

Bank of Nova Scotia Jamaica Limited

unaudited results for the third quarter

ended July 31, 2003

REVENUES

Total revenue (comprising net interest income and other revenue) grew by 29.2% over last year to \$ 10,065 million

NET INTEREST INCOME

Net interest income was \$8,276 million, up \$1,789 million or 27.58% from last year. The increase was primarily due to growth in average total earning assets and improved yields during the quarter.

OTHER REVENUE

Other revenue, excluding Insurance Premium Income, was \$1,629 million, up \$426 million when compared with last year. Insurance Premium is attributable to ScotiaMINT, the interest sensitive life insurance policy, marketed by Scotia Jamaica Life Insurance Company Limited. Net premium income interest increased by \$61 million (an increase of 61.6%) when compared with the same period last year. ScotiaMINT continues to enjoy the largest share of the local interest sensitive insurance market, experiencing a record high of \$2.5 billion in gross premium income for the nine months period.

NON- INTEREST EXPENSES

Scotiabank's productivity ratio continues to lead the banking industry, as we exercise exceptional expense management. The productivity ratio (non-interest expense as a percentage of total revenue) - a key measure of cost effectiveness - was 49.68%. 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 period was 40.75% which is significantly better than the international benchmark of 60%

Non-interest Expenses excluding Change in Policyholder's Reserve and Loan Loss Provision, were \$4,019 million, an increase of \$931 million over last year, which is primarily due to increases in staff related costs. Actuarial Reserves for ScotiaMINT's life insurance fund is directly attributed to the business in force.

CREDIT QUALITY

Non-performing Loans increased from \$941 million a year ago to \$960 million, primarily in retail lending. The Group's non performing loans now represent 2.01% of its total loans and 0.69% of total assets. At July 31, 2003 total loan loss provision stood at \$1,443 million, of which \$420 million represents specific provision, as determined by International Financial Report Standards, and \$1,023 million general provision. The difference between the regulatory specific loan loss provision and the IFRS determined specific provision is \$284 million, and is included as a part of general loan loss provision. The total provision of \$1,443 million exceeds total non-performing loans by \$483 million, hence these loans are more than fully provided for. The provisioning policy complied with regulatory requirements in addition to Scotiabank's Policy of best practise as an international bank.

BALANCE SHEET

Total assets as at July 31, 2003, were \$139 billion, an increase of \$22 billion (18.5%) from the previous year and \$1 billion above April 30, 2003. Loan increase by \$13.8 billion (42.7%) year over year. This was the highest growth among all asset categories. Performing Loan as at July 31, 2003 were \$45,000 billion, up \$12 billion over the previous over the previous year and \$2 billion from the previous quarter. Cash Resources decreased by \$1.4 billion as funds were placed in investments and loans, while Investment and Repurchase Agreements increased by \$8 billion. Retirement Benefit

Assest represents the net of the present value of pension obligation and the fair value of the pension plan assets as determined by independent actuaries.

Deposits grew to \$86.5 billion, up 16.4% form the previous year, reflecting continued confidence in Scotiabank.

CAPITAL

Scotiabank continued to strengthen it capital through solid growth in earnings. Total stockholder's equity grew to \$15.9 billion, \$1,344 billion, or 9.2% higher than the previous quarter and \$ 2.9 billion or 22% higher than last year

Scotiabank Jamaica thanks its many customers and shareholders for their continued display of confidence in the Bank. To our team of skilled and dedicated employees, we say thanks for your support. As we continue to work together on out vision to remain the financial instition of choice in Jamaica by providing quality that exceeds our customers expectations.

CONSOLIDATED STATEMENT OF INCOME

	For the three months ended			For the nine months ended	
	July 2003	April 2003	July 2002	July 2003	July 2002
(\$ millions)					
GROSS OPERATING INCOME	5,447	4,352	3,963	13,952	11,513
INTEREST INCOME					

