

MEDIA RELEASE

February 28, 2013

SCOTIA GROUP JAMAICA REPORTS FIRST QUARTER RESULTS

FIRST QUARTER 2013 HIGHLIGHTS

- **Net Income of \$2.72 billion**
- **Net Income available to common shareholders of \$2.61 billion**
- **Earnings per share of \$0.84**
- **Return on Average Equity of 16.12%**
- **Productivity ratio of 56.03%**
- **First quarter dividend of 40 cents per share**

Scotia Group Jamaica Limited (Scotia Group) today reported net income of \$2,720 million for the first quarter ended January 31, 2013. This is \$99 million above the previous quarter ended October 31, 2012 and \$73 million above the quarter ended January 31, 2012.

Earnings per share (EPS) for the quarter was \$0.84 compared to \$0.82 for the same period last year. The Return on Average Equity (ROE) was 16.12%, down from 16.71% last year.

The Board of Directors today approved a first interim dividend of 40 cents per stock unit payable on March 28, 2013, to stockholders on record at March 13, 2013.

Bruce Bowen, President and CEO said, "Scotia Group recorded strong first quarter results with private sector lending growth of \$4 Billion (3.5%) and deposit growth of \$21 Billion (12.8%) relative to prior year, as we continued our focus on acquiring and deepening customer relationships. Our insurance and investment subsidiaries also experienced solid growth in policyholder liabilities and funds under management, reflecting our efforts to provide customers with complete financial solutions. Looking forward, the balance of 2013 will be challenging as the impact of participating in the National Debt Exchange Programme (NDX) will reduce interest revenue, and the significant new tax measures announced by the government will have a negative impact on many of our customers. However we are confident that with our focus on assisting our customers to be financially better off, coupled with our tradition of prudent risk management and expense control, Scotia Group will continue to provide our shareholders with strong returns."



For further information contact: Jacqueline Sharp, Senior Vice President, CFO & COO • Email: jacqueline.sharp@scotiabank.com

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

\$ Billion	2013	% Contribution
The Bank of Nova Scotia Jamaica Limited (BNSJ)	1.07	41%
Scotia Jamaica Life Insurance Company Limited (SJLIC)	0.70	27%
Scotia Investment Jamaica Limited (SIJL)*	0.35	14%
Scotia Group Jamaica Limited (SGJ)	0.27	10%
Scotia Jamaica Building Society (SJBS)	0.22	8%
<small>* Excludes minority interest</small>		
Net Income attributable to common shareholders	2.61	100%

REVENUES

Total operating income, comprising net interest income after impairment losses and including other revenue, was \$8.3 billion, an increase of \$690 million or 9.1% relative to the prior year.

NET INTEREST INCOME

Net interest income after impairment losses for the quarter was \$5.84 billion, up \$482 million or 9% when compared to the same period last year. This was driven by strong growth in loan and deposit volumes over the period. Loan loss expense increased by \$87 million when compared to the same period last year, reflecting growth in the loan portfolio and the impact of continued contraction in the economy, especially on our retail customers.

OTHER REVENUE

Other revenue for the quarter was \$2.5 billion, up \$208 million or 9.2% when compared with prior year. This was due to a combination of increased insurance revenue and fee income, gains on securities trading, as well as higher foreign exchange trading income.

OPERATING EXPENSES AND PRODUCTIVITY

Our productivity ratio (operating expense/total revenue) - a key measure of cost efficiency - was 56.0% for the quarter, compared to 53.8% for Q1-2012 and 56.4% for Q4-2012. Operating Expenses were \$4.52 billion for the quarter, representing an increase of \$521 million or 13% over prior year. Of this amount, staff-related costs represented \$188 million (an 8.6% increase) while Other Operating Expenses increased by \$332 million, reflecting primarily inflationary increases and the impact of new tax measures.

