

Bank of Nova Scotia Jamaica Limited 2001

CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended October 31, 2001

SCOTIABANK ACHIEVES EXCELLENT RESULTS FOR THE YEAR 2001

The Bank of Nova Scotia Jamaica Limited and its Subsidiaries (Scotiabank Jamaica) reported net profit for the quarter ended October 31, 2001 of \$843 million, an increase of \$121 million or 17% over net profit for the same quarter of 2000, this was also \$24 million above net profit for the quarter ended July 31, 2001. This takes the net profit for the year ended October 31, 2001 to \$3,214 million compared with \$2,557 million at October 31, 2000 an increase of 26%.

Earnings Per Share (EPS) for the quarter was 58 cents, a growth of 18% when compared to last year and was 2 cents above the previous quarter, Return on Average Equity (ROE) for the quarter was 34.10%. Year-to-date EPS grew to \$2.20 from \$1.75, while ROE rose to 34.07% from 32.32% recorded last year.

The Directors have declared an Interim dividend of 27.5 cents per stock unit payable on January 10, 2002 to stockholders on record at December 19, 2001. This brings the total dividend for 2001 to \$1.00 per share compared with 82 cents for 2000.

Mr. W. E. Clarke, Managing Director of The Bank of Nova Scotia Jamaica Limited, said that the Group has achieved Increased profit for the fourth consecutive year, which is attributed to continued healthy growth in the Bank's key business lines, sound interest rate risk management and improved operational efficiency.

REVENUES

Total revenues, comprising net Interest Income and other revenue, rose to \$11,991 million in the fourth quarter, an increase of 21% or \$2,103 million over last year.

NET INTEREST INCOME

Net interest income was \$7,841 million, up \$943 million or 14% 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 \$1,702 million, up \$296 million or 21% 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 by \$864 million (an increase of 55%) when compared with the same period last year. ScotiaMINT continues to enjoy the largest share of the local interest sensitive insurance market.

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) - a key measure of cost effectiveness - was 63.15%. 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 year was 53.80% compared with 57.35% for last year.

Non-interest expenses, excluding actuarial reserves and loan loss provisions were \$5,275 million, an increase of \$844 million or 20% over last year. The changes are largely due to the increases in staff compensation (\$297 million) and other operating costs. Actuarial reserves for ScotiaMINT's life insurance fund is directly attributed to the business in force. The exceptional item of \$204 million relates to redundancy cost.

CREDIT QUALITY

We continued to proactively manage our credit portfolio resulting in significant reduction in our Non-performing Loans, which decreased from \$1,217 million a year ago to \$911 million, a decrease of 25%. This was also \$218 million below the \$ 1,129 million outstanding as at July 31, 2001. The Group's non-performing loans now represent 3.4% of its total loans and 0.9% of total assets. At October 31, 2001, total loan loss provisions stood at \$1,540 million, of which \$817 million represents specific provisions and \$723 million general provisions. These provisions of \$1,540 million exceed the total non-performing loans by \$629 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 October 31, 2001, were \$100 billion, an increase of \$11.5 billion(13%) from the previous year and \$4.8 billion above July 31, 2001. Cash Resources decreased by \$1.4 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 \$8.6 billion. Despite the soft demand for loans, we achieved modest growth In loans outstanding, and our market share of both commercial and retail loans increased as a result of competitive pricing. Performing Loans as at October 31, 2001 were \$25.9 billion, up \$4 billion over the previous year and \$1.3 billion from the previous quarter. Deposits grew to \$67.8 billion, up 12.3% from the previous year, reflecting continued confidence in Scotiabank.

CAPITAL

Scotiabank continued to strengthen its capital during the quarter. Total stockholders' equity grew to \$10.1billion, \$440 million or 4.6% higher than the previous quarter and \$1.75 billion or 21% higher than last year.

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.

