



MEDIA RELEASE

September 5, 2014

SCOTIA GROUP JAMAICA REPORTS THIRD QUARTER FINANCIAL RESULTS

THIRD QUARTER 2014 HIGHLIGHTS (YEAR TO DATE)

- **Net Income of \$7.61 billion**
- **Net Income available to common shareholders of \$7.35 billion**
- **Earnings per share of \$2.36**
- **Return on Average Equity of 13.74%**
- **Productivity ratio of 61.47%**
- **Third quarter dividend of 40 cents per share**

Scotia Group Jamaica Limited (Scotia Group) today reported net income of \$2.70 billion for the third quarter ended July 31, 2014. This is \$337 million above the previous quarter ended April 30, 2014 and \$278 million below the quarter ended July 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 nine months was \$2.36 compared to \$2.64 for the same period last year. The Return on Average Equity (ROE) was 13.74%, down from 16.67% last year.

The Board of Directors today approved a third interim dividend of 40 cents per stock unit payable on October 16, 2014, to stockholders on record at September 25, 2014.

Jackie Sharp, President and CEO said, "For this quarter, all business lines across the group reported a solid performance with strong growth in our retail, small business and commercial loan portfolios. We are also encouraged by the signs of growth we have seen in the economy during this quarter and are confident that we are well positioned to capitalize on opportunities as they arise. We are therefore optimistic about our future, as we celebrate 125 years of providing unbroken service to Jamaica, and we thank everyone that has been a part of our journey. We remain committed to driving value for our customers, staff, shareholders and the communities in which we operate as we build on the strong legacy we have established."



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

J\$ Million	2014*	% Contribution
The Bank of Nova Scotia Jamaica Limited (BNSJ)	2,767	38%
Scotia Jamaica Life Insurance Company Limited (SJLIC)	2,050	28%
Scotia Investments Jamaica Limited (SIJL)	889	12%
Scotia Group Jamaica Limited (SGJ)	996	13%
Scotia Jamaica Building Society (SJBS)	631	9%
Other subsidiaries	19	0%
<small>* Excludes minority interest and eliminations</small>		
Net Income attributable to common shareholders	7,352	100%

REVENUES

Total operating income, comprising net interest income after impairment losses and including other revenue, was \$25.3 billion, a decrease of \$180 million relative to the prior year.

NET INTEREST INCOME

Net interest income after impairment losses for the period was \$16.9 billion, an increase of \$28 million when compared to the same period last year. The Group continues to report strong growth in loan volumes over the period, resulting in net interest income increasing by \$582 million. However, the loan loss expense increased by \$554 million when compared with prior year, reflecting the impact of the challenging economic conditions being experienced by our customers.

OTHER REVENUE

Other revenue for the nine months was \$8.4 billion, down \$208 million or 2.41% when compared with prior year. This was due primarily to lower fee and commission income, insurance revenue and a decline in gains earned on the foreign currency trading, which was offset by an increase in net gains earned on financial assets.

OPERATING EXPENSES AND PRODUCTIVITY

Our productivity ratio - a key measure of cost efficiency - was 60.28% for the quarter, compared to 54.60% in July 31, 2013 and 62.86% for the previous quarter April 30, 2014. Operating Expenses were \$15 billion for the nine months, representing an increase of \$955 million or 6.79% over prior year. This is due primarily to higher staff related costs of \$279 million and operating expenses of \$579 million reflecting an increase in the asset tax of \$498 million resulting from the recent increase in the rates implemented by the Government in the 2014/15 Budget, inflationary increases and depreciation of the Jamaican dollar.

CREDIT QUALITY

Non-performing loans (NPLs) at July 31, 2014 totaled \$4.85 billion, reflecting an increase of \$150 million from prior year, and an increase of \$80 million from the previous quarter ended April 30, 2014. Total NPLs now represent 3.31% of total gross loans compared to 3.51% last year and 3.45% as at April 30, 2014. The Group's aggregate loan loss provision as at July 31, 2014 was \$5.1 billion, representing over 100% coverage of the total non-performing loans.

BALANCE SHEET

Total assets increased year over year by \$12.5 billion or 3.21% to \$401 billion as at July 31, 2014. This was due primarily to growth in the loan portfolio of \$13.6 billion to close at \$144.6 billion.

