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# **MEDIA RELEASE**

## **SCOTIA GROUP JAMAICA LIMITED REPORTS 11 CONSECUTIVE YEARS OF RECORD RESULTS**

### **FISCAL 2007 HIGHLIGHTS**

- Net Income of \$7,610 million
- Net Income available to common shareholders of \$7,493 million
- Earnings per share of \$2.48
- Return on Average Equity 24.01%
- Productivity ratio of 55.34%
- Fourth Quarter dividend of 30 cents per share

Scotia Group Jamaica Limited ( Scotia Group) today reported record results for the fiscal year of \$7,493 million net income available to common shareholders, an increase of \$694 million or 10.2% when compared to the same period last year. We also delivered strong results for the fourth quarter with net profit of \$2,126 million, which was \$152 million above the net income for the quarter ended July 31, 2007 and \$311 million above the net income for the quarter ended October 31, 2006.

William E. Clarke, President and CEO said "Our strategy of diversifying across business lines has once again allowed us to achieve record results and to meet our key financial targets for 2007. All our business lines contributed significantly to our net income, in spite of increased operating costs and reduction in interest margins resulting from lower market interest rates, as we focused on growing volumes and increasing our non-interest income. Now that the reorganization of the Group is completed, our outlook for 2008 is very positive, as we have now laid the foundation to become leaders in wealth management and wealth creation".

The contribution to net income by our subsidiaries are outlined below:-

|   | <b>\$' million</b> | <b>% Contribution</b> |
|---|--------------------|-----------------------|
| <b>The Bank of Nova Scotia Jamaica Limited</b>        | <b>4,932</b>       | <b>65.83%</b>         |
| <b>Scotia Jamaica Life Insurance Limited</b>          | <b>1,381</b>       | <b>18.43%</b>         |
| <b>Dehring, Bunting and Golding Limited</b>           | <b>556</b>         | <b>7.42%</b>          |
| <b>Scotia Jamaica Investment Management Limited</b>   | <b>169</b>         | <b>2.26%</b>          |
| <b>Scotia Jamaica Building Society</b>                | <b>389</b>         | <b>5.19%</b>          |
| <b>Other</b>  | <b>66</b>          | <b>0.87%</b>          |
| <b>Net Income attributable to common shareholders</b> | <b>7,493</b>       | <b>100.00%</b>        |

Our retail portfolio continues to achieve solid results with excellent growth of over \$8 Billion in our Scotia Plan Loans, Mortgages (SJBS) and Credit card portfolios.

Earnings per share (EPS) for the year was \$2.48, compared to \$2.32 for last year, while Return on Average Equity (ROE) remains very strong at 24.01%.

The Board of Directors today, approved an interim dividend of 30 cents per stock unit, payable on January 10, 2008 to stockholders on record at December 4, 2007.

## **REVENUES**

Total Revenue comprising net interest revenue and other income was \$22,765 million, an increase of \$3,115 million or 15.85% from prior year.

### ***NET INTEREST INCOME***

Net interest income was \$17,478 million, up \$1,955 million when compared to last year. This is as a result of strong portfolio volume growth primarily in our retail portfolio, as net interest margin continue to trend downwards in line with market interest rates. Interest income earned from securities also increased, due to volume growth in the investment, pledged assets and repurchase agreement portfolios.

### ***OTHER REVENUE***

Other revenue, excluding Insurance Premium Income, was \$4,669 million, up \$972 million when compared with last year driven mainly by the growth in foreign exchange trading profit and credit related fees. Insurance Premium is attributable to ScotiaMINT, the interest sensitive life insurance policy and Creditor Life insurance, marketed by Scotia Jamaica Life Insurance Company Limited. Combined net premium income for both products increased by approximately \$188 million when compared to prior year. SJLIC reported gross premium income of \$4.8 billion for the twelve month period.

## **NON-INTEREST EXPENSES AND PRODUCTIVITY**

The Group continues to pay close attention to expense control and risk management. Our productivity ratio (non-interest expense as a percentage of total revenue) - a key measure of cost efficiency - was 55.34%. 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 45.81%, which is significantly better than the international benchmark of 60%.

Non-interest Expenses excluding Change in Policyholders' Reserve and Loan Loss Provisions, were \$9,620 million, an increase of \$1,757 million over last year of which \$535 Million relate to the inclusion of DB&G in the consolidated results. The balance of \$1,222 million was due to increased staff costs, amortization of the intangible assets resulting from the acquisition of DB&G, advertising and public relations ( sponsorship of World Cup Cricket) and computer related expenses. Policyholders Reserves for ScotiaMINT's life insurance fund is directly attributed to the business in force.

