

# MEDIA RELEASE

September 13, 2017

## SCOTIA GROUP JAMAICA REPORTS THIRD QUARTER OF FISCAL 2017 RESULTS

Scotia Group reports net income of \$8.99 billion for the nine months period ended July 31, 2017. This represents an increase in net income of \$615 million or 7%, compared to the period ended July 31, 2016. Net income for the third quarter was \$3.3 billion, compared to \$3.5 billion for the previous quarter. Return on average equity was 12.48%, compared to 12.47% for the period ended July 31, 2016.

Today, the Board of Directors approved an interim dividend of 45 cents per stock unit in respect of this financial year, which is payable on October 25, 2017 to stockholders on record as at October 5, 2017.

Jackie Sharp, President & CEO said, "For our third quarter 2017, we are pleased to report strong financial results with net income and revenue growth of 7% year over year. We continued to execute well on our strategic priorities to grow our core businesses while creating a more efficient infrastructure for future growth. Our productivity ratio improved by 200 bps year over year. We were successful in receiving overwhelming support from the minority shareholders of Scotia Investments in support of our bid and its application to take the Company private. We look forward to receiving the Courts approval of the Scheme, and for the transaction to be completed over the coming weeks.

We continued to enhance digital channels to give customers greater choice and convenience. In recent months, we began offering some of our products online and continued the rollout of Wi-Fi to branches. This initiative was well received by our customers, resulting in increased adoption of our digital channels. We were once again the proud recipient of the World's Best Consumer Digital Bank award for 2017 by Global Finance Magazine.

As I hand over the leadership reins to David Noel, I am confident that we have the right strategy to ensure delivery of solid returns and increased long term value for our stakeholders."

### Financial Highlights

	9 months ended 31-Jul-17 \$millions	9 months ended 31-Jul-16 \$millions	
Total Revenues	30,963	28,809	
Total Operating Expenses	16,116	15,586	
Net Profit after Tax	8,989	8,374	
Return on equity	12.48%	12.47%	
Productivity Ratio	52.05%	54.10%	
Operating Leverage	4.1%	7.0%	
Earnings per share (cents)	283	264	
	31-Jul-17 \$millions	31-Jul-16 \$millions	
Total Assets	501,184	472,678	
Investments	160,889	166,585	
Loans (net of provisions for losses)	163,882	163,927	
Deposits by the public	266,132	246,540	
Liabilities under repurchase agreements and other client obligations	46,382	47,877	
Policyholders' Fund	45,221	44,096	
Shareholder's equity	96,987	90,687	
	3 months ended 31-Jul-17 \$millions	3 months ended 30-Apr-17 \$millions	3 months ended 31-Jul-16 \$millions
Total Revenues	10,303	10,607	10,613
Total Operating Expenses	5,001	5,163	4,770
Net Profit after Tax	3,296	3,482	3,399
Return on equity	13.39%	14.56%	14.84%
Productivity Ratio	48.54%	48.68%	47.94%
Dividends per share (cents)	45	45	42



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## GROUP FINANCIAL PERFORMANCE

### TOTAL REVENUES

Total revenues excluding impairment losses on loans for the nine months ended July 31, 2017 was \$30.96 billion, representing an increase of \$2.1 billion or 7% above prior year. The positive movement was achieved through increased loan and transaction volumes across our business lines. Net interest income after impairment losses for the period was \$18.4 billion, \$807 million or 5% above the same period in 2016.

We achieved revenue growth y/y in most of our business lines:

**Retail (+7%):** Loan growth was led by residential mortgages and personal loans.

**Commercial (+24%):** Reflects growth in both loans and deposits, as well as merchant services' revenues.

**Insurance Services (+18%):** Growth in gross premium income for the individual product lines offered by Scotia Insurance, and actuarial reserve release from changes in valuation assumptions.

**Investment Management (-4%):** Solid revenue growth from the fund and asset management business line, offset by lower net interest margins.

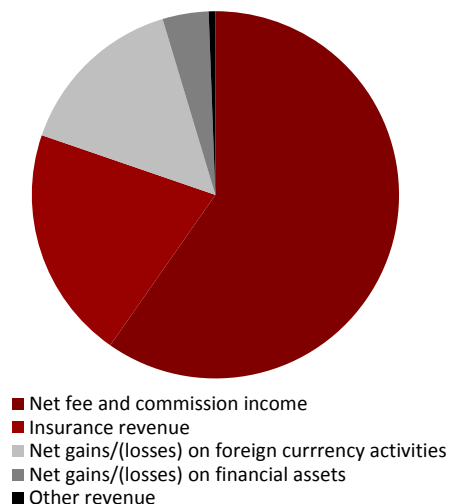
**Treasury (-12%):** Higher net gains on financial assets, offset by lower FX revenue and lower yields on investment portfolios.

### OTHER REVENUE

Other income, defined as all income other than interest income, was \$11 billion for the nine months period, up \$1 billion or 10% from last year.

- Net fees and commission income amounted to \$6.6 billion, driven by higher transaction volumes and the growth in our credit card, merchant services, and asset management business.
- Insurance revenue increased by 22% due to growth in core insurance business and actuarial reserve releases from changes in assumptions on valuation of the portfolios.
- Net gains on foreign currency activities and financial assets amounted to \$2.1 billion based on trading volumes.

