial institutions	493,773	336,528	28,573	27,981
Investment securities	10,911,565	11,268,390	531,261	617,854
Financial assets at fair value through profit or loss	7,274	13,592	-	-
Reverse repurchase agreements	12,559	98,693	-	-
Loans and advances	19,440,463	18,263,023	5,556	27
	30,865,634	29,980,226	565,390	645,862
Interest expense:				
Banks and customers	2,146,586	2,439,481	-	-
Repurchase agreements	2,441,645	1,763,142	-	-
Policyholders' liabilities	1,766,550	1,902,032	-	-
Other	521	12,539	-	-
	6,355,302	6,117,194	-	-
Net interest income	24,510,332	23,863,032	565,390	645,862

7. Net fee and commission income

	The Group	
	2014	2013
Fee and commission income:		
Retail banking fees	3,788,435	3,969,140
Credit related fees	1,014,946	977,016
Commercial and depository fees	3,837,326	2,869,508
Insurance related fees	154,495	145,259
Trust and other fiduciary fees	44,709	38,918
Asset management and related fees	901,371	879,777
	9,741,282	8,879,618
Fee and commission expenses	(3,884,029)	(3,081,826)
	5,857,253	5,797,792

8. Net gains on foreign currency activities and financial assets

(a) Net gains on foreign currency activities are comprised primarily of gains and losses arising from foreign currency trading activities.

(b) Net gains on financial assets:

	The Group		The Company	
	2014	2013	2014	2013
Gains on securities held for trading	230,644	255,785	-	-
Gains/(losses) on available for sale, loans and receivable securities	444,170	(15,340)	-	7,268
Gains on equities	94,597	8,491	-	-
	769,411	248,936	-	7,268

(Expressed in thousands of Jamaican dollars unless otherwise stated)

9. Insurance revenue

	The Group	
	2014	2013
Gross premiums		
Individual life	869,954	811,544
Group	1,096,452	1,141,497
	1,966,406	1,953,041
Reinsurance ceded	(435)	(616)
	1,965,971	1,952,425
Changes in actuarial reserves	348,077	460,686
	2,314,048	2,413,111

10. Other revenue

	The Group	
	2014	2013
Gain on sale of property, plant and equipment	1,967	174,930
Other	21,685	27,585
	23,652	202,515

11. Salaries, pension contributions and other staff benefits

	The Group	
	2014	2013 *(restated)*
Wages and salaries	8,141,519	7,674,840
Statutory payroll contributions	746,487	702,237
Other staff benefits	1,309,397	1,376,504
	10,197,403	9,753,581
Post-employment benefits		
Pension credit on defined benefit plan [note 29(f)]	(413,819)	(346,918)
Pension costs on defined contribution plans	24,080	23,636
Other post-retirement benefits [note 29(o)]	533,153	535,740
	143,414	212,458
Total (note 12)	10,340,817	9,966,039

(Expressed in thousands of Jamaican dollars unless otherwise stated)

12. Expenses by nature

	The Group		The Company	
	2014	2013 *(restated)*	2014	2013
Salaries, pension contributions and other staff benefits (note 11)	10,340,817	9,966,039	-	-
Property expenses, including depreciation	2,151,156	2,190,670	-	-
Systems related expenses	1,565,587	1,319,637	-	-
Insurance claims and benefits	223,461	190,210	-	-
Transportation and communication	1,058,859	1,032,064	3,586	6,268
Marketing and advertising	588,007	783,781	-	-
Technical and consultancy fees	1,393,812	1,168,145	-	-
Deposit insurance	295,800	263,086	-	-
Stationery	456,442	458,181	1,110	1,300
Asset, premium and minimum business tax	1,280,298	606,547	260	100
Licensing and other regulatory fees	98,637	94,995	-	-
Other operating expenses	474,118	1,348,821	29,875	20,324
Amortisation and impairment of intangible assets	255,626	233,279	-	-
	20,182,620	19,655,455	34,831	27,992

13. Profit before taxation

In arriving at the profit before taxation, the following are among the items that have been charged:

	The Group		The Company	
	2014	2013	2014	2013
Auditors' remuneration	48,772	45,389	4,494	4,200
Depreciation of property, plant and equipment	488,788	544,069	-	-
Amortisation and impairment of intangible assets	255,626	233,279	-	-
Directors' emoluments:				
Fees	26,545	28,645	14,007	4,184
Management remuneration	42,466	28,994	-	-
Operating lease rentals	377,668	361,742	-	-

(Expressed in thousands of Jamaican dollars unless otherwise stated)

14. Taxation

(a) Taxation charge

Income tax is computed on the profit for the year as adjusted for tax purposes; other taxes are computed at rates and on items shown below:

	The Group		The Company	
	2014	2013 *(restated)*	2014	2013
Current income tax:				
Income tax at 33⅓%	2,627,437	2,938,730	-	210,432
Income tax at 30%	357,965	566,483	-	-
Income tax 25%	145,040	5,060	140,815	-
Investment income tax at 15%	315,641	285,442	-	-
Adjustment for over provision of prior year's charge	(7,025)	(68,671)	(8,768)	(68,671)
Deferred income tax (note 36)	93,400	(33,883)	(12,525)	26,126
	3,532,458	3,693,161	119,522	167,887

(b) Reconciliation of applicable tax charge to effective tax charge:

	The Group		The Company	
	2014	2013 *(restated)*	2014	2013
Profit before taxation	13,651,057	14,585,867	4,930,134	6,433,243
Tax calculated at 25%	-	-	1,232,534	-
Tax calculated at 33⅓%	4,550,352	4,861,956	-	2,144,414
Adjusted for the tax effects of:				
Different tax regimes applicable to the life insurance and mortgage financing subsidiaries and non-regulated entities	(719,563)	(833,286)	-	(214,414)
Interest /dividends from tax free investments	(185,947)	(162,452)	(937,004)	(1,440,545)
Expenses not deductible for tax purposes	217,446	318,817	-	-
Other charges and allowances	(322,805)	(423,203)	(167,240)	(252,897)
Prior period overprovision	(7,025)	(68,671)	(8,768)	(68,671)
	3,532,458	3,693,161	119,522	167,887
Effective tax rate	25.88%	25.32%	2.42%	2.61%

(c) Taxation expense for life insurance business

Tax on the life insurance business is charged on investment income, less allowable expenses, at the rate of 15%.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

14. Taxation (continued)

(d) The Fiscal Incentive (Miscellaneous Provisions) Act amended the Income Tax Act to reduce the corporate income tax rate for "large unregulated companies" from 30% to 25% with effect from January 1, 2014. The Income Tax Act defined a "large unregulated company" as any unregulated company which has a gross annual income of not less than $500,000 in any year of assessment

Under the Provisional Collection of Tax Act, the Minimum Business Tax Order, 2014 enacted a new minimum tax of $60 per annum commencing in the year of assessment 2014. The Minimum Business Tax paid can be credited towards the Income Tax Payable for the year of assessment 2014, providing that the Income Tax liability is greater than the minimum tax. This tax has been paid by all companies in the Group and the appropriate credit has been applied in determining the final Income Tax in these financial statements.

15. Earnings per stock unit

Basic earnings per stock unit is calculated by dividing the profit for the year attributable to stockholders of the Company by the weighted average number of ordinary stock units in issue during the year.

	2014	2013 *(restated)*
Profit for the year attributable to stockholders of the Company	9,764,209	10,485,047
Weighted average number of ordinary stock units in issue ('000)	3,111,573	3,111,573
Basic earnings per stock unit (expressed in $ per share)	3.14	3.37

16. Cash and balances at Bank of Jamaica

	The Group	
	2014	2013
Statutory reserves – interest-bearing	6,306,293	6,838,837
Statutory reserves – non interest bearing	13,713,396	13,524,680
Total statutory reserves (note 19)	20,019,689	20,363,517
Cash in hand and other balances at Bank of Jamaica	12,161,284	5,821,666
	32,180,973	26,185,183

Statutory reserves with the Bank of Jamaica represent the required primary reserve ratios as follows:

Relevant legislation	Entity	Reserve percentage			
		Jamaican		Foreign currency	
		2014	2013	2014	2013
Banking Act, Section 14(i)	BNSJ	12%	12%	9%	9%
Building Society Regulations Section 31	SJBS	1%	1%	1%	1%

These balances are not available for investment, lending or other use by the Group.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

17. Due from other banks

	The Group	
	2014	2013
Items in course of collection from other banks	322,756	360,373
Placements with other banks	31,880,753	33,710,999
	32,203,509	34,071,372

18. Accounts with parent and fellow subsidiaries

These represent accounts held with the parent company and fellow subsidiaries in the normal course of business.

19. Cash and cash equivalents

	The Group		The Company	
	2014	2013	2014	2013
Cash resources	82,482,561	74,882,563	11,455,655	8,615,808
Less amounts not considered cash and cash equivalents:				
Statutory reserves (note 16)	(20,019,689)	(20,363,517)	-	-
Other balances at Bank of Jamaica	(3,045,000)	-	-	-
Cheques and other instruments in transit	(1,731,046)	(1,608,106)	-	-
Due from banks greater than ninety days	(1,529,389)	(765,736)	-	-
Accounts with parent and fellow subsidiaries greater than ninety days	(16,977,120)	(13,636,600)	(11,352,425)	(8,402,270)
Accrued interest	(56,872)	(9,027)	(3,973)	(3,543)
	39,123,445	38,499,577	99,257	209,995
Add other cash equivalent balances:				
Repurchase agreement less than ninety days	300,000	-	-	-
Pledged assets less than ninety days	5,960,583	4,607,093	-	-
	45,384,028	43,106,670	99,257	209,995
Cash and cash equivalents is comprised of:				
Cash and balances with Bank of Jamaica other than statutory reserves	9,116,284	5,821,666	-	-
Government and bank notes other than Jamaican	710,502	589,748	-	-
Amounts due from other banks	30,674,120	33,305,636	-	-
Accounts with parent and fellow subsidiaries	410,457	399,660	103,230	213,538
Repurchase agreement	300,000	-	-	-
Pledged assets	5,960,583	4,607,093	-	-
Accrued interest	(56,872)	(9,027)	(3,973)	(3,543)
	47,115,074	44,714,776	99,257	209,995
Cheques and other instruments in transit	(1,731,046)	(1,608,106)	-	-
	45,384,028	43,106,670	99,257	209,995

(Expressed in thousands of Jamaican dollars unless otherwise stated)

20. Financial assets at fair value through profit or loss

	The Group	
	2014	2013
Government of Jamaica Securities	459,893	578,315
Corporate bonds	270,993	-
Quoted shares	12	-
Unit trusts	247,800	234,703
	978,698	813,018
Interest receivable	3,033	83
	981,731	813,101

21. Pledged assets

Assets are pledged to regulators, the clearing house and other financial institutions, and as collateral under repurchase agreements with customers and financial institutions. All repurchase agreements mature within twelve months and are conducted under the terms that are customary for these transactions.