CREDIT QUALITY

Non-performing loans (NPLs) at January 31, 2013 totaled \$4.76 billion, reflecting a decrease of \$525 million from prior year, and an increase of \$205 million from the previous quarter ended October 31, 2012. The reduction from the previous year was due primarily to the recovery of a large corporate loan that was classified as non-performing during 2011. Total NPLs now represent 3.82% of total gross loans compared to 4.85% last year and 3.65% as at October 31, 2012.

The Group's aggregate loan loss provision as at January 31, 2013 was \$4.5 billion, which represents 95% of the total non-performing loans. For most of these NPLs, the Group holds meaningful collateral.

BALANCE SHEET

Total assets increased year over year by \$29.3 billion or 8.47% to \$375 billion as at January 31, 2013. Loans grew by \$15.4 billion to close at \$122.3 billion, driven by strong results in both the retail and commercial portfolios.

Total customer liabilities (deposits, repo liabilities and policyholder's funds) grew to \$287 billion, an increase of \$23 billion over last year. This growth was mainly reflected in the deposit portfolio as we continued to acquire new customers and see increased balances from existing customers.

CAPITAL

Total shareholders equity grew to \$68.25 billion, \$4.15 billion above prior year. We continue to exceed regulatory capital requirements in all our business lines. Our strong capital position also enables us to take advantage of future growth opportunities.

OUR COMMITMENT TO COMMUNITY

During the quarter, Scotiabank remained a leader in corporate philanthropy with donations of \$19 million through Scotiabank Jamaica Foundation to both major initiatives as well as small community projects in communities across the island.

A major initiative was the Bank's \$12.5 million Hurricane Sandy Recovery Effort, concentrated in the parishes of St. Mary, St. Thomas and Portland. This effort included provision of \$3 million to assist small farmers, \$8.1 million to repair six primary schools – Carron Hall Infant, Carron Hall Primary, Bellfield Primary, Zion Hill Primary and Highgate Primary in St. Mary, and Norwich Primary in Portland; and \$1.2 million to purchase mattresses for flood victims in St. Mary and Hanover. In addition, a special loan fund totaling \$500 million was established to assist Scotiabank's customers who own homes and who operate businesses, to fund repairs to their properties and equipment.

In Student Care, the Scotia Foundation donated \$3 million to Scotia Shining Star Scholars at tertiary and secondary institutions; and the Foundation's breakfast feeding programmes at Whitfield Town Primary, Elim Early Childhood Development Centre, and Allman Town Primary schools in Kingston and St. Andrew and Bamboo All Age in St. Ann.

In Health Care, Scotia Foundation donated \$4.4 million to: fund equipment for an Eye Clinic at the Mandeville Regional Hospital; maintain the Mobile Mammography Unit at the Jamaica Cancer Society; and to support the Scotiabank Jamaica Foundation Haemodialysis Unit at the Cornwall Regional Hospital.

The Foundation also made major donations to the Kingston YMCA, Missionaries of the Poor, United Way of Jamaica, and the Salvation Army Red Kettle Appeal.

Scotia Group Jamaica takes this opportunity to thank all of our stakeholders. To our customers, thank you for your loyalty and your business. To our shareholders, thank you for the commitment, trust and confidence you continue to show in us. Our continued success is as a result of the great execution by our team of skilled and dedicated employees and we thank them for their professionalism and commitment.

Scotia Group Jamaica Limited
Consolidated Statement of Revenue and Expenses
Period ended January 31, 2013