Sources of Non-Interest Revenue



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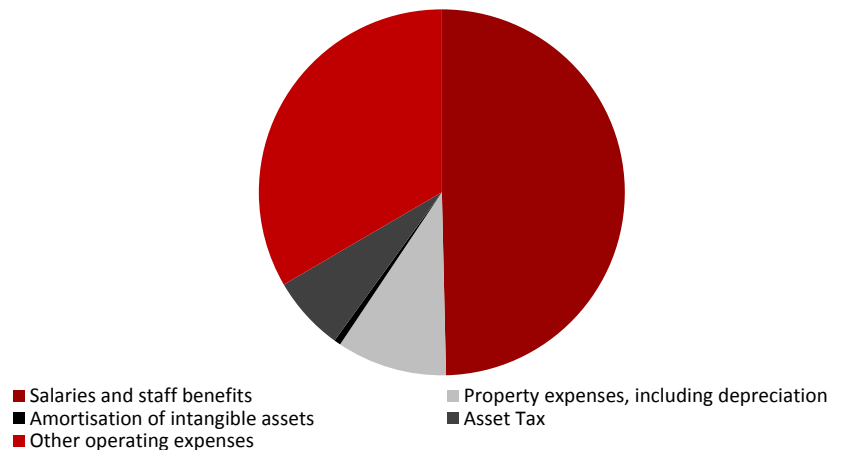
## CREDIT QUALITY

Impairment losses on loans was \$1.5 billion, up \$342 million from last year. We experienced higher write-offs on our unsecured retail portfolio, however the overall quality of the loan portfolio has improved, with a reduction in total non-accrual loans (NALs) from \$4.5 billion last year to \$4.3 billion as at July 31, 2017. The Group's NALs is 2.6% of gross loans, and 0.9% of total assets and is well below the industry average.

## OPERATING EXPENSES AND PRODUCTIVITY

Operating Expenses amounted to \$16.1 billion for the nine month period, an increase of \$530 million or 3% compared to prior year. Salaries and staff benefit costs increased by \$185 million, while other operating expenses grew by \$155 million. Asset tax increased by \$112 million or 12% to \$1.1 billion due to the increase in the Group's assets. Our productivity ratio however continues to reflect an improvement moving from 54.10% last year to 52.05% this year.

Sources of Non-Interest Expenses



## GROUP FINANCIAL CONDITION

### ASSETS

Total assets increased year over year by \$28.5 billion or 6% to \$501.2 billion as at July 31, 2017. The growth was attributable to an increase of \$25.3 billion in investment securities, pledged assets and cash resources. There was also an increase of \$3.2 billion in other assets resulting from higher guarantees and retirement benefit asset on our defined benefit pension plan scheme.

### Cash Resources

Our cash resources held to meet statutory reserves and the Group's prudential liquidity targets stood at \$134.1 billion, up from \$103.1 billion last year due to increased liquidity from inflows of retail and commercial deposits. We continued to maintain adequate liquidity levels to enable us to respond effectively to changes in cash flow requirements.

### Securities

Total investment securities, including pledged assets, decreased by \$5.7 billion to \$160.9 billion due to a higher volume of short term placements when compared to last year.

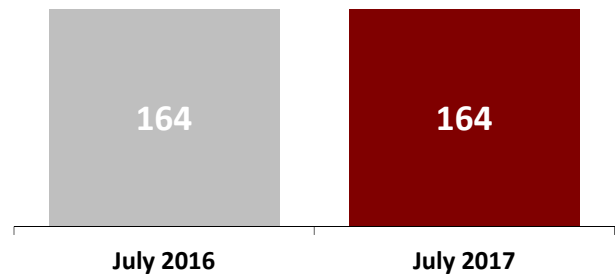
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## Loans

Our loan portfolio was flat year over year at \$163.9 billion, driven by an overall decline in our foreign currency portfolio. Our small business, residential mortgages and personal loans continue to show solid performance quarter over quarter and year over year.

**Loans (net of provision for losses)**  
\$Billions



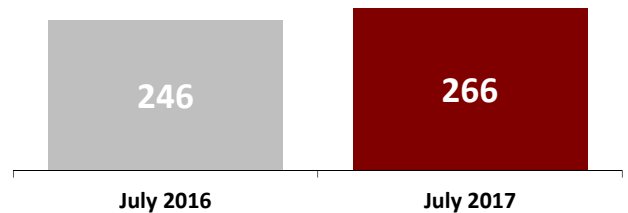
## LIABILITIES

Total liabilities were \$400.5 billion as at July 31, 2017, an increase of \$22.1 billion or 6% from last year, driven by increases in our retail and commercial customer deposit base.

### Deposits

Deposits by the public increased to \$266.1 billion, up from \$246.5 billion in the previous year. This \$19.6 billion or 8% growth in core deposits was reflected in higher inflows from our retail and commercial customers.

**Deposits by the Public**  
\$Billions



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

This mainly represents deposits by clients of Scotia Investments, in addition to other wholesale funding. The net of these obligations decreased by \$1.5 billion or 3% compared to the prior period, as clients reduced repurchase agreement holdings and increased their investment in the unit trusts and mutual funds offered by the company. Consequently, our fund and asset management portfolios grew by \$17.3 billion or 14% over prior year.

### Policyholders' Fund

The Policyholders' Fund reflects the insurance contract liabilities held at Scotia Insurance for our flagship product ScotiaMINT. The Fund grew \$1.1 billion or 3%, up from \$44.1 billion in the previous year.