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

Included in pledged assets are the following categories of assets:

	The Group	
	2014	2013
Deposits with financial institutions	6,669,873	4,607,981
Securities purchased under reverse repurchase agreements	225,064	-
Government and Bank of Jamaica issued securities:		
Fair value through profit or loss	193,784	202,760
Available-for-sale	48,463,324	38,578,998
Loans and receivables	1,929,046	7,309,772
Held-to-maturity	3,866,313	6,324,142
Loans	826,772	131,183
Unitised funds:		
Available-for-sale	29,031	889,087
Other:		
Available-for-sale	2,188,873	984,933
	64,392,080	59,028,856

(Expressed in thousands of Jamaican dollars unless otherwise stated)

21. Pledged assets (continued)

Included in pledged assets are the following amounts which are regarded as cash equivalents for the purposes of the statement of cash flows:

	The Group	
	2014	2013
Debt securities and other investments with an original maturity of less than ninety days	5,960,533	7,567,464

22. Loans, after allowance for impairment losses

	The Group		The Company	
	2014	2013	2014	2013
Business and Government	63,364,937	58,274,518	70,000	50,000
Personal and credit cards	62,481,833	58,688,883	-	-
Residential mortgages	20,804,704	18,550,164	-	-
Interest receivable	998,175	1,030,885	-	12
	147,649,649	136,544,450	70,000	50,012
Less: Allowance for impairment losses (note 23)	(1,917,647)	(1,720,694)	-	-
	145,732,002	134,823,756	70,000	50,012

(i) The aging of the loans at the reporting date was:

	The Group	
	2014	2013
Neither past due nor impaired	129,945,472	119,077,614
Past due but not impaired		
Past due 1-30 days	6,706,204	7,326,688
Past due 31-60 days	3,902,268	3,060,098
Past due 61-90 days	1,194,748	1,557,782
	11,803,220	11,944,568
Impaired:		
Past due more than 90 days	4,902,782	4,491,383
Interest receivable	998,175	1,030,885
Gross loan portfolio	147,649,649	136,544,450
Less: Allowance for impairment losses	(1,917,647)	(1,720,694)
	145,732,002	134,823,756

There are no financial assets other than those listed above that were individually impaired.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

22. Loans, after allowance for impairment losses (continued)

(ii) Repossessed collateral

In the normal course of business, the security documentation which governs the collateral charged in favour of the Group to secure a loan, gives the Group express authority to repossess the collateral in the event of default. Repossessed collateral are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Re-possessed collateral is not recognized on the Group's statement of financial position.

The Group had no repossessed collateral at the reporting date (2013: nil).

23. Impairment losses on loans

	The Group	
	2014	2013
Total impaired loans	4,902,782	4,491,383
Allowance at beginning of year	1,720,694	2,001,482
Provided during the year	2,756,012	2,063,978
Bad debts written off	(2,559,087)	(2,399,807)
Translation difference on foreign currency provision	28	55,041
Allowance at end of year (note 22)	1,917,647	1,720,694
Provided during the year	2,756,012	2,063,978
Recoveries of bad debts	(1,152,931)	(1,050,602)
Impairment losses reported in profit for the year	1,603,081	1,013,376

A loan is classified as impaired if its book value exceeds the present value of the expected cash flows from interest payments, principal repayments, guarantees, and proceeds of liquidation of collateral. As at October 31, 2014, provisions for credit losses are made on all impaired loans. Uncollected interest not accrued in these financial statements on impaired loans was estimated at $2,190,463 (2013: $2,153,707) for the Group.

The total allowance for loan losses is made up as follows:

	The Group	
	2014	2013
Allowance based on IFRS - [see (a) below]	1,917,647	1,720,694
Additional allowance based on BOJ regulations [see (b) below]	3,202,002	2,781,066
	5,119,649	4,501,760

(a) This is the allowance based on the requirements of IAS 39, *Financial Instruments: Recognition and Measurement*.

(b) This represents the additional allowance to meet the Bank of Jamaica loan loss provisioning requirement. A non-distributable loan loss reserve was established to represent the excess of the provision required by BOJ over the IAS 39 requirements (note 43).

(Expressed in thousands of Jamaican dollars unless otherwise stated)

24. Investment securities

	The Group		The Company	
	2014	2013	2014	2013
Available-for-sale (AFS)				
Quoted shares	5,610	25,500	-	-
Unquoted shares	5,240	5,240	-	-
Government of Jamaica securities	58,992,852	76,337,371	4,767,666	7,973,456
Bank of Jamaica securities	7,840,754	-	-	-
Treasury bills	292,403	293,448	-	-
Corporate bonds	2,313,157	985,318	-	-
Other	2,035,824	1,697,779	-	-
Interest receivable	1,032,464	998,146	50,432	83,532
	72,518,304	80,342,802	4,818,098	8,056,988
Held-to-Maturity (HTM)				
Government of Jamaica securities	10,914,723	10,120,320	-	-
Other	-	2,093,732	-	-
Interest receivable	215,883	278,205	-	-
	11,130,606	12,492,257	-	-
Total investments securities	83,648,910	92,835,059	4,818,098	8,056,988

Included in investment securities are Government of Jamaica Benchmark Investment Notes with a book value of $90,000 (2013: $90,000) which have been deposited by one of the Group's subsidiaries, Scotia Jamaica Life Insurance Company Limited, with the insurance regulator, Financial Services Commission, pursuant to Section 8(1)(a) of the Insurance Regulations 2001.

The debt securities include fixed rate and variable rate instruments. The Group has not reclassified any HTM Securities (measured at amortised cost) to AFS securities (measured at fair value), during the year.

The Group participated in the National and Private Debt Exchanges during 2013, which resulted in a net loss of $175,397 reported in net gains on financial assets in the consolidated statement of revenue and expenses.

25. Government securities purchased under resale agreements

The Group enters into reverse repurchase agreements collateralised by Government of Jamaica securities.

	The Group	
	2014	2013
Reverse repurchase agreements with an original maturity of less than 90 days (note 19)	300,000	-
Interest receivable	516	-
	300,516	-

The fair value of collateral held pursuant to reverse repurchase agreements is $330,020 (2013: $nil) for the Group.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

26. Sundry assets

	The Group 2014	2013
Accounts receivable and prepayments	220,673	124,112
Deferred charges	872,437	673,768
Other	253,830	172,439
	1,346,940	970,319

27. Property, plant and equipment

	The Group				
	Freehold Land and Buildings	Leasehold Improvements	Furniture, Fixtures, Motor vehicles & Equipment	Capital Work- in-Progress	Total
Cost					
October 31, 2012	3,346,213	363,097	5,031,867	318,107	9,059,284
Additions	6,807	8,261	122,642	419,006	556,716
Disposals	(29,584)	-	(83,243)	-	(112,827)
Transfers	113,563	16,355	408,790	(538,708)	-
Write-offs	-	-	-	(18,698)	(18,698)
October 31, 2013	3,436,999	387,713	5,480,056	179,707	9,484,475
Additions	3,077	1,248	33,035	1,079,961	1,117,321
Disposals	-	-	(251,511)	-	(251,511)
Transfers	58,247	3,230	196,250	(257,727)	-
Write-offs	-	-	-	(17,857)	(17,857)
October 31, 2014	3,498,323	392,191	5,457,830	984,084	10,332,428
Accumulated depreciation					
October 31, 2012	562,473	274,231	3,483,876	-	4,320,580
Charge for the year	65,315	38,488	440,266	-	544,069
Eliminated on disposals	(2,595)	-	(57,458)	-	(60,053)
October 31, 2013	625,193	312,719	3,866,684	-	4,804,596
Charge for the year	30,753	70,303	387,732	-	488,788
Eliminated on disposals	-	-	(247,383)	-	(247,383)
October 31, 2014	655,946	383,022	4,007,033	-	5,046,001
Net book values					
October 31, 2014	2,842,377	9,169	1,450,797	984,084	5,286,427
October 31, 2013	2,811,806	74,994	1,613,372	179,707	4,679,879
October 31, 2012	2,783,740	88,866	1,547,991	318,107	4,738,704

(Expressed in thousands of Jamaican dollars unless otherwise stated)

28. Intangible assets

	The Group						
	Customer Relationships	Contract-Based Intangibles	License	Tax Benefits	Goodwill	Computer Software	Total
Cost							
October 31, 2012	1,382,582	348,987	49,470	692,466	136,892	240,610	2,851,007
Additions during the year	-	-	-	-	-	15,249	15,249
October 31, 2013	1,382,582	348,987	49,470	692,466	136,892	255,859	2,866,256
Additions during the year	-	-	-	-	-	53,069	53,069
Write-offs	-	-	-	-	-	(21,147)	(21,147)
October 31, 2014	1,382,582	348,987	49,470	692,466	136,892	287,781	2,898,178
Amortisation							
October 31, 2012	509,702	56,603	5,333	388,602	35,611	137,451	1,133,302
Amortisation for the year	73,521	14,971	-	132,842	-	7,327	228,661
Impairment charge	-	-	-	-	4,618	-	4,618
October 31, 2013	583,223	71,574	5,333	521,444	40,229	144,778	1,366,581
Amortisation for the year	73,521	14,971	-	159,674	-	7,460	255,626
October 31, 2014	656,744	86,545	5,333	681,118	40,229	152,238	1,622,207
Net book values							
October 31, 2014	725,838	262,442	44,137	11,348	96,663	135,543	1,275,971
October 31, 2013	799,359	277,413	44,137	171,022	96,663	111,081	1,499,675
October 31, 2012	872,880	292,384	44,137	303,864	101,281	103,159	1,717,705

29. Retirement benefits asset/obligations

Amounts recognised in the statement of financial position:

	The Group and The Bank	
	2014	2013 *(restated)*
Defined benefit pension plan	11,679,613	10,020,169
Other post retirement benefits	(3,408,465)	(3,224,811)
	8,271,148	6,795,358

(a) Defined benefit pension plan

The Group has established a defined benefit pension plan covering all permanent employees of The Bank of Nova Scotia Jamaica Limited and its subsidiaries. The assets of the plan are held independently of the Group's assets in a separate trustee-administered fund. The fund established under the plan is valued by independent actuaries annually using the Projected Unit Credit Method.

(b) The amounts recognised in the statement of financial position are determined as follows:

	The Group	
	2014	2013 *(restated)*
Present value of funded obligations	(21,557,388)	(19,988,948)
Fair value of plan assets	40,881,324	37,719,728
	19,323,936	17,730,780
Limitation of economic benefit	(7,644,323)	(7,710,611)
Asset in the statement of financial position	11,679,613	10,020,169

(Expressed in thousands of Jamaican dollars unless otherwise stated)

29. Retirement benefits asset/obligations (continued)

(c) Movement in the amounts recognised in the statement of financial position:

	The Group	
	2014	2013 *(restated)*
Balance at beginning of year	10,020,169	8,046,154
Contributions paid	500	30,380
Pension income recognised in profit or loss	413,819	346,918
Re-measurement recognised in other comprehensive income	1,245,125	1,596,717
Balance at end of year	11,679,613	10,020,169

(d) Movement in the present value of obligation:

	The Group	
	2014	2013 *(restated)*
Balance at beginning of year	(19,988,948)	(16,254,535)
Current service costs	(456,311)	(338,767)
Interest cost	(1,864,679)	(1,635,030)
Employees' contribution	(492,616)	(422,844)
Benefits paid	729,089	721,490
Actuarial gains arising from:		
Experience adjustments	516,077	(1,490,056)
Changes in financial assumptions	-	(569,206)
Balance at end of year	(21,557,388)	(19,988,948)

(e) (i) Movement in fair value of pension plan assets:

	The Group	
	2014	2013 *(restated)*
Fair value of plan assets at beginning of year	37,719,728	36,082,995
Contributions	493,116	453,224
Benefits paid	(729,089)	(721,490)
Interest income on plan assets	3,564,950	3,601,296
Administrative fees	(109,944)	(97,633)
Remeasurement gain on plan assets included in other comprehensive income:	(57,437)	(1,598,664)
Fair value of plan assets at end of year	40,881,324	37,719,728

(Expressed in thousands of Jamaican dollars unless otherwise stated)

29. Retirement benefits asset/obligations (continued)

(e) (Continued)

(ii) Plan assets consist of the following:

	The Group	
	2014	2013 *(restated)*
Government stocks and bonds	30,178,763	29,522,263
Quoted equities	3,985,313	3,979,932
Reverse repurchase agreements	2,426,512	887,409
Certificate of deposits	413,221	230,063
Real estate	2,534,304	2,437,801
Net current assets	1,343,211	662,260
	40,881,324	37,719,728

(f) Components of defined benefit income recognised in profit and loss for the year:

	The Group	
	2014	2013 *(restated)*
Current service costs	456,311	338,767
Interest cost on obligation	1,864,679	1,635,030
Interest income on plan assets	(3,564,950)	(3,601,296)
Interest on effect of asset ceiling	732,508	1,178,231
Administrative fees	97,633	102,350
	(413,819)	(346,918)

(g) Components of defined benefit income recognised in other comprehensive income:

	The Group	
	2014	2013 *(restated)*
Remeasurement of defined benefit liability	(516,077)	2,059,262
Remeasurement of plan assets	69,748	1,593,947
Change in effect on asset ceiling	(798,796)	(5,249,926)
	(1,245,125)	(1,596,717)

(h) As mortality continues to improve, estimates of life expectancy are expected to increase. The effect on the projected benefit obligation of an increase of one year in the life expectancy is approximately $318,700.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

29. Retirement benefits asset/obligations (continued)

(i) Sensitivity analysis on projected benefit obligation:

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarizes how the projected benefit obligation measured at the end of the reporting date would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analyses for each assumption, all others were held constant. The economic assumptions are somewhat linked as they are all related to inflation. Hence, for example, a 1% reduction in the long-term discount rate would cause some reduction in the medical trend rate.

