MEDIA RELEASE

May 30, 2014

SCOTIA GROUP JAMAICA REPORTS SECOND QUARTER FINANCIAL RESULTS

SECOND QUARTER 2014 HIGHLIGHTS (YEAR TO DATE)

- **Net Income of $4.90 billion**
- **Net Income available to common shareholders of $4.74 billion**
- **Earnings per share of $1.52**
- **Return on Average Equity of 13.41%**
- **Productivity ratio of 62.11%**
- **Second quarter dividend of 40 cents per share**

Scotia Group Jamaica Limited (Scotia Group) today reported net income of $2.36 billion for the second quarter ended April 30, 2014. This is $177 million below the previous quarter ended January 31, 2014 and $521 million below the quarter ended April 30, 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 six months was $1.52 compared to $1.72 for the same period last year. The Return on Average Equity (ROE) was 13.41%, down from 16.45% last year.

The Board of Directors today approved a second interim dividend of 40 cents per stock unit payable on July 11, 2014, to stockholders on record at June 20, 2014.

Jackie Sharp, President & CEO said, "Despite a tough economic and market environment, we saw volume growth in all our core business lines. We continued to innovate and are pleased to have enhanced our credit card offering and will launch a new universal life insurance policy, AFFIRM through Scotia Insurance. We are mindful however of the major increase in our asset tax as imposed by the Government. This will have a significant impact on our results and, as such, it will be important that we heighten our efforts to increase operational efficiency and identify new revenue streams so that we continue to drive value for all our stakeholders. We remain focused on providing safe and value-added financial solutions for our customers across all segments; prudently managing risk; and leveraging the global expertise available to us. These attributes have served us well, and will continue to be at the center of our strategy as we build on our strong legacy of 125 years in Jamaica."

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)	1,812	38%
Scotia Jamaica Life Insurance Company Limited (SJLIC)	1,264	27%
Scotia Investment Jamaica Limited (SIJL)	599	13%
Scotia Group Jamaica Limited (SGJ)	650	14%
Scotia Jamaica Building Society (SJBS)	398	8%
Other subsidiaries	15	0%
* Excludes minority interest and eliminations		
Net Income attributable to common shareholders	**4,738**	**100%**

REVENUES

Total operating income, comprising net interest income after impairment losses and including other revenue, was $16.5 billion, a decrease of $119 million relative to the prior year.

NET INTEREST INCOME

Net interest income after impairment losses for the period was $11.2 billion, an increase of $27 million 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 $257 million. However, the loan loss expense increased by $230 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 six months was $5.3 billion, down $146 million or 2.68% when compared with prior year. This was due primarily to lower fee and commission income, insurance revenue and decline in gains earned on the foreign currency trading and investment book, which was offset against growth the net gains earned on financial assets.

OPERATING EXPENSES AND PRODUCTIVITY

Our productivity ratio - a key measure of cost efficiency - was 62.11%, compared to 57.65% in April 30, 2013 and 61.37% for the previous quarter January 31, 2014. Operating Expenses were $9.9 billion for the six months, representing an increase of $607 million or 6.53% over prior year. This is due primarily to higher staff related costs of $203 million and operating expenses of $377 million reflecting an increase in the asset tax of $300 million resulting from the recent increase in the rates implemented by the Government in the 2014/15 Budget, inflationary increases and devaluation of the Jamaican dollar.

CREDIT QUALITY

Non-performing loans (NPLs) at April 30, 2014 totaled $4.77 billion, reflecting a decrease of $260 million from prior year, and an increase of $240 million from the previous quarter ended January 31, 2014. Total NPLs now represent 3.45% of total gross loans compared to 3.88% last year and 3.35% as at January 31, 2014. The Group's aggregate loan loss provision as at April 30, 2014 was $4.8 billion, representing 100% coverage of the total non-performing loans.