Unaudited (\$ Thousands)	For the three months ended		
	January 2013	October 2012	January 2012
Interest Income	7,894,108	7,706,257	7,349,999
Interest Expense	(1,771,474)	(1,749,677)	(1,796,897)
Net Interest Income	6,122,634	5,956,580	5,553,102
Impairment losses on loans	(283,593)	(238,252)	(196,030)
Net interest income after impairment losses	5,839,041	5,718,328	5,357,072
Net fee and commission income	1,376,180	1,299,090	1,357,485
Insurance revenue	461,927	427,109	400,548
Net foreign exchange trading income	525,919	371,831	313,971
Net gain /(losses) on financial assets	82,364	174,241	40,179
Other revenue	6,685	(71,458)	133,106
	2,453,075	2,200,813	2,245,289
Total Operating Income	8,292,116	7,919,141	7,602,361
Operating Expenses			
Salaries and staff benefits	2,357,152	2,291,292	2,168,873
Property expenses, including depreciation	510,400	490,494	507,601
Amortisation of intangible assets	30,277	10,865	36,892
Other operating expenses	1,623,251	1,566,246	1,287,175
	4,521,080	4,358,897	4,000,541
Profit before taxation	3,771,036	3,560,244	3,601,820
Taxation	(1,050,881)	(938,595)	(954,790)
Profit for the period	2,720,155	2,621,649	2,647,030
Attributable to:-			
Stockholders of the Company	2,614,720	2,529,039	2,540,343
Non-Controlling Interest	105,435	92,610	106,687
Earnings per share (cents)	84	81	82
Return on average equity (annualized)	16.12%	15.76%	16.71%
Return on assets (annualized)	2.79%	2.82%	2.94%
Productivity ratio	56.03%	56.36%	53.81%

Scotia Group Jamaica Limited
Consolidated Statement of Comprehensive Income
Period ended January 31, 2013

Unaudited (\$ Thousands)	For the three months ended		
	January 2013	October 2012	January 2012
Profit for the period	2,720,155	2,621,649	2,647,030
Other comprehensive income			
Unrealised (losses) / gains on available for sale financial assets	(871,127)	(877,721)	(500,120)
Realised gains on available for sale financial assets	(12,361)	(997)	(162,288)
Amortisation of fair value reserve on financial instruments reclassified to Loans and Receivable	7,219	7,508	18,498
	(876,269)	(871,210)	(643,908)
Taxation	175,805	225,570	233,927
Other comprehensive income, net of tax	(700,664)	(645,640)	(409,981)
Total comprehensive income for the period	2,019,491	1,976,009	2,237,049
Attributable to:-			
Stockholders of the Company	1,924,637	1,907,188	2,129,362
Non-Controlling Interest	94,854	68,821	107,687

SCOTIA GROUP JAMAICA LTD
 Consolidated Statement of Financial Position
 January 31, 2013