	2014		2013	
	1 % Decrease	1 % Increase	1 % Decrease	1% Increase
Discount rate	3,718,000	(2,921,000)	3,476,000	(2,726,000)
Future pension increases	(1,707,000)	2,007,000	(1,588,000)	1,867,000
Future salary increases	(1,024,000)	1,171,000	(967,000)	1,110,000

(j) Liability duration

The average liability duration are as follows

	2014	2013
Active members and all participants (years)	16.0	16.1

(k) The estimated pension contributions expected to be paid into the defined benefit and contribution plans during the next financial year is $500.

(l) The principal actuarial assumptions used were as follows

	The Group	
	2014	2013
Discount rate	9.50%	9.50%
Future salary increases	6.00%	6.00%
Future pension increases	4.25%	4.25%

Other post-employment benefits

In addition to pension benefits, the Bank offers post-employment medical and group life insurance benefits to retirees and their beneficiaries. The method of accounting and frequency of valuations are similar to those used for the defined benefit pension plan.

In addition to the assumptions used for the pension plan that are relevant to the Group health plan, the estimate assumes a long-term increase in health costs of 7% per year (2013: 7%).

(m) Employee benefit obligation recognised in the statement of financial position:

	The Group	
	2014	2013 *(restated)*
Present value of unfunded obligations	(3,408,465)	(3,224,811)

(Expressed in thousands of Jamaican dollars unless otherwise stated)

29. Retirement benefits asset/obligations (continued)

(n) Movement in the present value of unfunded obligations:

	The Group	
	2014	2013 *(restated)*
Balance at beginning of year	(3,224,811)	(3,140,954)
Current service costs	(229,402)	(224,035)
Interest cost	(303,751)	(311,705)
Benefits paid	59,001	54,865
Actuarial gains arising from:		
Experience adjustments	290,498	404,260
Changes in financial assumptions	-	(7,242)
Balance at end of year	(3,408,465)	(3,224,811)

(o) Components of benefit costs recognised in the statement of revenue and expenses:

	The Group	
	2014	2013 *(restated)*
Current service costs	229,402	224,035
Interest on obligation	303,751	311,705
	533,153	535,740

(p) Credit recognised in other comprehensive income:

	The Group	
	2014	2013 *(restated)*
Experience adjustments	(290,498)	(404,260)
Changes in financial assumptions	-	7,242
Re-measurement loss on obligation	(290,498)	(397,018)

(q) Sensitivity analysis on projected benefit obligation:

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarizes how the projected benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analyses for each assumption, all others were held constant. The economic assumptions are somewhat linked as they are all related to inflation. Hence, for example, a 1% reduction in the long-term discount rate, would cause some reduction in the medical trend rate.

	2014		2013	
	1 % Increase	1 % Decrease	1 % Increase	1 % Decrease
Discount rate	(552,000)	721,000	(524,000)	684,000
Health inflation rate	676,000	(526,000)	641,000	(498,000)
Salary increase rate	9,000	(8,000)	9,000	(8,000)

(Expressed in thousands of Jamaican dollars unless otherwise stated)

30. Deposits by the public

	The Group	
	2014	2013
Personal	102,922,178	96,068,262
Business	87,744,415	87,251,407
Interest payable	60,074	49,746
	190,726,667	183,369,415

Deposits include $140,988 (2013: $ nil) held as collateral for irrevocable commitments under letters of credit.

31. Due to other banks and financial institutions

These represent deposits by other banks and financial institutions, as well as funds for on-lending to eligible customers, in the normal course of business.

32. Due to parent company

	The Group	
	2014	2013
Bank of Nova Scotia:		
Facility I	-	1,217,514
Facility II	2,905,542	3,154,541
Facility III	3,324,195	3,505,954
	6,229,737	7,878,009
Interest payable	78,297	86,194
	6,308,034	7,964,203
Deposits held with Bank	8,699	52,805
	6,316,733	8,017,008

(i) Facility I is a US$ denominated eight (8) year non-revolving loan from the parent company, for on-lending. The facility was fully repaid during 2014.

(ii) Facility II is a US$ denominated twelve (12) year non-revolving loan from the parent company, for on-lending. The maturity date is August 2020 and the balance is subject to a fixed interest rate of 5.63% per annum.

(iii) Facility III is a US$ denominated fourteen (14) year non-revolving loan from the parent company, for on-lending. Repayment of the principal commenced May 2012, to be completed February 2022 and the balance is subject to a fixed interest rate of 5.95%.

The above loan facilities are insured by the Multilateral Investment Guarantee Agency.

33. Due to fellow subsidiaries

These represent accounts held by fellow subsidiaries in the normal course of business.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

34. Capital Management and Government Securities funds

The capital management and government securities' funds represent the investment of contributions from third-party clients. Changes in the value of the fund at each valuation date are based on the net accretion in value of the underlying investments.

35. Other liabilities

	The Group	
	2014	2013
Accrued staff benefits	1,512,040	1,203,376
Prepaid letters of credit	140,988	7,788
Accrued liabilities	1,454,755	1,626,012
Other	2,245,005	1,532,344
	5,352,788	4,369,520

36. Deferred tax assets and liabilities

Deferred income taxes are calculated on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, using applicable tax rates of:

Scotia Group Jamaica Limited at 25% (2013: 30%)
The Bank of Nova Scotia Jamaica Limited at 33⅓%;
Scotia Investments Jamaica Limited at 33⅓%;
The Scotia Jamaica Building Society at 30%;
Scotia Jamaica Life Insurance Company Limited at 15% and;
Other unregulated subsidiaries at 25%

(a) The movement on the deferred income tax account is as follows:

	The Group		The Company	
	2014	2013 *(restated)*	2014	2013
Balance at beginning of year	(3,004,190)	(2,649,081)	(25,378)	(2,978)
Recognised in the profit for the year (note 14)	(93,400)	33,883	12,525	(26,126)
Recognised in other comprehensive income				
Remeasurement of defined benefits obligations	(511,874)	(664,578)	-	-
Available-for-sale investments				
- fair value re-measurement	(156,421)	112,873	5,796	1,910
- transfer to profit	(5,918)	162,713	(7,064)	1,816
	(162,339)	275,586	(1,268)	3,726
Balances at end of year	(3,771,803)	(3,004,190)	(14,121)	(25,378)

(Expressed in thousands of Jamaican dollars unless otherwise stated)

36. Deferred tax assets and liabilities (continued)

(b) Deferred income tax assets and liabilities are attributable to the following items:

	The Group		The Company	
	2014	2013 *(restated)*	2014	2013
Pension benefits	(3,893,204)	(3,340,056)	-	-
Other post retirement benefits	1,136,155	1,074,937	-	-
Available-for-sale investments	(46,682)	115,697	(520)	748
Vacation accrued	119,986	106,719	-	-
Accelerated tax depreciation	(201,439)	(148,210)	-	-
Impairment losses on loans	(614,145)	(515,804)	-	-
Unrealised foreign exchange gains	(12,188)	(11,152)	-	-
Interest receivable	(239,691)	(286,321)	(13,601)	(26,126)
Other	(20,595)	-	-	-
Net deferred income tax liability	(3,771,803)	(3,004,190)	(14,121)	(25,378)
This is comprised of:-				
Deferred income tax asset	2,520	34,349	-	-
Deferred income tax liability	(3,774,323)	(3,038,539)	(14,121)	(25,378)
	(3,771,803)	(3,004,190)	(14,121)	(25,378)

(c) The deferred tax charge recognised in profit for the year comprises the following temporary differences and related tax:

	The Group		The Company	
	2014	2013 *(restated)*	2014	2013
Accelerated tax depreciation	25,729	(23,571)	-	-
Pensions and other post retirement benefits	(19,944)	(34,527)	-	-
Allowance for loan impairment	101,647	122,233	-	-
Unrealised foreign currency gains	1,037	11,152	-	-
Vacation accrued	(12,590)	(17,897)	-	-
Interest receivable	(46,887)	(91,273)	(12,525)	26,126
Unrealised foreign exchange gains	44,408	-	-	-
	93,400	(33,883)	(12,525)	26,126

37. Policyholders' liabilities

(a) Composition of policyholders' liabilities

		The Group	
		2014	2013
Policyholders' fund		47,293,055	46,701,215
Benefits and claims payable		148,338	132,291
Unprocessed premiums		4,999	7,544
Annuity fund		163,864	124,894
Insurance risk reserve	- Individual life	(5,128,548)	(4,694,643)
	- Individual accident and sickness	290,253	215,490
	- Group life	549,015	532,832
	- Whole life	(11,405)	(5,664)
		43,309,571	43,013,959

(Expressed in thousands of Jamaican dollars unless otherwise stated)

37. Policyholders' liabilities (continued)

(b) Movement in policyholders' liabilities:

	The Group	
	2014	2013
Policyholders' fund:		
At beginning of year	46,701,215	44,954,278
Gross premium	5,394,108	5,900,882
Disbursements	(6,568,818)	(6,055,977)
Interest credited	1,766,550	1,902,032
At end of year	47,293,055	46,701,215
Benefits and claims payable:		
At beginning of year	132,291	138,707
New claims and benefits made during the year	232,831	183,794
Benefits and claims paid	(216,784)	(190,210)
At end of year	148,338	132,291
Unprocessed premiums:		
At beginning of year	7,544	(2,570)
Premiums received	7,519,369	8,024,922
Premiums applied	(7,521,914)	(8,014,808)
At end of year	4,999	7,544
Annuity fund:		
At beginning of year	124,894	73,766
Issue of new annuities	44,105	55,431
Payments	(11,811)	(8,663)
Interest credited	6,676	4,360
At end of year	163,864	124,894

	2014		
	Individual life	Group life	Total
Insurance risk reserve:			
At beginning of year	(4,484,817)	532,832	(3,951,985)
Changes in assumptions	(436,692)	18,853	(417,839)
Normal changes	71,809	(2,670)	69,139
At end of year	(4,849,700)	549,015	(4,300,685)

	2013		
	Individual life	Group life	Total
Insurance risk reserve:			
At beginning of year	(3,903,050)	418,827	(3,484,223)
Changes in assumptions	(442,638)	3,051	(439,587)
Normal changes	(139,129)	110,954	(28,175)
At end of year	(4,484,817)	532,832	(3,951,985)

(Expressed in thousands of Jamaican dollars unless otherwise stated)

38. Share capital

	Number of Units ('000)		Carrying value	
	2014	2013	2014	2013
Authorised:				
Ordinary shares of no par value	10,000,000	10,000,000		
Issued and fully paid:				
Ordinary stock units	3,111,573	3,111,573	6,569,810	6,569,810

The holders of the ordinary stock units are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

39. Reserve fund

	The Group	
	2014	2013
As at October 31	3,248,591	3,248,591

In accordance with the Banking Act 1992, certain companies in the Group are required to make transfers of a minimum of 15% of net profit until the amount in the fund is equal to 50% of the paid-up capital of the bank and thereafter 10% of the net profits until the reserve fund is equal to the respective paid-up capital.

The Building Society subsidiary is required to make transfers of a minimum of 10% of net profit, until the amount at the credit of the reserve fund is equal to the total of the amount paid up on its capital shares and the amount of its deferred shares.

40. Retained earnings reserve

The Banking Act 1992 permits transfers from the Bank's net profit to retained earnings reserve, which constitutes a part of the capital base. Transfers to the retained earnings reserve are made at the discretion of the Board of Directors. Such transfers must be notified to the Bank of Jamaica and any reverse must be approved by the Bank of Jamaica.