BALANCE SHEET

Total assets increased year over year by $23 billion or 5.91% to $405 billion as at April 30, 2014. This was due primarily to growth in the loan portfolio of $9.5 billion to close at $136.7 billion and net growth in the cash resources, pledged assets and investments portfolios of $9.68 billion.

Total customer liabilities (deposits, repo liabilities and policyholder's funds) grew to $308 billion, an increase of $13.5 billion over last year. This growth was mainly reflected in the deposit and repo portfolios as we continued to acquire new customers and see increased balances from existing customers.

CAPITAL

Total shareholders' equity grew to $75.5 billion, $6.2 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 made donations totaling $10 million to support major and small community projects through our ScotiaFoundation.

In Student Care, at the tertiary level, the Foundation provided $7.32 million to fund the Scotiabank Chair in Entrepreneurship and Development at the University of Technology and assisted four ScotiaFoundation Scholars with university tuition.

Scotiabank celebrated International Women's Day on March 8 with donations and support to 10 institutions across the island. The donations totaling $625,000 went towards assisting the home work project of the Women's Outreach Center; the musical department of the Hampton School; a health and business seminar for St. Elizabeth Women; educational sessions for the girls through the Soroptimist Club of Mandeville; skills training for teens at the Montego Bay Community Home for Girls; development sessions for participants in the Girl Power project of the Rotary Club of Montego Bay Sunrise; supporting teenage mothers of the Women's Centre of Jamaica Foundation in Port Antonio, Montego Bay, and Spanish Town; and the fund raising efforts of the United Way Women's Leadership Initiative.

The Bank also made major donations to several community organizations including the National Environment Trust. The Bank also contributed $466,000 to Sickle Cell Trust through its participation in the Sigma Corporate Run and 105 volunteers supported the Kingston City Run as marshals to provide support for the homeless.

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 April 30, 2014

	For the three months ended			For the period ended	
Unaudited ($ Thousands)	April 2014	January 2014	Restated April 2013	April 2014	Restated April 2013
Interest Income	7,394,784	7,683,707	7,199,781	15,078,491	15,093,889
Interest Expense	(1,583,474)	(1,461,599)	(1,545,880)	(3,045,073)	(3,317,354)
Net Interest Income	5,811,310	6,222,108	5,653,901	12,033,418	11,776,535
Impairment losses on loans	(361,603)	(517,182)	(365,388)	(878,785)	(648,981)
Net interest income after impairment losses	5,449,707	5,704,926	5,288,513	11,154,633	11,127,554
Net fee and commission income	1,366,026	1,387,090	1,450,204	2,753,116	2,826,384
Insurance revenue	642,830	516,137	765,684	1,158,967	1,227,611
Net gains on foreign currency activities	543,678	548,038	955,594	1,091,716	1,481,513
Net gains / (losses) on financial assets	206,034	96,491	(176,211)	302,525	(93,847)
Other revenue	5,049	11,453	20,934	16,502	27,619
	2,763,617	2,559,209	3,016,205	5,322,826	5,469,280
Total Operating Income	8,213,324	8,264,135	8,304,718	16,477,459	16,596,834
Operating Expenses					
Salaries and staff benefits	2,519,619	2,609,822	2,456,018	5,129,441	4,926,411
Property expenses, including depreciation	543,169	464,188	523,917	1,007,357	1,034,317
Amortisation of intangible assets	57,164	57,225	30,190	114,389	60,467
Other operating expenses	1,909,056	1,740,486	1,649,637	3,649,542	3,272,888
	5,029,008	4,871,721	4,659,762	9,900,729	9,294,083
Profit before taxation	3,184,316	3,392,414	3,644,956	6,576,730	7,302,751
Taxation	(820,384)	(851,577)	(760,100)	(1,671,961)	(1,773,235)
Profit for the period	2,363,932	2,540,837	2,884,856	4,904,769	5,529,516
Attributable to:-					
Stockholders of the Company	2,281,185	2,456,868	2,805,922	4,738,053	5,345,147
Non-Controlling Interest	82,747	83,969	78,934	166,716	184,369
Earnings per share (cents)	73	79	90	152	172
Return on average equity (annualized)	12.79%	14.06%	17.14%	13.41%	16.45%
Return on assets (annualized)	2.26%	2.52%	2.94%	2.34%	2.80%
Productivity ratio	62.86%	61.37%	57.96%	62.11%	57.65%