## CAPITAL

Shareholders' equity available to common shareholders grew to \$96.9 billion, increasing by \$6.3 billion or 7% year over year, as a result of internally generated profits. We continue to exceed regulatory capital requirements in all our business lines, and our strong capital position also enables us to manage increased capital adequacy requirements in the future, and take advantage of growth opportunities.

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## OUR COMMITMENT TO THE COMMUNITY

In the third quarter, Scotia Group continued its corporate social responsibility through various donations totaling \$7 million. In Community Care, the Bank donated \$1 million to various organizations, while \$5 million was used for the sponsorship of the Prep School Cricket programme which caters to approximately 45 schools across the island.

During the period, emphasis was placed on the environment, with special focus on education at the primary level. Between the months of May and June, over 800 trees were planted in 242 primary schools across the island. The tree planting exercises continued into the Labour Day activities, with all branches receiving trees for planting in their communities. To support this initiative, The Bank partnered with the Forestry Department who also provided environmental education on the trees and forests of Jamaica.

During the month of May, the Bank organized a number of activities in celebration of Child Month. For Teachers Day, training materials were organized for ScotiaVolunteers who took the discussion of Bullying into over 50 primary schools across the island. Volunteers were also on hand to read for kindergarten students on Jamaica Day.

Other activities included a visit to Black River Primary on the anniversary of the Zong Massacre, and the inaugural Children’s Day Parade “Love Parade” that had students from a number of schools across Kingston and St. Andrew coming out to participate.

In June, Scotiabank facilitated the 10<sup>th</sup> anniversary of Regional Testing Day, by hosting four primary testing sites in Half Way Tree, Montego Bay, Ocho Rios and Mandeville. The activity creates a space where the public can be tested at no cost to them. Scotiabank has been a part of this initiative since it began in 2007.

Scotia Group Jamaica Limited takes this opportunity to thank you, our customers, for your continued support and loyalty to allow us to be your financial services provider. To our shareholders, we thank you for the commitment, trust and confidence you continue to show in the management of the Group. Our continued success is built on the great execution.



*Yanique Forbes Patrick, Vice President Marketing, listens as students of Mountain View Primary are guided by a Forest Technician on how to handle young trees as part of the Bank’s tree planting programme rolled out in 242 primary schools across the island.*



*Students from St. Richards Primary show off their winning placards as they pose with Jacqueline Sharp, President and CEO of Scotia Group at the Children’s Day Parade.*

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**Consolidated Statement of Revenue and Expenses**  
**Period ended July 31, 2017**

Unaudited (\$ Thousands)	For the three months ended			For the period ended	
	July 2017	April 2017	July 2016	July 2017	July 2016
Interest Income	7,859,178	7,627,429	7,571,940	23,258,268	22,535,799
Interest Expense	(1,098,223)	(1,087,977)	(1,194,542)	(3,332,247)	(3,759,041)
Net Interest Income	6,760,955	6,539,452	6,377,398	19,926,021	18,776,758
Impairment losses on loans	(508,462)	(554,748)	(533,614)	(1,483,928)	(1,142,199)
Net interest income after impairment losses	6,252,493	5,984,704	5,843,784	18,442,093	17,634,559
Net fee and commission income	2,167,931	2,174,514	1,737,875	6,530,264	5,354,563
Insurance revenue	566,854	1,096,985	556,930	2,268,083	1,857,197
Net gains on foreign currency activities	570,039	625,968	1,166,307	1,666,026	2,601,833
Net gains on financial assets	228,388	165,084	101,948	447,795	191,985
Other revenue	9,147	5,212	10,782	65,222	26,994
	3,542,419	4,067,763	3,573,842	11,037,390	10,032,572
<b>Total Operating Income</b>	9,794,912	10,052,467	9,417,626	29,479,483	27,667,131
<b>Operating Expenses</b>					
Salaries and staff benefits	2,676,577	2,839,554	2,692,265	7,999,593	7,814,498
Property expenses, including depreciation	537,718	527,943	533,014	1,569,264	1,493,288
Amortisation of intangible assets	31,756	31,738	32,104	95,250	93,316
Asset tax	-	146	-	1,068,710	956,448
Other operating expenses	1,755,123	1,763,692	1,512,981	5,383,372	5,228,322
	5,001,174	5,163,073	4,770,364	16,116,189	15,585,872
<b>Profit before taxation</b>	4,793,738	4,889,394	4,647,262	13,363,294	12,081,259
Taxation	(1,497,959)	(1,407,197)	(1,248,604)	(4,374,565)	(3,707,414)
<b>Profit for the period</b>	3,295,779	3,482,197	3,398,658	8,988,729	8,373,845
<b>Attributable to:-</b>					
Equityholders of the Company	3,212,733	3,417,965	3,321,883	8,812,087	8,202,155
Non-Controlling Interest	83,046	64,232	76,775	176,642	171,690
Earnings per share (cents)	103	110	107	283	264
Return on average equity (annualized)	13.39%	14.56%	14.84%	12.48%	12.47%
Return on assets (annualized)	2.56%	2.78%	2.81%	2.34%	2.31%
Productivity ratio	48.54%	48.68%	47.94%	52.05%	54.10%

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**Consolidated Statement of Comprehensive Income**  
**Period ended July 31, 2017**

