

SPEAKING NOTES
Mr. Bruce Bowen
President and CEO, Scotiabank Jamaica
Annual General Meeting
Jamaica Pegasus Hotel
February 24, 2009
'Opportunities in Crisis'

INTRODUCTION

Ladies and Gentlemen, I'm truly honoured to address you, the owners of this venerable institution at this my first Annual General Meeting as President and CEO.

I am especially proud, because at a time when banks around the world are either being bought or seeking a bailout from government, your company continues to be the strongest, and the safest financial institution in Jamaica. A position that we have maintained for 120 years.

As I thought about my address to you this morning, the words of Charles Dickens in his book the *Tale of Two Cities* came to mind:

- ***It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness***

As Rob pointed out in his address, the tone of the daily economic and financial news globally sometimes suggests that this is simply the worst of times.

But even in the worst of times the best people have the potential to achieve great things.

And we believe that this is true of Scotiabank Jamaica today. We are uniquely positioned to identify the opportunities in the crisis.

Externally, there are opportunities to meet the changing demands of our customers.

Internally, we have to retool, re-invent and reframe. It is also a time when culture and traditions either prove enduring or outdated.

The role of management in these times is to identify the enduring values, strengthen them and use them to guide the company through the crisis.

On the other hand, policies and procedures which become outdated must either be jettisoned or re-fashioned to make them relevant for the present and the future.

I assure you that your investment is in safe hands.

The members of your management team recognise our responsibilities and we are keeping a close watch on both the external and internal landscape so that we can maximise the opportunities for the benefit of you, our owners as well as our other stakeholders: our staff, customers and the wider society.

Now more than ever, it is clear that our traditional emphasis on prudent risk taking and sound management keeps us from making foolish decisions in the bid to grow revenue.

So we have heightened our focus on these values, including even stronger reins on our cost management.

On the other hand, we must find ways to grow even in this harsh environment and so we are keeping our vigilance high for positive signals of potential business opportunities.

We have always said “*You’re safe with us*” and we know that this phrase is pregnant with meaning in times like these.

Our performance in 2008 and the first quarter of 2009 is clear evidence of our resilience and ability to ride these rough waters.

FINANCIALS

Last year the Scotia Group recorded net income of \$9,624 million, with net income available to common shareholders of \$9,390 million, representing a 25 percent growth over 2007.

This marked the 12th consecutive year of increased profits for Scotia Group Jamaica. Our earnings have grown at a rate of 18.2 percent compounded annually over a ten-year period; a record of which we are justifiably proud.

The Group's continued success is due to our strategy of diversifying across all major business lines and our diverse earnings mix, which enabled us to increase our profit despite extremely challenging conditions.

We have consistently demonstrated our ability to manage expenses, and we continue to operate at a productivity ratio which exceeds the international benchmark.

FIRST QUARTER RESULTS – Q1/2009

We continued our strong performance into the first quarter of 2009. Yesterday we announced record earnings, with reported net income for the first quarter of \$2,507 Million, and net income available to common shareholders of \$2,431 Million.

Total Assets as at January 31, 2009 were \$292 Billion, an increase of 7.7% from the previous year. This is attributable to growth in all of our major business lines.

Deposits grew to \$149 Billion, up \$7.4 Billion or 5.2% over last year, reflecting the continued confidence that Jamaicans have in your Company.

As can be expected given the current recession in Jamaica, over the first quarter our non-performing loans increased, due principally to growth in our retail loan and credit card portfolios. As at January 31 our non-performing loans stood at \$3,551 Million or 3.96 percent of total loans. However, we continue to carry a very healthy level of provisions against these loans. Our level of non-performing loans as a percent of total loans remains at or below industry average in Jamaica.

Capital strength remains a distinct advantage of Scotiabank, and we continue to strengthen our capital through solid growth in earnings, with total shareholders' equity growing to \$38.8 Billion at the end of January.

Our continued earnings growth allows us to maintain a record of consistent dividend growth. Yesterday we announced an interim dividend of 34 cents per stock unit. We are very proud that for more than 40 years we have always maintained or grown dividends, even during the most difficult economic times.

Overall, 2008 was a very strong year for Scotiabank Group Jamaica, and the trend is continuing in 2009 with very robust first quarter results.

SUBSIDIARIES

I want to take a moment and recognize the great performance of our key subsidiaries during 2008.

SJLIC

In 2008, Scotia Insurance continued the trend of remarkable performance since inception 11 years ago. The company grew assets to become the largest (in total assets) and second most profitable life insurance company in the market.

Profit before taxes increased by 53 percent to \$2,578 million and the company continues to expand market share both in terms of gross premium income and number of policies issued.

SCOTIA DBG

This is the first full reporting year for ScotiaDBG and we are now realizing the efficiencies and economies of scale that this acquisition has created.

The Repo (repurchase agreements) portfolio grew by \$8,357 million to \$40 billion and profit before taxes increased over 100 percent to \$1,422 million.

SJBS

Scotia Jamaica Building Society continued to hold its own in the industry against larger, more established competitors and as in 2007, contributed five percent to the Group's net income.

The Building Society grew net income from \$389 million in 2007 to \$445 million last year.