Scotia Group Jamaica Limited
Consolidated Statement of Comprehensive Income
Period ended April 30, 2014

	For the three months ended			For the period ended	
Unaudited ($ Thousands)	April 2014	January 2014	Restated April 2013	April 2014	Restated April 2013
Profit for the period	2,363,932	2,540,837	2,884,856	4,904,769	5,529,516
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plan / obligations	915,609	203,241	176,322	1,118,850	397,598
Taxation	(305,203)	(67,747)	(58,776)	(372,950)	(132,533)
	610,406	135,494	117,546	745,900	265,065
Items that may be subsequently reclassified to profit or loss:					
Unrealised gains / (losses) on available for sale assets	187,009	(180,438)	811,016	6,571	(60,111)
Realised losses / (gains) on available for sale assets	12,751	15,456	(901,481)	28,207	(913,842)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivable	(63,345)	(16,734)	(4,824)	(80,079)	2,395
	136,415	(181,716)	(95,289)	(45,301)	(971,558)
Taxation	(45,021)	7,009	(58,461)	(38,012)	117,144
	91,394	(174,707)	(153,750)	(83,313)	(854,414)
Other comprehensive income, net of tax	701,800	(39,213)	(36,204)	662,587	(589,349)
Total comprehensive income for the period	3,065,732	2,501,624	2,848,652	5,567,356	4,940,167
Attributable to:-					
Stockholders of the Company	2,954,224	2,443,978	2,745,723	5,398,201	4,742,384
Non-Controlling Interest	111,509	57,646	102,929	169,155	197,783

SCOTIA GROUP JAMAICA LTD
Consolidated Statement of Financial Position
April 30, 2014

Unaudited	April 30, 2014	Restated October 31, 2013	Restated April 30, 2013
($ Thousands)			
ASSETS			
CASH RESOURCES	86,782,592	74,882,563	73,919,980
INVESTMENTS			
Held to maturity	11,127,683	12,492,257	12,165,705
Financial assets at fair value through profit and loss	704,190	813,101	886,110
Available for sale	71,591,144	80,342,802	79,845,533
	83,423,017	93,648,160	92,897,348
PLEDGED ASSETS	69,142,001	59,028,856	62,849,781
LOANS, AFTER ALLOWANCE FOR IMPAIRMENT LOSSES	136,730,372	134,823,756	127,255,667
OTHER ASSETS			
Customers' liability under acceptances, guarantees and letters of credit	7,223,886	7,173,614	6,856,261
Property, plant and equipment	4,773,734	4,679,879	4,675,552
Deferred taxation	8,952	34,349	39,649
Taxation recoverable	2,484,926	2,499,165	2,388,844
Retirement benefit asset	11,345,929	10,020,169	8,435,655
Other assets	1,339,697	970,319	1,076,249
Intangible assets	1,389,395	1,499,675	1,662,922
	28,566,519	26,877,170	25,135,132
TOTAL ASSETS	**404,644,501**	**389,260,505**	**382,057,908**
LIABILITIES			
DEPOSITS			
Deposits by the public	188,258,677	183,369,415	183,628,903
Other deposits	11,861,152	14,152,481	11,435,641
	200,119,829	197,521,896	195,064,544
OTHER LIABILITIES			
Acceptances, guarantees and letters of credit	7,223,886	7,173,614	6,856,261
Securities sold under repurchase agreements	51,761,745	42,588,792	41,568,981
Capital management and government securities funds	12,864,810	13,018,564	15,098,804
Deferred taxation	3,423,755	3,038,540	2,486,258
Retirement benefit obligation	3,463,855	3,224,811	3,182,882
Assets held in trust on behalf of participants	-	38,316	38,743
Other liabilities	7,299,115	7,161,233	5,958,766
	86,037,166	76,243,870	75,190,695
POLICYHOLDERS' FUNDS	43,011,475	43,013,959	42,499,279
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	15,491,770	14,391,770	12,441,770
Capital reserve	9,383	9,383	9,383
Loan loss reserve	2,902,279	2,781,066	2,455,754
Other reserves	12,892	12,892	12,892
Cumulative remeasurement result from available for sale assets	(253,206)	(463,053)	11,208
Unappropriated profits	44,239,288	42,761,421	41,477,749
	72,220,807	69,311,880	66,227,157
Non-controlling interest	3,255,224	3,168,900	3,076,233
	75,476,031	72,480,780	69,303,390
TOTAL EQUITY AND LIABILITIES	**404,644,501**	**389,260,505**	**382,057,908**