Total customer liabilities (deposits, repo liabilities and policyholder's funds) grew to \$303 billion, an increase of \$4 billion over last year, which was mainly reflected in the repo portfolio and policyholders' funds.

CAPITAL

Total shareholders' equity grew to \$76.6 billion, \$6 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 \$4.9 million through the Scotia Foundation.

In Student Care the Foundation contributed \$666,000 for the Breakfast Feeding programme at the Holy Family Infant and Primary School, also assisted two tertiary scholars, and provided financial support to one scholar to attend a summer programme at Kettering University, Michigan USA. This scholar, based on his performance at the summer programme has been awarded a scholarship to study engineering at Kettering University next year.

In Health Care the Foundation contributed \$3.2 million to Scoliosis and Spine Care for the provision of implants for seven surgeries at the Kingston Public Hospital during the summer and the provision of a brace for one child.

In Community Care a total of \$1 million was contributed to support the major National Labour Day project, the creation of a green area at the Kingston Public Hospital; and the support of an education project operated by the Petersfield Community in Westmoreland under the Governor General's 'I Believe' programme.

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 for 125 years 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 July 31, 2014

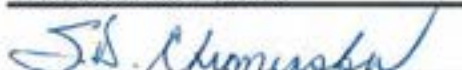
Unaudited (\$ Thousands)	For the three months ended			For the period ended	
	July 2014	April 2014	Restated July 2013	July 2014	Restated July 2013
Interest Income	7,942,420	7,394,784	7,296,855	23,020,911	22,390,744
Interest Expense	(1,710,630)	(1,583,474)	(1,390,438)	(4,755,703)	(4,707,792)
Net Interest Income	6,231,790	5,811,310	5,906,417	18,265,208	17,682,952
Impairment losses on loans	(497,422)	(361,603)	(173,093)	(1,376,207)	(822,074)
Net interest income after impairment losses	5,734,368	5,449,707	5,733,324	16,889,001	16,860,878
Net fee and commission income	1,520,432	1,366,026	1,496,545	4,273,548	4,322,929
Insurance revenue	660,521	642,830	709,417	1,819,488	1,937,028
Net gains on foreign currency activities	636,601	543,678	571,079	1,728,317	2,052,592
Net gains / (losses) on financial assets	256,653	206,034	193,655	559,178	99,808
Other revenue	5,415	5,049	170,287	21,917	197,906
	3,079,622	2,763,617	3,140,983	8,402,448	8,610,263
Total Operating Income	8,813,990	8,213,324	8,874,307	25,291,449	25,471,141
Operating Expenses					
Salaries and staff benefits	2,604,477	2,519,619	2,528,782	7,733,918	7,455,193
Property expenses, including depreciation	558,006	543,169	585,832	1,565,363	1,620,149
Amortisation of intangible assets	128,603	57,164	30,289	242,992	90,756
Other operating expenses	1,824,176	1,909,056	1,621,700	5,473,718	4,894,588
	5,115,262	5,029,008	4,766,603	15,015,991	14,060,686
Profit before taxation	3,698,728	3,184,316	4,107,704	10,275,458	11,410,455
Taxation	(997,700)	(820,384)	(1,128,446)	(2,669,661)	(2,901,681)
Profit for the period	2,701,028	2,363,932	2,979,258	7,605,797	8,508,774
Attributable to:-					
Stockholders of the Company	2,614,271	2,281,185	2,856,409	7,352,324	8,201,556
Non-Controlling Interest	86,757	82,747	122,849	253,473	307,218
Earnings per share (cents)	84	73	92	236	264
Return on average equity (annualized)	14.38%	12.79%	17.09%	13.74%	16.67%
Return on assets (annualized)	2.61%	2.26%	2.94%	2.44%	2.81%
Productivity ratio	60.28%	62.86%	54.60%	61.47%	56.60%