Unaudited (\$ Thousands)	For the three months ended			For the period ended	
	July 2017	April 2017	July 2016	July 2017	July 2016
<b>Profit for the period</b>	3,295,779	3,482,197	3,398,658	8,988,729	8,373,845
<b>Other comprehensive income:</b>					
<b>Items that will not be reclassified to profit or loss:</b>					
Remeasurement of defined benefit plan obligations	184,431	312,525	175,185	675,016	501,013
Taxation	(61,477)	(104,174)	(58,395)	(225,005)	(167,004)
	122,954	208,351	116,790	450,011	334,009
<b>Items that may be subsequently reclassified to profit or loss:</b>					
Unrealised gains on available for sale assets	212,173	181,790	302,174	347,444	1,140,132
Realised gains on available for sale assets	(123,948)	(205,365)	(576)	(257,618)	(1,505)
Foreign currency translation	(7,091)	4,944	-	(5,928)	-
	81,134	(18,631)	301,598	83,898	1,138,627
Taxation	(58,186)	44,374	(68,395)	(4,813)	(262,218)
	22,948	25,743	233,203	79,085	876,409
<b>Other comprehensive income, net of tax</b>	145,902	234,094	349,993	529,096	1,210,418
<b>Total comprehensive income for the period</b>	3,441,681	3,716,291	3,748,651	9,517,825	9,584,263
<b>Attributable to:-</b>					
<b>Equityholders of the Company</b>	3,371,307	3,617,060	3,656,620	9,332,183	9,349,988
<b>Non-Controlling Interest</b>	70,374	99,231	92,031	185,642	234,275

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**Consolidated Statement of Financial Position**  
 July 31, 2017

Unaudited Thousands)	July 31, 2017	October 31, 2016	July 31, 2016
<b>ASSETS</b>			
CASH RESOURCES	134,130,477	106,276,488	103,105,942
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	423,196	554,034	608,823
INVESTMENT SECURITIES	113,173,896	117,121,153	117,148,314
PLEGGED ASSETS	45,789,474	46,591,509	48,377,551
GOVERNMENT SECURITIES PURCHASED UNDER RESALE AGREEMENTS	1,502,666	820,146	450,513
LOANS, AFTER ALLOWANCE FOR IMPAIRMENT LOSSES	163,881,640	166,826,780	163,927,316
<b>OTHER ASSETS</b>			
Customers' liability under acceptances, guarantees and letters of credit	11,538,849	10,472,329	10,229,090
Property, plant and equipment	5,387,718	5,476,590	5,362,718
Deferred taxation	85,572	70,706	19,926
Taxation recoverable	2,270,191	2,275,812	2,310,955
Retirement benefit asset	18,990,818	17,366,400	17,819,360
Other assets	2,847,563	2,331,282	2,162,226
Intangible assets	1,161,938	1,208,425	1,155,671
	<u>42,282,649</u>	<u>39,201,544</u>	<u>39,059,946</u>
<b>TOTAL ASSETS</b>	<b>501,183,998</b>	<b>477,391,654</b>	<b>472,678,405</b>
<b>LIABILITIES</b>			
Deposits by the public	266,132,229	248,416,381	246,540,510
Amounts due to banks and other financial institutions	10,389,476	11,146,834	11,346,954
	<u>276,521,705</u>	<u>259,563,215</u>	<u>257,887,464</u>
<b>OTHER LIABILITIES</b>			
Acceptances, guarantees and letters of credit	11,538,849	10,472,328	10,229,091
Securities sold under repurchase agreements	28,346,644	31,634,237	33,144,563
Capital management and government securities funds	18,034,932	15,352,087	14,732,610
Deferred taxation	6,084,751	5,760,074	6,000,670
Retirement benefit obligation	3,761,597	3,191,557	2,983,817
Other liabilities	10,999,900	11,165,034	9,344,469
	<u>78,766,673</u>	<u>77,575,317</u>	<u>76,435,220</u>
<b>POLICYHOLDERS' LIABILITIES</b>	<b>45,221,269</b>	<b>44,764,585</b>	<b>44,095,855</b>
<b>STOCKHOLDERS' EQUITY</b>			
Share capital	6,569,810	6,569,810	6,569,810
Reserve fund	3,249,976	3,249,976	3,248,591
Retained earnings reserve	30,291,770	24,791,770	23,791,770
Capital reserve	11,340	11,340	9,383
Loan loss reserve	3,096,024	3,143,875	3,274,895
Other reserves	9,964	9,964	12,892
Translation reserve	(4,565)	-	-
Cumulative remeasurement result from available for sale assets	942,886	868,236	989,076
Unappropriated profits	52,820,100	53,210,802	52,790,196
	<u>96,987,305</u>	<u>91,855,773</u>	<u>90,686,613</u>
<b>Non-controlling interest</b>	<b>3,687,046</b>	<b>3,632,764</b>	<b>3,573,253</b>
	<u>100,674,351</u>	<u>95,488,537</u>	<u>94,259,866</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>501,183,998</b>	<b>477,391,654</b>	<b>472,678,405</b>

 Director
 

 Director
 
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Consolidated Statement of Changes in Shareholders' Equity  
July 31, 2017

