MEDIA RELEASE

February 27, 2014

SCOTIA GROUP JAMAICA REPORTS FIRST QUARTER FINANCIAL RESULTS

FIRST QUARTER 2014 HIGHLIGHTS

- **Net Income of $2.54 billion**
- **Net Income available to common shareholders of $2.46 billion**
- **Earnings per share of $0.79**
- **Return on Average Equity of 14.06%**
- **Productivity ratio of 61.37%**
- **First quarter dividend of 40 cents per share**

Scotia Group Jamaica Limited (Scotia Group) today reported net income of $2.54 billion for the first quarter ended January 31, 2014. This is $168 million above the previous quarter ended October 31, 2013 and $104 million below the quarter ended January 31, 2013. The 2013 financial results were restated to comply with International Financial Reporting Standard - Revised IAS 19 Employee Benefits, which requires the recognition of all actuarial gains and losses in other comprehensive income (note 2).

Earnings per share (EPS) for the quarter was $0.79 compared to $0.82 for the same period last year. The Return on Average Equity (ROE) was 14.06%, down from 15.78% last year.

The Board of Directors today approved a first interim dividend of 40 cents per stock unit payable on April 10, 2014, to stockholders on record at March 20, 2014.

Jackie Sharp, Scotia Group's President & CEO commented, "Despite a challenging economic environment, Scotia Group delivered solid results for the first quarter. We continued to focus on growing our core business while prudently managing risk and improving operating efficiencies. This year is a significant year for Scotia Group as we celebrate 125 years in Jamaica, with our King Street branch being the very first branch of Scotiabank established outside of Canada. In the upcoming months we will roll-out new products, services and educational forums to our customers and the communities in which we operate as we cement our commitment to the long–term growth and sustainability of our business in Jamaica and drive value for our customers, shareholders and staff."

Scotiabank Group

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

$ Million	2014*	% Contribution
The Bank of Nova Scotia Jamaica Limited (BNSJ)	934	38%
Scotia Jamaica Life Insurance Company Limited (SJLIC)	652	27%
Scotia Investment Jamaica Limited (SIJL)	321	13%
Scotia Group Jamaica Limited (SGJ)	329	13%
Scotia Jamaica Building Society (SJBS)	214	9%
Other subsidiaries	7	0%
* Excludes minority interest and eliminations		
Net Income attributable to common shareholders	2,457	100%

REVENUES

Total operating income, comprising net interest income after impairment losses and including other revenue, was $8.3 billion, a decrease of $28 million relative to the prior year.

NET INTEREST INCOME

Net interest income after impairment losses for the period was $5.7 billion, down $134 million or 2.30% when compared to the same period last year. The Group continues to report strong growth in loan and deposit volumes over the period, resulting in net interest income increasing by $100 million. However, the loan loss expense increased by $234 million when compared with prior 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 $2.56 billion, up $106 million or 4.3% when compared with prior year. This was due primarily to increased insurance revenue of $54MM, higher gains on our foreign currency trading and investment book of $36MM and net fee and commission income of $11MM. The increase in the net fee and commission income was due to growth in our mutual funds and unit trust business.

OPERATING EXPENSES AND PRODUCTIVITY

Our productivity ratio - a key measure of cost efficiency - was 61.37%, compared to 57.35% in January 31, 2013 and 63.41% for the previous quarter October 31, 2013. Operating Expenses were $4.87 billion for the quarter, representing an increase of $237 million or 5.12% over prior year. This is due primarily to higher staff related costs of $139 million and operating expenses of $117 million reflecting an increase in the asset tax, inflationary increases and devaluation of the Jamaican dollar.

CREDIT QUALITY

Non-performing loans (NPLs) at January 31, 2014 totaled $4.53 billion, reflecting a decrease of $226 million from prior year, and an increase of $43 million from the previous quarter ended October 31, 2013. Total NPLs now represent 3.35% of total gross loans compared to 3.82% last year and 3.29% as at October 31, 2013. The Group's aggregate loan loss provision as at October 31, 2013 was $4.6 billion, representing 100% coverage of the total non-performing loans.

BALANCE SHEET

Total assets increased year over year by $15 billion or 3.92% to $390 billion as at January 31, 2014. This was due primarily to growth in the loan portfolio of $11 billion to close at $133.4 billion.

Total customer liabilities (deposits, repo liabilities and policyholder's funds) grew to $294 billion, an increase of $6.4 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 $73.7 billion, $5.9 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 continued its leadership in corporate philanthropy with donations totaling $19.6 million to support major Foundation and small community projects through its island wide branch network.