	Period ended January 31	Year ended October 31	Period ended January 31
Unaudited (\$ Thousands)	2013	2012	2012
ASSETS			
CASH RESOURCES	68,632,760	52,868,707	57,390,060
INVESTMENTS			
Held to maturity	11,483,574	11,323,782	14,171,049
Financial assets at fair value through profit and loss	654,560	477,941	489,839
Available for sale	84,244,514	84,490,935	75,304,698
	<u>96,382,648</u>	<u>96,292,658</u>	<u>89,965,584</u>
PLEGGED ASSETS	64,004,243	63,057,493	67,972,005
GOVERNMENT SECURITIES PURCHASED UNDER RESALE AGREEMENTS	-	-	300,265
LOANS, AFTER ALLOWANCE FOR IMPAIRMENT LOSSES	122,313,838	122,524,668	108,682,511
OTHER ASSETS			
Customers' liability under acceptances, guarantees and letters of credit	6,793,461	6,333,327	7,294,687
Property, plant and equipment	4,708,871	4,738,704	4,431,124
Deferred taxation	-	-	12,101
Taxation recoverable	1,510,517	1,692,438	1,721,818
Retirement benefit asset	8,308,060	8,113,770	7,614,871
Other assets	754,061	879,963	401,041
Intangible assets	1,695,112	1,717,705	1,785,319
	<u>23,780,062</u>	<u>23,475,895</u>	<u>23,260,959</u>
TOTAL ASSETS	375,073,541	358,209,421	345,771,384
LIABILITIES			
DEPOSITS			
Deposits by the public	175,341,260	180,994,182	154,697,930
Other deposits	10,955,422	10,686,788	10,472,151
	<u>186,296,682</u>	<u>171,680,969</u>	<u>165,170,081</u>
OTHER LIABILITIES			
Acceptances, guarantees and letters of credit	6,793,461	6,333,327	7,294,687
Securities sold under repurchase agreements	44,625,965	45,384,758	45,136,538
Capital management and government securities funds	14,361,887	14,174,568	14,551,578
Deferred taxation	2,932,491	2,938,163	3,333,228
Retirement benefit obligation	2,489,849	2,341,321	2,013,337
Assets held in trust on behalf of participants	40,099	41,905	44,065
Other liabilities	7,150,433	6,139,447	4,444,133
	<u>78,274,175</u>	<u>77,353,487</u>	<u>76,817,552</u>
POLICYHOLDERS' FUNDS	42,254,770	41,679,968	39,687,917
STOCKHOLDERS' EQUITY			
Share capital	6,569,810	6,569,810	6,569,810
Reserve fund	3,248,591	3,248,591	3,248,591
Retained earnings reserve	12,441,770	12,441,770	11,641,770
Capital reserve	9,383	9,383	9,383
Loan loss reserve	2,488,060	2,299,390	2,305,790
Other reserves	12,892	12,892	12,892
Cumulative remeasurement result from available for sale assets	(47,262)	642,821	1,544,134
Unappropriated profits	40,628,968	39,327,565	35,966,322
	<u>65,232,212</u>	<u>64,552,212</u>	<u>61,289,692</u>
Non-controlling interest	3,015,702	2,962,796	2,607,142
	<u>68,247,914</u>	<u>67,515,008</u>	<u>64,095,834</u>
TOTAL EQUITY AND LIABILITIES	375,073,541	358,209,421	345,771,384

Director

Director

SCOTIA GROUP JAMAICA LIMITED
Consolidated Statement of Changes in Shareholders' Equity
January 31, 2013

Unaudited (\$ Thousands)	Share Capital \$'000	Reserve Fund \$'000	Retained Earnings Reserve \$'000	Capital Reserves \$'000	Cumulative Remeasurement result from Available for Sale financial assets \$'000	Loan Loss Reserve \$'000	Other Reserves \$'000	Unappropriated Profits \$'000	Total \$'000	Non-controlling Interest	Total Equity \$'000
Balance at 31 October 2011	6,569,810	3,248,591	11,341,770	9,383	1,955,115	2,251,257	12,892	34,921,801	60,310,619	2,740,918	63,051,537
Net Profit	-	-	-	-	-	-	-	2,540,343	2,540,343	106,687	2,647,030
Other Comprehensive Income											
Unrealised gains on available-for-sale securities, net of taxes	-	-	-	-	(294,812)	-	-	-	(294,812)	9,616	(285,196)
Realised gains on available-for-sale securities, net of taxes	-	-	-	-	(134,667)	-	-	-	(134,667)	(8,616)	(143,283)
Amortization of fair value reserves on financial assets reclassified to loans and receivables	-	-	-	-	18,498	-	-	-	18,498	-	18,498
Total Comprehensive Income	-	-	-	-	(410,981)	-	-	2,540,343	2,129,362	107,687	2,237,049
Transfer to Retained Earnings Reserve	-	-	300,000	-	-	-	-	(300,000)	-	-	-
Transfer to Loan Loss Reserve	-	-	-	-	-	54,533	-	(54,533)	-	-	-
Net movement in reserves for non-controlling interests	-	-	-	-	-	-	-	-	-	373	373
Dividends Paid	-	-	-	-	-	-	-	(1,151,289)	(1,151,289)	(41,836)	(1,193,125)
Balance at 31 January 2012	6,569,810	3,248,591	11,641,770	9,383	1,544,134	2,305,790	12,892	35,956,322	61,268,692	2,807,142	64,095,834
Balance at 31 October 2012	6,569,810	3,248,591	12,441,770	9,383	642,821	2,299,390	12,892	39,327,555	64,552,212	2,962,796	67,515,008
Net Profit	-	-	-	-	-	-	-	2,614,720	2,614,720	105,435	2,720,155
Other Comprehensive Income											
Unrealised losses on available-for-sale securities, net of taxes	-	-	-	-	(689,478)	-	-	-	(689,478)	(9,903)	(699,380)
Realised gains on available-for-sale securities, net of taxes	-	-	-	-	(5,019)	-	-	-	(5,019)	(1,996)	(7,015)
Amortization of fair value reserves on financial assets reclassified to loans and receivables	-	-	-	-	4,413	-	-	-	4,413	1,318	5,731
Total Comprehensive Income	-	-	-	-	(690,083)	-	-	2,614,720	1,924,637	94,854	2,019,491
Transfer to Loan Loss Reserve	-	-	-	-	-	168,670	-	(168,670)	-	-	-
Net movement in reserves for non-controlling interests	-	-	-	-	-	-	-	-	-	1,834	1,834
Dividends Paid	-	-	-	-	-	-	-	(1,244,637)	(1,244,637)	(43,782)	(1,288,419)
Balance at 31 January 2013	6,569,810	3,248,591	12,441,770	9,383	(47,262)	2,468,060	12,892	40,528,968	65,232,212	3,015,702	68,247,914