41. Capital reserve

Capital reserve arose on the liquidation of Scotia Jamaica General Insurance Brokers Limited.

42. Cumulative remeasurement result from available-for-sale securities

This represents the unrealised surplus or deficit on the revaluation of available-for-sale securities.

43. Loan loss reserve

This is a non-distributable loan loss reserve which represents the excess of the regulatory loan loss provision over the amount determined under IFRS requirements (note 23).

44. Other reserves

This represents reserves arising on consolidation of subsidiaries, net.

45. Related party transactions and balances

The Group is controlled by The Bank of Nova Scotia, a bank incorporated and domiciled in Canada, which owns 71.78% of the ordinary stock units. The remaining 28.22% of the stock units is widely held.

Parties are considered to be related if one party has the ability to control or exercise significant influence over, or be controlled and significantly influenced by, the other party or both parties are subject to common control or significant influence. A number of banking transactions are entered into with related parties, including companies connected by virtue of common directorships, in the normal course of business. These include loans, deposits, investment management services and foreign currency transactions.

Related party transactions with the parent company include the payment of dividends, management fees, guarantee fees, centralized computing and other service fees. The related party balance with the parent is the amount due to the parent company as set out in note 32.

No provisions have been recognised in respect of loans made to related parties.

Pursuant to Section 13(1)(d) and (i) of the Banking Act, connected companies include companies that have directors in common with the Company and/or its subsidiaries.

Related party credit facilities in excess of the limits set out in Section 13(1)(d) and (i), subject to the maximum of the limits in Section 13(1)(e) of the Banking Act, are supported by guarantees issued by the parent company.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

45. Related party transactions and balances (continued)

The amounts of related party transactions, outstanding balances at the year end, and related income and expenses for the year are as follows:

	The Group					
	Ultimate parent	Fellow subsidiaries	Directors and Key management personnel	Connected companies	Total 2014	Total 2013
Loans						
Balance at October 31	-	-	645,977	324,308	970,285	1,032,741
Interest income earned	-	-	43,106	61,407	104,513	71,274
Deposits						
Balance at October 31	6,238,436	-	246,039	1,604,585	8,089,060	9,552,950
Interest expense on deposits	402,599	-	855	10,118	413,572	454,306
Investments/Repurchase agreements						
Securities purchased/(sold) under resale/repurchase agreements	-	-	(84,418)	(30,961)	(115,379)	(87,374)
Interest received/(paid) on resale/ repurchase agreements	-	-	(2,201)	(1,053)	(3,254)	(2,797)
Other investments	-	3,026,538	(95,309)	256,856	3,188,085	4,449,631
Interest earned on other investments	-	156,908	(250)	2,948	159,606	277,968
Deposits with Banks						
Due from banks and other financial institutions	315,978	23,705,385	-	-	24,021,363	18,636,136
Interest earned from banks and other financial institutions	26	310,737	-	-	310,763	62,756
Other						
Fees and commission earned	-	-	2,029	23,105	25,134	38,845
Insurance products	-	-	36,601	-	36,601	39,674
Technical fees (paid)/received	(1,261,054)	103,334	-	-	(1,157,720)	(1,069,460)
Other operating (expense) /income	(655,491)	397,825	-	-	(257,666)	(440,727)

	The Group	
	2014	2013
Key management compensation		
Salaries and other short term benefits	888,045	740,048
Post-employment benefits	(309,559)	(252,645)
	578,486	487,403

46. Financial risk management

(a) Overview and risk management framework

The Group's principal business activities result in significant financial instruments, which involves analysis, evaluation and management of some degree of risk or combination of risks. The principal financial risks that arise from transacting financial instruments include credit risk, market risk and liquidity risks. The Group's framework to monitor, evaluate and manage these risks includes:

- extensive risk management policies define the Group's risk appetite, set the limits and controls within which the Group operate, and reflect the requirements of regulatory authorities. These policies are approved by the Group's Board of Directors, either directly or through the Executive and Enterprise Risk Committee.

- guidelines are developed to clarify risk limits and conditions under which the Group's risk policies are implemented.

- processes are implemented to identify, evaluate, document, report and control risk.

- compliance with risk policies, limits and guidelines is measured, monitored and reported to ensure consistency against desired goals.

The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board has established committees for managing and monitoring risks.

Three key committees for managing and monitoring risks are as follows:

(i) Board Audit Committee

The Board Audit Committee is comprised of independent directors. This committee oversees the integrity of the Group's financial statements, compliance with legal and regulatory requirements, the performance of the Bank's internal audit function and external auditors, as well as the system of internal controls over financial reporting. The Audit Committee reviews the quarterly and annual financial statements, examining significant issues regarding the financial results, accounting principles and policies, as well as management estimates and assumptions, for recommendation to the Board for approval. This committee is assisted in its oversight role by the Internal Audit Department, which undertakes reviews of risk management controls and procedures.

(ii) Executive and Enterprise Risk Committee

The Executive and Enterprise Risk Committee reviews and recommends to the Board for approval, the risk management policies, limits, procedures and standards. This involves review of the quarterly reports on the Group's enterprise wide-risk profile, including credit, market, operational and liquidity risks. This Committee also oversees the corporate strategy and profit plans for the Group, as well as develops and makes recommendations for improvement of the corporate governance policies and procedures.

46. Financial risk management (continued)

(a) Overview and risk management framework (continued)

(iii) Asset and Liability Committee

The Asset and Liability Committee (ALCO), a management committee, has the responsibility of ensuring that risks are managed within the limits established by the Board of Directors. The Committee meets at least once monthly to review risks, evaluate performance and provide strategic direction. The Committee reviews investment, loan and funding activities, and ensures that the existing policies comprehensively deal with the management and diversification of the Group's investment and loan portfolios and that appropriate limits are being adhered to.

The Investment Advisory Committee performs a similar role to ALCO for Scotia Jamaica Life Insurance, where it provides a specialized focus due to the nature of the insurance business.

The most important types of risk for the Group are credit risk, liquidity risk, market risk, insurance risk and operational risk. Market risk includes currency risk, interest rate risk and other price risk.

(b) Credit risk

(i) Credit Risk Management

At a strategic level, the Group manages the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to any one borrower or groups of borrowers, and industry segments. Credit risk limits are approved by the Board of Directors. The exposure to any one borrower, including banks and brokers, is further restricted by sub-limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored daily.

Operationally, exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by restructuring loans where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

In addition, the Group will seek additional collateral from the counterparty as soon as impairment indicators are observed for the relevant individual loans.

The Group's policy requires the review of individual financial assets that are above materiality thresholds annually or more regularly when individual circumstances require. Impairment allowances is consistent with the policies outlined in note 2(p).

The Group further manages its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with unfavourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

46. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to customers as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to issue drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(iii) Credit quality

The Group's credit risk rating systems are designed to support the determination of key credit risk parameter estimates which measures credit and transaction risks.

Commercial loans: In measuring credit risk of commercial loans at the counterparty level, the Group assesses the probability of default of individual counterparties using internal rating tools. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class:

Mapping of the Group's internal ratings to external ratings of international rating agency, Standard and Poor's.

The Group's rating	**External rating: Standard & Poor's equivalent.**
Excellent	AAA to AA+
Very Good	AA to A+
Good	A to A-
Acceptable	BBB+ to BB+
Higher Risk	BB and under

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality (continued)

Retail loans: Retail loans are risk-rated based on an internal scoring system which combines statistical analysis with credit officer judgment, and fall within the following categories:

- Excellent
- Good
- Higher risk

The following table shows the percentage of the loan portfolio as at the reporting date relating to loans and credit commitments for each of the internal rating categories:

	The Group Loans and credit commitments	
	2014 (%)	2013 (%)
Excellent	26.0	24.2
Very Good	4.3	4.9
Good	21.2	20.1
Acceptable	7.2	6.8
Higher Risk	41.3	44.0
	100.0	100.0

Under the Bank of Jamaica Credit Classification, Provisioning and Non Accrual Requirements, the following classifications are used:

Standard – loans where the financial condition of the borrower is in no way impaired, and appropriate levels of cash flows or income flows are available to meet debt payments.

Special Mention – loans where credit is currently up to date and collateral values protect the Group's exposure. However, there exists evidence to suggest that certain factors could, in future, affect the borrower's ability to service the credit properly or impair the collateral.

Sub-standard – loans with well-defined credit weakness or weakness in the sector of the borrower such that cash flows are insufficient to service debt as arranged.

Doubtful – loans where collection of the debt in full is highly questionable or improbable.

Loss – loans considered uncollectible due to insolvency of the borrower. The borrower's financial position is insufficient to service or retire outstanding debt.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality (continued)

Using these classifications to rate credit quality, the credit profile of the Group's loan portfolio would be as set out in the following table:

	The Group	
	2014	2013
	(%)	(%)
Standard	85.3	84.9
Special Mention	9.5	8.8
Sub-Standard	3.2	4.6
Doubtful	0.4	0.3
Loss	1.6	1.4
	100.0	100.0

Debt securities: The following table presents an analysis by rating agency designation of debt and similar securities, other than loans, based on Standard & Poor's ratings or their equivalent:

	The Group		The Company	
	2014	2013	2014	2013
AAA to AA+	858,878	296,786	-	-
AA to A+	521,820	-	-	-
A to A-	1,586,286	-	-	-
BBB+ to BB+	-	197,956	-	-
BB to B-	145,644,698	147,307,032	4,818,098	8,056,988
Lower than B-	-	6	-	-
Unrated	1,027,300	985,317	-	-
	149,638,982	148,787,097	4,818,098	8,056,988

	The Group		The Company	
	2014	2013	2014	2013
Classified as follows:				
Deposits with Bank of Jamaica	9,025,669	2,193,097	-	-
Financial assets at fair value through profit and loss	733,921	578,398	-	-
Investment securities				
Held-to-maturity	11,130,606	12,492,257	-	-
Available-for-sale	72,107,446	80,122,740	4,818,098	8,056,988
Pledged assets, Capital Management and Government Securities Funds:				
Loans and receivables	1,929,046	7,309,772	-	-
Held-to-maturity	3,866,313	6,324,142	-	-
Available-for-sale	50,652,197	39,563,931	-	-
Held for trading	193,784	202,760	-	-
	149,638,982	148,787,097	4,818,098	8,056,988

46. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Maximum exposure to credit risk

The maximum exposure to credit risk is the amount before taking account of any collateral held or other credit enhancements. For financial assets, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that would have to be paid if the guarantees were called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

Collateral and other credit enhancements held against loans

It is the Group's practice to lend on the basis of the customer's ability to meet their obligations out of their cash flow resources, rather than rely on the value of security offered as collateral. Nevertheless, the collateral is an important mitigant of credit risk. Depending on the customer's standing and the type of product, some facilities are granted on an unsecured basis. For other facilities, a charge over collateral is obtained and considered in determining the credit decision and pricing. In the event of default the Group may utilise the collateral as a source of repayment. In such cases the collateral is used to settle all debt obligations to the Group, and excess value is returned to the borrower.

The Group holds collateral against credits to borrowers primarily in the form of cash, motor vehicles, real estate, charges over business assets such as premises, inventory and accounts receivable and charges over financial instruments such as debt securities and equities. Estimates of collateral value are assessed at the time of borrowing and are generally not updated except when credits to borrowers are individually assessed as impaired.

The estimated value of the collateral with enforceable legal right pursuant to the agreements for outstanding loans and guarantees is $111,949,331 (2013: $103,622,243) for the Group.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(b) Credit risk (continued)

(v) Concentration of exposure to credit risk

(1) Loans and customer liabilities under acceptances, guarantees and letters of credit

The following table summarises credit exposure for loans and customer liabilities under acceptances, guarantees and letters of credit at their carrying amounts, as categorised by the industry sectors. These credit facilities are well diversified across industry sectors, and are primarily extended to customers within Jamaica.