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

Unaudited (\$ Thousands)	For the three months ended			For the period ended	
	July 2014	April 2014	Restated July 2013	July 2014	July 2013
Profit for the period	2,701,028	2,363,932	2,979,258	7,605,797	8,508,774
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plan / obligations	(941,404)	915,609	225,191	177,446	622,789
Taxation	313,801	(305,203)	(75,063)	(59,149)	(207,596)
	(627,603)	610,406	150,128	118,297	415,193
Items that may be subsequently reclassified to profit or loss:					
Unrealised gains / (losses) on available for sale assets	154,512	187,009	(651,639)	161,083	(711,747)
Realised losses / (gains) on available for sale assets	60,798	12,751	-	89,005	(913,845)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivable	182,680	(63,345)	(33,121)	102,601	(30,726)
	397,990	136,415	(684,760)	352,689	(1,656,318)
Taxation	(84,496)	(45,021)	116,638	(122,508)	233,782
	313,494	91,394	(568,122)	230,181	(1,422,536)
Other comprehensive income, net of tax	(314,109)	701,800	(417,994)	348,478	(1,007,343)
Total comprehensive income for the period	2,386,919	3,065,732	2,561,264	7,954,275	7,501,431
Attributable to:-					
Stockholders of the Company	2,270,067	2,954,224	2,470,463	7,668,268	7,212,847
Non-Controlling Interest	116,852	111,509	90,801	286,007	288,584

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

Unaudited	July 31, 2014	Restated October 31, 2013	Restated July 31, 2013
(\$ Thousands)			
ASSETS			
CASH RESOURCES	77,966,833	74,862,563	77,656,085
INVESTMENTS			
Held to maturity	11,658,864	12,492,257	12,007,843
Financial assets at fair value through profit and loss	902,475	813,101	1,074,269
Available for sale	72,549,519	60,342,802	79,229,442
	<u>85,110,858</u>	<u>93,648,160</u>	<u>92,311,554</u>
PLEGGED ASSETS	66,226,875	59,028,856	62,365,913
GOVERNMENT SECURITIES PURCHASED UNDER RESALE AGREEMENTS	-	-	150,031
LOANS, AFTER ALLOWANCE FOR IMPAIRMENT LOSSES	144,579,067	134,823,756	130,947,854
OTHER ASSETS			
Customers' liability under acceptances, guarantees and letters of credit	7,390,073	7,173,614	7,093,403
Property, plant and equipment	4,920,966	4,670,879	4,596,428
Deferred taxation	1,386	34,349	1,536
Taxation recoverable	2,265,237	2,499,165	2,128,472
Retirement benefit asset	10,507,979	10,020,169	8,630,405
Other assets	1,379,356	970,319	1,048,407
Intangible assets	1,306,619	1,499,675	1,636,459
	<u>27,771,616</u>	<u>26,877,170</u>	<u>25,135,110</u>
TOTAL ASSETS	401,055,249	389,260,505	388,566,547
LIABILITIES			
DEPOSITS			
Deposits by the public	184,894,698	183,369,415	189,633,012
Other deposits	11,089,655	14,152,481	11,463,524
	<u>196,984,343</u>	<u>197,521,896</u>	<u>201,096,536</u>
OTHER LIABILITIES			
Acceptances, guarantees and letters of credit	7,390,073	7,173,614	7,093,403
Securities sold under repurchase agreements	50,439,190	42,586,792	41,363,845
Capital management and government securities funds	12,592,393	13,018,564	13,722,400
Deferred taxation	3,177,628	3,036,540	2,568,033
Retirement benefit obligation	3,577,982	3,224,811	3,203,847
Assets held in trust on behalf of participants	-	36,316	36,746
Other liabilities	7,385,087	7,161,233	6,112,762
	<u>84,562,343</u>	<u>76,243,670</u>	<u>74,103,036</u>
POLICYHOLDERS' FUNDS	43,034,034	43,013,959	42,789,284
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	16,291,770	14,391,770	13,291,770
Capital reserve	9,383	9,383	9,383
Loan loss reserve	3,077,953	2,761,068	2,653,774
Other reserves	12,892	12,892	12,892
Cumulative remeasurement result from available for sale assets	75,903	(463,053)	(452,228)
Unappropriated profits	43,959,934	42,761,421	42,118,989
	<u>73,246,236</u>	<u>69,311,860</u>	<u>67,452,981</u>
Non-controlling interest	3,328,293	3,168,900	3,124,710
	<u>76,574,529</u>	<u>72,480,760</u>	<u>70,577,691</u>
TOTAL EQUITY AND LIABILITIES	401,055,249	389,260,505	388,566,547


