

Bank of Nova Scotia Jamaica Limited

unaudited results for the third quarter

ended July 31, 2002

SCOTIABANK'S STRONG EARNINGS MOMENTUM CONTINUES INTO THE THIRD QUARTER

THIRD QUARTER HIGHLIGHTS

Third quarter results year-to-date compared to last year

- Net Income of \$2,616 million, up \$245 million or 10%
- Earnings per share of \$1.79, up \$0.17 or 11 %
- ROE 31.71 %, compared to 34.32%
- Productivity ratio of 54.88%, compared to 53.42%
- Dividend increase of 12 cents to 84.5 cents per share

Scotiabank today reported unaudited results for the third quarter of 2002, with net profit of \$914 million, an increase of \$95 million or 12% over net profit for the third quarter of 2001, and \$47 million over net profit for the quarter ended April 30, 2002. Net profit for the nine months ended July 31, 2002 was \$2,616 million (an increase of 10%) compared with \$2,371 million a year ago.

Earnings Per Share (EPS) for the quarter were 62 cents, compared to 56 cents for last year, and 59 cents at the end of the previous quarter. Return on Average Equity (ROE) for the quarter was 32.56%. Year-to-date, EPS grew to \$1.79 from \$1.62, while return on average equity was 31.71%.

The Board of Directors approved an interim dividend of 28.5 cents per stock unit payable on October 4, 2002 to stockholders on record at September 12, 2002.

Mr. W. E. Clarke, Managing Director, said that the continued strong performance of the Group is attributed to, sound credit and Interest rate risk management, expense control and continued growth in the Bank's key business lines.

REVENUES

Total revenue, comprising net interest income and other revenue, was \$9,759 million in the third quarter, an increase of 9% or \$835 million over last year.

NET INTEREST INCOME

Net interest Income was \$6,348 million for the third quarter, up \$582 million or 10% 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 \$1,401 million in the third quarter, up \$114 million when compared with the same period 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 \$139 million (an increase of 7%) 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's productivity ratio continues to lead the banking industry, as we continue to exercise careful expense management. The productivity ratio (non-interest expense as a percentage of total revenue) - a key measure of cost effectiveness - was 63.79%. 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 ninemonth period was 54.88%.

Non-interest Expenses excluding Actuarial Reserves and Loan Loss Provisions, were \$4,170 million, an increase of \$454 million or 12% over last year, which is largely due to increases in non-staff related costs. Actuarial Reserves for ScotiaMINT's life insurance fund is directly attributed to the business in force. The Exceptional Item of \$62 Million relates to Redundancy Cost.

CREDIT QUALITY

Non-performing Loans decreased from \$1,129 million a year ago to \$941 million, a decrease of 17%. This was however, \$30 million above the \$ 911 million outstanding as at April 30, 2002. The Group's non-performing loans now represent 2.9% of its total loans and 0.8% of total assets. At July 31, 2002, total loan loss provisions stood at \$1,532 million, of which \$792 million represents specific provisions and \$740 million general provisions. These provisions of \$1,532 million exceed the total non-performing loans by \$591 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, 2002, were \$115 billion, an increase of \$20 billion (21%) from the previous year and \$3 billion (3%) above April 30, 2002. Cash Resources increased by \$9.2 billion due mainly to continued growth in deposits. Investments and Repurchase Agreements decreased by \$1.5 billion and the proceeds were used to fund loans. Despite the soft demand for loans, we achieved good 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 July 31, 2002 were \$33 billion, up \$8.4 billion over the previous year and \$2.2 billion from the previous quarter. Deposits grew to \$72.3 billion, up 13.3% from the previous year, reflecting continued confidence in Scotiabank.

CAPITAL

Scotiabank continued to strengthen its capital through solid growth in earnings. Total stockholders' equity grew to \$11.5 billion, \$498 million or 4.5% higher than the previous quarter and \$1.8 billion or 19% 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 continue to work together on our mission of being the institution of choice for all users of Financial Services in Jamaica.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Income

(Unaudited) (\$ million)	For the three months ended			For the nine months ended	
	July 2002	April 30 2002	July 2001	July 2002	July 2001
GROSS OPERATING INCOME	4,723	4,511	4,256	13,483	12,358
INTEREST INCOME					
Loans and deposits with banks	2,425	2,301	1,990	6,886	5,784
Securities	1,038	1,054	1,124	3,186	3,416
	3,463	3,355	3,114	10,072	9,200
INTEREST EXPENSE					
Deposits	1,346	1,223	1,132	3,724	3,434
Net interest income	2,117	2,132	1,982	6,348	5,766
Provision for credit losses	17	48	18	82	52
Net interest income after provision for credit losses	2,100	2,084	1,964	6,266	5,714
OTHER REVENUE					
Insurance premium income	756	704	690	2,010	1,871
Other	503	452	452	1,401	1,287
	1,259	1,156	1,142	3,411	3,158
Net interest income and other revenue	3,359	3,240	3,106	9,677	8,872
NON-INTEREST EXPENSES					
Staff costs	734	699	692	2,172	2,070

