

Bank of Nova Scotia Jamaica Limited 2001

SCOTIABANK REPORTS STRONG SECOND QUARTER EARNINGS

The Bank of Nova Scotia Jamaica Limited and its Subsidiaries (Scotiabank Jamaica) reported net profit for the quarter ended April 30, 2001 of \$818 million, an increase of \$237 million or 41% over net profit for the second quarter of 2000, and \$84 million (11%) over net profit for the quarter ended January 31, 2001. Net Profit for the six months ended April 30, 2001 was \$1,552 million or 38% higher than the same period a year ago.

Earnings per share (EPS) for the quarter were 56 cents, a growth of 40% when compared to last year and 12% up from the previous quarter, return on average equity for the quarter was 37.31%. Year-to-date EPS grew to \$1.06 from \$0.77, while Return on Average Equity rose to 35.36%, up 4.93% from the 30.43% recorded last year.

The Directors have declared an interim dividend of 24.5 cents per stock unit payable on July 2, 2001 to stockholders on record at June 7, 2001.

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 key business lines and improved operational efficiency,

REVENUES

Total revenues, comprising net interest income and other revenue, rose to \$5,800 million in the second quarter, an increase of 23% or \$1,076 million over last year.

NET INTEREST INCOME

Net interest Income was \$3,784 million for the second quarter, up \$418 million or 12% from last year. The

increase was primarily due to growth in average total earning assets.

OTHER REVENUE

Other revenue for the quarter, excluding Insurance Premium Income, rose to \$835 million, up \$119 million or 17% from last year. Insurance Premium is attributable to ScotiaMINT, the interest sensitive life insurance policy, marketed by Scotia Jamaica Life Insurance Company Limited. Premium income increased \$540 million (an increase of 84%) when compared with the same period last year. ScotiaMINT continues to occupy the number one spot in sales and in force business among its peer products and the number two spot in terms of market share for new individual life policies.

NON-INTEREST EXPENSES

Scotiabank continues to improve productivity by careful management of expenses. The productivity ratio (non-interest expense as a percentage of total revenue) was 63.20%, a 1.09% improvement over the same period last year which was 64.29%. However, if insurance premium and related actuarial expenses were excluded to recognize the significant dissimilarities between the revenue/expense pattern of the insurance business and the other financial services offered by the Scotiabank group the productivity ratio for the six months was 53.27% compared with 57.53% for last year.

Non-interest Expenses, excluding Actuarial Reserves and Loan Loss Provisions were \$2,303 million in the second quarter, an increase of \$305 million or 15.3% over the same period last year. The changes are largely due to the increases in staff compensation and other operating costs. Actuarial Reserves for ScotiaMINT's life insurance fund is directly attributed to the business in force. The Exceptional Item of \$124 Million relates to Redundancy Cost.

CREDIT QUALITY

Non-performing Loans decreased from \$1,324 million a year ago to \$1,154 million, a decrease of 13%. This was also \$25 million below the \$1,179 million outstanding as at January 31, 2001. The Group's non-performing loans now represent 4.7% of its total loans and 1.2% of total assets. At April 30, 2001, total loan loss provisions stood at \$1,613 million, of which \$988 million represents specific provisions and \$625 million general provisions. These provisions of \$1,613 million exceed the total non-performing loans by \$459 million, hence these loans are more than fully provided for. The provisioning policy seeks to comply with regulatory requirements in addition to Scotiabank's policy of best practices as an international bank.

BALANCE SHEET

Total assets as at April 30, 2001 were \$94.3 billion, an increase of 11 % from the previous year and 3.97% from the

previous quarter. Cash Resources decreased by \$5.3 billion due mainly to a reduction in the statutory cash reserves combined with a movement of funds to Investments which increased by \$3.9 billion. Demand for loans continued to be soft, however, our market share of both commercial and retail loans increased through competitive pricing. Performing Loans as at April 30, 2001 were \$23.77 billion, up \$3.3 billion over the previous year and \$530 million from the previous quarter. Deposits grew to \$63 billion, up 5.3% from the previous year, reflecting continued confidence in Scotiabank.

CAPITAL

Scotiabank's solid capital base strengthened in the quarter. Total stockholders' equity grew to \$9.2 billion, \$459 million or 5.2% higher than the previous quarter and 18.90% higher than the previous year, as we continued to build our capital base in accordance with best practices.

Scotiabank Jamaica thanks its many customers and shareholders for their continued display of confidence in the Bank. To our dedicated staff we say thanks for your support, as we work together on our mission of being the institution of choice for all users of Financial Services in Jamaica.

