

THE BANK OF NOVA SCOTIA JAMAICA LIMITED 1999

SCOTIABANK REPORTS NET PROFIT OF \$1,028 MILLION FOR

HALF YEAR ENDED APRIL 30, 1999

The Bank of Nova Scotia Jamaica Limited and its Subsidiaries (Scotiabank Jamaica) reported net profit for the quarter ended April 30, 1999 of \$585 million, including a gain on sale of certain investments. This exceeds profits for the first quarter by \$142 million and takes the net profit for the six months ended April 30, 1999 to \$1,028 million compared with \$732 million for the same period last year.

Mr. W.E. Clarke, Managing Director of The Bank of Nova Scotia Jamaica Limited, said that the improved profit of the Group can be attributed mainly to healthy growth in the Bank's average total earning assets, and to a lesser extent, an increase in net interest margin.

CASH RESOURCES increased year over year by \$6.8 billion to \$22.5 billion as the Bank maintained its strong liquidity position from robust deposit growth coupled with prolonged soft demand for loans.

INVESTMENTS grew year over year from \$10.4 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 the portfolio was below the average for the previous quarter in keeping with the yield movements in the market, but showed an increase over last year's.

PERFORMING LOANS declined from \$18.1 billion, at April 30, 1998 to \$17.4 billion

at April 30, 1999 as demand for credit continues to be weak. This was \$100 million above the previous quarter. 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. During the period the Scotiabank Jamaica Economic Growth Fund was launched with \$1,300 million committed to this facility at an interest rate of 8.5%. At April 30, 1999 approvals stood at \$720 million.

NON-PERFORMING LOANS increased from \$1,130 million a year ago to \$1,330 million at the end of April 1999. This was also \$13 million above the \$1,317 million outstanding at January 31, 1999. The Bank's non-performing loans now represent 7.0% of its total loans and 1.80% 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 \$500 million, and in addition, Scotiabank Jamaica has a general loan loss provision of \$375 million. These provisions of \$875 million represent 66% of total non-performing loans and 4.7% of total loans.

TOTAL ASSETS rose to \$73 billion, an increase of 28% from previous year and 9% 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 \$52.1 billion, up 22% from previous year and 7% from previous quarter, as the Bank continues to see an increase in its market share, reflecting continued confidence in Scotiabank.

STOCKHOLDERS' EQUITY was \$6.6 billion, up 23% 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 for the quarter was \$1,431 million, up \$105 million from last year and up \$313 million from the same quarter of the previous year. The increase was due to growth in the net interest margin coupled with an increase in average total earning assets.

OTHER REVENUE excluding Insurance Premium Income was \$293 million, up \$54 million from the previous quarter-end, and \$92 million from same quarter of 1998, the main contributor being growth in business volumes. Insurance Premium is attributable to 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 ten months from the product launch to April 30, 1999, some 9,020 policies were written for a total premium income of \$1,246 million. The increase in Insurance Premium income of \$372 million from previous quarter reflects strong market response to the product.

NON-INTEREST EXPENSES excluding actuarial reserves amounted to \$316 million, up \$30 million from the previous quarter and \$79 million from the same period last year. The changes largely reflect increase in staff compensation and number of staff. The increase of \$369 million in actuarial reserves for ScotiaMINT's life insurance fund is directly attributed to the growth in the business written.

EARNINGS PER SHARE for the quarter was 40 cents compared with 30 cents for the same period last year.

RETURN ON EQUITY at quarter-end, annualised, was 31%. This was up from 27% last year and 29% at the end of the previous quarter.

RETURN ON ASSETS at quarter-end, annualised, was 2.8%, compared to 2.6% for both last year and 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 June 15, 1999, payable on July 6, 1999. This compares with an interim dividend of 10 cents for the second 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

	July 31 1999	July 31 1998	April 30 1999
Gross Operating Revenue	3,680	2,758	3,869
Net Income & Other Revenue			
Income From Loans & Deposits With Banks	2,062	1,097	1,900
Income From Securities	<u>1,065</u>	<u>1,301</u>	<u>1,053</u>
Total Interest Income	3,127	2,398	2,953
Interest Paid on Deposits	<u>1,530</u>	<u>1,110</u>	<u>1,522</u>
Net Interest Income	1,597	1,288	1,431
Other Revenue			
Insurance Premium Income	292	198	623
Other	<u>260</u>	<u>162</u>	<u>293</u>
Net Int. Income & Other Rev.	2,149	1,648	2,347
Expenses			
Staff Costs	581	529	549
Other Operating Costs			
Actuarial Reserves	321	193	625
Other	298	249	316
Provision for Loan Losses	<u>150</u>	<u>65</u>	<u>164</u>
Total Operating Costs	<u>1,350</u>	<u>1,036</u>	<u>1,654</u>
Profit Before Tax and Exceptional Item	799	612	693
Exceptional Item	<u>-</u>	<u>187</u>	<u>184</u>
Profit Before Tax	799	799	877
Taxation	<u>266</u>	<u>255</u>	<u>292</u>
Net Profit	533	544	585
Dividend	183	147	183
Earnings per Share Based			
on 1,463,616,000	36c	37c	40c
Dividend Payout Ratio	34%	27%	31%
Return on Equity at Quarter-end*	31%	38%	35%
Return on Assets at Quarter-end*	2.8%	3.5%	3.2%

* Annualised

(\$ Millions)
9 Months Ended

	July 31 1999	July 31 1998
Gross Operating Revenue	<u>10,790</u>	<u>7,673</u>
Net Income & Other Revenue		
Income From Loans & Deposits With Banks	5,801	4,205
Income From Securities	<u>3,030</u>	<u>2,683</u>
Total Interest Income	8,831	6,888
Interest Paid on Deposits	<u>4,477</u>	<u>3,399</u>
Net Interest Income	4,354	3,489
Other Revenue		
Insurance Premium Income	1,166	198
Other	<u>792</u>	<u>587</u>
Net Int. Income & Other Rev.	6,312	4,274
Expenses		
Staff Costs	1,689	1,553
Other Operating Costs		
Actuarial Reserves	1,202	193
Other	900	708
Provision for Loan Losses	<u>364</u>	<u>165</u>
Total Operating Costs	<u>4,155</u>	<u>2,619</u>
Profit Before Tax and Exceptional Item	2,157	1,655
Exceptional Item	<u>184</u>	<u>187</u>
Profit Before Tax	2,341	1,842
Taxation	<u>780</u>	<u>566</u>
Net Profit	1,561	1,276
Dividend	549	439
Earnings per Share Based on 1,463,616,000	\$1.07	87c

Dividend Payout Ratio	35%	34%
Return on Equity at Quarter-end*	30%	29%
Return on Assets at Quarter-end*	2.7%	2.7%
* Annualised		