

# THE BANK OF NOVA SCOTIA JAMAICA LIMITED 1999

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## SCOTIABANK RECORDS 14% INCREASE IN PROFIT FOR

### FIRST QUARTER OF 1999

The Bank of Nova Scotia Jamaica Limited and its Subsidiaries (Scotiabank Jamaica) recorded net profit of \$443 million for the first quarter ended January 31, 1999, an increase of \$56 million or 14% over net profit for the first quarter of 1998. This, however, was \$45 million below net profit for the quarter ended October 31, 1998.

Mr. W.E. Clarke, Managing Director of The Bank of Nova Scotia Jamaica Limited, said that the improved year over year profit of the Group can be attributed to healthy growth in the Bank's average total earning assets, coupled with an increase in its net interest margin. The quarter over quarter decrease in net profit is due to a decline in the Bank's net interest margin during the period.

**CASH RESOURCES** increased year over year by \$1.2 billion to \$18.5 billion as the Bank maintained its strong liquidity position from robust deposit growth coupled with prolonged soft demand for loans. However, due to a shift of some of its resources to longer term marketable government securities, total cash resources was \$3 billion below the level of the previous quarter-end.

**INVESTMENTS** grew year over year by \$10.3 billion to \$18.6 billion, of which 98% is Government of Jamaica securities held to meet statutory liquid assets and prudential reserves. The average yield on these assets was 602 basis points above the previous year,

but down 62 basis points from last quarter, in line with the changes in average market rates over the period.

**PERFORMING LOANS** declined from \$20.1 billion, at January 31, 1998 to \$17.3 billion at January 31, 1999. This was also \$1 billion below the previous quarter-end as demand for credit continues to be weak. 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 and the increase in the level of its non-performing loans.

**NON-PERFORMING LOANS** increased from \$893 million a year ago to \$1,317 million at the end of January 1999. This was also \$70 million above the \$1,237 million outstanding at October 31, 1998. The Bank's non-performing loans now represent 7.0% of its total loans and 2.0% of total assets. Mr. Clarke stated that most of these loans are collectible over time and are adequately secured. In any event, sufficient provisions for these loans have already been made. Loans are reported net of specific loan loss provisions totalling \$336 million, and in addition, Scotiabank Jamaica has a general loan loss provision of \$375 million. These provisions of \$711 million represent 54% of total non-performing loans and 3.8% of total loans.

**TOTAL ASSETS** rose to \$67 billion, an increase of 16% from previous year and 2% from previous quarter-end. The asset mix continues to be skewed towards government securities as loan demand remains sluggish while deposits continue to grow.

**DEPOSITS** grew to \$48.6 billion, up 9% from previous year and 5% from previous quarter as the Bank continues to see an increase in its market share, reflecting continued confidence in Scotiabank.

**STOCKHOLDERS' EQUITY** was \$6.2 billion, up 20% 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 \$1,326 million, up \$265 million from last year and down, marginally \$4 million, from last quarter. The year over year growth was due to growth in the net interest margin coupled with an increase in average total earning assets.

**OTHER REVENUE** was \$490 million, up \$29 million from last quarter-end, and \$266 from same quarter 1998. The main contributor to the year over year growth was premium income from ScotiaMINT, an interest sensitive insurance policy,, marketed by Scotia Jamaica Life

Insurance Company Limited, through agents located in branches of the Bank islandwide. ScotiaMINT continues to be well received by investors seeking a long term investment vehicle. In its first seven months from the product launch to January 31, 1999, some 4,000 policies were written for a total premium income of \$624 million.

**NON-INTEREST EXPENSES** amounted to \$1,151 million, up \$419 million from last year and \$96 million from last quarter. The changes largely reflect increase in staff compensation and number of staff, as well as the change in the actuarial reserve for the ScotiaMINT life assurance fund.

**EARNINGS PER SHARE** was 10 cents compared with 26 cents for the same period last year and 33 cents for the previous quarter.

**RETURN ON EQUITY** at quarter-end, annualised, was 29%. This was down from 33% last year and 30% at the end of the previous quarter.

**RETURN ON ASSETS** at quarter-end, annualised, was 2.6%, down from 3.0% last year and 2.7% 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 12.5 cents per stock unit to stockholders on record as of March 16, 1999, payable on April 8, 1999. This compares with an interim dividend of 10 cents for the first quarter of 1998.

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

## **FINANCIAL HIGHLIGHTS**

## Financial Highlights

(\$ Millions)  
3 Months Ended

	Jan. 31 1999	Jan. 31 1998	Oct. 31 1998
Gross Operating Revenue	3,241	2,314	3,180
Net Income & Other Revenue			
Income From Loans & Mortgages	1,839	1,562	1,884
Income From Securities	<u>912</u>	<u>528</u>	<u>835</u>
Total Interest Income	2,751	2,090	2,719
Interest Paid on Deposits	<u>1,426</u>	<u>1,029</u>	<u>1,389</u>
Net Interest Income	1,325	1,061	1,330
Other Revenue	<u>490</u>	<u>224</u>	<u>461</u>
Net Int. Income & Other Rev.	1,816	1,285	1,791
Expenses			
Staff Costs	559	419	503
Other Operating Costs	542	313	469
General Provision for Loan Losses	<u>50</u>	<u>-</u>	<u>84</u>
Total Operating Costs Inc. General Provision	<u>1,151</u>	<u>732</u>	<u>1,056</u>
Profit Before Tax	665	553	735
Taxation	<u>222</u>	<u>166</u>	<u>247</u>
Net Profit	443	387	488
Dividend	183	146	352
Earnings per Share Based on 1,463,616,000	30c	26c	33c
Dividend Payout Ratio	41%	38%	72%
Return on Equity at Quarter-end *	29%	30%	33%

Return on Assetts at Quarter-end \*

2.6%

2.7%

3.0%

\* Annualised