	For the three months ended			For the six months ended	
	April 30	January 31	April 30	April 30	April 30
	2001	2001	2000	2001	2000

Consolidated Statement of Income

(Unaudited \$ millions)

GROSS OPERATING INCOME	4,164	3,938	3,570	8,102	6,916
INTEREST INCOME					
Loans and deposits with banks	1,925	1,869	1,665	3,794	3,080
Securities	1,163	1,129	1,148	2,292	2,478
	3,088	2,998	2,813	6,086	5,558
INTEREST EXPENSE					
Deposits	1,153	1,149	1,095	2,302	2,192
Net interest income	1,935	1,849	1,718	3,784	3,366
Provision for credit losses	19	15	121	34	350

Net interest income after provision for credit losses	1,916	1,834	1,597	3,750	3,016
OTHER REVENUE					
Insurance premium income	686	495	397	1,181	642
Other	390	445	360	835	716
	<u>1,076</u>	<u>940</u>	<u>757</u>	<u>2,016</u>	<u>1,358</u>
Net interest income and other revenue	<u>2,992</u>	<u>2,774</u>	<u>2,354</u>	<u>5,766</u>	<u>4,374</u>
NON-INTEREST EXPENSES					
Staff costs	669	709	640	1,378	1,232
Premises and equipment, including depreciation	128	156	135	284	264
Actuarial Reserves	695	510	428	1,205	689
Dther	314	327	276	641	502
	<u>1,806</u>	<u>1,702</u>	<u>1,479</u>	<u>3,508</u>	<u>2,687</u>
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS	<u>1,186</u>	<u>1,072</u>	<u>875</u>	<u>2,258</u>	<u>1,687</u>
Exceptional item	(72)	(52)	0	(124)	0
PROFIT BEFORE TAXATION	<u>1,114</u>	<u>1,020</u>	<u>875</u>	<u>2,134</u>	<u>1,687</u>
Taxation	296	286	294	582	565
NET PROFIT	<u>818</u>	<u>734</u>	<u>581</u>	<u>1,552</u>	<u>1,122</u>
Earnings per share based on 1,463,616,000 shares (cents)	56	50	40	106	77
Dividend payout ratio	43.81%	44.88%	31.49%	44.33%	32.62%
Return on average equity (annualised)	37.31%	34.31%	31.52%	35.36%	30.43%
Return on assets (annualised)	3.47%	3.24%	2.77%	3.29%	2.64%
Productivity ratio	63.00%	63.42%	64.65%	63.20%	64.29%
Productivity ratio (excluding Life Insurance)	51.71%	54.89%	56.41%	53.27%	57.53%

Condensed Consolidated Statement of Changes in Shareholders' Equity

(Unaudited) (\$ millions)	Six months ended	Six months ended
	April 30	April 30
	2001	2000
Balance at beginning of year	8,353	6,996
Net Income	1,552	1,122
Dividends	(688)	(366)
BALANCE AT END OF PERIOD	<u>9,217</u>	<u>7,752</u>

Condensed Consolidated Statement of Cash Flows

(Unaudited) (\$ millions)	Six months ended April 31 2001	Six months ended April 30 2000
Cash flows provided by (used in) from operating activities		
Net Income	1,552	1,122
Adjustments to net income to determine Net Cash Flows:		
Depreciation	91	87
Policyholders reserve	1,205	689
Other, net	(664)	(76)
	<u>2,184</u>	<u>1,822</u>
Cash flows provided by (used in) investing activities		
Investment securities (net purchases and proceeds)	(2,705)	1,583
Loans	8,467	(2,103)
Interest-bearing deposits with banks, non-operating, net	11,197	2,063
Other, net	9	(205)
	<u>35</u>	<u>1,338</u>
Cash flows provided by (used in) financing activities		
Deposits	2,818	5,474
Dividends paid	(871)	(585)
Other, net	633	(753)
	<u>2,580</u>	<u>4,137</u>
Net change in cash	4,799	7,296
Cash at beginning of period	9,258	10,571
Cash at end of period	<u>14,057</u>	<u>17,867</u>
Represented by:		
Cash Resources adjusted for:	21,628	26,929
Interest bearing deposits with banks, non-operating	(6,432)	(7,418)
Cheques and other instruments in transit, net	(1,139)	(1,644)
CASH AT END OF PERIOD	<u>14,057</u>	<u>17,867</u>

Consolidated Balance Sheet

(Unaudited) (\$ millions)	April 30 2001	April 30 2000
ASSETS		
CASH RESOURCES	21,628	26,929
INVESTMENTS		
Government of Jamaica Securities	24,773	20,773
Other Investments	<u>393</u>	<u>462</u>
	25,165	21,235
LOANS		
Loans, after making provision for losses	23,314	19,878
Government Securities under repurchase agreement	<u>15,909</u>	<u>9,820</u>
	39,223	29,698
OTHER ASSETS		
Customers' Liability under acceptances, guarantees and letters of credit	2,479	2,041
Real estate at valuation & equipment at cost, less depreciation	2,083	1,939
Other assets	<u>3,720</u>	<u>3,037</u>
	<u>8,282</u>	<u>7,017</u>
TOTAL ASSETS	<u>94,298</u>	<u>84,880</u>
LIABILITIES		
DEPOSITS		
Deposits by public	63,202	60,013
Other deposits	<u>2,688</u>	<u>1,915</u>
	65,889	61,927
OTHER LIABILITIES		
Acceptances, guarantees & Letters of Credit	2,479	2,041
Liabilities under repurchase agreements	9,027	7,428
Other liabilities	<u>7,686</u>	<u>5,731</u>
	19,192	15,201
SHAREHOLDERS' EQUITY		

Capital- Authorized, 1,500,000,000 ordinary shares		
Issued and fully paid, 1,463,616,000		
Ordinary stock units of \$1 each	1,464	1,464
Reserve Fund	1,735	1,735
Retained Earnings Reserve	3,899	2,948
General Provision	10	0
Unappropriated Profits	1,593	1,088
Capital Reserve	517	517
	<u>9,217</u>	<u>7,752</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>94,298</u>	<u>84,880</u>