Unaudited (\$ Thousands)	Share Capital	Reserve Fund	Earnings Reserve	Retained Capital Reserves	Cumulative Remeasurement result from Available for Sale financial assets	Loan Loss Reserve	Other Reserves	Translation Reserve	Unappropriated Profits	Total	Non-controlling Interest	Total Equity
Balance as at 31 October 2015	6,569,810	3,248,591	20,591,770	9,383	175,252	3,204,891	12,892	-	51,445,043	85,357,232	3,470,233	88,727,555
Net Profit	-	-	-	-	-	-	-	-	8,202,155	8,202,155	17,190	8,373,845
<b>Other Comprehensive Income</b>												
Re-measurement of defined benefit plan obligations	-	-	-	-	-	-	-	-	334,009	334,009	-	334,009
Unrealised gains on available-for-sale securities, net of taxes	-	-	-	-	813,680	-	-	-	-	813,680	63,589	877,269
Realised losses on available-for-sale securities, net of taxes	-	-	-	-	144	-	-	-	-	144	(1,004)	(860)
<b>Total Comprehensive Income</b>												
	-	-	-	-	813,824	-	-	-	8,536,164	9,349,988	234,275	9,584,263
<b>Transfers between reserves</b>												
Transfer to Retained Earnings Reserve	-	-	3,200,000	-	-	-	-	-	(3,200,000)	-	-	-
Transfer to Loan Loss Reserve	-	-	-	-	-	70,404	-	-	(70,404)	-	-	-
Dividends Paid	-	-	-	-	-	-	-	-	(3,920,607)	(3,920,607)	(131,345)	(4,051,952)
Balance as at 31 July 2016	6,569,810	3,248,591	23,791,770	9,383	989,076	3,274,895	12,892	-	52,790,196	90,086,613	3,573,253	94,259,866
Balance as at 31 October 2016	6,569,810	3,249,976	24,791,770	11,340	868,236	3,143,975	9,964	-	53,210,802	91,855,773	3,632,764	95,488,537
Net Profit	-	-	-	-	-	-	-	-	8,812,087	8,812,087	176,642	8,988,729
<b>Other Comprehensive Income</b>												
Re-measurement of defined benefit plan obligations	-	-	-	-	-	-	-	-	450,011	450,011	-	450,011
Foreign Currency Translation	-	-	-	-	-	-	-	(4,565)	-	(4,565)	(1,364)	(5,929)
Unrealised gains on available-for-sale securities, net of taxes	-	-	-	-	274,043	-	-	-	-	274,043	10,142	284,185
Realised gains on available-for-sale securities, net of taxes	-	-	-	-	(199,393)	-	-	-	-	(199,393)	222	(199,171)
<b>Total Comprehensive Income</b>												
	-	-	-	-	74,650	-	-	(4,565)	9,262,098	9,332,183	185,642	9,517,825
<b>Transfers between reserves</b>												
Transfer to Retained Earnings Reserve	-	-	5,500,000	-	-	-	-	-	(5,500,000)	-	-	-
Transfer to Loan Loss Reserve	-	-	-	-	-	(47,851)	-	-	47,851	-	-	-
Transfer to Unappropriated Profits	-	-	-	-	-	-	-	-	-	-	-	-
Movement in reserves due to the dissolution of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-
Dividends Paid	-	-	-	-	-	-	-	-	(4,200,651)	(4,200,651)	(131,360)	(4,332,011)
Balance as at 31 July 2017	6,569,810	3,249,976	30,291,770	11,340	942,886	3,096,024	9,964	(4,565)	52,820,100	96,987,305	3,687,046	100,674,351



**Condensed Statement of Consolidated Cash Flows**  
**Period ended July 31, 2017**
**Unaudited**  
**(\$ Thousands)**

	2017	2016
<b>Cash flows provided by / (used in) operating activities</b>		
Profit for the period	8,988,729	8,373,845
Items not affecting cash:		
Depreciation	423,811	390,975
Impairment losses on loans	1,483,928	1,142,199
Amortisation of intangible assets	95,251	93,316
Taxation	4,374,565	3,707,414
Net interest income	(19,926,021)	(18,776,758)
(Gain) on disposal of property	(45,224)	-
	<u>(4,604,961)</u>	<u>(5,069,009)</u>
Changes in operating assets and liabilities		
Loans	1,456,665	(10,484,277)
Deposits	20,396,786	39,073,508
Policyholders reserve	456,684	983,576
Securities sold under repurchase agreement	(3,284,092)	(6,611,985)
Financial assets at fair value through profit and loss	130,838	235,614
Interest received	23,416,972	22,731,179
Interest paid	(3,343,643)	(3,799,009)
Taxation paid	(4,338,362)	(3,663,945)
Amounts with parent and fellow subsidiaries	(2,170,949)	280,102
Other	(10,933,517)	(1,225,142)
	<u>17,182,421</u>	<u>32,450,612</u>
<b>Cash flows provided by / (used in) investing activities</b>		
Investments and pledged assets	3,984,228	(5,896,953)
Purchase of property, plant, equipment and intangibles	(417,547)	(446,168)
Proceeds on sale of property, plant and equipment	79,070	-
	<u>3,645,751</u>	<u>(6,343,121)</u>
<b>Cash flows used in financing activities</b>		
Dividends paid	(4,332,011)	(4,051,952)
	<u>(4,332,011)</u>	<u>(4,051,952)</u>
Effect of exchange rate on cash and cash equivalents	87,819	1,234,363
Net change in cash and cash equivalents	16,583,980	23,289,902
Cash and cash equivalents at beginning of year	70,297,279	36,354,598
<b>Cash and cash equivalents at end of period</b>	<b>86,881,259</b>	<b>59,644,500</b>
<b>Represented by :</b>		
Cash resources	134,130,477	103,105,942
Less statutory reserves at Bank of Jamaica	(34,504,262)	(25,178,625)
Less amounts due from Bank of Jamaica greater than ninety days	(662,738)	(980,000)
Less amounts due from other banks greater than ninety days	(10,088,853)	(16,569,987)
Less accrued interest on cash resources	(90,318)	(62,726)
Pledged assets, t'bills and repurchase agreements assets less than ninety days	1,500,000	1,802,623
Cheques and other instruments in transit, net	(3,403,047)	(2,472,727)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>86,881,259</b>	<b>59,644,500</b>