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SCOTIA GROUP JAMAICA LIMITED
Consolidated Statement of Changes in Shareholders' Equity
April 30, 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	-	-	-	-	-	-	-	5,345,147	5,345,147	184,369	5,529,516
Other Comprehensive Income											
Re-measurement of defined benefit plan/obligations	-	-	-	-	-	-	-	265,065	265,065	-	265,065
Unrealised losses on available-for-sale securities, net of taxes	-	-	-	-	(67,068)	-	-	-	(67,068)	21,542	(45,526)
Realised gains on available-for-sale securities, net of taxes	-	-	-	-	(789,372)	-	-	-	(789,372)	(4,728)	(794,100)
Amortization of fair value reserves on financial assets reclassified to loans and receivables	-	-	-	-	(11,388)	-	-	-	(11,388)	(3,400)	(14,788)
Total Comprehensive Income	-	-	-	-	(867,828)	-	-	5,610,212	4,742,384	197,783	4,940,167
Transfers between reserves											
Transfer to Loan Loss Reserve	-	-	-	-	-	156,364	-	(156,364)	-	-	-
Transfer to Unappropriated Profits	-	-	-	-	236,215	-	-	(236,215)	-	-	-
Net movement in reserves for non-controlling interests	-	-	-	-	-	-	-	-	-	3,217	3,217
Dividends Paid	-	-	-	-	-	-	-	(2,489,273)	(2,489,273)	(87,563)	(2,576,836)
Balance at 30 April 2013 (restated)	6,569,810	3,248,591	12,441,770	9,383	11,208	2,455,754	12,892	41,477,749	66,227,157	3,076,233	69,303,390
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	-	-	-	-	-	-	-	4,738,053	4,738,053	166,716	4,904,769
Other Comprehensive Income											
Re-measurement of defined benefit plan/obligations	-	-	-	-	-	-	-	745,900	745,900	-	745,900
Unrealised losses on available-for-sale securities, net of taxes	-	-	-	-	(26,102)	-	-	-	(26,102)	24,094	(2,008)
Realised losses on available-for-sale securities, net of taxes	-	-	-	-	17,678	-	-	-	17,678	1,430	19,108
Amortization of fair value reserves on financial assets reclassified to loans and receivables	-	-	-	-	(77,328)	-	-	-	(77,328)	(23,085)	(100,413)
Total Comprehensive Income	-	-	-	-	(85,752)	-	-	5,483,953	5,398,201	169,155	5,567,356
Transfers between reserves											
Transfer to Retained Earnings Reserve	-	-	1,100,000	-	-	-	-	(1,100,000)	-	-	-
Transfer to Loan Loss Reserve	-	-	-	-	-	121,213	-	(121,213)	-	-	-
Transfer to Unappropriated Profits	-	-	-	-	295,599	-	-	(295,599)	-	-	-
Net movement in reserves for non-controlling interests	-	-	-	-	-	-	-	-	-	4,732	4,732
Dividends Paid	-	-	-	-	-	-	-	(2,489,274)	(2,489,274)	(87,563)	(2,576,837)
Balance at 30 April 2014	6,569,810	3,248,591	15,491,770	9,383	(253,206)	2,902,279	12,892	44,239,288	72,220,807	3,255,224	75,476,031