Loans and deposits with banks	3,371	2,630	2,470	8,528	7,019
Securities	1,413	1,136	1,043	3,635	3,192
	<u>4,784</u>	<u>3,766</u>	<u>3,513</u>	<u>12,163</u>	<u>10,211</u>
INTEREST EXPENSE					
Deposits	1,375	1,286	1,347	3,887	3,724
Net interest income	3,409	2,480	2,166	8,276	6,487
Provision for credit losses	(8)	10	(17)	(17)	(82)
Net interest income after provision for credit losses	<u>3,401</u>	<u>2,490</u>	<u>2,149</u>	<u>8,259</u>	<u>6,405</u>
Net fee and commission income	389	334	305	1,035	898
Insurance premium income	62	51	41	160	99
Gains less losses from foreign currencies	211	201	99	563	290
Other operating income	1	0	5	31	15
	<u>663</u>	<u>586</u>	<u>450</u>	<u>1,789</u>	<u>1,302</u>
TOTAL OPERATING INCOME	4,064	3,076	2,599	10,048	7,707
OPERATING EXPENSES					
Staff costs	911	806	659	2,501	1,946
Premises and equipment, including depreciation	203	203	190	605	531
Change in policyholders's reserves	385	307	227	964	650
Other operating expenses	349	282	149	913	611
	<u>1,848</u>	<u>1,597</u>	<u>1,225</u>	<u>4,983</u>	<u>3,738</u>
PROFIT BEFORE TAXATION	2,216	1,479	1,374	5,065	3,969
Taxation	(639)	(399)	(358)	(1,409)	(1,056)
NET PROFIT	1,577	1,080	1,016	3,656	2,913
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Earnings per share baed on

1,463,616,000 shares (cents)	108	74	69	250	199
Dividend per share (cents)	36.0	30.5	28.5	97.0	84.5
Dividend payout ratio	33.42%	41.34%	41.04%	38.84%	42.45%
Return on average equity (annualised)	41.47%	31.23%	31.94%	33.57%	32.77%
Return on assests (annualised)	4.51%	3.13%	3.46%	3.49%	3.31%
Book value per common share	10.85	9.93	8.89	10.85	8.89
P/E Multiple	3.49	4.50	5.42	4.52	5.63
Productivity ratio	45.58%	52.08%	47.47%	49.68%	49.04%
Productivity ratio (excluding Life Insurance Business)	36.68%	42.48%	39.42%	40.75%	41.22%

CONSOLIDATED BALANCE SHEET

	July 31, 2003	October 31, 2002	July 31, 2002
\$ Millions			
ASSETS			
CASH RESOURCES	32,021	32,345	33,395
INVESTMENTS			
Originated Securities	25,427	24,496	22,666
Securities Available for sale	<u>4,454</u>	<u>2,687</u>	<u>2,823</u>
	29,881	27,183	25,489
GOVERNMENT SECURITIES UNDER REPURCAHSE AGREEMENT	16,278	14,252	12,505

LOANS, AFTER MAKING PROVISIONS FOR LOSSES	46,308	38,630	32,445
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OTHER ASSETS

Customers' Liabilities under acceptances guarantees and letters of credit	5,110	5,388	5,394
Real estate & equipment at cost, less depreciation	1,806	1,797	1,819
Retirement Benefit Assest	2,952	2,749	2,601
Other assets	4,796	4,148	3,807
	<u>14,664</u>	<u>14,082</u>	<u>13,621</u>
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TOTAL ASSETS	139,152	126,492	117,455
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LIABILITIES

Deposits			
Deposits by public	82,965	76,948	72,318
Other deposits	3,569	3,189	1,981
	<u>86,534</u>	<u>80,137</u>	<u>74,299</u>

OTHER LIABILITIES

Acceptances guarantees & Letters of Credi	5,110	5,388	5,394
Liabilities under repurchase agreement	14,721	11,567	11,557
Retirement Benefit Obligation	202	183	176
Other liabilities	6,153	7,344	5,208
	<u>26,186</u>	<u>24,482</u>	<u>22,335</u>

POLICY HOLDERS'S FUND	10,550	8,333	7,804
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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	1,695	1,735	1,735
Retained Earnings Reserve	5,520	5,299	4,999

Other Reserves	26	26	26
Unappropriated Profits	7,129	4,993	4,753
Investment Cumulative Remeasurement resulted from:			
Available for Sale Financial	48	23	40
	<u>15,882</u>	<u>13,540</u>	<u>13,017</u>
 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	 <u>139,152</u>	 <u>126,492</u>	 <u>117,455</u>

