

The Bank of Nova Scotia Jamaica Limited 1998

The Bank of Nova Scotia Jamaica Limited and its Subsidiaries (Scotiabank Jamaica) reported a decline of \$84 million in net profit after tax for the quarter ended January 31, 1998. Scotiabank Jamaica's after-tax profit for the first quarter was \$387 million compared with \$471 million for the same period last year but was \$48 million above the previous quarter.

Mr. W.E. Clarke, Managing Director of The Bank of Nova Scotia Jamaica Limited, said that the year over year profit decline of the Group can be attributed to the impact of the growth of nonperforming loans, reduction of the Bank's interest margin and growth in operating expenses.

CASH RESOURCES increased by \$6.3 billion to \$ 17.3 billion as the Bank improved its liquidity position due to strong deposit growth and prolonged soft demand for loans.

INVESTMENTS grew by \$680 million to \$8.3 billion of which 95% is Government of Jamaica securities held to meet statutory liquid assets and prudential reserves. The average yield on

these assets is down from the previous year but up from last quarter, in line with the changes in average market rates over the period.

PERFORMING LOANS grew to \$21.1 billion, or \$4.4 billion over the previous year. This was 6% above the previous quarter-end as demand improved slightly in this quarter in keeping with the seasonal trend. The average yield on the Group's total loans is down from the previous year, due to the Bank's reduction of its lending rates to stimulate growth and the increase in the level of non-performing loans. However the average yield for this quarter was better than that of the previous quarter as short term money markets rose.

NON-PERFORMING LOANS increased from \$432 million a year ago to \$893 million at the end of January 1998. This was also above the \$718 million outstanding at October 31, 1997,

partly due to a reduction, by statute, of the past due period after which loans are classified from 180 days to 90 days. The Bank's non-performing loans now represent 4.2% of its total loans and 1.6% of total assets. Mr. Clarke stated that most of these loans are collectible over time and most are adequately secured. In any event, sufficient provisions for these loans have already been made. Loans are reported net of specific provisions totalling \$118 million and in addition Scotiabank Jamaica has a general provision of \$370 million. These provisions totalling \$488 million represent 55% of total non-performing loans and 2.3% of total loans.

TOTAL ASSETS was at \$58 billion, an increase of 23% from previous year and 5% from previous quarter.

DEPOSITS grew to \$45 billion, up 27% from previous year and 7% from previous quarter. Scotiabank Jamaica has improved its market share of deposits through aggressive pricing and improving customer service.

STOCKHOLDERS EQUITY now stands at \$5.1 billion, up 15% from previous year. This results from Scotiabank's philosophy of prudently reinvesting a share of its profits in order to enable the Group to expand.

NET INTEREST INCOME was \$1,061 million, up \$35 million from last year and \$110 million from last quarter. The net interest margin declined gradually between the fourth quarter of 1996 and the fourth quarter of 1997, led by a reduction in the yield on Treasury Bills and other government securities. The impact of declining yield on these assets on net interest income was mitigated by the growth in the volume of earning assets during the same period. The margin improved in this quarter as yield on our government securities improved in line with market.

OTHER REVENUE was \$224 million, up \$36 million or 19% from last year, excluding \$64 million gain on sale of shares of associated company and up \$28 million from the previous quarter.

NON-INTEREST EXPENSES amounted to \$732 million up \$145 million from last year and \$11 million from last quarter. The changes largely reflect the impact of the salaries and benefits awarded to staff by the IDT for 1996 which were provided for in the fourth quarter, and settled in the first quarter of 1997.

EARNINGS PER SHARE was 26 cents compared with 32 cents for the same period last year and 23 cents for the previous quarter.

RETURN ON EQUITY at quarter-end, annualised, was 30%. This was down from 42% last year but up from 27% at the end of the previous quarter.

RETURN ON ASSETS at quarter-end, annualised, was 2.7%. down from 4.0% last year but up from 2.4% at the end of last quarter. The movements reflect the fluctuations in the Group's net interest margin for reasons mentioned earlier in this report.

DIVIDEND: The Directors have declared an interim dividend of 10 cents per stock unit to stockholders on record as of March 9, 1998, payable on March 30, 1998. This equates with a capital distribution of 10 cents per stock unit, after adjustment for one for one bonus share issue of October 6, 1997, paid to stockholders in the first quarter of 1997.

Scotiabank Jamaica thanks its many customers, shareholders and dedicated staff for their continued support.

FINANCIAL HIGHLIGHTS

(\$ Millions)
3 Months Ended

	Jan.31 1998	Jan. 31 1997	Oct. 31 1997
Gross Operating Revenue	2,314	2,486	2,083
Total Interest Income	2,090	2,235	1,887
interest Paid on Deposits	<u>1,029</u>	<u>1,209</u>	<u>936</u>
Net Interest Income	1,061	1,026	951
Other Revenue	<u>224</u>	<u>252</u>	<u>196</u>
Net Int. Income & Other Rev.	1,285	1,278	1,147
Staff Costs	410	368	390
other Operating Costs	313	209	271

General Provision	<u>-</u>	<u>10</u>	<u>60</u>
Total Operating Costs Inc.			
General provision	732	587	721
Share of Results of Associated Company			
Profit Before Tax	553	691	426
Taxation	<u>166</u>	<u>220</u>	<u>87</u>
Net Profit	387	471	339
Capital Distribution	-	146	
Dividend	146	-	256
Earnings per Share Based on 1,463,616,000	26c	32c	23c
Dividend Payout Ratio	38%	31%	76%
Return on Equity at Quarter-end*	30%	42%	27%
Return on Assets at Quarter-end*	2.7%	4.0%	2.4%

*Annualised