Scotia Group Jamaica Limited
Condensed Statement of Consolidated Cash Flows
January 31, 2013

Unaudited (\$ Thousands)	2013	2012
Cash flows provided by / (used in) operating activities		
Profit for the year	2,720,155	2,647,030
Items not affecting cash:		
Depreciation	139,056	129,021
Impairment losses on loans	283,593	196,030
Amortisation of intangible assets	30,277	36,892
Taxation	1,050,881	954,790
Other, net	(6,123,892)	(5,658,374)
	<u>(1,899,930)</u>	<u>(1,694,611)</u>
Changes in operating assets and liabilities		
Loans	(74,115)	(7,087,813)
Deposits	14,461,673	10,310,283
Policyholders reserve	574,812	668,156
Securities sold under repurchase agreement	(818,645)	479,322
Financial Assets at fair value through profit and loss	(175,826)	(132,429)
Other, net	9,580,701	4,461,094
	<u>21,648,670</u>	<u>7,004,002</u>
Cash flows provided by / (used in) investing activities		
Investments	(2,225,626)	(1,799,368)
Repurchase Agreements, net	-	216,097
Proceeds from sale of shares	-	187,940
Purchase of property, plant, equipment and Intangibles	(110,416)	(781,581)
Proceeds on sale of property, plant and equipment	1,258	-
	<u>(2,334,784)</u>	<u>(2,176,912)</u>
Cash flows used in financing activities		
Dividends paid	(1,288,419)	(1,193,125)
	<u>(1,288,419)</u>	<u>(1,193,125)</u>
Effect of exchange rate on cash and cash equivalents	383,410	17,628
Net change in cash and cash equivalents	18,408,877	3,651,593
Cash and cash equivalents at beginning of year	31,384,317	35,208,174
Cash and cash equivalents at end of period	<u>49,793,194</u>	<u>38,859,767</u>
Represented by :		
Cash resources	68,632,750	57,390,060
Less statutory reserves at Bank of Jamaica	(18,105,731)	(16,237,770)
Less amounts due from other banks greater than ninety days	-	(4,809,012)
Less accrued interest on cash resources	(16,088)	(38,204)
Reverse repurchase agreements and bonds less than ninety days	732,076	3,847,418
Cheques and other instruments in transit, net	(1,449,813)	(1,292,725)
CASH AND CASH EQUIVALENTS AT END OF Period	<u>49,793,194</u>	<u>38,859,767</u>