Premises and equipment, including depreciation	187	187	170	531	454
Actuarial Reserves	714	683	673	1,973	1,878
Other	487	486	389	1,405	1,030
	<u>2,122</u>	<u>2,055</u>	<u>1,924</u>	<u>6,081</u>	<u>5,432</u>
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS	1,237	1,185	1,182	3,596	3,440
Exceptional item	(13)	(21)	(38)	(62)	(162)
PROFIT BEFORE TAXATION	1,224	1,164	1,144	3,534	3,278
Taxation	310	297	325	918	907
NET PROFIT	914	867	819	2,616	2,371

Earnings per share based on 1,463,616,000

shares (cents)	62	59	56	179	162
Dividend per share (cents)	28.50	28.50	25.50	84.50	72.50
Dividend payout ratio	45.62%	48.10%	45.57%	47.28%	44.75%
Return on average equity (annualised)	32.56%	32.24%	34.70%	31.71%	34.32%
Return on assets (annualised)	3.19%	3.10%	3.44%	3.05%	4.98%
Book value per common shares	7.84	7.50	6.60	7.84	6.60
P/E Multiple (annualised)	5.99	6.94	7.35	6.90	7.61
Productivity ratio	63.73%	64.59%	63.38%	63.79%	63.26%
Productivity ratio (excluding Life Insurance Business)	54.88%	55.75%	53.70%	65.88%	53.42%

Note: The accounting policies are consistent with those used in the preparation of the audited financial statements for the year ended 31 October 2001 . Relevant comparative amounts have been reclassified to conform with current year presentation.

Consolidated Balance Sheet

Nine months ended Year ended Nine months ended

(Unaudited)	July 31	October 31	July 31
(\$ millions)	2002	2001	2001
ASSETS			
CASH RESOURCES	32,466	26,244	23,242
INVESTMENTS			
Government of Jamaica Securities	24,943	24,879	22,814
Other Investments	491	691	590
	<u>25,434</u>	<u>25,570</u>	<u>23,404</u>
LOANS			
Loans, after making provision for losses	32,490	25,312	24,162
Government Securities under repurchase agreement	12,505	14,715	16,013
	<u>44,995</u>	<u>40,027</u>	<u>40,175</u>
OTHER ASSETS			
Customers' Liability under acceptances, guarantees and Letters of credit	5,394	1,820	2,490
Real estate at valuation & equipment at cost, less depreciation	2,249	2,182	2,131
Other assets	3,997	4,118	3,736
	<u>11,640</u>	<u>8,120</u>	<u>8,357</u>
TOTAL ASSETS	114,535	99,961	95,178
LIABILITIES			
DEPOSITS			
Deposits by public	72,318	67,809	63,792
Other deposits	1,981	1,917	1,947
	<u>74,299</u>	<u>69,726</u>	<u>65,739</u>
OTHER LIABILITIES			
Acceptances, guarantees & Letters of Credit	5,394	1,820	2,490
Liabilities under repurchase agreements	11,557	8,392	8,859
Other liabilities	11,803	9,919	8,427
	<u>28,764</u>	<u>20,131</u>	<u>19,776</u>
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	1,464
Reserve Fund	1,735	1,735	1,735

Retained Earnings Reserve	4,999	4,549	4,349
Unappropriated Profits	2,757	1,829	1,588
Capital and Other Reserves	527	527	527
	<u>11,482</u>	<u>10,104</u>	<u>9,663</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	114,535	99,961	95,178

Condensed Consolidated Statement of Changes in Shareholders' Equity

(Unaudited) (millions)	Nine months ended	Nine months ended
	July 31 2002	July 31 2001
Balance at beginning of year	10,104	8,353
Net Income	2,615	2,371
Dividends	(1,237)	(1,061)
BALANCE AT END OF PERIOD	11,482	9,663

Condensed Consolidated Statement of Cash Flows

(Unaudited) (\$ millions)	Nine months ended	Nine months ended
	July 31 2002	July 31 2001

Cash flows provided by/ (used in) operating activities		
Net Income	2,615	2,371
Adjustments to net income to determine Net Cash Flows:		
Depreciation	175	144
Policyholders reserve	1,974	1,879
Other, net	259	(169)
	<u>5,023</u>	<u>4,225</u>
Cash flows provided by/ (used in) investing activities		
Investment securities (net purchases and proceeds)	136	(943)
Loans	(4,981)	(9,458)
Interest-bearing deposits with banks, non-operating, net	(3,964)	3,872
Other, net	(99)	(65)
	<u>(8,908)</u>	<u>(6,594)</u>
Cash flows provided by/ (used in) financing activities		
Deposits	4,509	3,408
Dividends paid	(1,222)	(1,229)
Other, net	2,372	56
	<u>5,659</u>	<u>2,235</u>
Net change in cash	1,774	(134)
Cash at beginning of period	6,244	9,258
Cash at end of period	8,018	9,124
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Represented by:		
Cash Resources adjusted for:	32,466	23,242
Interest bearing deposits with banks, non-operating	(23,023)	13,756
Cheques and other instruments in transit, net	(1,425)	(362)
CASH AT END OF PERIOD	8,018	9,124
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