	The Group			
	Loans and leases	Acceptances, guarantees and letters of credit	Total 2014	Total 2013
Agriculture, fishing and mining	1,623,330	114,134	1,737,464	957,767
Construction and real estate	2,154,494	332,171	2,486,665	1,595,394
Distribution	12,592,423	931,923	13,524,346	12,661,790
Financial institutions	747,263	1,123,522	1,870,785	1,216,187
Government and public entities	19,125,092	299,076	19,424,168	20,301,679
Manufacturing	5,504,421	214,805	5,719,226	5,048,519
Transportation, electricity, water and other	7,298,116	824,294	8,122,410	6,863,022
Personal	83,317,410	2,852,956	86,170,366	81,009,104
Professional and other services	5,511,165	802,369	6,313,534	6,453,796
Tourism and entertainment	8,777,760	135,714	8,913,474	6,579,921
Interest receivable	998,175	-	998,175	1,030,885
Total	147,649,649	7,630,964	155,280,613	143,718,064
Total impairment allowance (note 23)			(1,917,647)	(1,720,694)
			153,362,966	141,997,370

(2) Debt securities and amounts due from other banks

The following table summarises credit exposure for debt securities and amounts due from other banks at their carrying amounts, categorised by issuer:

	The Group		The Company	
	2014	2013	2014	2013
Government of Jamaica	113,964,316	142,766,329	4,818,098	8,056,988
Bank of Jamaica	44,418,212	23,353,790	-	-
Financial institutions	64,602,518	58,847,867	11,455,655	8,615,808
Corporates and other	3,595,791	985,453	-	-
	226,580,837	225,953,439	16,273,753	16,672,796

Other than exposure on Government of Jamaica securities, there is no significant concentration of credit risk related to debt securities. For securities purchased under resale agreements, titles to securities are transferred to the Group for the duration of the agreement.

46. Financial risk management (continued)

(c) Market risk

Market risk arises from changes in market prices and rates (including interest rates, credit spreads, equity prices and foreign exchange rates), correlations between them, and their levels of volatility. Market risk is subject to extensive risk management controls, and is managed within the framework of market risk policies and limits approved by the Board. The Executive and Enterprise Risk Committee oversee the application of the framework set by the Board, and monitor the Bank's market risk exposures and the activities that give rise to these exposures.

The Group uses various metrics and models to measure and control market risk exposures. The measurements used are selected based on an assessment of the nature of risks in a particular activity. The principal measurement techniques are Value at Risk (VaR), stress testing, sensitivity analysis and simulation modeling, and gap analysis. The Board reviews results from these metrics quarterly.

The management of the individual elements of market risks – interest rate, currency and other price risk – is as follows:

(i) Interest rate risk

Interest rate risk is the risk of loss due to the following: changes in the level, slope and curvature of the yield curve; the volatility of interest rates; changes in the market price of credit; and the creditworthiness of a particular issuer. The Bank actively manages its interest rate exposures with the objective of enhancing net interest income within established risk tolerances. Interest rate risk arising from the Bank's funding and investment activities is managed in accordance with Board-approved policies and limits, which are designed to control the risk to net interest income and economic value of shareholders' equity. The income limit measures the effect of a specified shift in interest rates on the Bank's annual net income over the next twelve months, while the economic value limit measures the impact of a specified change in interest rates on the present value of the Bank's net assets. Interest rate exposures in individual currencies are also controlled by gap limits.

Sensitivity analysis assesses the effect of changes in interest rates on current earnings and on the economic value of assets and liabilities. Stress testing scenarios are also important for managing risk in the Group's portfolios.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

The following tables summarise carrying amounts of assets, liabilities and equity in order to arrive at the Group's and the Company's interest rate gap based on the earlier of contractual repricing and maturity dates.

	The Group						
	2014						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	1,077	39,657,960	18,762,120	-	-	24,061,404	82,482,561
Financial assets at fair value through profit or loss	-	-	-	727,125	3,763	250,843	981,731
Pledged assets	1,098	40,936,047	4,047,421	8,770,969	10,026,951	609,594	64,392,080
Loans (2)	14,661,351	60,126,720	21,392,929	45,002,939	3,261,960	1,286,103	145,732,002
Investment securities (1)	-	39,785,043	1,193,573	29,219,355	11,756,592	1,694,347	83,648,910
Securities purchased under resale agreements	-	300,000	-	-	-	516	300,516
Other assets	-	-	-	-	-	29,492,462	29,492,462
Total assets	14,663,526	180,805,770	45,396,043	83,720,388	25,049,266	57,395,269	407,030,262
Deposits, due to banks, parent company and fellow subsidiaries(3)	173,596,610	17,024,956	4,315,724	4,818,385	1,742,075	145,236	201,642,986
Securities sold under repurchase agreements	340,624	35,223,690	11,810,555	14,818	-	450,510	47,840,197
Capital Management and Government Securities funds	13,001,901	-	-	-	-	1,173	13,003,074
Policyholders' liabilities	31,736,790	3,447,624	12,108,373	-	-	(3,983,216)	43,309,571
Other liabilities	-	-	-	-	-	22,531,371	22,531,371
Stockholders' equity	-	-	-	-	-	78,703,063	78,703,063
Total liabilities and stockholders' equity	218,675,925	55,696,270	28,234,652	4,833,203	1,742,075	97,848,137	407,030,262
Total interest rate sensitivity gap	(204,012,399)	125,109,500	17,161,391	78,887,185	23,307,191	(40,452,868)	-
Cumulative gap	(204,012,399)	(78,902,899)	(61,741,508)	17,145,677	40,452,868	-	-
	2013 (Restated)						
Total assets	43,968,969	149,413,749	34,104,418	71,013,752	30,661,366	60,098,251	389,260,505
Total liabilities and stockholders' equity	211,148,882	61,219,009	21,285,674	3,579,293	2,346,395	89,681,252	389,260,505
Total interest rate sensitivity gap	(167,179,913)	88,194,740	12,818,744	67,434,459	28,314,971	(29,583,001)	-
Cumulative gap	(167,179,913)	(78,985,173)	(66,166,429)	1,268,030	29,583,001	-	-

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Average effective yields by the earlier of the contractual repricing and maturity dates:

	The Group					
	2014					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Weighted average
	%	%	%	%	%	%
ASSETS						
Cash resources	1.60	1.10	1.05	-	-	1.08
Securities purchased under repurchase agreements	-	6.50	-	-	-	6.50
Financial assets at fair value through profit or loss	-	-	-	7.27	8.15	7.55
Loans (2)	14.24	17.89	12.70	14.11	9.53	15.33
Investment securities (1)	-	7.50	4.24	6.19	8.85	7.18
Pledged assets	12.75	6.44	5.91	6.65	7.43	6.59
LIABILITIES						
Deposits (3)	0.78	2.30	2.53	5.98	5.91	1.12
Securities sold under repurchase agreements	4.89	4.73	4.84	4.25	-	4.76
Capital Management and Government Securities fund	0.17	-	-	-	-	0.17
Policyholders' liabilities	3.56	4.28	4.32	-	-	3.81

	2013					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Weighted average
	%	%	%	%	%	%
ASSETS						
Cash resources	0.20	0.94	0.03	-	-	0.40
Financial assets at fair value through profit or loss	-	-	-	7.27	8.15	7.55
Loans (2)	12.78	20.15	13.71	14.10	9.47	15.62
Investment securities (1)						
Available-for-sale	-	6.87	5.63	6.17	8.99	7.24
Held to maturity	-	7.46	-	7.45	8.50	7.47
Pledged assets	12.75	6.64	6.83	8.43	7.85	7.09
LIABILITIES						
Deposits (3)	1.07	2.11	2.79	5.79	5.83	1.35
Securities sold under repurchase agreements	4.89	4.45	4.06	4.25	-	4.42
Capital Management and Government Securities fund	0.33	-	-	-	-	0.33
Policyholders' liabilities	3.66	4.95	4.32	-	-	3.94

(1) Yields are based on book values and contractual interest adjusted for amortisation of premiums and discounts. Yields on tax-exempt investments have not been computed on a taxable equivalent basis.

(2) Yields are based on book values, net of allowance for credit losses and contractual interest rates.

(3) Yields are based on contractual interest rates.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	The Company						
	2014						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	99,257	-	11,352,425	-	-	3,973	11,455,655
Loans (2)	-	-	-	70,000	-	-	70,000
Investment securities (1)	-	-	-	-	4,767,666	50,432	4,818,098
Investment in subsidiaries	-	-	-	-	-	9,532,408	9,532,408
Other assets	-	-	-	-	-	390,719	390,719
Total assets	99,257	-	11,352,425	70,000	4,767,666	9,977,532	26,266,880
Other liabilities	-	-	-	-	-	121,328	121,328
Stockholders' equity	-	-	-	-	-	26,145,552	26,145,552
Total liabilities and stockholders' equity	-	-	-	-	-	26,266,880	26,266,880
Total interest rate sensitivity gap	99,257	-	11,352,425	70,000	4,767,666	(16,289,348)	-
Cumulative gap	99,257	99,257	11,451,682	11,521,682	16,289,348	-	-
	2013						
Total assets	209,995	-	8,402,270	50,000	7,973,456	9,867,806	26,503,527
Total liabilities and stockholders' equity	-	-	-	-	-	26,503,527	26,503,527
Total interest rate sensitivity gap	209,995	-	8,402,270	50,000	7,973,456	(16,635,721)	-
Cumulative gap	209,995	209,995	8,612,265	8,662,265	16,635,721	-	-

Average effective yields by the earlier of the contractual repricing and maturity dates:

	The Company					
	2014					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Weighted average
	%	%	%	%	%	%
ASSETS						
Cash resources	0.05	-	0.28	-	-	0.28
Loans (2)	-	-	-	9.00	-	9.00
Investment securities (1)	-	-	-	-	7.84	7.84
	2013					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Weighted average
	%	%	%	%	%	%
ASSETS						
Cash resources	0.16	-	0.33	-	-	0.33
Loans (2)	-	-	-	9.00	-	9.00
Investment securities (1)	-	-	-	-	7.71	7.71

(1) Yields are based on book values and contractual interest adjusted for amortisation of premiums and discounts. Yields on tax-exempt investments have not been computed on a taxable equivalent basis.

(2) Yields are based on book values, net of allowance for credit losses and contractual interest rates.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity to interest rate movements

The following shows the sensitivity to interest rate movements using scenarios that are based on recently observed market movements. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis as for 2013.

	2014	2013
	Increase/decrease	Increase/decrease
JMD Interest rates	by 450bps	by 350bps
USD Interest rates	by 250bps	by 300bps

	The Group		The Company	
	2014	2013	2014	2013
Effect on profit or loss	2,184,803	1,757,997	967,848	675,550
Effect on stockholders' equity	838,575	696,050	260,841	174,296

(ii) Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The main currencies giving rise to this risk are the USD, CAD, GBP, and EUR. The Group ensures that the net exposure is kept to an acceptable level by matching foreign assets with liabilities as far as possible.

