

# THE BANK OF NOVA SCOTIA JAMAICA LIMITED 1999

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## SCOTIABANK REPORTS NET PROFIT OF \$1,561 MILLION FOR NINE MONTHS ENDED JULY 31, 1999

The Bank of Nova Scotia Jamaica Limited and its Subsidiaries (Scotiabank Jamaica) reported net profit for the quarter ended July 31, 1999 of \$533 million compared with \$585 million for the previous quarter which was inclusive of a gain of \$184 million on the disposal of certain investments. This takes the net profit for the nine months ended July 31, 1999 to \$1,561 million compared with \$1,276 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 \$6.55 billion to \$24.95 billion as the Group maintained its strong liquidity position from robust deposit growth coupled with prolonged soft demand for loans.

**INVESTMENTS** grew year over year from \$13.28 billion to \$19.62 billion, of which over 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 both the previous quarter and last year in keeping with the yield movements in the market.

**PERFORMING LOANS** stood at \$17.8 billion, \$1 billion over the previous year, and is at the same level as 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. At July 31, 1999 applications were received for the full amount of the Scotiabank Jamaica Economic Growth Fund which was launched late last year with \$1,300 million at an interest rate of 8.5%.

**NON-PERFORMING LOANS** increased from \$1,213 million a year ago to \$1,343 million at the end of July 1999. This was also \$13 million above the \$1,330 million outstanding at April 30, 1999. The Bank's non-performing loans now represent 7.4% of its total loans and 1.75% of total assets. Mr. Clarke stated that most of these loans are adequately secured, but recovery will be protracted due to the depressed state of the real estate market. In the meantime the Bank is in compliance with the Central Bank's proposed Credit Classification, Provisioning and Non-Accrual Requirements. At July 31, 1999 total loan loss provisions stood at \$1,025 million, of which \$826 million is specific provisions and \$199 million general provisions. These provisions of \$1,025 million represents 78% of total non-performing loans and 5.3% of total loans.

**TOTAL ASSETS** rose to \$76 billion, an increase of 23% from previous year and 4% 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 \$53.96 billion, up 18.61% from previous year and 3.55% from previous quarter, as the Bank continues to see an increase in its market share, reflecting continued confidence in Scotiabank.

**STOCKHOLDERS' EQUITY** was \$6.96 billion, up 21% 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 \$1,597 million, up \$166 million from last quarter and up \$309 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 \$260 million, down \$33 million from the previous quarter-end, and up \$98 million from same quarter of 1998, the main contributor to the year over year growth 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 year of the product launch some 12,770 policies were written for a total premium income of \$1,553 million. Insurance Premium income reduced by \$331 million from previous quarter as sales returned to normal levels after a successful

campaign in the second quarter.

**NON-INTEREST EXPENSES** excluding actuarial reserves and Loan Loss provision amounted to \$879 million, up \$14 million from the previous quarter and \$101 million from the same period last year. The changes largely reflect annual increase in staff compensation and an increase in number of staff. Actuarial reserves for ScotiaMINT's life insurance fund is directly attributed to the business written.

**EARNINGS PER SHARE** for the quarter was 36 cents compared with 37 cents for the same period last year which included a \$187 million gain on sale of certain investments.

**RETURN ON EQUITY** at quarter-end, annualised, was 30%. This was up from 29% last year and down from 31 % at the end of the previous quarter.

**RETURN ON ASSETS** at quarter-end, annualised, was 2.7%, same as last year but down from last quarter which was 2.8%.

**DIVIDEND:** The Directors have declared an interim dividend of 12.5 cents per stock unit to stockholders on record as of September 15, 1999, payable on October 7, 1999. This compares with an interim dividend of 10 cents for the third quarter of 1998.

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

#### Financial Highlights

	(\$ Millions)		
	3 Months Ended		
	April. 30 1999	April. 30 1998	Jan 31 1999
Gross Operating Revenue	3,869	2,399	3,241
Net Income & Other Revenue			

Income From Loans & Deposits With Banks	1,900	1,345	1,839
Income From Securities	<u>1,053</u>	<u>853</u>	<u>912</u>
Total Interest Income	2,953	2,198	2,751
Interest Paid on Deposits	<u>1,522</u>	<u>1,050</u>	<u>1,426</u>
Net Interest Income	1,431	1,148	1,326
Other Revenue			
Insurance Premium Income	623	-	251
Other	<u>293</u>	<u>201</u>	<u>239</u>
Net Int. Income & Other Rev.	<u>2,347</u>	<u>1,341</u>	<u>1,816</u>
Expenses			
Staff	549	514	559
Other Operating Costs			
Actuarial Reserves	625	-	256
Other	316	237	286
General Provision for Loan Losses	<u>164</u>	100	<u>50</u>
Total Operating Costs Inc. General Provision	<u>1,654</u>	851	<u>1,151</u>
Profit Before Tax and Exceptional Item	693	490	665
Exceptional Item	<u>184</u>	<u>-</u>	<u>-</u>
Profit Before Tax	877	490	665
Taxation	<u>292</u>	<u>145</u>	<u>222</u>
Net Profit	585	345	443
Dividend	183	146	183
Earnings per Share Based			
on 1,463,616,000	40c	24c	30c
Dividend Payout Ratio	31%	42%	41%
Return on Equity at Quarter-end *	35%	26%	29%
Return on Asset at Quarter-end *	3.2%	2.40%	2.6%

\* Annualised

(\$ Millions)  
9 Months Ended

	April, 30 1999	April, 30 1998
Gross Operating Revenue	7,110	4,915
Net Income & Other Revenue	3,739	3,108
Income From Loans & Deposits With Banks	<u>1,965</u>	<u>1,382</u>
Income From Securities	5,704	4,490
Total Interest Income	<u>2,947</u>	<u>2,289</u>
Interest Paid on Deposits	2,757	2,201
Net Interest Income		
Other Revenue		
Insurance Premium Income	874	-
Other	<u>532</u>	<u>425</u>
Net Int. Income & Other Rev.	4,163	2,626
Expenses		
Staff	1,108	1,024
Other Operating Costs		
Actuarial Reserves	881	-
Other	602	459
General Provision for Loan Losses	<u>214</u>	<u>100</u>
Total Operating Costs Inc. General Provision	<u>2,805</u>	<u>1,583</u>
Profit Before Tax and Exceptional Item	1,358	1,043
Exceptional Item	<u>184</u>	<u>-</u>
Profit Before Tax	1,542	1,043
Taxation	<u>514</u>	<u>311</u>
Net Profit	1,028	732
Dividend	366	293
Earnings per Share Based		
on 1,463,616,000	70c	50c
Dividend Payout Ratio	36%	40%
Return on Equity at Quarter-end*	31%	27%
Return on Assets at Quarter-end*	2.8%	2.6%

\* Annualised