

Bank of Nova Scotia Jamaica Limited 2001

CONSOLIDATED FINANCIAL STATEMENTS

THRID QUARTER ENDED JULY 31, 2001

Consolidated Statement of Income

months	For the three months ended			For the nine	
	July 31 2001	April 30 2001	July 31 2000	ended July 31 2001	July 31 2000
GROSS OPERATING INCOME	4,256	4,164	3,828	12,358	10,744
INTEREST INCOME					
Loans and deposits with banks	1,990	1,925	1,970	5,784	5,050
Securities	1,124	1,163	985	3,416	3,463
	3,114	3,088	2,955	9,200	8,513
INTEREST EXPENSE					
Deposits	1,132	1,153	1,198	3,434	3,390
Net interest income	1,982	1,935	1,757	5,766	5,123
Provision for credit losses	18	19	48	52	398

Net interest income after provision for credit losses	1,964	1,916	1,709	5,714	4,725
OTHER REVENUE					
Insurance premium income	690	686	522	1,871	1,164
Other	452	390	351	1,287	1,067
	<u>1,142</u>	<u>1,076</u>	<u>873</u>	<u>3,158</u>	<u>2,231</u>
Net interest income and other revenue	<u>3,106</u>	<u>2,992</u>	<u>2,582</u>	<u>8,872</u>	<u>6,956</u>
NON-INTEREST EXPENSES					
Staff costs	692	669	652	2,070	1,884
Premises and equipment, including depreciation	170	128	135	454	399
Actuarial Reserves	673	695	500	1,878	1,189
Other	389	314	243	1,030	745
	<u>1,924</u>	<u>1,806</u>	<u>1,530</u>	<u>5,432</u>	<u>4,217</u>
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS	1,182	1,186	1,052	3,440	2,739
Exceptional item	(38)	(72)	(22)	(162)	(22)
PROFIT BEFORE TAXATION	<u>1,144</u>	<u>1,114</u>	<u>1,030</u>	<u>3,278</u>	<u>2,717</u>
Taxation	325	296	317	907	882
NET PROFIT	<u>819</u>	<u>818</u>	<u>713</u>	<u>2,371</u>	<u>1,835</u>
Earnings per share based on 1,463,616,000 shares (cents)	56	56	49	162	125
Dividend payout ratio	45.58%	43.81%	41.08%	44.76%	35.89%
Return on average equity (annualised)	35.55%	37.31%	36.70%	34.31%	31.51%
Return on assets (annualised)	3.44%	3.47%	3.25%	3.32%	2.78%
Productivity ratio	63.38%	63.00%	60.81%	63.26%	63.05%
Productivity ratio (excluding Life Insurance Business)	53.70%	51.71%	52.16%	53.42%	55.69%

NOTE. There were no significant changes in the Accounting Pokies for the period. Where necessary, certain comparative amounts have been reclassified to conform to current year presentation.

Consolidated Balance Sheet

(Unaudited) (\$ millions)	July 31 2001	July 31 2000
ASSETS		
CASH RESOURCES	23,242	26,363
INVESTMENTS		
Government of Jamaica Securities	22,814	22,607
Other Investments	<u>590</u>	<u>482</u>
	23,404	23,089
LOANS		
Loans, after making provision for losses	24,162	20,851
Government Securities under repurchase agreement	<u>16,013</u>	<u>10,164</u>
	40,175	31,015
OTHER ASSETS		
Customers' Liability under acceptances, guarantees and letters of credit	2,490	2,446
Real estate at valuation & equipment at cost, less depreciation	2,131	1,979
Other assets	<u>3,736</u>	<u>2,552</u>
	8,357	6,977
TOTAL ASSETS	95,178	87,444
LIABILITIES		
DEPOSITS		
Deposits by public	63,792	60,454
Other deposits	<u>1,889</u>	<u>1,910</u>
	65,681	62,364
OTHER LIABILITIES		
Acceptances, guarantees & Letters of Credit	2,490	2,446
Liabilities under repurchase agreements	8,859	8,660
Other liabilities	<u>8,485</u>	<u>5,801</u>
	19,834	16,907
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	4,349	3,098
General Provision	10	0
Unappropriated Profits	1,588	1,363
Capital Reserve	517	513
	<u>9,663</u>	<u>8,173</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	95,178	87,444

Condensed Consolidated Statement of Changes in Shareholders' Equity

	Nine months ended July 31 2001	Nine months ended July 31 2000
(Unaudited) (\$ millions)		
Balance at beginning of year	8,353	6,996
Net Income	2,371	1,865
Dividends	(1,061)	(688)
<u>BALANCE AT END OF PERIOD</u>	<u>9,663</u>	<u>8,173</u>