Scotia Group Jamaica Limited
Condensed Statement of Consolidated Cash Flows
April 30, 2014

Unaudited *($ Thousands)*	**2014**	**Restated 2013**
Cash flows provided by / (used in) operating activities		
Profit for the year	4,904,769	5,529,516
Items not affecting cash:		
Depreciation	246,986	272,847
Impairment losses on loans	878,785	648,981
Amortisation of intangible assets	114,389	60,467
Taxation	1,671,961	1,773,235
Other, net	(12,028,872)	(11,786,124)
	(4,211,982)	(3,501,078)
Changes in operating assets and liabilities		
Loans	(2,741,870)	(5,371,343)
Deposits	4,739,963	23,580,911
Policyholders reserve	(2,484)	819,320
Securities sold under repurchase agreement	9,014,979	(3,774,860)
Financial Assets at fair value through profit and loss	108,876	44,701
Other, net	13,489,980	4,270,348
	20,397,462	16,067,999
Cash flows provided by / (used in) investing activities		
Investments and pledged assets	3,586,093	1,032,830
Purchase of property, plant, equipment and intangibles	(355,590)	(227,094)
Proceeds on sale of property, plant and equipment	6,094	21,303
	3,236,597	827,039
Cash flows used in financing activities		
Dividends paid	(2,576,837)	(2,576,836)
	(2,576,837)	(2,576,836)
Effect of exchange rate on cash and cash equivalents	2,166,846	1,787,600
Net change in cash and cash equivalents	23,224,068	16,105,802
Cash and cash equivalents at beginning of period	43,106,670	31,384,317
Cash and cash equivalents at end of period	**66,330,738**	**47,490,119**
Represented by :		
Cash resources	86,782,592	73,919,980
Less statutory reserves at Bank of Jamaica	(20,162,476)	(20,289,820)
Less amounts due from other banks greater than ninety days	(5,492,425)	(6,011,293)
Less accrued interest on cash resources	(29,208)	(10,725)
Pledged assets less than ninety days	8,008,288	1,351,340
Cheques and other instruments in transit, net	(2,776,033)	(1,469,363)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**66,330,738**	**47,490,119**

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

April 30, 2014
Unaudited

($ Thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	1,620,834	7,609,734	3,088,770	2,116,502	2,182,160	738,244	-	17,356,244
Revenues from other segments	(302,026)	(333,122)	600,477	(60,436)	94,175	3,095	(2,163)	-
Total Revenues	1,318,808	7,276,612	3,689,247	2,056,066	2,276,335	741,339	(2,163)	17,356,244
Expenses	(184,063)	(6,055,112)	(2,772,481)	(862,943)	(820,422)	(16,458)	(68,035)	(10,779,514)
Profit Before Tax	1,134,745	1,221,500	916,766	1,193,123	1,455,913	724,881	(70,198)	**6,576,730**
Taxation								(1,671,961)
Profit for the year								**4,904,769**

Consolidated Balance Sheet

($ Thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	106,907,590	86,830,332	64,054,516	73,676,027	52,926,868	26,058,681	(18,554,700)	391,899,314
Unallocated assets								12,745,187
Total Assets								404,644,501
Segment liabilities	10,139,880	109,609,281	105,309,630	60,697,988	43,481,951	122,193	(10,083,279)	319,277,644
Unallocated liabilities								9,890,826
Total liabilities								329,168,470
Other Segment items:								
Capital Expenditure	-	194,010	150,674	182	10,724	-	-	355,590
Impairment losses on loans	-	863,801	18,610	(3,626)	-	-	-	878,785
Depreciation and amortisation	-	157,575	79,370	120,334	4,096	-	-	361,375