In Student Care, a donation of $8 million was made to the International Centre for Environmental & Nuclear Sciences at the University of the West Indies, completing our commitment to donate $25 million for multi-disciplinary research into scientific and technological innovation to improve the environment and socioeconomic advancement of Jamaica. The Bank also partnered with the Ministry of Education and donated $3 million towards the building of a new classroom block at the Norwich Primary School in Portland, replacing a wooden structure that was destroyed by Hurricane Sandy in 2012. The Foundation also contributed a total of $637,000 to various institutions for the continuation of the ScotiaFoundation Shining Star Secondary and Tertiary Scholarships.

In Health Care, the ScotiaFoundation donated $2 million towards the maintenance of the ScotiaFoundation Haemodialysis Unit at the Cornwall Regional Hospital. This brings the amount contributed to this unit since 1997 to $149.5 million.

In Community Care, the Bank donated $6 million to various projects including $1.3 million to the annual Salvation Army Red Kettle Appeal and led the Give Good Jamaica Grocery Drive which collected thousands of grocery items from staff and the public to be distributed to families in need across the island during the Christmas Season.

Staff members through the ScotiaVolunteers impacted their communities in various ways with an emphasis on children. They hosted several Christmas treats, assisted 750 children to make Christmas cards in Mary's House in Emancipation Park; and in January 2014 100 ScotiaVolunteers provided support to the Shaggy and Friends Dare to Care Concert which raised $70 million dollars for the Bustamante Hospital for Children.

OUR AWARDS

Scotiabank's 2013 Annual Report was awarded Runner Up – Best Annual Report and Scotiabank won the PSOJ Corporate Governance Award at the Jamaica Stock Exchange's Best Practices Awards.

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, 2014

	For the three months ended		
Unaudited ($ Thousands)	January 2014	Restated October 2013	Restated January 2013
Interest Income	7,683,707	7,589,482	7,894,108
Interest Expense	(1,461,599)	(1,409,402)	(1,771,474)
Net Interest Income	6,222,108	6,180,080	6,122,634
Impairment losses on loans	(517,182)	(191,302)	(283,593)
Net interest income after impairment losses	5,704,926	5,988,778	5,839,041
Net fee and commission income	1,387,090	1,474,863	1,376,180
Insurance revenue	516,137	476,083	461,927
Net gains on foreign currency activities	548,038	676,720	525,919
Net gains on financial assets	96,491	149,128	82,364
Other revenue	11,453	4,609	6,685
	2,559,209	2,781,403	2,453,075
Total Operating Income	8,264,135	8,770,181	8,292,116
Operating Expenses			
Salaries and staff benefits	2,609,822	2,528,150	2,470,393
Property expenses, including depreciation	464,188	575,139	510,400
Amortisation of intangible assets	57,225	137,905	30,277
Other operating expenses	1,740,486	2,249,727	1,623,251
	4,871,721	5,490,921	4,634,321
Profit before taxation	3,392,414	3,279,260	3,657,795
Taxation	(851,577)	(906,864)	(1,013,135)
Profit for the period	2,540,837	2,372,396	2,644,660
Attributable to:-			
Stockholders of the Company	2,456,868	2,271,955	2,539,225
Non-Controlling Interest	83,969	100,441	105,435
Earnings per share (cents)	79	73	82
Return on average equity (annualized)	14.06%	13.29%	15.78%
Return on assets (annualized)	2.52%	2.33%	2.71%
Productivity ratio	61.37%	63.41%	57.35%

Scotia Group Jamaica Limited
Consolidated Statement of Comprehensive Income
Period ended January 31, 2014

	For the three months ended		
Unaudited ($ Thousands)	January 2014	Restated October 2013	Restated January 2013
Profit for the period	2,540,837	2,372,396	2,644,660
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plan / obligations	203,241	1,370,947	221,276
Taxation	(67,747)	(456,982)	(73,757)
	135,494	913,965	147,519
Items that may be subsequently reclassified to profit or loss:			
Unrealised losses on available for sale assets	(180,438)	(167,992)	(871,127)
Realised losses / (gains) on available for sale assets	15,456	21,653	(12,361)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivable	(16,734)	(2,288)	7,219
	(181,716)	(148,627)	(876,269)
Taxation	7,009	41,804	175,605
	(174,707)	(106,823)	(700,664)
Other comprehensive income, net of tax	(39,213)	807,142	(553,145)
Total comprehensive income for the period	2,501,624	3,179,538	2,091,515
Attributable to:-			
Stockholders of the Company	2,443,978	3,092,002	1,996,661
Non-Controlling Interest	57,646	87,536	94,854

