MEDIA RELEASE

June 12, 2019

SCOTIA GROUP JAMAICA REPORTS SECOND QUARTER OF FISCAL 2019 RESULTS

Scotia Group reports net income of $3.3 billion for Q2 which represents an increase of $965 million or 42% above the first quarter ended January 31, 2019. This brings net income to $5.6 billion for the six months ended April 30, 2019 compared to $6.7 billion for the corresponding period last year. Excluding gains on the sale of a subsidiary of $753 million included in prior year, and additional IFRS 9 related provisions of $487 million in the current year, net income increased year on year by $96 million or 2%.

Financial Highlights

	6 months ended 30-Apr-19 $millions	6 months ended 30-Apr-18 $millions
Total revenues	22,091	21,653
Total operating expenses	12,744	11,205
Net profit after tax	5,615	6,758
Return on equity	9.61%	12.81%
Productivity ratio	57.69%	51.74%
Operating leverage	-11.7%	4.0%
Earnings per share (cents)	180	217
	30-Apr-19 $millions	30-Apr-18 $millions
Total assets	544,470	515,794
Investments	155,537	164,849
Loans (net of allowances for credit losses)	189,396	170,874
Deposits by the public	307,075	283,049
Liabilities under repurchase agreements and other client obligations	21,755	32,602
Policyholders' fund	45,143	44,919
Stockholders' equity	119,787	109,092

David Noel, President and CEO of Scotia Group Jamaica commented "Our strategy to focus more aggressively on growing our core business is paying off with growth in loans (net of allowances for credit losses) totaling $18.5 billion at the end of the quarter which represents an increase of 11% year over year. I am particularly pleased that commercial loans to the private sector increased by 23% and our mortgage portfolio grew by 13% relative to prior year. The Group's financial performance was however impacted by the continued compression of net interest margins, the new treatment of credit loss provisions based on the adoption of IFRS 9, and increased investments in technology as we build our business for the future. While our revenues have been significantly impacted by the low interest rate environment, we believe that low interest rates are good for the economy and leads to improved macroeconomic stability over the long term.

We continue to make significant investments in our core business operations including ATMs, digital platforms and branch infrastructure. We are rolling out 100 upgraded ATMs/Intelligent Deposit Machines (IDMs) across our network this year with 48 already installed. Our new IDMs allow envelope-free deposits for cash and cheques, have a fresh interface to speed up transactions and customers can also use them to pay bills. We also introduced new transaction and security alerts, and credit card controls that have enhanced our customers' daily banking experience. We are also investing $1.4 billion to modernize our flagship Scotia Centre branch and renovate our Head Office to create a new space designed to improve engagement, efficiency and customer service. While these initiatives have resulted in elevated expenses year to date, we believe we are making the right strategic investments to position our business for long-term success.

We continued to deliver on our customer focused agenda launching various product initiatives with strong value propositions. We saw very positive results from the public to our reduced residential mortgage rate of 6.99% and small business loan rate of 9.99% and as a result, we have decided to extend those rates for another 3 months. Additionally, The Scotiabank Vision Achiever (SVA) programme was launched in April. Now in its ninth year, SVA is a transformative coaching programme for small business operators designed to systemize business processes, improve efficiency and increase profits.

I would like to thank all our shareholders and customers for the confidence and trust they have placed in our bank and for partnering with us to achieve their financial goals."

	3 months ended 30-Apr-19 $millions	3 months ended 31-Jan-19 $millions	3 months ended 30-Apr-18 $millions
Total revenues	10,587	11,504	10,060
Total operating expenses	5,407	7,336	4,837
Net profit after tax	3,290	2,325	3,346
Return on equity	11.21%	8.06%	12.51%
Productivity ratio	51.08%	63.77%	48.08%
Dividends per share (cents)	245	51	48

Today, the Board of Directors approved an interim dividend of 51 cents and a special dividend of 194 cents per stock unit in respect of the second quarter, which is payable on July 24, 2019 to stockholders on record as at July 2, 2019. Increased dividends are being paid this quarter based on a decision taken to distribute accumulated earnings built up over several years. After factoring this distribution our capital remains strong to take advantage of future growth opportunities.