**Focused on the Future**


**Segmental Financial Information**
**July 31, 2017**

Unaudited (\$ Thousands)	Banking			Investment Management Services	Insurance Services	Other	Eliminations	Group
	Treasury	Retail	Corporate and Commercial					
Net External Revenues	3,713,065	14,809,760	6,037,296	2,254,339	4,096,938	52,013	-	30,963,411
Revenues from other segments	(1,370,478)	(417,328)	1,572,007	110,107	83,413	14,879	7,400	-
<b>Total Revenues</b>	<b>2,342,587</b>	<b>14,392,432</b>	<b>7,609,303</b>	<b>2,364,446</b>	<b>4,180,351</b>	<b>66,892</b>	<b>7,400</b>	<b>30,963,411</b>
Expenses	(521,841)	(10,086,872)	(4,816,896)	(1,163,202)	(923,846)	(34,151)	(53,309)	(17,600,117)
Profit Before Tax	1,820,746	4,305,560	2,792,407	1,201,244	3,256,505	32,741	(45,909)	13,363,294
Taxation								(4,374,565)
<b>Profit for the period</b>								<b>8,988,729</b>
Segment assets	171,887,161	113,662,355	67,659,005	69,833,562	56,522,547	21,211,711	(20,992,163)	479,784,178
Unallocated assets								21,399,820
<b>Total Assets</b>								<b>501,183,998</b>
Segment liabilities	50,022	150,249,920	146,799,912	54,585,017	45,936,708	41,364	(11,922,022)	385,740,921
Unallocated liabilities								14,768,726
<b>Total liabilities</b>								<b>400,509,647</b>
<b>Other Segment items:</b>								
Capital Expenditure	-	295,030	96,676	19,943	5,898	-	-	417,547
Impairment losses on loans	-	1,440,851	54,921	(11,844)	-	-	-	1,483,928
Depreciation and amortisation	-	275,010	138,826	101,507	3,719	-	-	519,062

**Focused on the Future**


## Segmental Financial Information

July 31, 2016

Unaudited (\$ Thousands)	Banking			Investment Management Services	Insurance Services	Other	Eliminations	Group
	Treasury	Retail	Corporate and Commercial					
Net External Revenues	3,014,591	13,970,451	5,307,710	2,441,699	3,432,908	641,971	-	28,809,330
Revenues from other segments	(356,522)	(580,583)	810,912	9,491	99,879	23,346	(6,523)	-
<b>Total Revenues</b>	<b>2,658,069</b>	<b>13,389,868</b>	<b>6,118,622</b>	<b>2,451,190</b>	<b>3,532,787</b>	<b>665,317</b>	<b>(6,523)</b>	<b>28,809,330</b>
Expenses	(433,153)	(9,540,808)	(4,469,282)	(1,298,361)	(906,019)	(22,663)	(57,785)	(16,728,071)
Profit Before Tax	2,224,916	3,849,060	1,649,340	1,152,829	2,626,768	642,654	(64,308)	12,081,259
Taxation								(3,707,414)
<b>Profit for the period</b>								<b>8,373,845</b>
Segment assets	145,102,964	106,786,775	72,996,881	69,672,792	57,096,875	21,171,018	(19,956,877)	452,870,428
Unallocated assets								19,807,977
<b>Total Assets</b>								<b>472,678,405</b>
Segment liabilities	330,997	141,889,343	133,362,037	55,007,705	44,721,403	75,946	(11,169,805)	364,217,626
Unallocated liabilities								14,200,913
<b>Total liabilities</b>								<b>378,418,539</b>
<b>Other Segment items:</b>								
Capital Expenditure	-	307,531	112,934	17,618	8,085	-	-	446,168
Impairment losses on loans	-	1,201,032	(41,670)	(17,163)	-	-	-	1,142,199
Depreciation and amortisation	-	250,803	126,289	99,579	7,620	-	-	484,291

Focused on the Future



**SCOTIA GROUP JAMAICA LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**July 31, 2017**

**1. Identification**

Scotia Group Jamaica Limited (the Company) is a 71.78% subsidiary of Scotiabank Caribbean Holdings Limited, which is incorporated and domiciled in Barbados. The Bank of Nova Scotia, which is incorporated and domiciled in Canada, 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%). All subsidiaries are incorporated in Jamaica, except for Scotia Asset Management (St. Lucia) Inc.

Scotia Investments Jamaica Limited (SIJL) recently initiated a Court application to implement a Scheme of Arrangement in order to take it private. This was approved at the Extraordinary General Meeting held on August 30, 2017, and shall be finalized once the Supreme Court issues its approval. Once sanctioned by the Supreme Court, all minority shares will be cancelled in consideration of payment by Scotia Group Jamaica Limited of J\$38 per share, the effect of which will result in Scotia Group owning 100% of SIJL.