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

Unaudited	January 31, 2014	Restated October 31, 2013	Restated January 31, 2013
($ Thousands)			
ASSETS			
CASH RESOURCES	82,483,364	74,882,563	68,632,750
INVESTMENTS			
Held to maturity	10,719,572	12,492,257	11,463,574
Financial assets at fair value through profit and loss	1,014,583	813,101	654,560
Available for sale	77,659,991	80,342,802	84,244,514
	89,394,146	93,648,160	96,362,648
PLEDGED ASSETS	57,363,486	59,028,856	64,004,243
LOANS, AFTER ALLOWANCE FOR IMPAIRMENT LOSSES	133,441,455	134,823,756	122,313,838
OTHER ASSETS			
Customers' liability under acceptances, guarantees and letters of credit	6,471,726	7,173,614	6,793,461
Property, plant and equipment	4,742,366	4,679,879	4,708,871
Deferred taxation	40,177	34,349	-
Taxation recoverable	2,940,157	2,499,165	1,510,517
Retirement benefit asset	10,326,865	10,020,169	8,240,905
Other assets	1,044,915	970,319	754,051
Intangible assets	1,444,951	1,499,675	1,685,113
	27,011,157	26,877,170	23,692,918
TOTAL ASSETS	**389,693,608**	**389,260,505**	**375,006,397**
LIABILITIES			
DEPOSITS			
Deposits by the public	184,552,312	183,369,415	175,341,260
Other deposits	11,688,811	14,152,481	10,955,422
	196,241,123	197,521,896	186,296,682
OTHER LIABILITIES			
Acceptances, guarantees and letters of credit	6,471,726	7,173,614	6,793,461
Securities sold under repurchase agreements	41,466,187	42,589,792	44,525,055
Capital management and government securities funds	12,979,125	13,019,564	14,561,887
Deferred taxation	3,082,217	3,039,540	2,679,419
Retirement benefit obligation	3,344,384	3,224,811	3,161,918
Assets held in trust on behalf of participants	-	38,316	40,099
Other liabilities	9,274,299	7,161,233	7,150,434
	76,617,938	76,243,870	78,713,173
POLICYHOLDERS' FUNDS	43,135,831	43,013,959	42,254,770
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	14,691,770	14,391,770	12,441,770
Capital reserve	9,383	9,383	9,383
Loan loss reserve	2,847,577	2,781,066	2,468,060
Other reserves	12,892	12,892	12,892
Cumulative remeasurement result from available for sale assets	(487,335)	(463,053)	(47,262)
Unappropriated profits	43,618,533	42,761,421	40,022,826
	70,511,221	69,311,880	64,726,070
Non-controlling interest	3,187,495	3,168,900	3,015,702
	73,698,716	72,480,780	67,741,772
TOTAL EQUITY AND LIABILITIES	**389,693,608**	**389,260,505**	**375,006,397**