 Director


 Director

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

Unaudited (\$ Thousands)	Share Capital	Reserve Fund	Retained Earnings Reserve	Cumulative Remeasurement result Capital from Available for Sale Reserves 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	-	-	-	-	-	-	-	8,201,556	8,201,556	307,218	8,508,774
Other Comprehensive Income											
Re-measurement of defined benefit plan/obligations	-	-	-	-	-	-	-	415,193	415,193	-	415,193
Unrealised losses on available-for-sale securities, net of taxes	-	-	-	-	(573,465)	-	-	(573,465)	(573,465)	(1,647)	(575,112)
Realised gains on available-for-sale securities, net of taxes	-	-	-	-	(789,372)	-	-	(789,372)	(789,372)	(4,728)	(794,100)
reclassified to loans and receivables	-	-	-	-	(41,065)	-	-	(41,065)	(41,065)	(12,259)	(53,324)
Total Comprehensive Income	-	-	-	-	(1,403,902)	-	-	8,616,749	7,212,847	288,584	7,501,431
Transfers between reserves											
Transfer to Retained Earnings Reserve	-	-	850,000	-	-	-	-	(850,000)	-	-	-
Transfer to Loan Loss Reserve	-	-	-	-	-	354,384	-	(354,384)	-	-	-
Transfer to Unappropriated Profits	-	-	-	-	308,853	-	-	(308,853)	-	-	-
Net movement in reserves for non-controlling interests	-	-	-	-	-	-	-	-	-	4,675	4,675
Dividends Paid	-	-	-	-	-	-	-	(3,733,912)	(3,733,912)	(131,345)	(3,865,257)
Balance at 31 July 2013 (restated)	6,569,810	3,248,591	13,291,770	9,383	(452,228)	2,653,774	12,892	42,118,989	67,452,981	3,124,710	70,577,691
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	-	-	-	-	-	-	-	7,352,324	7,352,324	253,473	7,605,797
Other Comprehensive Income											
Re-measurement of defined benefit plan/obligations	-	-	-	-	-	-	-	118,297	118,297	-	118,297
Unrealised gains on available-for-sale securities, net of taxes	-	-	-	-	131,149	-	-	-	131,149	17,872	149,021
Realised losses on available-for-sale securities, net of taxes	-	-	-	-	50,039	-	-	-	50,039	9,748	59,787
Amortization of fair value reserves on financial assets	-	-	-	-	-	-	-	-	-	-	-
reclassified to loans and receivables	-	-	-	-	16,459	-	-	-	16,459	4,914	21,373
Total Comprehensive Income	-	-	-	-	197,647	-	-	7,470,621	7,668,268	286,007	7,954,275
Transfers between reserves											
Transfer to Retained Earnings Reserve	-	-	1,900,000	-	-	-	-	(1,900,000)	-	-	-
Transfer to Loan Loss Reserve	-	-	-	-	-	296,887	-	(296,887)	-	-	-
Transfer to Unappropriated Profits	-	-	-	-	341,309	-	-	(341,309)	-	-	-
Net movement in reserves for non-controlling interests	-	-	-	-	-	-	-	-	-	4,731	4,731
Dividends Paid	-	-	-	-	-	-	-	(3,733,912)	(3,733,912)	(131,345)	(3,865,257)
Balance at 31 July 2014	6,569,810	3,248,591	16,291,770	9,383	75,903	3,077,953	12,892	43,959,934	73,246,236	3,328,293	76,574,529

Scotia Group Jamaica Limited
Condensed Statement of Consolidated Cash Flows
As at 31 July 2014