The Bank of Nova Scotia Jamaica Limited

Consolidated Statement of Income

(\$ millions)	For the three months ended			For the twelve months ended	
	Oct. 31 2001	July 31 2001	Oct. 31 2000	Oct. 31 2001	Oct. 31 2000
GROSS OPERATING INCOME	4,238	4,256	3,837	16,596	14,685
INTEREST INCOME					
Loans and deposits with banks	2,143	1,990	1,912	7,927	7,004
Securities	1,103	1,124	1,167	4,519	4,691
	3,246	3,114	3,079	12,446	11,695
INTEREST EXPENSE					
Deposits	1,171	1,132	1,303	4,605	4,797
Net interest income	2,075	1,982	1,776	7,841	6,898
Provision for credit losses	7	18	84	59	531
Net interest income after provision for credit losses	2,068	1,964	1,692	7,782	6,367
OTHER REVENUE					
Insurance premium income	577	690	420	2,448	1,584
Other	415	452	338	1,702	1,406
	992	1,142	758	4,150	2,990
Net interest income and other revenue	3,060	3,106	2,450	11,932	9,357
NON-INTEREST EXPENSES					
Staff costs	691	692	661	2,761	2,566

Premises and equipment, including depreciation	156	170	134	610	533
Actuarial Reserves	561	673	452	2,439	1,641
Other	470	389	333	1,500	1,030
	<u>1,878</u>	<u>1,924</u>	<u>1,580</u>	<u>7,310</u>	<u>5,770</u>
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS	1,182	1,182	870	4,622	3,587
Exceptional item	(42)	(38)	(102)	(204)	(102)
PROFIT BEFORE TAXATION	<u>1,140</u>	<u>1,144</u>	<u>768</u>	<u>4,418</u>	<u>3,485</u>
Taxation	297	325	46	1,204	928
NET PROFIT	<u>843</u>	<u>819</u>	<u>722</u>	<u>3,214</u>	<u>2,557</u>

Earnings per share based on 1,463,616,000 shares (cents)	58	56	49	220	175
Dividend payout ratio	47.76%	45.58%	75.07%	45.54%	46.93%
Return on average equity (annualised)	34.10%	34.70%	34.94%	34.07%	32.32%
Return on assets (annualised)	3.37%	3.44%	3.27%	3.22%	2.89%
Book value per common shares	6.90	6.60	5.71	6.90	5.71
P/E Multiple (annualised)	6.63	7.35	6.55	6.96	7.39
Productivity ratio	62.82%	63.38%	69.70%	63.15%	64.76%
Productivity ratio (excluding Life Insurance Business)	54.86%	53.70%	62.17%	53.80%	57.35%

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

Consolidated Balance Sheet

<u>(\$millions)</u>	<u>October 31 2001</u>	<u>October 31 2000</u>
ASSET		
CASH RESOURCES	26,244	27,608
INVESTMENTS		
Government of Jamaica Securities	24,879	22,081
Other Investments	<u>691</u>	<u>381</u>
	25,570	22,462
LOANS		
Loans, after making provision for losses	25,312	21,574
Government Securities under repurchase agreement	<u>14,715</u>	<u>9,171</u>
	40,027	30,745
OTHER ASSETS		
Customers' Liability under acceptances, guarantees and letters of credit	1,820	2,487
Real estate at valuation & equipment at cost, less depreciation	2,182	2,063
Other assets	<u>4,118</u>	<u>3,065</u>
	8,120	7,615
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TOTAL ASSETS	99,961	88,430
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LIABILITIES		
DEPOSITS		
Deposits by public	67,809	60,384
Other deposits	<u>1,917</u>	<u>2,053</u>
	69,726	62,438
OTHER LIABILITIES		
Acceptances, guarantees & Letters of Credit	1,820	2,487
Liabilities under repurchase agreements	8,392	8,701
other reserves;	<u>9,919</u>	<u>6,449</u>
	20,131	17,637
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

Resme Fund	1,735	1,735
Retained Earnings Reserve	4,549	3,599
General Provision	10	0
Unappropriated Profits	1,829	1,040
Capital Reserve	<u>517</u>	<u>517</u>
	10,104	8,355
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	99,961	88,430
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