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

January 31, 2013

Unaudited

(\$ Thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	1,104,815	3,529,998	1,462,635	1,075,620	1,074,631	359,566	(31,556)	8,575,709
Revenues from other segments	(415,214)	(82,601)	456,452	14,909	25,797	2,950	(2,293)	-
Total Revenues	689,601	3,447,397	1,919,087	1,090,529	1,100,428	362,516	(33,849)	8,575,709
Expenses	(25,997)	(2,813,018)	(1,248,396)	(410,470)	(273,759)	(5,948)	(27,085)	(4,804,673)
Profit Before Tax	663,604	634,379	670,691	680,059	826,669	356,568	(60,934)	3,771,036
Taxation								(1,050,881)
Profit for the period								2,720,155

Consolidated Balance Sheet

(\$ Thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	91,138,218	77,269,732	60,369,771	74,630,158	51,354,517	25,736,238	(14,534,366)	365,964,268
Unallocated assets								9,109,273
Total Assets								375,073,541
Segment liabilities	810,271	95,448,280	101,660,150	62,997,548	42,767,498	359,884	(6,351,756)	297,691,875
Unallocated liabilities								9,133,752
Total liabilities								306,825,627
Other Segment items:								
Capital Expenditure	-	72,937	36,305	875	299	-	-	110,416
Impairment losses on loans	-	389,091	(87,732)	(17,766)	-	-	-	283,593
Depreciation and amortisation	-	85,797	47,952	33,443	2,141	-	-	169,333

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

January 31, 2012

Unaudited

<i>(\$ Thousands)</i>	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	1,214,910	3,235,576	1,317,027	1,005,729	1,024,110	1,039	-	7,798,391
Revenues from other segments	(492,761)	89,923	392,802	(2,395)	(2,001)	1,792	12,640	-
Total Revenues	722,149	3,325,499	1,709,829	1,003,334	1,022,109	2,831	12,640	7,798,391
Expenses	(25,086)	(2,321,008)	(1,205,154)	(337,849)	(265,471)	(8,429)	(33,574)	(4,196,571)
Profit Before Tax	697,063	1,004,491	504,675	665,485	756,638	(5,598)	(20,934)	3,601,820
Taxation								(954,790)
Profit for the period								2,647,030

Consolidated Balance Sheet

<i>(\$ Thousands)</i>	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	90,417,022	67,148,680	57,411,599	73,503,462	51,863,396	9,784,082	(12,295,138)	337,833,103
Unallocated assets								7,938,281
Total Assets								345,771,384
Segment liabilities	1,000	91,447,507	83,249,083	62,885,234	41,342,170	59,379	(4,344,839)	274,639,534
Unallocated liabilities								7,036,016
Total liabilities								281,675,550
Other Segment items:								
Capital Expenditure	-	543,710	235,326	2,545	-	-	-	781,581
Impairment losses on loans	-	187,109	9,359	(438)	-	-	-	196,030
Depreciation and amortisation	-	80,480	44,821	38,564	1,913	135	-	165,913

SCOTIA GROUP JAMAICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2013

1. Identification

Scotia Group Jamaica Limited (the Company) is a 71.78% subsidiary of The Bank of Nova Scotia, which is incorporated and domiciled in Canada and is the ultimate parent.

The Company is the parent of the Bank of Nova Scotia Jamaica Limited (100%), Scotia Investments Jamaica Limited (77.01%) and Scotia Jamaica Micro Finance Limited (100%).

2. Basis of presentation

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). New and revised standards that are effective this financial year has no material impact on the interim financial statements, and the accounting policies are consistent with those applied in the audited financial statements for the year ended October 31, 2012. These financial statements are presented in Jamaican dollars, which is the Group's functional currency.

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

IAS 1, Presentation of Financial Statements, has been amended, effective for annual reporting periods beginning on or after July 1, 2012, to require a reporting entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from 'Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income'. However, an entity is still allowed to use other titles.