## **CREDIT QUALITY**

Non-performing Loans at October 31, 2007 were \$2,109 million, of which \$792 million relates to the consolidation of DB&G. The non-performing loans for the BNSJ Group were \$1,316 million, this was an increase of \$307 million when compared to \$1,009 million a year ago, and \$90 million above the previous quarter ended July 31, 2007. The BNSJ Group's non-performing loans now represent 1.82% of total loans and 0.64% of total assets compared to 1.68% and 0.50% respectively in prior year.

The IFRS Loan Loss Provisioning requirements are computed using a different methodology from the Regulatory requirement. The difference in the amount computed under the two methodologies is reported as Loan Loss Reserve in the equity component of the Balance Sheet. The Group's loan loss provision as determined by IFRS is \$857 million, of which \$667 million is specific and \$190 million is general.

The loan loss provision as determined by Regulatory Requirement is \$1,902 million, of which \$355 million relates to provisions established by DB&G. BNSJ Group's loan loss provision is \$1,548 million which exceeds total non-performing loans by \$232 million, and provides coverage of 118% of BNSJ Group's non performing loans. Over the years, we continue to experience significant growth in the loan portfolio, however the loan loss provision has remained relatively stable, due to Scotiabank's strong credit policy and loan administration procedures, which has ensured the high quality of the loan portfolio.

## **BALANCE SHEET**

Total assets increased year over year by \$63 Billion or 32% to \$263 Billion as at October 31, 2007. The consolidation of DB&G contributed \$40 Billion to the growth in assets. The Group's performing loans were \$75 billion, up \$16 Billion over the previous year, as we continue to experience significant growth in retail lending, and have seen an improvement in the demand for commercial loans. Investments, pledged assets and repurchase agreements increased by \$43 Billion of which \$33 Billion relates to the consolidation of DB&G. Retirement Benefit Asset 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 \$137.9 billion, up \$17 billion 14.43% from the previous year, reflecting continued confidence in Scotiabank.

## **CAPITAL**

Scotia Group's capital base continues to be very strong. Total shareholders equity grew to \$34 billion, \$6.9 Billion more than prior year, this was due mainly to an increase of \$3.6 Billion in the share capital of Scotia Group Jamaica Limited consistent with the Scheme of Arrangement.

## **RECENT DEVELOPMENTS**

At a meeting of the Board held today, the Hon. William McConnell and Mr. Joseph Matalon resigned as directors. Ms. Barbara Alexander, Attorney at Law, Mr. Mark Golding, Attorney at Law, Mr. Jeffrey Hall, CEO Jamaica Producers Group Limited and Mr. Pasquella Minicucci, SVP Scotiabank Canada, were appointed directors of the company.

## **OUR COMMITMENT TO THE COMMUNITY**

**In 2007, Scotiabank executed several projects and programs which further demonstrated our commitment to our Corporate Social Responsibility and to improving the communities in which we live and work. In demonstrating this commitment, the Scotiabank Jamaica Foundation has donated \$495 million to Education, Health and Community projects in Jamaica since 1996. In fiscal 2007, the Foundation donated a total of \$55 million to various projects.**

**In Education, we awarded 247 new and on-going scholarships and bursaries to students at the secondary and tertiary level totaling \$20 million. We expanded the Breakfast Feeding Programme beyond Holy Family Infant & Primary School, Kingston to include Bamboo Primary & Junior High, St. Ann; Norwich Primary and Drapers All Age, Portland; and Whitfield All Age, Kingston to provide meals for approximately 500 students daily, at a cost of \$1 million annually. The 300 seat Lecture Theatre at the Montego Bay Community College was also completed at a cost of \$25 million.**

**In Health Care, we equipped the Scotiabank Centennial Accident and Emergency Unit , at the University Hospital of the West Indies with a new Digital X-ray Unit, Ultrasound unit and six Infusion Pumps at a cost of \$32 million. The Foundation also contributed \$1.4 million for an additional six dialysis machines at the Scotiabank Jamaica Foundation Haemodialysis Center at Cornwall Regional Hospital bringing the number of units installed at that facility to 16. Funds were also provided for the expansion of the treatment area. The Scotiabank Jamaica Foundation Accident and Emergency Unit at the Port Antonio Hospital also benefited from painting and roof repairs.**

**Scotia Group takes this opportunity to thank all of our stakeholders. To our customers, thank you for your loyalty and your business. To our shareholders, thank you for the commitment, trust and confidence you continue to show in us. Our continued success is as a result of great execution by our team of skilled and dedicated employees and their consistent focus on customer satisfaction. We thank them for their professionalism, commitment and for being a great team.**