Condensed Consolidated Statement of Cash Flows

Nine months ended	Nine months ended
----------------------	----------------------

(Unaudited) (\$ millions)	July 31 2001	July 31 2000
Cash flows provided by (used in) from operating activities		
Net Income	2,371	1,835
Adjustments to net income to determine Net Cash Flows:		
Depreciation	144	133
Policyholders reserve	1,879	1,197
Other, net	(169)	1,068
	<u>4,225</u>	<u>4,233</u>
Cash flows provided by (used in) investing activities		
Investment securities (net purchases and proceeds)	(943)	(271)
Loans	(9,458)	(3,428)
Interest-bearing deposits with banks, non-operating, net	3,872	(6,305)
Other, net	(65)	(547)
	<u>(6,594)</u>	<u>(10,551)</u>
Cash flows provided by (used in) financing activities		
Deposits	3,408	5,916
Dividends paid	(1,229)	(768)
Other, net	56	400
	<u>2,235</u>	<u>5,548</u>
Net change in cash	(134)	(770)
Cash at beginning of period	9,258	10,571
Cash at end of period	<u>9,124</u>	<u>9,801</u>
Represented by:		
Cash Resources adjusted for:	23,242	26,363
Interest bearing deposits with banks, non-operating	(13,756)	(15,787)
Cheques and other instruments in transit, net	(362)	(775)
CASH AT END OF PERIOD	<u>9,124</u>	<u>9,801</u>

MEDIA RELEASE
SCOTIABANK STRONG THRID QUARTER EARNINGS

The Bank of Nova Scotia Jamaica Limited and its Subsidiaries (Scotiabank Jamaica) reported net profit for the quarter ended July 31, 2001 of \$819 million, an increase of \$106 million or 15% over net profit for the third quarter of 2000, and was flat with net profit for the quarter ended April 30, 2001. Net Profit for the nine months ended July 31, 2001 was \$2,371 million or 29% higher than the same period a year ago.

Earnings per share (EPS) for the quarter were 56 cents, a growth of 14% when compared to last year and remained flat with the previous quarter, return on average equity (ROE) for the quarter was 35.55%. Year-to-date EPS grew to \$1.62 from \$1.25, while ROE rose to 34.31%, up 2.80% from the 31.51% recorded last year.

The Directors have declared an interim dividend of 25.5 cents per stock unit payable on October 4, 2001 to stockholders on record at September 12, 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 \$8,924 million in the third quarter, an increase of 21% or \$1,570 million over last year.

NET INTEREST INCOME

Net interest Income rose to \$5,766 million in the third quarter, up \$643 million or 12% from last year. The increase was primarily due to growth in average total earning assets.

OTHER REVENUE

Other revenue, excluding Insurance Premium Income, rose to \$1,287 million in the third quarter, up \$220 million or 20% 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 \$707 million (an increase of 61%) 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 63.26%. 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 nine months was 53.42% compared with 55.69% for last year.

Non-interest Expenses, excluding Actuarial Reserves and Loan Loss Provisions were \$3,554 million in the third quarter, an increase of \$526 million or 17.4% 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 \$162 Million relates to Redundancy Cost.

CREDIT QUALITY

Non-performing Loans decreased from \$1,312 million a year ago to \$1,129 million, a decrease of 14%. This was also \$25 million below the \$ 1,154 million outstanding as at April 30, 2001. The Group's non-performing loans now represent 4.5% of its total loans and 1.2% of total assets. At July 31, 2001, total loan loss provisions stood at \$1,612 million, of which \$988 million represents specific provisions and \$624 million general provisions. These provisions of \$1,612 million exceed the total non-performing loans by \$483 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 July 31, 2001 were \$95.2 billion, an increase of \$7.7 Billion from the previous year and \$880 million from the previous quarter. Cash Resources decreased by \$3.1 billion due mainly to a reduction in the statutory cash reserves combined with a movement of funds to Investments and Repurchase Agreements which increased by \$6.2 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 July 31, 2001 were \$24.6 billion, up \$3.1 billion over the previous year and \$830 million from the previous quarter. Deposits grew to \$63.8 billion, up 5.5% from the previous year, reflecting continued confidence in Scotiabank.

CAPITAL

Scotiabank's solid capital base strengthened in the quarter. Total stockholders' equity grew to \$9.7 billion, \$446 million or 4.8% higher than the previous quarter and 18.2% 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.