**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 audited consolidated financial statements for the year ended October 31, 2016, which was prepared in accordance with International Financial Reporting Standards (IFRS).

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

These financial statements are presented in Jamaican dollars, which is the Group's functional currency.

**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.

**Focused on the Future**



**SCOTIA GROUP JAMAICA LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**July 31, 2017**

**3. Financial Assets (continued)**

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 amortized 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, regulators, and the clearing house and as collateral under repurchase agreements with counterparties.

(\$ Millions)	<u>2017</u>	<u>2016</u>
Investments pledged as collateral for securities sold under repurchase agreements	24,566	29,988
Capital Management and Government Securities funds	12,849	11,208
Securities with regulators, clearing houses and other financial institutions	<u>8,374</u>	<u>7,182</u>
	<u>45,789</u>	<u>48,378</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.

**Focused on the Future**



**SCOTIA GROUP JAMAICA LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**July 31, 2017**

**6. Loan loss provision**

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

**7. Property, plant and equipment**

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

**8. Cash and cash equivalents**

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

**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.

**(i) 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.

Where a pension asset arises, the amount recognized 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.

**Focused on the Future**

**SCOTIA GROUP JAMAICA LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**July 31, 2017**

**9. Employee benefits (continued)**

**(ii) Other post-retirement obligations**

The Group also provides supplementary health care and 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.

**(iii) Defined contribution plan**

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

**10. Segment reporting**

The Group is organized into six main business segments:

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

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

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

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

**Focused on the Future**



**SCOTIA GROUP JAMAICA LIMITED**  
**TOP TEN (10) LARGEST SHAREHOLDERS**  
**AS AT 31 JULY 2017**

<b>RANK</b>	<b>SHAREHOLDER</b>	<b>HOLDINGS AS AT 31 JULY 2017</b>
1	SCOTIABANK CARIBBEAN HOLDINGS LIMITED	2,233,403,384
2	SAGICOR POOLED EQUITY FUND	58,992,292
3	NATIONAL INSURANCE FUND	57,924,069
4	SJIML A/C 3119	55,725,439
5	RESOURCE IN MOTION	29,100,000
6	NCB INSURANCE CO. LTD A/C WT109	26,291,176
7	GRACEKENNEDY LIMITED PENSION SCHEME	20,897,463
8	SDBG A/C 560-01	16,601,070
9	SDBG A/C 560-03	13,121,971
10	JCSD TRUSTEE SERVICES LTD - SIGMA OPTIMA	12,820,772

**SCOTIA GROUP JAMAICA LIMITED**  
**SHAREHOLDINGS OF DIRECTORS AND CONNECTED PARTIES**  
**QUARTERLY REPORT AS AT 31 JULY 2017**

DIRECTORS	HOLDINGS AS AT 31 JULY 2017
<b>ALEXANDER, BARBARA OLIVE LOUISE</b>	<b>108,000</b>
<i>FORRESTER, TERRANCE</i>	0
<b>CRAWFORD, ERIC</b>	<b>45,000</b>
<i>GORDON, DEBBIE-ANN</i>	0
<b>HALL, JEFFREY MCGOWAN</b>	<b>0</b>
<i>HALL, JEFFREY MCGOWAN/CHUA, DR. SWEE TEEN</i>	40,000
<i>HALL, JEI HAN CHUA</i>	0
<i>HALL, LI HAN</i>	0
<b>HART, ANTONY MARK DESNOES</b>	<b>0</b>
<i>HART, CANDACE</i>	0
<i>HART, CAMERON GABRIELLE</i>	0
<i>HART, ETHAN SAMUEL</i>	0
<i>HART, MAYA ALEXANDRA</i>	0
<b>KING, BRENDAN</b>	<b>0</b>
<i>BRYAN, SANDRA</i>	0
<i>KING, CONOR</i>	0
<i>KING, RYAN</i>	0
<i>KING, SHANNON</i>	0
<b>MAHFOOD, ANDREW</b>	<b>0</b>
<i>MAHFOOD, CAROLINE</i>	75,208
<i>MAHFOOD, LAUREN</i>	0
<b>SHARP, JACQUELINE</b>	<b>71,125</b>
<i>SHARP, ALEXANDER</i>	0
<i>SHARP, JACQUELINE /SHARP, JASON</i>	181,000
<i>SHARP, LAUREN</i>	0
<b>SMITH, EVELYN</b>	<b>0</b>
<i>SMITH, ANNECIA</i>	0
<i>SMITH, JOSEPH ALEXANDER</i>	0
<i>SMITH, NELSON ALEXANDER</i>	0

**Notes:**

**Effective 8 June 2017, Eric Crawford was appointed to the Board of Directors**

**SCOTIA GROUP JAMAICA LIMITED**  
**SHAREHOLDINGS OF SENIOR MANAGERS AND CONNECTED PARTIES**  
**QUARTERLY REPORT AS AT 31 JULY 2017**