The tables below summarize the Group's exposure to relevant currencies:

JMD Equivalent

	2014						
	JMD	USD	CAD	GBP	EUR	Other	Total
ASSETS							
Cash resources	26,246,401	46,433,414	2,654,760	5,867,518	1,185,951	94,517	82,482,561
Financial assets at fair value through profit or loss	976,215	5,516	-	-	-	-	981,731
Pledged assets	43,198,715	20,914,849	109,176	169,340	-	-	64,392,080
Loans	113,971,941	31,314,945	384,936	-	60,180	-	145,732,002
Government securities	300,516	-	-	-	-	-	300,516
Investments	70,455,380	12,899,377	294,153	-	-	-	83,648,910
Other assets	37,815,607	(8,626,470)	33,727	28	269,570	-	29,492,462
	292,964,775	102,941,631	3,476,752	6,036,886	1,515,701	94,517	407,030,262

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

JMD Equivalent

	2014						
	JMD	USD	CAD	GBP	EUR	Other	Total
LIABILITIES							
Deposits	116,143,910	76,730,395	2,846,459	5,648,955	272,901	366	201,642,986
Other liabilities	54,510,608	26,704,912	604,372	269,121	1,269,912	15,717	83,374,642
Policy holders' liabilities	43,309,571	-	-	-	-	-	43,309,571
	213,964,089	103,435,307	3,450,831	5,918,076	1,542,813	16,083	328,327,199
NET POSITION	**79,000,686**	**(493,676)**	**25,921**	**118,810**	**(27,112)**	**78,434**	**78,703,063**

	2013						
	JMD	USD	CAD	GBP	EUR	Other	Total
ASSETS							
Cash resources	21,073,119	45,483,934	2,451,825	5,509,697	323,981	40,007	74,882,563
Financial assets at fair value through profit or loss	1,097,127	(284,026)	-	-	-	-	813,101
Pledged assets	37,636,588	21,216,420	-	-	175,848	-	59,028,856
Loans	103,719,805	30,696,045	326,203	-	81,703	-	134,823,756
Investments	83,858,288	8,593,102	295,331	-	88,338	-	92,835,059
Other assets	32,036,190	(6,322,786)	33,289	686,533	443,944	-	26,877,170
	279,421,117	99,382,689	3,106,648	6,196,230	1,113,814	40,007	389,260,505
LIABILITIES							
Deposits	116,711,069	72,952,494	2,476,380	5,109,621	271,903	429	197,521,896
Other liabilities	46,485,046	27,255,206	602,296	1,040,668	840,848	19,805	76,243,869
Policy holders' liabilities	43,013,959	-	-	-	-	-	43,013,959
	206,210,074	100,207,700	3,078,676	6,150,289	1,112,751	20,234	316,779,724
NET POSITION	73,211,043	(825,011)	27,972	45,941	1,063	19,773	72,480,781

The following significant exchange rates were applied during the period:

	Average Rate for the Period		Reporting Date Spot Rate	
	2014	2013	2014	2013
USD	109.9574	98.6419	112.4939	104.6866
CAD	100.3221	96.3132	99.1070	100.4229
GBP	181.9337	154.0407	179.4395	170.1634
EUR	147.5269	129.7239	141.0465	142.8333

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

Sensitivity to foreign exchange rate movements

A weakening of the JMD against the currencies indicated above, at October 31, would have increased/(decreased) equity and profit by the amounts shown below. This analysis is performed on the same basis as 2013. The strengthening of the JMD against the same currencies at October 31 would have had an equal but opposite effect on the amounts shown, on the basis that all other variables remain constant.

Sensitivity to foreign exchange:

	2014 Increase/decrease	2013 Increase/decrease
USD	by 4.75%	by 7.25%
CAD	by 11.50%	by 6.25%
GBP	by 8.50%	by 10.5%
EUR	by 9.75%	by 9.75%

	2014	2013
Effect on profit and stockholders' equity	245,781	389,079

(iii) Equity price risks

Equity price risk arises out of price fluctuations in equity prices. The risk arises from holding positions in either individual stocks (idiosyncratic risk) or in the market as a whole (systemic risk). The goal is to earn dividend income and realise capital gains sufficient to offset the interest foregone in holding such long-term positions.

The Board sets limits on the level of exposure, and diversification is a key strategy employed to reduce the impact on the portfolio which may result from the non-performance of a specific class of assets. Given the potential volatility in the value of equities and the non-interest bearing characteristic of these instruments, the Group limits the amount invested in them.

At the reporting date, Group's equity portfolio was:

	Group	
	2014	2013
Financial assets at fair value through profit or loss	12	-
Investment securities available-for-sale	5,610	25,500

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(c) Market risk (continued)

(iii) Equity price risks (continued)

Sensitivity to equity price movements

Maximum changes observed in running 10-day periods during the financial year for the equity portfolio as at the reporting date would have increased or decreased equity and profit and loss by the amounts shown below:

This analysis is performed on the same basis as 2013. Prices used are the bid prices for the equities. A 10-day period is used to account for the liquidity of the local market equities.

	Profit or loss		Equity	
	Maximum increase	Maximum decrease	Maximum increase	Maximum decrease
31 October 2014	1	(1)	562	(562)
31 October 2013	-	-	4,653	2,950

(d) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows. The Group is exposed to daily calls on its available cash resources from overnight and maturing deposits, loan drawdowns and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Group maintains large holdings of unencumbered liquid assets to support its operations. These assets generally can also be sold or pledged to meet the Bank's obligations.

The Group is exposed to daily calls on its available cash resources from overnight and maturing deposits, loan drawdowns and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The Group's liquidity management process includes

(i) Monitoring future cash flows and liquidity on a daily basis
(ii) Maintaining a portfolio of highly marketable assets that can be liquidated quickly as protection against any unforeseen interruption of cash flow
(iii) Monitoring the liquidity ratios of the Group against internal and regulatory requirements
(iv) Managing the concentration and profile of debt maturities, as well as undrawn lending commitments
(v) Liquidity stress testing and contingency planning

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for companies to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(d) Liquidity risk (continued)

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates. Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and central bank balances; government and corporate bonds; treasury bills; and loans.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

Financial liabilities cash flows

The tables below present the undiscounted cash flows (both interest and principal cash flows) to settle financial liabilities based on contractual repayment obligations. However, the Group expects that many policyholders/depositors/customers will not request repayment on the earliest date the Group could be required to pay.

	The Group 2014						
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Total	Carrying amounts
Financial liabilities							
Deposits, due to financial institutions, parent company and fellow subsidiaries	186,627,086	4,841,157	6,897,194	5,790,822	-	204,156,259	201,642,986
Securities sold under repurchase agreements	38,555,277	12,722,528	15,172	-	-	51,292,977	47,840,197
Capital Management and Government Securities fund	13,003,074	-	-	-	-	13,003,074	13,003,074
Other liabilities	7,561,925	942,527	842,741	14,817	-	9,362,010	9,362,010
Policyholders liabilities	35,309,383	12,307,726	-	-	-	47,617,109	43,309,571
Total liabilities	281,056,745	30,813,938	7,755,107	5,805,639	-	325,431,429	315,157,838

	2013						
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Total	Carrying amounts
Financial liabilities							
Deposits, due to financial institutions, parent company and fellow subsidiaries	185,116,151	3,918,811	4,872,666	5,916,283	-	199,823,911	197,521,896
Securities sold under repurchase agreements	38,886,577	5,006,717	52,778	-	-	43,946,072	42,588,792
Capital Management and Government Securities fund	13,018,564	-	-	-	-	13,018,564	13,018,564
Other liabilities	6,282,917	835,475	1,452,999	14,817	38,316	8,624,524	8,624,524
Policyholders liabilities	29,974,725	13,131,556	-	-	-	43,106,281	43,013,959
Total liabilities	273,278,934	22,892,559	6,378,443	5,931,100	38,316	308,519,352	304,767,735

46. Financial risk management (continued)

(e) Insurance risk

The Group issues long term contracts that transfer insurance risk or financial risk or both. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits is greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio.

Two key matters affecting insurance risk are discussed below:

(i) Long-term insurance contracts

Long-term contracts are typically for a minimum period of 5 years and a maximum period which is determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the insurer has to assess the cash flows which may be attributable to the contract.

The Group has developed its insurance underwriting strategy and reinsurance arrangements to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The Group's underwriting strategy includes the use of a medical questionnaire with benefits limited to reflect the health condition of applications and retention limits on any single life insured.

(1) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency and severity of claims are epidemics and wide-ranging lifestyle changes such as in eating, smoking and exercise habits resulting in earlier or more claims than expected.

The Group charges for mortality risks on a monthly basis for all insurance contracts and has the right to alter these charges to a certain extent based on mortality experience and hence minimize its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(e) Insurance risk (continued)

(i) Long term insurance contracts (continued)

(1) Frequency and severity of claims (continued)

The tables below indicate the concentration of insured benefits across bands of insured benefits per individual and group life assured. The benefit insured are shown gross and net of reinsurance.

	The Group			
	Total benefits assured			
	Before and After Reinsurance 2014	%	Before and After Reinsurance 2013	%
Individual Life Benefits assured per life				
0 to 250,000	6,542,751	13	6,482,941	14
250,001 to 500,000	2,627,724	5	2,636,639	6
500,001 to 750,000	3,879,336	8	3,968,051	9
750,001 to 1,000,000	3,650,420	7	3,263,205	7
1,000,001 to 1,500,000	9,889,217	20	8,811,203	19
1,500,001 to 2,000,000	6,122,011	12	5,117,433	11
Over 2,000,000	17,743,284	35	15,139,691	34
Total	50,454,743	100	45,419,163	100

	Total benefits assured			
	Before and After Reinsurance 2014	%	Before and After Reinsurance 2013	%
Group Life Benefits assured per life				
0 to 250,000	9,365,580	13	7,797,004	11
250,001 to 500,000	5,983,067	8	5,736,309	8
500,001 to 750,000	6,681,254	9	5,973,921	9
750,001 to 1,000,000	5,462,651	7	4,614,380	7
1,000,001 to 1,500,000	14,193,162	19	12,248,990	18
1,500,001 to 2,000,000	8,794,685	12	7,744,535	11
Over 2,000,000	22,470,320	32	25,258,368	36
Total	72,950,719	100	69,373,507	100

Insurance risk for contracts disclosed in this note is also affected by the policyholders' right to pay reduced or no future premiums and to terminate the contract completely. As a result, the amount of insurance risk is also subject to the policyholders' behaviour. The Group has factored the impact of policyholders' behaviour into the assumptions used to measure these liabilities.

46. Financial risk management (continued)

(e) Insurance risk (continued)

(i) Long term insurance contracts (continued)

(2) Sources of uncertainty in the estimation of future benefit payments and premiums

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in policyholder behaviour.

Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and international mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience.

(3) Process used in deriving assumptions

The assumptions for long term insurance contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

For long-term contracts with fixed and guaranteed terms, estimates are made in two stages. Estimates of future deaths, voluntary terminations and partial withdrawal of policy funds, investment returns, crediting rates, inflation and administration expenses are made and form the assumptions used for calculating the liabilities at the inception of the contract. A margin for risk and uncertainty is added to these assumptions.

New estimates are made each year based on updated Group experience studies and economic forecasts. The valuation assumptions are altered to reflect these revised best estimates. The margins for risk and uncertainty may also be altered if the underlying level of uncertainty in the updated assumptions has changed. The financial impact of revisions to the valuation assumption or the related margins is recognised in the accounting period in which the change is made.

(ii) Reinsurance Risk

Reinsurance risk is the risk that a reinsurer will default and not honour obligations arising from claims. To limit its exposure of potential loss on an insurance policy, the Group cedes certain levels of risk to a reinsurer. Reinsurance ceded does not discharge the Group's liability as primary issuer. The Group also limits the probable loss in the event of a single catastrophic occurrence by reinsuring this type of risk with reinsurers. The Group manages reinsurance risk by selecting reinsurers which have established capability to meet their contractual obligations and which generally have favourable credit ratings as determined by a reputable rating agency.

46. Financial risk management (continued)

(e) Insurance risk (continued)

(ii) Reinsurance Risk (continued)

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The retention programs used by the Group are summarized below:

Type of insurance contract	**Retention**
Individual, group & creditor life catastrophe	maximum retention of $420 for a single event; treaty limits apply
Group creditor life contracts	maximum retention of $15,000 per insured

(iii) Sensitivity analysis of actuarial liabilities

(1) Sensitivity arising from the valuation of life insurance contracts

The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in these assumptions could have a significant effect on the valuation results.

In summary, the valuation of actuarial liabilities of life insurance contracts is sensitive to:

- the economic scenario used in the Policy Premium Method (PPM)
- the investments allocated to back the liabilities
- the underlying assumptions used, and
- the margins for adverse deviations.

Under the Policy Premium Method (PPM) methodology, the Appointed Actuary is required to test the actuarial liability under several economic scenarios. The tests have been done and the results of the valuation provide adequately for liabilities derived from the worst of these different scenarios.

The assumption for future investment yields has a significant impact on actuarial liabilities. The different scenarios tested under PPM reflect the impact of different yields.