IAS 12, Income Taxes, has been amended, effective for annual reporting periods beginning on or after January 1, 2012, to require an entity to measure deferred taxes relating to an asset based on whether the entity expects to recover the carrying amount of the asset through use or sale.

Basis of consolidation

The consolidated financial statements include the assets, liabilities, and results of operations of the Company and its subsidiaries presented as a single economic entity. Intra-group transactions, balances, and unrealized gains and losses are eliminated in preparing the consolidated financial statements.

3. Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss; loans and receivables; held-to-maturity; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Financial Assets at Fair Value through Profit and Loss

This category includes a financial asset acquired principally for the purpose of selling in the short term or if so designated by management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable.

Held-to-Maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

SCOTIA GROUP JAMAICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2013

3. Financial Assets (continued)

Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates or equity prices.

Available-for-sale investments and financial assets at fair value through profit and loss are carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of trading securities are included in the statement of revenue and expenses in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in the statement of comprehensive income. Interest calculated using the effective interest method is recognized in the statement of revenue and expenses.

4. Pledged Assets

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

(\$millions)	<u>Asset</u>		<u>Related</u>	<u>Liability</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Securities sold under repurchase agreements	43,960	43,866	38,508	36,600
Securities with other financial institutions and clearing houses	<u>6,007</u>	<u>10,051</u>	<u>6,018</u>	<u>8,537</u>
	49,967	53,917	44,526	45,137
Capital management and government securities funds	<u>14,037</u>	<u>14,055</u>	<u>14,362</u>	<u>14,551</u>
	<u>64,004</u>	<u>67,972</u>	<u>58,888</u>	<u>59,688</u>

5. Insurance and investment contracts

Insurance contracts are those contracts that transfer significant insurance risks. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk, the possibility of having to pay benefits at the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur.

6. Loan loss provision

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

7. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation.

8. Cash and cash equivalents

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

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9. Employee benefits

The Group operates both a defined benefit and a defined contribution pension plan, the assets of which are held in separate trustee-administered funds.

Defined benefit pension plan- the pension costs is assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of income 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. The asset or liability is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service costs, as well as subject to certain limits.

Other post-retirement obligations – The Group provides post retirement healthcare and group life insurance benefits to retirees. This is measured based on the present value of the estimated future cash outflow, using estimated discount rates based on market interest rates.

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

10. Segment reporting

The Group is organized into six main business segments:

- Retail Banking – incorporating personal banking services, personal deposit accounts, credit and debit cards, customer loans and mortgages;
- Corporate and Commercial Banking – incorporating non-personal direct debit facilities, current accounts, deposits, overdrafts, loans and other credit facilities and foreign currency transactions;
- Treasury – incorporating the Group’s liquidity and investment management function, management of correspondent bank relationships, as well as foreign currency trading;
- Investment Management Services- incorporating investments, unit trusts, pension and other fund management, brokerage and advisory services, and the administration of trust accounts.
- Insurance Services – incorporating the provision of life and medical insurance, individual pension administration and annuities;
- Other operations of the Group comprise the parent company and non trading subsidiaries.

Transactions between the business segments are on normal commercial terms and conditions. The Group’s operations are located mainly in Jamaica. The operations of subsidiaries located overseas represents less than 10% of the Group’s operating revenue and assets.

11. Subsequent Event

National Debt Exchange (NDX)

On February 22, 2013, the Government of Jamaica (GOJ) successfully concluded the National Debt Exchange (NDX) programme. The NDX was offered to all holders of specified, domestically-issued GOJ securities and included a par for par exchange to new bonds with lower coupon rates and longer tenures. The Board of Directors of Scotiabank Group and its subsidiaries had met and approved the full participation in the NDX Offer. As a result, the Group exchanged bonds with a face value of J\$119.4 Bn on February 22, 2013. The financial impact of accepting the offer will be reflected in the Q2 results.