Unaudited (\$ Thousands)	2014	Restated 2013
Cash flows provided by / (used in) operating activities		
Profit for the year	7,605,797	8,508,774
Items not affecting cash:		
Depreciation	380,088	414,872
Impairment losses on loans	1,376,207	822,074
Amortisation of intangible assets	242,992	90,756
Taxation	2,669,661	2,901,681
Net interest income	(18,265,208)	(17,682,952)
Other	1,436	(174,930)
	<u>(5,989,027)</u>	<u>(5,119,725)</u>
Changes in operating assets and liabilities		
Loans	(11,106,369)	(9,291,314)
Deposits	1,073,435	28,171,088
Policyholders reserve	20,075	1,109,325
Securities sold under repurchase agreement	7,611,047	(3,936,582)
Financial Assets at fair value through profit and loss	(89,450)	(596,254)
Net interest received	18,607,825	18,954,952
Taxation paid	(3,166,353)	(3,811,673)
Other	(10,412,401)	(23,869,800)
	<u>(3,451,218)</u>	<u>1,610,017</u>
Cash flows provided by / (used in) investing activities		
Investments and pledged assets	355,216	5,694,186
Repurchase Agreements, net	-	(147,692)
Purchase of property, plant, equipment and intangibles	(678,642)	(316,979)
Proceeds on sale of property, plant and equipment	6,094	209,803
	<u>(317,332)</u>	<u>5,439,318</u>
Cash flows used in financing activities		
Dividends paid	(3,865,257)	(3,865,257)
	<u>(3,865,257)</u>	<u>(3,865,257)</u>
Effect of exchange rate on cash and cash equivalents	2,489,552	2,287,932
Net change in cash and cash equivalents	(5,144,255)	5,472,010
Cash and cash equivalents at beginning of period	43,106,670	31,384,317
Cash and cash equivalents at end of period	<u>37,962,415</u>	<u>36,856,327</u>
Represented by :		
Cash resources	77,366,833	77,656,085
Less statutory reserves at Bank of Jamaica	(20,170,663)	(19,750,870)
Less amounts due from other banks greater than ninety days	(20,515,553)	(24,416,465)
Less accrued interest on cash resources	(55,991)	(17,914)
Pledged assets less than ninety days	3,266,481	4,952,770
Cheques and other instruments in transit, net	(1,928,692)	(1,567,279)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>37,962,415</u>	<u>36,856,327</u>

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

July 31, 2014

Unaudited

(\$ Thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	2,498,137	11,647,416	4,709,305	3,222,729	3,470,975	1,119,094	-	26,667,656
Revenues from other segments	(406,510)	(588,106)	901,675	(40,851)	128,514	7,329	(2,051)	-
Total Revenues	2,091,627	11,059,310	5,610,980	3,181,878	3,599,489	1,126,423	(2,051)	26,667,656
Expenses	(261,177)	(9,028,986)	(4,383,015)	(1,255,689)	(1,244,239)	(24,584)	(194,508)	(16,392,198)
Profit Before Tax	1,830,450	2,030,324	1,227,965	1,926,189	2,355,250	1,101,839	(196,559)	10,275,458
Taxation								(2,669,661)
Profit for the year								7,605,797

Consolidated Balance Sheet

(\$ Thousands)	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	97,798,050	88,554,879	70,195,360	72,870,422	53,618,802	26,392,364	(20,110,977)	389,318,900
Unallocated assets								11,736,349
Total Assets								401,055,249
Segment liabilities	10,203,880	111,098,886	101,019,100	59,447,827	43,631,577	150,699	(11,528,584)	314,023,385
Unallocated liabilities								10,457,335
Total liabilities								324,480,720
Other Segment items:								
Capital Expenditure	-	349,967	289,970	24,323	14,382	-	-	678,642
Impairment losses on loans	-	1,239,004	143,762	(6,559)	-	-	-	1,376,207
Depreciation and amortisation	-	244,185	120,347	251,186	7,362	-	-	623,080

SCOTIA GROUP JAMAICA LIMITED

Segment Reporting Information

Consolidated Statement of Income

July 31, 2013

Unaudited

<i>(\$ Thousands)</i>	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Net External Revenues	3,042,867	10,973,847	4,586,460	3,166,167	3,268,604	1,255,270	-	26,293,215
Revenues from other segments	(957,374)	(289,902)	1,142,864	9,010	87,948	7,284	170	-
Total Revenues	2,085,493	10,683,945	5,729,324	3,175,177	3,356,552	1,262,554	170	26,293,215
Expenses	(182,576)	(8,248,830)	(4,279,256)	(1,150,778)	(926,267)	(24,460)	(70,593)	(14,882,760)
Profit Before Tax	1,902,917	2,435,115	1,450,068	2,024,399	2,430,285	1,238,094	(70,423)	11,410,455
Taxation								(2,901,681)
Profit for the period								8,508,774

