

# Bank of Nova Scotia Jamaica Limited 2000

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## SCOTIABANK REPORTS INCREASED NET PROFIT IN SECOND QUARTER

The Bank of Nova Scotia Jamaica Limited and its Subsidiaries (Scotiabank Jamaica) reported net profit for the quarter ended April 30, 2000 of \$581 million, compared with \$541 million for the previous quarter. This takes the net profit for the six months ended April 30, 2000 to \$1,122 million compared with \$1,076 million for the same period last year, which was inclusive of a gain of \$184 million on the disposal of certain investments.

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 continued healthy growth in the Bank's average total earning assets.

**CASH RESOURCES** increased year over year by \$4.6 billion, due mainly to increase in deposits with foreign banks arising from significant deposit growth.

**INVESTMENTS** grew year over year from \$19 billion to \$23 billion, of which over 97% 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 \$20.5 billion, \$2.4 billion over the previous year and \$1.75 billion up from previous quarter. Generally, loan demand continues to be weak, however, we have experienced marginal growth in our retail loan portfolio. 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. Applications under the Scotiabank Jamaica Economic Growth Fund 11 (SJEGF 11) which was launched during the previous quarter with \$450 million at a rate of 10.25% have been slow with approval of only \$7 million. This fund is in addition to the \$1.3 billion which was fully committed and/or disbursed to the Productive Sector at a rate of 8.5% in September 1998. SJEGF 11 was established to provide financing of production for the Export Sector, with a carve out of \$100 million specifically for constructing Agri-Processing facilities.

**NON-PERFORMING LOANS** decreased from \$1,330 million a year ago to \$1,324 million (a decrease of 0.45%)

at the end of April 2000. This was also \$101 million below the \$1,425 million outstanding as at January 31, 2000. The Group's non-performing loans now represent 6.1 % of its total loans and 1.58% of total assets. Mr. Clarke stated that most of these loans are adequately secured, and the Bank has stepped up collection activity, however, recovery is protracted due to the depressed state of the real estate market. The Bank is in compliance with the Central Bank's Credit Classification, Provisioning and Non-Accrual Requirements. At April 30, 2000 total loan loss provisions stood at \$1,623 million, of which \$976 million is specific provisions and \$647 million general provisions. These provisions of \$1,623 million represent 122% of total non-performing loans and 7.4% of total loans. The provisioning policy, seeks to comply with regulatory requirements, in addition to Scotiabank's policy of best practices as an international bank.

**TOTAL ASSETS** rose to \$84 billion, an increase of 14.36% from previous year and 4.9% from previous quarter-end.

The asset mix continues to be skewed towards government securities as loan demand remains sluggish while deposits continue to record appreciable growth.

**DEPOSITS** grew to \$60.2 billion, up 15.5% from previous year and 6.5% from previous quarter, resulting in further growth in our market share, reflecting continued confidence in Scotiabank. The average rate paid on total deposits declined year over year in line with decline in market rates.

**STOCKHOLDERS' EQUITY** was \$7.8 billion, up 17 % from the previous year. This results from Scotiabank adopting best practice in reinvesting a share of its profits in order to enable the Group to expand, while enhancing shareholder value.

**NET INTEREST INCOME** for the quarter was \$1,718 million, up \$132 million from the previous quarter and \$287 million from the same quarter of last year. The increase was due to growth in average total earning assets coupled with a marginal increase in net interest margin.

**OTHER REVENUE excluding Insurance Premium Income** was \$360 million, down \$6 million from last quarter, and up

\$67 million from the same quarter last year, the main contributor to the year over year growth being growth in business volumes. The decline quarter over quarter is due mainly to seasonal fluctuations in fee income. Insurance Premium is attributable to ScotiaMINT, the interest sensitive insurance policy, marketed by Scotia Jamaica Life Insurance Company Limited. This continues to be well received by investors seeking a long term investment vehicle. Insurance premium income for the quarter is down \$229 million from the same quarter of last year, due to a successful promotion in the first year of launch.

**NON-INTEREST EXPENSES excluding Actuarial Reserves and Loan Loss Provision** was \$1,051 million, up \$186 million from last year and \$64 million from last quarter. The changes largely reflect increase in staff compensation. Actuarial Reserves for ScotiaMINT's life insurance fund is directly attributed to the business written.

**EARNINGS PER SHARE** for the quarter was 40 cents compared with 43 cents for the same period last year which included a \$184 million gain on sale of certain investments, and 37 cents for the previous quarter.