The other assumptions which are most sensitive in determining the actuarial liabilities of the Group, are in descending order of impact:

- operating expenses and taxes
- lapse
- mortality and morbidity

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(e) Insurance risk (continued)

(iii) Sensitivity analysis of actuarial liabilities (continued)

(1) Sensitivity arising from the valuation of life insurance contracts (continued)

The following table presents the sensitivity of the liabilities to a change in assumptions:

	2014	2013
Interest rates decrease by 1%	149,150	96,035
Interest rates increase by 1%	(86,167)	(38,952)
Mortality increases by 10%	359,162	342,361
Mortality decreases by 10%	(370,895)	(353,322)
Expenses increase by 10%	309,408	303,034
Expenses decrease by 10%	(305,349)	(299,095)
Lapses and withdrawals increase by 10%	218,978	227,804
Lapses and withdrawals decrease by 10%	(239,292)	(250,012)

47. Fair value of financial instruments

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The best evidence of fair value for a financial instrument is the quoted price in an active market. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Where possible, the Group measures the fair value of an instrument based on quoted prices or observable inputs obtained from active markets.

For financial instruments for which there is no quoted price in an active market, the Group uses internal models that maximize the use of observable inputs to estimate fair value. The chosen valuation technique incorporates all the factors that market participants would take into account.

When using models where observable parameters do not exist, the Group uses greater management judgement for valuation purposes.

47. Fair value of financial instruments (continued)

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1 - fair value measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - fair value measured based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - fair value measured based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognizes transfers between levels of the fair value hierarchy at the date the event or change in circumstances that caused the transfer occurred. There were no such transfers during the year.

Basis of valuation

The specific inputs and valuation techniques used in determining the fair value of financial instruments are noted below:

(i) financial instruments classified as available-for-sale are measured at fair value by reference to quoted market prices where available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques which include utilizing recent transaction prices or broker quotes.

(ii) financial instruments classified as fair value through profit or loss: fair value is estimated by reference to quoted market prices where available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows. Fair value is equal to the carrying amount for these investments.

(iii) the fair value of liquid assets and other assets maturing within one year is considered to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and liabilities;

(iv) the fair value of demand deposits and savings accounts with no specific maturity is considered to be the amount payable on demand at the reporting date; the fair value of fixed-term interest bearing deposits is based on discounted cash flows using interest rates for new deposits;

(v) the fair value of variable rate financial instruments is considered to approximate their carrying amounts as they are frequently repriced to current market rates;

(vi) the fair value of fixed rate loans is estimated by comparing actual interest rates on the loans to current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values;

(vii) the fair values of quoted equity investments are based on quoted market bid prices. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

47. Fair value of financial instruments (continued)

Accounting classifications and fair values:

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	The Group 2014						
	Carrying amount			Fair value			
	Available-for-sale	Fair value through profit or and loss	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value							
Quoted shares	5,610	12	5,622	5,622	-	-	5,622
Unquoted shares	5,240	-	5,240	-	-	5,240	5,240
GOJ securities	59,860,201	459,911	60,320,112	-	60,320,112	-	60,320,112
Bank of Jamaica securities	7,948,875	-	7,948,875	-	7,948,875	-	7,948,875
Treasury bills	294,153	-	294,153	-	294,153	-	294,153
Corporate bond	2,343,377	274,008	2,617,385	-	2,617,385	-	2,617,385
Credit linked notes	1,655,233	-	1,655,233	-	1,655,233	-	1,655,233
Unitised funds	405,615	247,800	653,415	-	653,415	-	653,415
	72,518,304	981,731	73,500,035	5,622	73,489,173	5,240	73,500,035
Pledged assets measured at fair value							
GOJ securities	44,015,291	193,784	44,209,075	-	44,209,075	-	44,209,075
Bank of Jamaica securities	2,662,710	-	2,662,710	-	2,662,710	-	2,662,710
Corporate bond	1,085,236	-	1,085,236	-	1,085,236	-	1,085,236
Unitised funds	29,031	-	29,031	-	29,031	-	29,031
Credit linked notes	1,103,637	-	1,103,637	-	1,103,637	-	1,103,637
	48,895,905	193,784	49,089,689	-	49,089,689	-	49,089,689

	Carrying amount	Fair value
Financial assets not measured at fair value:		
GOJ securities	11,130,606	10,915,913
Loans receivable	145,732,002	148,054,730
	156,862,608	158,970,643
Pledged assets not measured at fair value		
Cash resources	6,669,873	6,669,873
GOJ securities	7,580,682	7,646,043
Securities purchased under resale agreement	225,064	225,064
Promissory note	758,226	758,226
Loans receivable	68,546	68,546
	15,302,391	15,367,752
Financial liabilities not measured at fair value		
Deposits by public	190,726,667	190,675,053

(Expressed in thousands of Jamaican dollars unless otherwise stated)

47. Fair value of financial instruments (continued)

Accounting classifications and fair values (continued):

	The Company 2014					
	Carrying amount		Fair value			
	Available-for-sale	Total	Level 1	Level 2	Level 3	Total
Pledged assets measured at fair value						
GOJ securities	4,818,098	4,818,098	-	4,818,098	-	4,818,098

	Carrying amount	Fair value
Financial assets not measured at fair value:		
Loans receivables	70,000	70,000

	The Group 2013						
	Carrying amount			Fair value			
	Available-for-sale	Fair value through profit or and loss	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value							
Quoted shares	25,500	-	25,500	25,500	-	-	25,500
Unquoted shares	5,240	-	5,240	-	-	5,240	5,240
GOJ securities	77,287,723	578,399	77,866,122	-	77,866,122	-	77,866,122
Treasury bills	295,331	-	295,331	-	295,331	-	295,331
Corporate bond	1,007,463	-	1,007,463	-	1,007,463	-	1,007,463
Credit linked notes	1,477,189	-	1,477,189	-	1,477,189	-	1,477,189
Unitised funds	244,356	234,702	479,058	-	479,058	-	479,058
	80,342,802	813,101	81,155,903	25,500	81,125,163	5,240	81,155,903
Pledged assets measured at fair value							
GOJ securities	38,578,999	202,760	38,781,759	-	38,781,759	-	38,781,759
Unitised funds	889,087	-	889,087	-	889,087	-	889,087
Credit linked notes	984,933	-	984,933	-	984,933	-	984,933
	40,453,019	202,760	40,655,779	-	40,655,779	-	40,655,779

	Carrying amount	Fair value
Financial assets not measured at fair value:		
GOJ securities	9,346,654	10,136,405
Credit linked notes	2,154,683	2,166,095
Loans receivable	134,823,756	136,990,112
	146,325,093	149,292,612
Pledged assets not measured at fair value		
Cash resources	4,607,981	4,607,981
GOJ securities	13,633,913	13,863,292
Loans receivable	131,183	131,183
	18,373,077	18,602,456
Financial liabilities not measured at fair value		
Deposits by public	183,369,415	183,349,105

47. Fair value of financial instruments (continued)

Accounting classifications and fair values (continued):

	The Company						
	2013						
	Carrying amount			Fair value			
	Available-for-sale	Total		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value							
GOJ securities	8,056,988	8,056,988		-	8,056,988	-	8,056,988

	Carrying amount	Fair value
Financial assets not measured at fair value:		
Loans receivable	50,012	50,012

Valuation Technique

All Government of Jamaica securities and international bonds are valued using the bid price from Bloomberg, this price is then applied to estimate the fair value.

48. Capital Risk Management

Capital risk is the risk that the Group fails to comply with mandated regulatory requirements, resulting in a breach of its minimum capital ratios and the possible suspension or loss of its licences.

Regulators are primarily interested in protecting the rights of depositors and policyholders and they monitor closely to ensure that the Group is satisfactorily managing its affairs for the benefit of depositors and policyholders. At the same time, the regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The Group manages its capital resources according to the following objectives:

- To comply with the capital requirements established by the regulatory authorities responsible for banking, insurance and other financial intermediaries;
- To safeguard its ability to continue as a going concern and meet future obligations to depositors, policyholders and stockholders;
- To provide adequate returns to stockholders by pricing investment, insurance and other contracts commensurate with the level of risk; and
- To maintain a strong capital base to support the future development of the Group's operations. Capital is managed in accordance with the Board-approved Capital Management Policy.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

48. Capital Risk Management (continued)

Individual banking, investment and insurance subsidiaries are directly regulated by their designated regulator, who sets and monitors capital adequacy requirements. Required capital adequacy information is filed with the regulators at least quarterly.

Banking, mortgage lending and investment management

Capital adequacy is reviewed by executive management, the audit committee and the Board of Directors. Based on the guidelines developed by the Bank of Jamaica and the Financial Services Commission, each regulated entity is required to:

- Hold the minimum level of regulatory capital; and
- Maintain a minimum ratio of total regulatory capital to risk weighted assets.

Regulatory capital is divided into two tiers:

1. Tier 1 capital comprises share capital, reserve fund and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and

2. Tier 2 capital comprises qualifying subordinated loan capital, collective impairment allowances and revaluation surplus on fixed assets.

Investment in subsidiaries is deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital, the ratios for each subsidiary and identifies the applicable regulator. During the year, the individual entities complied with all externally imposed capital requirements.

	Regulated by the BOJ [1]		Regulated by the FSC [2]	
	2014	2013	2014	2013
Tier 1 Capital	23,681,181	21,403,522	12,831,464	12,052,341
Tier 2 Capital	1,292,720	1,227,485	24,615	24,615
	24,973,901	22,631,007	12,856,079	12,076,956
Less prescribed deductions	(242,093)	(242,093)	(142,326)	(202,662)
Total regulatory capital	24,731,808	22,388,914	12,713,753	11,874,294
Risk weighted assets				
On-balance sheet	160,256,040	151,806,555	24,488,255	27,658,467
Off-balance sheet	19,074,052	21,118,343	-	-
Foreign exchange exposure	1,117,826	2,236,454	933,211	991,171
Total risk weighted assets	180,447,918	175,161,352	25,421,466	28,649,638
Actual regulatory capital to risk weighted assets	13.7%	12.8%	50.0%	41.4%
Regulatory requirement	10.0%	10.0%	10.0%	10.0%

[1] This relates to The Bank of Nova Scotia Jamaica Limited, Scotia Jamaica Building Society.

[2] This relates to Scotia Investments Jamaica Limited.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

48. Capital Risk Management (continued)

Life insurance business

Capital adequacy is calculated by the Appointed Actuary and reviewed by executive management, the audit committee and the Board of Directors. The Group seeks to maintain internal capital adequacy levels higher than the regulatory requirements. To assist in evaluating the current financial strength, the risk-based assessment measure which has been adopted is the Minimum Continuing Capital and Surplus Requirement (MCCSR) standard as defined by the Financial Services Commission and required by the Insurance Regulations 2001. Under Jamaican regulations, the minimum standard recommended for companies is a MCCSR of 150%. The MCCSR for the insurance subsidiary as of October 31, 2014 and 2013 is set out below:

	2014	2013
Regulatory capital held	7,396,623	6,525,309
Minimum regulatory capital	1,316,889	1,311,697
Minimum Continuing Capital on Surplus Requirements Ratio	562%	497%

49. Commitments

	The Group	
	2014	2013
(a) Capital expenditure Authorised and contracted	132,668	594,800
(b) Commitments to extend credit: Originated term to maturity of more than one year	16,136,292	18,793,554

(c) Operating lease commitments:

The future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2014	2013
Not later than one year	239,901	307,429
Later than one year and not later than five years	583,987	532,494
Later than five years	2,194,249	2,029,301
	3,018,137	2,869,224

(Expressed in thousands of Jamaican dollars unless otherwise stated)

50. Reclassification of financial assets

On October 1, 2008 the Group reclassified certain investments that were included in pledged assets from available-for-sale to loans and receivables in accordance with paragraph 50E of IAS 39. The standard requires that such reclassification be made at the fair value of the instruments at the date of reclassification. The prices of GOJ Global Bonds as at September 30, 2008 were used to determine the fair value used for the reclassification. The carrying amount and fair value of these assets as at the reporting date are as follows:

	The Group			
	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Securities:				
US$ GOJ Global Bonds	1,859,199	1,914,638	7,010,694	7,204,928
EURO GOJ Global Bonds	-	-	131,548	136,143

(a) Fair value losses, excluding deferred tax liabilities of $10,198 (2013: $40,455) were recognized in equity in relation to the above investments reclassified in 2008.