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Reserve Fund	Retained Earnings Reserve	Capital Reserve	Other Reserves	Cumulative Remeasure- ment from AFS Assets	Unappro- priated Profits	Total
(\$ millions)								
Balance at 31/10/01 previously reported	1,464	1,735	4,549	500	26	-	1,829	10,103
Adoption of International Accounting Standards								
IAS 10 - Events after the Balance Sheet Date	-	-	-	-	-	-	402	402
IAS 12 - Income taxes	-	-	-	-	-	(15)	(733)	(748)
IAS 16 - Property, Plant and Equipment	-	-	-	(500)	-	-	65	(435)

IAS 19 - Employee benefits									
Pension assets	-	-	-	-	-	-	2,159	2,159	
Post retirement benefits	-	-	-	-	-	-	(157)	(157)	
Staff benefits	-	-	-	-	-	-	(39)	(39)	
IAS 39 - Financial Instruments									
-Recognition and Measurement	-	-	-	-	-	46	(14)	32	
Balance ar 31/10/01									
as restated	1,464	1,735	4,549	-	26	31	3,512	11,317	
Restated Net profit	-	-	-	-	-	-	3,870	3,870	
Retained earnings transfer	-	-	750	-	-	-	(750)	-	
Dividends paid	-	-	-	-	-	-	(1,639)	(1,639)	
Gains/(losses) form changes in fair value, net of tax	-	-	-	-	-	(8)	-	(8)	
Balance at 31/10/02									
Net profit	1,464	1,735	5,299	-	26	23	4,993	13,540	
Retained earnings transfer	-	-	450	-	-	-	3,656	3,656	
Transfers	-	(40)	(229)	-	-	-	(450)	-	
Dividends paid	-	-	-	-	-	-	(1,339)	(1,339)	
Gains/losses from changes in fair value, net of tax	-	-	-	-	-	25	-	25	
Balance at 31/07/03	1,464	1,695	5,520	-	26	48	7,129	1,5882	

CONSOLIDATED STATEMENT OF CASH FLOWS

(\$ Millions)	Nine months ended July 31, 2003	Nine months ended July 31, 2002
Cash flows provided by operating activities:		

Net Income	3,656	2,913
Adjustment to net income to determine Net Cash Flows:		
Depreciation	186	175
Policyholders reserve	2,217	1,973
Other, net	1,011	403
	<u>7,070</u>	<u>5,464</u>

**Cash flows provided by/ (used in)
investing activities:**

Investment securities (net purchase and proceed)	(2,673)	216
Loans	(7,706)	(7,245)
Government Securities Purchase Under Repurchase Agreement	(2,026)	(2,210)
Other, net	(1,255)	112
	<u>(13,660)</u>	<u>(4,707)</u>

**Cash flows provided by / (used in)
financing activities:**

Deposits	6,018	4,509
Dividends paid	(1,339)	(1,222)
Other, net	1,875	3,262
	<u>6,554</u>	<u>6,549</u>

Net change in cash	(36)	7,306
Cash at beginning of period	30,059	24,612
Cash at end of period	30,023	31,918
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Represented by:

Cash Resources	32,021	33,395
Cheques and other instruments in transit, net	(1,998)	(1,477)
CASH AT END OF PERIOD	30,023	31,918

SEGMENT STATEMENT OF INCOME

For the nine months ended
July 31, 2003

(\$ Million)

	Financial Services	Insurance Services	Other	Consol. adj	Group Total
Net operating income	8,300	1,709	67	(11)	10,065
Provision for loan losses	(17)	-	-	-	(17)
Operating expenses	(3,767)	(1,173)	(54)	11	(4,983)
Profit before taxation	4,516	536	13	-	5,065
Taxation	(1,284)	(120)	(5)	-	(1,409)
Net profit	3,231	416	8	-	3,656

For the nine months ended
July 31, 2002

	Financial Services	Insurance Services	Other	Consol. adj	Group Total
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Net operating income	6,880	869	55	(15)	7,789
Provision for loan losses	(82)	-	-	-	(82)
Operating expenses	(3,101)	(611)	(41)	15	(3,738)
Profit before taxation	3,697	258	14	-	3,969
Taxation	(1,017)	(36)	(3)	-	(1,056)
Net profit	2,680	222	11	-	2,913

