

BANK OF NOVA SCOTIA JAMAICA LIMITED

REPORT TO SHAREHOLDERS

The financial year, ended October 31, 1995 was another profitable year for your Bank, highlighted by asset growth and deposit growth, and market share gains in loans and deposits. Total assets increased 52.2%, from \$22.8 billion to \$34.7 billion, and total deposits grew from \$17 billion to \$28 billion, an increase of 64.7%. Profit before tax for the year amounted to \$2.1 billion, an increase of 11.8% over 1994. After the Government levy of \$154 million, net income totalled \$1.29 billion, 0.7% below last year. Total dividends paid during the year were \$549 million, up \$60 million over 1994. Earnings per share before the Government levy were \$1.98, compared to \$1.76 after the levy. Our return on equity at year end was 42% and return on assets 3.7%.

BUILDING THROUGH RELATIONSHIPS

RETAIL BANKING

Scotiabank experienced strong overall growth in its retail products in 1995, registering significant increases in consumer loans and deposits. We were also able to gain market share in both retail loans and deposits in 1995. Increases were particularly strong towards the latter part of the year as aggressive marketing yielded positive results. Scotia Plan Loans performed particularly well, as did our local Mastercard, largely due to an increase of 70% in our card-holder base.

In the youth market. ScotiaWise and ScotiaFirst continued to attract students. We further consolidated our leadership position in both products, with increases

of more than 128% and 220% in the number of accounts and outstanding balances, respectively.

During the year, we upgraded our data processing capacity to better support our branch network. We also expanded our ABM network. Six new units were installed, increasing our total number of sites to 22.

CORPORATE/COMMERCIAL BANKING

The year was a challenging one for our customers in a number of sectors, particularly distribution and manufacturing. Overall high interest rates and increased competition from imports meant important adjustments had to be made in order to remain competitive. At the same time, the Bank reorganized its staff in the corporate banking area in order to provide a more effective marketing thrust and better serve the needs of our customers.

Despite the economic environment, we significantly increased our corporate loan business in the fiscal year 1995, while successfully maintaining our high credit quality. Major opportunities were seized in the construction, services and trading areas.

As an indication of our commitment to small businesses, we offered a special \$200 million loan programme for export-oriented manufacturers who now have access to funds at interest rates not exceeding 30%. Loans are available for use as working capital or for purchase of new equipment, retooling or upgrading and factory construction. Our special rate Agri-industrial loan fund, which was introduced with a \$50 million limit, was increased to \$100 million following a very favourable response. The loan fund is now fully availed. Our unique Cash Management Services, such as ScotiaConnect, ScotiaDirect and Consolidated Cash Plan, also reflected good growth as Scotiabank continues to position itself as the leader in electronic banking.

In February 1995, we relaunched our Scotia Professional Plan accompanied by extensive media coverage. The Plan targets young professionals requiring start-up loans. The relaunch combined with the downward movement in high interest rates in early 1995, led to greater interest from the professional community. In August 1995, we marketed a more attractive package of service

benefits. These initiatives resulted in a marked increase in the portfolio.

OUR SUBSIDIARIES

During 1995, our subsidiaries played a major role in strengthening our financial services portfolio. Both Scotia Jamaica Building Society and The Scotiabank Jamaica Trust and Merchant Bank Ltd. recorded significant growth. The repositioning of West India Company of Merchant Bankers as a full service local, regional and international investment bank was also initiated.

Our Building Society recorded the fastest level of growth among similar institutions in the financial sector. After one year of operation, we achieved a seven percent share of the market and assets totalled J\$1.6 billion.

Scotia Jamaica Building Society is the first institution of its kind to offer access to its accounts through Automated Banking Machines, utilizing the facilities of the Scotiabank branch network.

The Scotiabank Jamaica Trust and Merchant Bank Ltd. recorded growth, especially in its lease assets portfolio and trust and registration services, increasing the number of accounts by 54%. During the year the Trust Company was granted primary dealership status by the Bank of Jamaica, resulting in more profitable trading.

In 1995, one of our subsidiaries, Scotia Jamaica Insurance Agency Ltd. was sold to Industrial Finance Holdings Ltd., an associated company in which the Bank is a 50% shareholder. It was considered prudent to make this change to allow the Agency to benefit from the synergies to be derived from the other related businesses in the alliance.

HUMAN RESOURCE DEVELOPMENT

In recognition of the importance of Human Resource development, many initiatives in recruitment and training were undertaken during the year. These were designed to equip our staff with the necessary skills to deliver a higher level of customer service.

Approximately 21% of our employees benefitted from sales management, commercial

selling skills and customer service courses at our training centre. Through these courses, our staff members were able to gain a better appreciation of the concepts of relationship banking and broaden their knowledge of our products and services. In addition, other members of staff focussed on enhancing their interpersonal skills and the general upgrading of their education through various tertiary institutions.

During the year, we continued our involvement in the Long Distance Education Programme offered by the Institute of Canadian Bankers. Scotiabank participants represent approximately half of the students registered in this course in Jamaica, with Jamaican registration among the highest worldwide.

COMMUNITY INVOLVEMENT

During fiscal 1995, Scotiabank Jamaica maintained its commitment to the community with contributions totalling nearly \$6 Million. We continued to focus on the education and health sectors.

Assistance to education was provided primarily through scholarships and bursaries to secondary and tertiary institutions. During the year we awarded two scholarships to the University of the West Indies, 29 scholarships to secondary schools, 12 scholarships to the University of Technology and 66 bursaries to CXC 'O' Level students.

Hospital and health projects, church outreach groups, golden age homes, sporting organizations, PALS Jamaica, service clubs and other organizations also received assistance during the year.

Our branches participated in several Labour Day projects around the island, reaffirming our commitment to our communities, not only through donations but, also through active personal participation.

BRANCH EXPANSION/RENOVATION

In an effort to improve our facilities, we carried out improvements at several of our branches, including Half-Way-Tree, King Street, Junction and Hagley Park. We built new facilities in Mandeville and Lucea. Our Mandeville location will pioneer the introduction of front office reorientation, which

will help to improve customer flow and service delivery. A new branch is under construction in Falmouth and should be completed by March 1996.

THE FUTURE

We will strive to turn 1996 into another successful year for your Bank, providing the very best in products and services, building market share and increasing revenue.

The Bank will focus on service excellence to ensure customer satisfaction. We will spend more time working with our customers and improving our human resource skills to better meet their needs. We will also focus on relationship banking and ensure that our personal banking officers increase their product knowledge.

In 1996 our subsidiaries, Scotia Jamaica Building Society (SJBS), The West India Company of Merchant Bankers Limited (WICMB) and Scotiabank Jamaica Trust and Merchant Bank Limited (SJTMB) will escalate their activities. The West India Company of Merchant Bankers will focus on corporate finance, adding value to corporations and individuals offering a broad range of investment banking products. Working through WICMB, we will be able to mobilize capital more efficiently for the benefit of both local and international issuers and investors. SJTMB will focus on its core business, trust and registrar services, commercial mortgages and leases. SJBS will leverage the strengths of the Scotiabank branch network in the delivery of its products and services.

Our success and our confidence in the future is a function of the commitment of our Board of Directors, our shareholders, our customers and our staff. Our strength is our people.

C.E. Ritchie
Chairman

W.E. Clarke
Managing Director