**RETURN ON AVERAGE EQUITY** at quarter end, annualized, was 31%. This was down from 35% last year which included a \$184 million gain on sale of certain investments and up from 30% at the end of the previous quarter.

**RETURN ON ASSETS** at quarter end, annualized was 2.77% compared with 2.94% last year and 2.7% at the end of the previous quarter.

**DIVIDEND:** The Directors have declared an interim dividend of 12.5 cents per stock unit, same as for the second quarter of last year, to stockholders on record as of June 14, 2000, payable on July 6, 2000.

Scotiabank Jamaica thanks its many customers and shareholders for their continued display of confidence in the Bank. To our dedicated staff we say thank you for your efforts, as we work together on our mission of being the institution

of choice for all users of Financial Services in Jamaica.

**FINANCIAL HIGHLIGHTS**

(\$ Millions)  
3 Months Ended

	April 30 2000	April 30 1999	January 31 2000
<b>GROSS OPERATING REVENUE</b>	<b><u>3,973</u></b>	<b><u>3,869</u></b>	<b><u>3,761</u></b>
<b>NET INCOME &amp; OTHER REVENUE</b>			
Income From Loans & Deposits With Banks	2,068	1,900	1,820
Income From Securities	<u>1,148</u>	<u>1,053</u>	<u>1,330</u>
Total Interest Income	<u>3,216</u>	<u>2,953</u>	<u>3,150</u>
Interest Paid on Deposits	<u>1,498</u>	<u>1,522</u>	<u>1,501</u>
Net Interest Income	1,718	1,431	1,649
Other Revenue			
Insurance Premium Income	397	623	245
Other	<u>360</u>	<u>293</u>	<u>366</u>
<b>Net Interest Income &amp; Other Revenue</b>	<b><u>2,475</u></b>	<b><u>2,347</u></b>	<b><u>2,260</u></b>
<b>EXPENSES</b>			
Staff Costs	640	549	592
Other Operating Costs			
Actuarial Reserves	428	625	261
Other	411	316	395
Provision for Loan Losses	<u>121</u>	<u>164</u>	<u>200</u>
<b>Total Operating Costs</b>	<b><u>1,600</u></b>	<b><u>1,654</u></b>	<b><u>1,448</u></b>
Profit Before Tax and Exceptional Item	875	693	812
Exceptional Item	<u>-</u>	<u>184</u>	<u>-</u>
Profit Before Tax	875	877	812
Taxation	<u>294</u>	<u>244</u>	<u>271</u>

<b>Net Profit</b>	<b>581</b>	<b>633</b>	<b>541</b>
Dividend	183	183	183
Earnings per Share Based on 1,463,616,000 Shares	40¢	43¢	37¢
Dividend Payout Ratio	31%	29%	34%
Return on Average Equity at Quarter-end*	32%	35%	30%
Return on Assets at Quarter-end*	2.77%	2.94%	2.70%
*Annualized			

(\$ Millions)  
6 Months Ended

	April 30 2000	April 30 1999
<b>GROSS OPERATING REVENUE</b>	<u><b>7,723</b></u>	<u><b>7,110</b></u>
NET INCOME & OTHER REVENUE		
Income From Loans & Deposits With Banks	3,888	3,739
Income From Securities	<u>2,478</u>	<u>1,965</u>
Total Interest Income	6,366	5,704
Interest Paid on Deposits	<u>2,999</u>	<u>2,947</u>
Net Interest Income	3,367	2,757
Other Revenue		
Insurance Premium Income	642	874
Other	<u>726</u>	<u>532</u>
Net Interest Income & Other Revenue	4,735	4,163
EXPENSES		
Staff Costs	1,232	1,108
Other Operating Costs		
Actuarial Reserves	689	881
Other	806	602
Provision for Loan Losses	<u>321</u>	<u>214</u>
Total Operating Costs	<u><b>3,048</b></u>	<u><b>2,805</b></u>

<b>Profit Before Tax and Exceptional Item</b>	<b>1,687</b>	<b>1,358</b>
Exceptional Item	-	184
Profit Before Tax	<u>1,687</u>	<u>1,542</u>
Taxation	565	466
<b>Net Profit</b>	<b>1,122</b>	<b>1,076</b>
Dividend	366	366
Earnings per Share Based on 1,463,616,000 Shares	77¢	73¢
Dividend Payout Ratio	33%	34%
Return on Average Equity at Quarter-end*	30%	32%
Return on Assets at Quarter-end*	2.67%	2.76%

\*Annualized

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