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

April 30, 2013

Unaudited

($ Thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	2,098,159	7,157,152	2,928,424	2,019,270	2,122,930	916,612	3,268	17,245,815
Revenues from other segments	(745,045)	(171,952)	864,504	5,569	43,697	3,227	-	-
Total Revenues	1,353,114	6,985,200	3,792,928	2,024,839	2,166,627	919,839	3,268	17,245,815
Expenses	(97,074)	(5,598,679)	(2,745,319)	(812,430)	(616,814)	(17,857)	(54,891)	(9,943,064)
Profit Before Tax	1,256,040	1,386,521	1,047,609	1,212,409	1,549,813	901,982	(51,623)	7,302,751
Taxation								(1,773,235)
Profit for the period								5,529,516

Consolidated Balance Sheet

($ Thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	94,897,617	79,909,663	61,524,787	73,618,016	51,397,589	26,104,019	(15,003,843)	372,447,848
Unallocated assets								9,610,060
Total Assets								382,057,908
Segment liabilities	972,910	99,558,807	105,637,422	61,693,688	42,845,094	183,810	(6,794,357)	304,097,374
Unallocated liabilities								8,657,144
Total liabilities								312,754,518
Other Segment items:								
Capital Expenditure	-	143,873	80,658	1,965	598	-	-	227,094
Impairment losses on loans	-	723,837	(41,528)	(33,328)	-	-	-	648,981
Depreciation and amortisation	-	168,865	94,369	65,799	4,281	-	-	333,314

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	50,229	42,390	40,321	33,538
Securities with other financial institutions and clearing houses	9,815	6,789	11,441	8,031
	60,044	49,179	51,762	41,569
Capital management and government securities funds	9,098	13,671	12,865	15,099
	69,142	62,850	64,627	56,668

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 as follows:

	Restated Quarter ended April 30, 2013 $'000	**Restated Six Months ended April 30, 2013 $'000**
Statement of Revenue and Expenses:		
Net profit, as previously reported	2,930,380	5,650,535
Adjustments for actuarial gains previously reported in profit	(68,285)	(181,528)
Deferred tax thereon	22,761	60,509
Net profit, restated	2,884,856	5,529,516
Other comprehensive income:		
Other comprehensive income, as previously reported	(153,750)	(854,414)
Re-measurement of defined benefit plan/obligations	176,322	397,598
Deferred tax thereon	(58,776)	(132,533)
Other comprehensive income, restated	(36,204)	(589,349)
Total comprehensive income:		
Total comprehensive income, as previously reported	2,776,630	4,796,121
Re-measurement of defined benefit plan/obligations	108,037	216,070
Deferred tax thereon	(36,015)	(72,024)
Total comprehensive income, restated	2,848,652	4,940,167

9. Employee benefits (continued)

Adoption of revised IAS 19 (continued):-

	Restated Year ended October 31, 2013 $'000	Restated Six Months ended April 30, 2013 $'000
Statement of Financial Position:		
Retirement benefit asset, as previously reported	10,065,469	8,502,330
Effect of re-measurement of defined benefit plan	(45,300)	(66,675)
Retirement benefit asset, restated	10,020,169	8,435,655
Retirement benefit obligations, as previously reported	2,848,375	2,598,377
Effect of re-measurement of post retirement obligations	376,436	584,505
Retirement benefit obligations, restated	3,224,811	3,182,882
Deferred taxation as previously reported	3,179,118	2,703,318
Tax effect of re-measurement of retirement benefit asset/obligations	(140,578)	(217,060)
Deferred taxation, restated	3,038,540	2,486,258
Unappropriated profit, as previously reported	43,042,579	41,911,869
Effect of re-measurement of retirement benefit asset/obligations	(281,158)	(434,120)
Unappropriated profit, restated	42,761,421	41,477,749

10. Litigation

During the quarter, The Bank of Nova Scotia Jamaica Limited ("BNSJ"), a subsidiary of Scotia Group 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.

11. 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.