GROUP FINANCIAL PERFORMANCE

TOTAL REVENUES

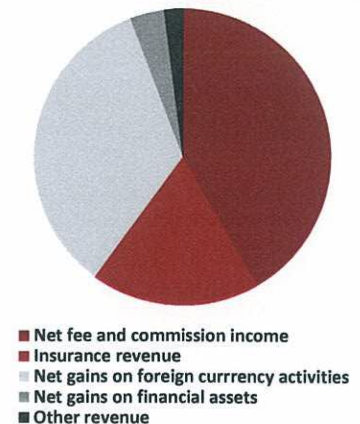
Total revenues excluding expected credit losses for the six months ended April 30, 2019 was $22 billion, up $438 million or 2% above the comparative period last year. Excluding the one-off impact of gains from sale of subsidiary last year, total revenues grew by 6%. Loan and transaction volumes continued to grow across our business lines, however lower interest rates due to a stable macroeconomic environment and increased competition, resulted in margin compression. Net interest income after expected credit losses for the six months period was $10.9 billion, down $1.4 billion or 11% when compared to the comparative period last year. (Interest rate impact of $1.5 billion year to date April 2019).

OTHER REVENUE

Other income, defined as all income other than interest income, was $9.9 billion for the period, up $1 billion or 11% from last year.

- Net fee and commission income amounted to $4.1 billion flat vs. last year, impacted by continuous customer education on alternatives to reduce fees, and the ongoing shift to online and mobile transactions which attract lower fees.
- Insurance revenue decreased by $68.6 million or 4% to $1.8 billion due mainly to lower actuarial reserve releases year over year, partly offset by higher premium income.
- Net gains on foreign currency activities and financial assets amounted to $3.4 billion, up $1.7 billion or 104% above last year due to increased market activities.

Sources of Non-Interest Revenue



CREDIT QUALITY

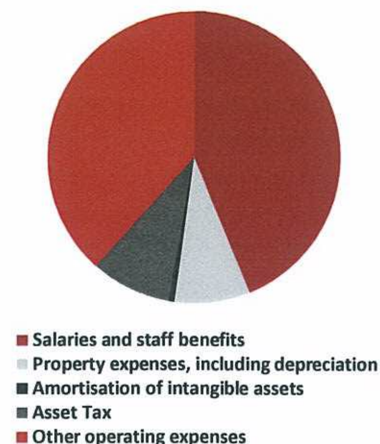
Expected credit losses were up $787.6 million above last year, impacted by the initial adoption of IFRS 9, (Financial Instruments) which resulted in a significant change to the Group's impairment methodology. The quality of both our retail and commercial credit portfolios continue to improve. NALs as at April 30, 2019 totaled $3.5 billion compared to $4.1 billion last year.

The Group's NALs represent 1.9% of gross loans down from 2.5% last year, and represent 0.7% of total assets. The Group's aggregate expected credit losses for loans as at April 30, 2019 was $5.6 billion, representing over 100% coverage of the total non-performing loans.

OPERATING EXPENSES AND PRODUCTIVITY

Operating expenses amounted to $12.7 billion for the period, an increase of $1.5 billion or 14% compared to prior year. Salaries and staff benefit costs increased by $441 million or 9%, while other operating expenses grew by $978 million. The growth in operating expenses was primarily due to increased technology investments such as ATM software, online banking enhancements, security chips for credit cards and network upgrade to support our digital strategy. Asset tax expenses increased by $44 million or 4% to $1.1 billion due to the increase in the Group's assets.

Our productivity ratio at the end of the period was 57.69% compared to the 51.74% recorded for last year.



GROUP FINANCIAL CONDITION

ASSETS

Total assets increased year over year by $28.7 billion or 6% to $544 billion as at April 30, 2019. The growth was attributable mainly to an overall increase of $18.5 billion in loans, and $11 billion in other assets resulting from a higher retirement benefit asset on our defined benefit pension plan scheme.

Cash Resources

Our cash resources held to meet statutory reserves and the Group's prudential liquidity targets stood at $133.3 billion, up by $7.1 billion or 6% compared to last year due to increased liquidity from inflows of retail and commercial deposits. We continued to maintain adequate liquidity levels to enable us to respond effectively to changes in cash flow requirements.