**For the three months ended
July 31, 2003**

	Financial Services	Insurance Services	Other	Consol. adj	Group Total
Net operating income	3,322	725	33	(8)	4,072
Provision for loan losses	(8)	-	-	-	-
Operating expenses	(1,384)	(449)	(19)	4	(1,848)
Profit before taxation	1,930	276	14	(4)	2,216
Taxation	(547)	(88)	(4)	-	(639)
Net profit	1,383	188	10	(4)	1,577

**For the three months ended
July 31, 2002**

	Financial Services	Insurance Services	Other	Consol. adj	Group Total
Net operating income	2,419	181	22	(6)	2,616
Provision for loan losses	(17)	-	-	-	(17)
Operating expenses	(1,140)	(77)	(14)	6	(1,225)

Profit before taxation	1,262	104	8	-	1,374
Taxation	(344)	(13)	(1)	-	(358)
Net profit	918	91	7	-	1,016

**For the three months ended
April 30, 2003**

	Financial Services	Insurance Services	Other	Consol. adj	Group Total
Net operating income	2,525	527	13	1	3,066
Provision for loan losses	10	-	-	-	10
Operating expenses	(1,201)	(383)	(16)	3	(1,597)
Profit before taxation	1,334	144	(3)	4	1,479
Taxation	(382)	(18)	1	-	(399)
Net profit	952	126	(2)	4	1,080

CONSOLIDATED BALANCE SHEET

**As at
July 31, 2003**

(\$ Million)

Financial Services	Insurance Services	Other	Consol. adj	Group Total
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Segment assets	133,333	12,275	260	(6,716)	139,152
Segment liabilities	118,935	10,667	167	(6,519)	123,270

**As at
July 31, 2002**

	Financial Services	Insurance Services	Other	Consol. adj	Group Total
Segment assets	117,684	8,881	230	(9,340)	117,455
Segment liabilities	105,598	7,831	144	(9,135)	104,438

**As at
July 31, 2002**

	Financial Services	Insurance Services	Other	Consol. adj	Group Total
Segment assets	126,959	9,489	215	(10,171)	126,492
Segment liabilities	114,422	8,369	129	(9,968)	112,952

NOTES

1. Basis of presentation

These consolidated financial statements have been prepared in accordance with and comply with standards issued by the International Accounting Standard Board

As at November 1, 2002, the Group adopted International Accounting Standards. The financial effect of this adoption is reported in the Consolidated Statement of Changes in Shareholders' Equity

2. Investment Securities

Investment securities are classified as originated or available for sale, and are initially recognised at cost. Management determines an appropriate classification at the time of purchase.

3. Loan loss provision

Specific provision is established on the difference between the carrying amount and the recoverable amount of loans. The recoverable amount being the present value of expected future cash flow, discounted based on the interest rate at inception or last repriced date of the loan.

Regulatory loan loss reserve requirements that exceed these amounts are maintained within the general provision for loan losses.

4. Employee benefits

Pension assets- The group participates in a defined benefit pension plan. The pension costs are assessed using the projected unit credit method. Under this method, the cost of providing

pensions is charge to the income statement, and the net of the present value of the pension obligation and the fair value of the plan assests, is reflected as an asset on the balance sheet.

Other post-retirement obligations- The Group provides post retirement healthcare benefits to retirees. The method of accountingused to recognise the liability is similar to that for the defined benefit pension plan.

5. Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

6. Property, palnt and equipment

All property, plant and equipment are stated at cost less accumulated depreciation less any impairment losses.

7. Provsions

A provision is mad for the estimated liabilities for annual vacation leave as a result of services rendered by employees up to the balance sheet date.

8. Dividends

Dividends are recognised as a liabilities in the period that they are approved by the Board of Directors.

9. Cash and cash equivalentns

For the purposes of the cash flow statement, cash and cash equivalentns comprise cash resources and cheques in transit

10. Segment report

The Group is organised into two main business segments:

Financial services- This incorporates retail and corporate banking services, investment

and pension fund management and administration of trust account.

Insurance services- This incorporates the provision of life insurance.

Other operations of the Group comprise general insurance brokeraging