(b) Fair value gains of $36,959 (2013: $147,923), net of deferred taxation, would have been included in other comprehensive income for the year had the investments not been reclassified. This amount was estimated on the basis of the bid-price of the securities as at October 31, 2014.

(c) The weighted average effective interest rate of the investments at the date of reclassification was 8.39%. The undiscounted cash flows to be recovered from the investments reclassified is $1,959,069.

51. Fiduciary activities

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

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

At the reporting date, the Group had assets under administration amounting to approximately $138,167,368 (2013: $118,260,892).

52. Litigation and contingent liabilities

The Group is subject to various claims, disputes and legal proceedings, in the normal course of business. Provision is made for such matters when, in the opinion of management and its legal counsel, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both its financial position and financial performance.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

52. Litigation and contingent liabilities (continued)

During 2014, The Bank of Nova Scotia Jamaica Limited settled the claim filed in April 1999 against Scotiabank Jamaica Investment Management Limited (SJIM) for breach of contract and negligent performance of a letter of undertaking issued by SJIM in May 1997.

53. Dividends

(a) Paid

	The Group		The Company	
	2014	2013	2014	2013
Scotia Group Jamaica Limited				
Paid to stockholders:				
In respect of 2012	-	1,244,637	-	1,244,637
In respect of 2013	1,244,637	3,733,912	1,244,637	3,733,912
In respect of 2014	3,733,912	-	3,733,912	-
	4,978,549	4,978,549	4,978,549	4,978,549
Paid to minority interest in a subsidiary	175,126	175,126	-	-
	5,153,675	5,153,675	4,978,549	4,978,549

(b) Proposed

At the Board of Directors meeting on November 28, 2014, a dividend in respect of 2014 of $0.40 per share (2013: $0.40 per share) amounting to $1,244,637 (2013: $1,244,637) was proposed. Stockholders' equity for the current financial year does not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the ensuing financial year.

54. Employee Share Ownership Plan

(i) The Bank of Nova Scotia Jamaica Limited

The Bank of Nova Scotia Jamaica Limited has an Employee Share Ownership Plan ("ESOP" or "Plan"), the purpose of which is to encourage eligible employees of the Bank to steadily increase their ownership of the company's shares. Participation in the Plan is voluntary; any employee who has completed at least one year's service with any Group entity is eligible to participate.

The operation of the ESOP is facilitated by a Trust. The employer and employees make contributions to the trust fund and these contributions are used to fund the acquisition of shares for the employees. Employees' contributions are determined by reference to the length of their employment and their annual basic remuneration. The employer contributions, are as prescribed by the formula set out in the rules of the Plan.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

54. Employee Share Ownership Plan (continued)

(i) The Bank of Nova Scotia Jamaica Limited (continued)

The contributions are used by the trustees to acquire the company's shares, at market value. The shares purchased with the employees contributions vest immediately, although they are subject to the restriction that they may not be sold within two years of acquisition. Out of shares purchased with the company's contributions, allocations are made to participating employees, but are held by the trust for a two-year period, at the end of which they vest with the employees; if an employee leaves the employer within the two-year period, the right to these shares is forfeited; such shares then become available to be granted by the employer to other participants in accordance with the formula referred to previously.

The amount contributed by the Group to employee share purchase during the year, included in employee compensation, amounted to $28,548 (2013: $31,595).

At the financial year end, the shares acquired with the employer's contributions and held in trust pending allocation to employees and/or vesting were:

	2014	2013
Number of shares	1,827,137	1,646,489
Fair value of shares $'000	35,127	32,880

(ii) Scotia Investments Jamaica Limited

During 2014, Scotia Investments Jamaica Limited discontinued its Employee Share Ownership Plan and eligible employees are now participating in the plan operated by The Bank of Nova Scotia Jamaica Limited.

The shares acquired with the employer's contributions and held in trust pending allocation to employees and/or vesting in 2013 were:

	2013
Number of shares	499,114
Fair value of shares $'000	12,987

(Expressed in thousands of Jamaican dollars unless otherwise stated)

55. Restatement of comparative financial information

The following restatements were made in the financial statements for the year ended October 31, 2014 :

(a) As indicated in note 2(a), effective November 1, 2013, the company adopted IAS 19 (Revised) *Employee Benefits*. The change in accounting policy was applied retrospectively. The effects of the adjustments are detailed below:

(i) Effects on statement of financial position

	The Group					
	2013			2012		
	As previously reported	Effect of prior year adjustment	As restated	As previously reported	Effect of prior year adjustment	As restated
Retirement benefit asset	10,065,469	(45,300)	10,020,169	8,113,770	(67,616)	8,046,154
Total assets	389,305,805	(45,300)	389,260,505	358,209,421	(67,616)	358,141,805
Deferred tax liability	3,179,118	(140,579)	3,038,539	2,938,163	(289,083)	2,649,080
Retirement benefits obligations	2,848,375	376,436	3,224,811	2,341,321	799,633	3,140,954
Unappropriated profits	43,042,579	(281,157)	42,761,422	39,327,555	(578,166)	38,749,389
Total liabilities and Equities	389,305,805	(45,300)	389,260,505	358,209,421	(67,616)	358,141,805

(ii) Effects on the statement of profit or loss and other comprehensive income

	The Group		
	2013		
	As previously reported	Effect of prior year adjustment	As restated
Salaries, pension and other benefits	8,417,817	1,548,222	9,966,039
Operating expenses	7,144,315	121,152	7,265,467
Tax	4,330,387	(637,226)	3,693,161
Profit for the year	(11,924,854)	1,032,148	(10,892,706)
Remeasurement of retirement benefit asset reported in other comprehensive income	-	(1,329,157)	(1,329,157)
Other comprehensive income	(1,529,359)	1,329,157	(200,202)

(b) Other than restatement of comparatives, there was no effect on the statement of cash flows for the year ended October 31, 2013.

(c) Reclassification of premium tax

Tax on insurance premium income represents tax on revenues, rather than on profits as required by IAS 12, *Income Taxes*. Premium income tax was reclassified from taxation to operating expenses on the statement of revenue and expenses (notes 12 and 14).

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A. V. Chang

Ms. B. A. Alexander

B. F. Bowen

J. M. Hall

J. M. Matalon, CD

Mrs. J. T Sharp

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President & CEO

Mrs. R. A. Pilliner
Executive Vice-President
Operations & Shared Services

Mrs. P. Latchman-Atterbury
Executive Vice-President
Retail Banking

F. A. Williams
Executive Vice-President,
Chief Financial Officer &
Chief Administration Officer

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Senior Manager,
Finance & Investments

Mrs. L. H. Forbes
Director, Sales & Service

Mrs. M. Williams
Director, Operations

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Vice-President
Non-Branch Sales & Service
& General Manager, SJBS

D. Webb
Assistant General Manager,
SJBS Business Development
& Director, Non-Branch
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Senior Vice-President
Wealth Management &
Chief Executive Officer, SIJL

Miss Y. Pandohie
Chief Financial Officer

H. Miller
Chief Operating Officer

SCOTIA ASSET MANAGEMENT (JAMAICA) LIMITED

1B Holborn Road, Kingston 10
Jamaica

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Asset Management
& General Manager, Scotia
Asset Management Limited.

SCOTIA JAMAICA INVESTMENT MANAGEMENT LIMITED

Scotiabank Centre
Cnr. Duke & Port Royal Streets
P.O. Box 627
Kingston, Jamaica

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H. W. Powell

Management Officers
(of the Group and its Subsidiaries)

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Mrs. Patsy Latchman Atterbury
Executive Vice-President, Retail Banking

Mr. Frederick Williams
Executive Vice-President, Chief Financial Officer &
Chief Administration Officer

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Senior Vice-President, Credit Risk Management (Acting)

Mr. Michael D. McAnuff-Jones
Senior Vice-President, Human Resources

Mr. Lissant Mitchell
Senior Vice-President, Wealth &
CEO, Scotia Investment Jamaica Limited

Mr. Hugh Reid
Senior Vice-President Scotia Group &
President, Scotia Jamaica Life Insurance
Company Limited

Mr. Norm Stevenson
Senior Vice-President
Corporate & Commercial Banking

SENIOR MANAGEMENT OFFICERS

Audit

Mr. James Brown
Chief Auditor

Centralized Retail Collection Unit

Mr. Vincent Harvey
Vice-President, Collections & Recovery

Compliance

Mr. George Roper, Vice-President, Compliance

Contact Centre

Mr. Reuben Canagaratnam, Vice-President

Mrs. Sheila Segree-White, General Manager

Corporate & Commercial Banking

Miss C. A. Logan
Vice-President, Credit Solutions

Miss C. Lyn
Vice President, Commercial Banking

Mr. H. C. Mair
Senior Vice-President

Corporate Human Resources

Miss Suzanne Donalds, Director
HR Planning, Staffing & Capability Development

Mrs. Hopelin Hines
Director, Total Rewards & Evaluations

Corporate & Legal

Mrs. Julie Thompson-James
Vice-President, Senior Legal Counsel
& Company Secretary

Mrs. Shaun Lawson-Laing
Director, Legal Counsel & Assistant Company Secretary

Credit Risk Management

Miss Marcette McLeggon, Vice-President

Mr. Joseph Sinclair, Assistant General Manager

Mr. Lennox Elvy, Director, Retail Risk

Customer Experience

Mrs. Rosemarie Voordouw, Director

Employee Consultations & Ombuds Services

Mrs. Claudine McCalla- Miller, Director

Finance

Miss Shirley K. Ramsaran
Vice-President, Finance & Comptroller

Dr. Adrian Stokes
Vice-President
Business Analytics & Strategy and Risk Management

Mr. Dane Brodber
Director, Business Intelligence

Management Officers (cont'd)
(of the Group and its Subsidiaries)

SENIOR MANAGEMENT OFFICERS (cont'd)

Government Affairs

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Vice-President, Government Affairs

Marketing, Public & Corporate Affairs

Mrs. Monique Todd
Vice-President, Marketing, Public & Corporate Affairs

Mrs. Simone Walker
Director, Marketing Programmes

Mrs. Joylene A. Griffiths-Irving
Director, Corporate Social Responsibility
& Executive Director, Scotiabank Jamaica Foundation

Retail Banking & SME

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Vice-President, SME Banking

Mr. Carl Bright
District Vice-President, Metro East

Mr. Michael E. Shaw
District Vice-President, Metro North

Mr. Dudley E. Walters
District Vice-President, Metro West

Mr. Gladstone Whitelocke
Vice-President, Non-Branch Sales & Service
& General Manager, SJBS

Mr. Dean Webb
Assistant General Manager, SJBS Business Development
& Non-Branch Sales & Service

Miss Pamela Douglas
Director, Professional Partnerships, SME

Shared Services

Mr. David M. Williams
Vice-President, Operations, Shared Services

Mr. Donovan Hanson,
Vice-President, Lending Services

Mrs. Saliann Wright
Vice-President, Processing Support Centre

Mrs. Marcia Parker Robinson
Director, Regional Strategic Sourcing, Caribbean

Mr. Wesley Carr,
Senior Manager, Loan Adjudication
Retail Risk Assessment

Mrs. Dorette Barrett
Director, Business Service Centre

Scotia Private Client Group

Mr. Roger Grant
Centre Director

Systems Support Centre

Mr. Adza Davis
Director
Systems Support Centre

Treasury

Mr. Gary-Vaughn White
Vice-President, Treasury

Mr. Adrian Reynolds
Director, Treasury & Foreign Exchange Trading

Notes

Paper materials produced from well-managed forest and tree farms, chemical-free printing plates and soya-based inks were used in the production of this Annual Report.

Designed and produced by: Marketing, Public & Corporate Affairs Department
Scotiabank Group (Jamaica)

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