Director

Director

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

Unaudited ($ Thousands)	Share Capital	Reserve Fund	Retained Earnings Reserve	Capital Reserves	Cumulative Remeasurement result from Available for Sale financial assets	Loan Loss Reserve	Other Reserves	Unappropriated Profits	Total	Non-controlling Interest	Total Equity
Balance at 31 October 2012	6,569,810	3,248,591	12,441,770	9,383	642,821	2,299,390	12,892	39,327,555	64,552,212	2,962,796	67,515,008
Effect of Revised IAS 19	-	-	-	-	-	-	-	(578,166)	(578,166)	-	(578,166)
Balance as at 31 October 2012 (restated)	6,569,810	3,248,591	12,441,770	9,383	642,821	2,299,390	12,892	38,749,389	63,974,046	2,962,796	66,936,842
Net Profit	-	-	-	-	-	-	-	2,539,225	2,539,225	105,435	2,644,660
Other Comprehensive Income											
Re-measurement of defined benefit plan/obligations	-	-	-	-	-	-	-	147,519	147,519	-	147,519
Unrealised losses on available-for-sale securities, net of taxes	-	-	-	-	(689,477)	-	-	-	(689,477)	(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)	-	-	2,686,744	1,996,661	94,854	2,091,515
Transfers between reserves											
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	40,022,826	64,726,070	3,015,702	67,741,772
									-		
Balance at 31 October 2013	6,569,810	3,248,591	14,391,770	9,383	(463,053)	2,781,066	12,892	43,042,579	69,593,038	3,168,900	72,761,938
Effect of Revised IAS 19	-	-	-	-	-	-	-	(281,158)	(281,158)	-	(281,158)
Balance as at 31 October 2013 (restated)	6,569,810	3,248,591	14,391,770	9,383	(463,053)	2,781,066	12,892	42,761,421	69,311,880	3,168,900	72,480,780
Net Profit	-	-	-	-	-	-	-	2,456,868	2,456,868	83,969	2,540,837
Other Comprehensive Income											
Re-measurement of defined benefit plan/obligations	-	-	-	-	-	-	-	135,494	135,494	-	135,494
Unrealised losses on available-for-sale securities, net of taxes	-	-	-	-	(123,145)	-	-	-	(123,145)	(16,037)	(139,182)
Realised losses on available-for-sale securities, net of taxes	-	-	-	-	10,089	-	-	-	10,089	261	10,350
Amortization of fair value reserves on financial assets reclassified to loans and receivables	-	-	-	-	(35,328)	-	-	-	(35,328)	(10,547)	(45,875)
Total Comprehensive Income	-	-	-	-	(148,384)	-	-	2,592,362	2,443,978	57,646	2,501,624
Transfers between reserves											
Transfer to Retained Earnings Reserve	-	-	300,000	-	-	-	-	(300,000)	-	-	-
Transfer to Loan Loss Reserve	-	-	-	-	-	66,511	-	(66,511)	-	-	-
Transfer to Unappropriated Profits	-	-	-	-	124,102	-	-	(124,102)	-	-	-
Net movement in reserves for non-controlling interests	-	-	-	-	-	-	-	-	-	4,731	4,731
Dividends Paid	-	-	-	-	-	-	-	(1,244,637)	(1,244,637)	(43,782)	(1,288,419)
Balance at 31 January 2014	6,569,810	3,248,591	14,691,770	9,383	(487,335)	2,847,577	12,892	43,618,533	70,511,221	3,187,495	73,698,716

Scotia Group Jamaica Limited
Condensed Statement of Consolidated Cash Flows
January 31, 2014

Unaudited *($ Thousands)*	**2014**	**Restated 2013**
Cash flows provided by / (used in) operating activities		
Profit for the year	2,540,837	2,644,660
Items not affecting cash:		
Depreciation	128,381	139,056
Impairment losses on loans	517,182	283,593
Amortisation of intangible assets	57,225	30,277
Taxation	851,577	1,013,135
Other, net	(6,216,845)	(6,123,892)
	(2,121,643)	(2,013,171)
Changes in operating assets and liabilities		
Loans	905,427	(74,115)
Deposits	1,123,940	14,461,673
Policyholders reserve	121,872	574,812
Securities sold under repurchase agreement	(1,100,752)	(818,645)
Financial Assets at fair value through profit and loss	(201,545)	(175,826)
Other, net	13,458,991	9,693,942
	12,186,290	21,648,670
Cash flows provided by / (used in) investing activities		
Investments and pledged assets	8,245,474	(2,225,626)
Purchase of property, plant, equipment and intangibles	(205,732)	(110,416)
Proceeds on sale of property, plant and equipment	7,100	1,258
	8,046,842	(2,334,784)
Cash flows used in financing activities		
Dividends paid	(1,288,419)	(1,288,419)
	(1,288,419)	(1,288,419)
Effect of exchange rate on cash and cash equivalents	587,854	383,410
Net change in cash and cash equivalents	19,532,567	18,408,877
Cash and cash equivalents at beginning of period	43,106,670	31,384,317
Cash and cash equivalents at end of period	**62,639,237**	**49,793,194**
Represented by :		
Cash resources	82,483,364	68,632,750
Less statutory reserves at Bank of Jamaica	(19,782,662)	(18,105,731)
Less amounts due from other banks greater than ninety days	(6,164,553)	-
Less accrued interest on cash resources	(18,967)	(16,088)
Pledged assets less than ninety days	7,638,536	732,076
Cheques and other instruments in transit, net	(1,516,481)	(1,449,813)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**62,639,237**	**49,793,194**

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

January 31, 2014

Unaudited

($ Thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	856,897	3,853,179	1,601,752	1,029,226	1,060,139	380,124	-	8,781,317
Revenues from other segments	(171,486)	(170,556)	330,635	(41,054)	49,659	3,548	(746)	-
Total Revenues	685,411	3,682,623	1,932,387	988,172	1,109,798	383,672	(746)	8,781,317
Expenses	(64,499)	(3,172,764)	(1,347,806)	(423,441)	(357,230)	(7,579)	(15,584)	(5,388,903)
Profit Before Tax	620,912	509,859	584,581	564,731	752,568	376,093	(16,330)	3,392,414
Taxation								(851,577)
Profit for the year								2,540,837