SENIOR MANAGERS	HOLDINGS AS AT 31 JULY 2017
<b>BRIGHT, ALSTON CARL</b>	<b>144,683</b>
<b>FORBES -PATRICK, YANIQUE</b>	<b>0</b>
<i>FORBES, BLOSSOM</i>	0
<i>FORBES, SHAWN</i>	0
<i>PATRICK, XAVIER</i>	0
<i>PATRICK,ZACHARY</i>	0
<b>FRASER,RICHARD</b>	<b>0</b>
<i>FRASER, EMILIA</i>	0
<i>FRASER, ZARA</i>	0
<i>KINACH, ANDREA VANESSA</i>	0
<b>HARVEY, VINCENT AGUSTUS</b>	<b>9,045</b>
<i>HARVEY, GAIL ROSALEE/ HARVEY, VINCENT A.</i>	2,600
<i>HARVEY, STEPHEN VINCENT</i>	0
<i>HARVEY, VINCENT/ HARVEY, GAIL</i>	1,300
<i>HARVEY, VINCENT A./ HARVEY, GAIL/ HARVEY, PETER- JOHN MCDONALD</i>	1,000
<b>HEYWOOD, NADINE</b>	<b>0</b>
<i>HEYWOOD,GRANT ALEXANDER MAUNSELL</i>	0
<i>HEYWOOD,ZOE MONIQUE MAUNSELL</i>	0
<b>MAIR, HORACE NEIL CRAIG</b>	<b>42,082</b>
<i>MAIR, DANIEL GEORGE</i>	0
<i>MAIR, JODI ANN</i>	0
<i>MAIR, JOSHUA HORACE</i>	0
<i>MAIR, LUKE CRAIG</i>	0
<b>MCLEGGON, MARCETTE</b>	<b>216,983</b>
<b>MILLER, HUGH G</b>	<b>74,098</b>
<i>MILLER, SHEILA OPHELIA</i>	0
<b>MITCHELL, LISSANT</b>	<b>0</b>
<i>MITCHELL, LISSANT L./MITCHELL, ELMAY</i>	40,000
<i>MITCHELL, LISSANT L./MITCHELL, MATTHEW CRAIG</i>	4,500

<b>NELSON, MORRIS</b>	<b>643</b>
<b>NOEL, DAVID</b>	<b>0</b>
<i>NOEL, EDEN</i>	0
<i>NOEL, FRANCENE</i>	0
<i>NOEL, ZACHARY</i>	0
<b>PILLINER, ROSEMARIE</b>	<b>74,216</b>
<i>PILLINER, ROSEMARIE/PILLINER, GORDONST. ELMO</i>	72,458
<b>SHARP, JACQUELINE</b>	<b>71,125</b>
<i>SHARP, ALEXANDER</i>	0
<i>SHARP, JACQUELINE/ SHARP, JASON</i>	181,000
<i>SHARP, LAUREN</i>	0
<b>STOKES, ADRIAN</b>	<b>0</b>
<i>STOKES, LUCAS</i>	0
<b>SYLVESTER, COURTNEY A.</b>	<b>248,864</b>
<i>SYLVESTER, BENJAMIN</i>	0
<i>SYLVESTER, COURTNEY/SYLVESTER, CORAH-ANN</i>	124,764
<i>SYLVESTER, EMMANUEL</i>	0
<i>SYLVESTER, JESSICA</i>	0
<b>THOMPSON-JAMES, JULIE</b>	<b>0</b>
<i>JAMES, ARIANNE ELIZABETH</i>	0
<i>JAMES, MARCUS HASTINGS/ JAMES, MATTHEW ERIC HASTINGS</i>	1,000
<i>JAMES, MARCUS HASTINGS/ JAMES, ALYSSA MILAN</i>	500
<i>JAMES, MARCUS HASTINGS</i>	6,300
<i>JAMES, MATTHEW</i>	0
<b>WHITE, GARY-VAUGHN</b>	<b>96,389</b>
<i>WHITE, CALEB- ANTHONY</i>	0
<i>WHITE, EDEN-GRACE ALEXANDRA</i>	0
<i>WHITE, ROSALEE KEESH-ANN</i>	0
<b>WHITELOCKE, GLADSTONE</b>	<b>54,000</b>
<i>WHITELOCKE, ELAINE</i>	108,692
<b>WILKIE -CHANNER, SHELEE NADINE</b>	<b>96,979</b>
<i>CHANNER, KYRA-JADE ALYSSA</i>	0
<i>CHANNER, LENNOX</i>	0
<i>CHANNER, MAYA-PAIGE OLIVIA</i>	0
<i>WILKIE-CHANNER, SHELEE/CHANNER, LENOX DECORDOVA</i>	21,048

<b>WILLIAMS, FREDERICK</b>	<b>135,285</b>
<i>WILLIAMS, FREDERICK/YEARDE-WILLIAMS, COLLEEN INGRID</i>	46,153
<i>WILLIAMS, NINA SADE</i>	0
<i>WILLIAMS, STEPHANIE NATHANIA</i>	0
<i>YEARDE-WILLIAMS, COLLEEN INGRID</i>	0
<b>WRIGHT, MICHELLE</b>	<b>41,001</b>
<b>WRIGHT, SALIANN</b>	<b>31,169</b>
<i>WRIGHT, GLADSTONE SIDONIA</i>	402,688
<i>WRIGHT, KERRY-ANN</i>	0

**Notes:**

***Effective 30 June 2017 Patsy Latchman-Atterbury, Ron Bourdeau, Donovan Hanson and George Roper are no longer with the Scotia Group Jamaica Limited .***