Consolidated Balance Sheet

<i>(\$ Thousands)</i>	Treasury	Retail Banking	Corporate Banking	Investment Management Services	Insurance Services	Other	Eliminations	Group Total
Segment assets	97,935,843	83,090,230	62,434,191	72,651,733	51,826,125	26,352,608	(15,497,209)	378,793,521
Unallocated assets								9,773,026
Total Assets								388,566,547
Segment liabilities	400,165	107,388,968	104,926,282	60,488,120	43,097,221	243,414	(7,262,029)	309,282,141
Unallocated liabilities								8,706,715
Total liabilities								317,988,856
Other Segment items:								
Capital Expenditure	-	199,742	113,829	2,888	520	-	-	316,979
Impairment losses on loans	-	882,796	697	(61,419)	-	-	-	822,074
Depreciation and amortisation	-	257,181	143,384	98,658	6,405	-	-	505,628

SCOTIA GROUP JAMAICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 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.

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.

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.

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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 Liability</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Securities sold under repurchase agreements	46,538	39,563	37,378	32,160
Securities with other financial institutions and clearing houses	<u>11,304</u>	<u>9,889</u>	<u>13,061</u>	<u>9,204</u>
	57,842	49,452	50,439	41,364
Capital management and government securities funds	<u>8,385</u>	<u>12,914</u>	<u>12,592</u>	<u>13,722</u>
	<u>66,227</u>	<u>62,366</u>	<u>63,031</u>	<u>55,086</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 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.

SCOTIA GROUP JAMAICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2014

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 July 31, 2013 \$'000	Restated Nine Months ended July 31, 2013 \$'000
<u>Statement of Revenue and Expenses:</u>		
Net profit, as previously reported	3,057,363	8,707,898
Adjustments for actuarial gains previously reported in profit	(117,158)	(298,686)
Deferred tax thereon	<u>39,053</u>	<u>99,562</u>
Net profit, restated	<u>2,979,258</u>	<u>8,508,774</u>
<u>Other comprehensive income:</u>		
Other comprehensive income, as previously reported	(568,122)	(1,422,536)
Re-measurement of defined benefit plan/obligations	225,191	622,789
Deferred tax thereon	<u>(75,063)</u>	<u>(207,596)</u>
Other comprehensive income, restated	<u>(417,994)</u>	<u>(1,007,343)</u>
<u>Total comprehensive income:</u>		
Total comprehensive income, as previously reported	2,489,241	7,285,362
Re-measurement of defined benefit plan/obligations	108,033	324,103
Deferred tax thereon	<u>(36,010)</u>	<u>(108,034)</u>
Total comprehensive income, restated	<u>2,561,264</u>	<u>7,501,431</u>

SCOTIA GROUP JAMAICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. Employee benefits (continued)

Adoption of revised IAS 19 (continued):-

	Restated Year ended October 31, 2013 \$'000	Restated Nine Months ended July 31, 2013 \$'000
<u>Statement of Financial Position:</u>		
Retirement benefit asset, as previously reported	10,065,469	8,696,610
Effect of re-measurement of defined benefit plan	<u>(45,300)</u>	<u>(66,205)</u>
Retirement benefit asset, restated	<u>10,020,169</u>	<u>8,630,405</u>
Retirement benefit obligations, as previously reported	2,848,375	2,726,905
Effect of re-measurement of post retirement obligations	<u>376,436</u>	<u>476,942</u>
Retirement benefit obligations, restated	<u>3,224,811</u>	<u>3,203,847</u>
Deferred taxation as previously reported	3,179,118	2,749,082
Tax effect of re-measurement of retirement benefit asset/obligations	<u>(140,578)</u>	<u>(181,049)</u>
Deferred taxation, restated	<u>3,038,540</u>	<u>2,568,033</u>
Unappropriated profit, as previously reported	43,042,579	42,481,086
Effect of re-measurement of retirement benefit asset/obligations	<u>(281,158)</u>	<u>(362,097)</u>
Unappropriated profit, restated	<u>42,761,421</u>	<u>42,118,989</u>

10. Litigation

During the period, 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.