Consolidated Balance Sheet

($ Thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	96,891,537	84,852,511	61,462,879	72,983,300	52,766,050	27,305,766	(18,077,105)	378,184,938
Unallocated assets								11,508,670
Total Assets								389,693,608
Segment liabilities	728,138	105,957,721	102,714,352	60,355,194	43,535,173	599,128	(9,676,298)	304,213,408
Unallocated liabilities								11,781,484
Total liabilities								315,994,892
Other Segment items:								
Capital Expenditure	-	117,290	79,765	-	8,677	-	-	205,732
Impairment losses on loans	-	526,973	(8,873)	(918)	-	-	-	517,182
Depreciation and amortisation	-	82,517	40,709	60,305	2,075	-	-	185,606

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

January 31, 2013 (Restated)

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	(27,492)	(2,883,850)	(1,289,310)	(410,470)	(273,759)	(5,948)	(27,085)	(4,917,914)
Unallocated expenses								
Profit Before Tax	662,109	563,547	629,777	680,059	826,669	356,568	(60,934)	3,657,795
Taxation								(1,013,135)
Profit for the period								2,644,660

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								9,042,129
Total Assets								375,006,397
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								9,572,750
Total liabilities								307,264,625
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

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

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

2. **Basis of presentation**
   The interim condensed consolidated financial statements for the three months ended January 31, 2014 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended October 31, 2013, which was prepared in accordance with International Financial Reporting Standards, except for the adoption of relevant new standards and interpretations effective as of January 1, 2013. These financial statements are presented in Jamaican dollars, which is the Group's functional currency.

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

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

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

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

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

2. Basis of presentation (continued)

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

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

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

Basis of consolidation

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

3. Financial Assets

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

<u>Financial Assets at Fair Value through Profit and Loss</u>

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

<u>Loans and receivables</u>

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.

<u>Held-to-Maturity</u>

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.

<u>Available-for-sale</u>

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)	Asset		Related Liability	
	2014	2013	2014	2013
Securities sold under repurchase agreements	38,697	43,960	31,121	38,508
Securities with other financial institutions and clearing houses	8,434	6,007	10,345	6,018
	47,131	49,967	41,466	44,526
Capital management and government securities funds	10,232	14,037	12,979	14,362
	57,363	64,004	54,445	58,888

5. Insurance and investment contracts

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

6. Loan loss provision

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

7. Property, plant and equipment

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

8. Cash and cash equivalents

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

9. Employee benefits

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

Defined Benefit Plan:

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

9. Employee benefits

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

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

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

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

	Restated Quarter ended October 31, 2013 $'000	**Restated Quarter ended January 31, 2013 $'000**
Statement of Revenue and Expenses:		
Net profit, as previously reported	3,216,956	2,720,155
Adjustments for actuarial gains previously reported in profit	(1,266,840)	(113,243)
Deferred tax thereon	422,280	37,748
Net profit, restated	2,372,396	2,644,660
Other comprehensive income:		
Other comprehensive income, as previously reported	(106,823)	(700,664)
Re-measurement of defined benefit plan/obligations	1,370,947	221,276
Deferred tax thereon	(456,982)	(73,757)
Other comprehensive income, restated	807,142	(553,145)
Total comprehensive income:		
Total comprehensive income, as previously reported	3,110,133	2,019,491
Re-measurement of defined benefit plan/obligations	104,107	108,033
Deferred tax thereon	(34,702)	(36,009)
Total comprehensive income, restated	3,179,538	2,091,515

9. Employee benefits (continued)

Adoption of revised IAS 19 (continued):-

	Restated Quarter ended October 31, 2013 $'000	Restated Quarter ended January 31, 2013 $'000
Statement of Financial Position:		
Retirement benefit asset, as previously reported	10,065,469	8,308,050
Effect of re-measurement of defined benefit plan	(45,300)	(67,145)
Retirement benefit asset, restated	10,020,169	8,240,905
Retirement benefit obligations, as previously reported	2,848,375	2,469,849
Effect of re-measurement of post retirement obligations	376,436	692,069
Retirement benefit obligations, restated	3,224,811	3,161,918
Deferred taxation as previously reported	3,179,118	2,932,491
Tax effect of re-measurement of retirement benefit asset/obligations	(140,578)	(253,072)
Deferred taxation, restated	3,038,540	2,679,419
Unappropriated profit, as previously reported	43,042,579	40,528,968
Effect of re-measurement of retirement benefit asset/obligations	(281,158)	(506,142)
Unappropriated profit, restated	42,761,421	40,022,826

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 represent less than 10% of the Group's operating revenue and assets.