SMALL BUSINESS OPPORTUNITIES

SCOTIABANK MSME PROGRAMME

As you are aware, in 2007 your Bank began to implement a strategy to participate more meaningfully in the small business segment.

We took this decision because we truly believe that this sector holds the key to national economic development and important growth opportunities for our business.

Over the past two years we have focused on introducing new products, training Business Banking officers and establishing linkages within the SME segment.

One of our most significant initiatives last year (*in September*) was the establishment of 'The Scotiabank SME Development Programme', a loan programme specifically targeted at the SME market, with a total loan pool of \$400 million.

The programme benefits three categories of business:

- SME start ups (**Scotia Running Start**)
- Existing SMEs wanting to expand their businesses (**Scotia Business Builder**) and
- Qualified members of the Micro Small and Medium Enterprise (MSME) Alliance (**Scotia MSME Alliance**) . This is the largest umbrella group in Jamaica for small businesses and comprises over 20 business associations.

I'm proud to say we have committed almost 100 per cent of the allocated funds, which demonstrates the vibrancy and potential in this sector of the economy.

We also established the Scotiabank Chair in Entrepreneurship and Development at the University Of Technology in 2008 and appointed Professor Rosalea Hamilton to the position.

The chair will facilitate the growth of entrepreneurship and development of entrepreneurs through training, research, policy development, and access to financing. This is in keeping with our goal of providing holistic support for the sector.

We believe that by working through the Chair, MSME and other small business associations, we can achieve our goal of strengthening this segment financially while encouraging sound business practices.

Of course we also expect to realise some business benefits from our activities in this sector during 2009 and you should see these reflected in our year end results.

CORPORATE SOCIAL RESPONSIBILITY: opportunities for youth and communities

As you are aware, Scotiabank is unequivocal about our responsibility to enhance the communities in which we do business.

This is not unique to Scotiabank Jamaica: it is a characteristic of Scotiabank operations around the globe.

Here in Jamaica you can be proud that we are not only the unchallenged leaders in corporate outreach efforts, but our television programme '**The Teller**' has greatly improved public awareness of our programmes over the past two years.

Notwithstanding the challenging financial environment, we will continue to fulfill our commitments to communities and projects through the Bank and the Scotia Jamaica Foundation, because we understand that corporate social responsibility is not only a social imperative, it makes good business sense.

Our newest initiative (to be launched in a few weeks), is a National Blood Drive through which we aim to encourage our staff members, their families and members of uniformed groups to donate a minimum total of 500 units of blood per week.

I don't need to explain how important this project will be for all Jamaica and we expect it to make a significant impact on the work of the National Blood Transfusion Service.

We will also continue our support for HIV and AIDS Awareness through the '*Speak up! Speak out!*' Debate series and our collaboration with the Jamaica Cultural Development Commission.

In 2008 we started our Scoliosis Care programme; collaborating with the medical team at the Kingston Public Hospital to provide surgery for young persons with this condition who cannot afford treatment.

The benefits to the young persons affected cannot be measured and we will continue the programme this year.

Of course we will maintain our support for the hospital departments which bear our name and through which this company has touched so many lives.

These include the renal unit at the Cornwall Regional Hospital; and the Accident and Emergency Units at the University Hospital and the Port Antonio General Hospital.

While we give millions of dollars each year to these worthy causes, I know our communities also appreciate the very personal work done on the ground by our people.

In recent years these efforts have become organised into the Scotiabank Volunteers and we expect their work to be more visible in parishes in 2009.

OUR PEOPLE: TEAM EXCELLENCE

There is no doubt that our 2250 employees form a major component of our competitive advantage.

We could not consistently deliver great results without their dedication to the company.

We will continue to maintain this edge by ensuring that we hire and retain the very best team in Jamaica and invest in training and leadership development.

We are also making deliberate efforts to reinforce a culture of trust, teamwork, a passion for customer service and peer reward and recognition (through ScotiaApplause).

Through these and other initiatives we expect to improve the results of our ViewPoint Employee Satisfaction and Engagement Survey, which dipped slightly last year, though still much higher than in 2004.

AWARDS

Our commitment to excellence continues to earn us accolades both locally and overseas.

In 2008 The Group and Scotia DBG again shone at the Jamaica Stock Exchange Best Practices Awards, with the Group copping the second prize for our annual report and SDBG placing first among stockbrokerage websites and third among websites for listed companies.

Our corporate social responsibility efforts also gained us applause from our peers in the Private Sector Organisation of Jamaica and the Jamaica Employers' Federation.

Overseas, we continued to excel in our new area of television production, at the US International and Film Festival, where the production of the Grand Final of our 'Speak Up! Speak Out!' HIV/AIDS debating competition won both the Silver Screen Award and a Certificate for Creative Excellence.

We were also named Best Bank by Global Finance Magazine and Best Bank in Jamaica by Euromoney Awards for Excellence. And MasterCard recognised us with the Global Gold Quality Award for Excellence.

FUTURE STRATEGIC DIRECTION: OPPORTUNITIES IN CRISIS

As I said earlier, this year one of our goals is to identify business opportunities early and act on them quickly and efficiently.

Our retail value proposition is two-pronged: through our lending activities we are working with our customers in difficult times. On the other hand, our depositors can be sure that they are safe with us in difficult times.

We are also shifting our focus from a reliance on interest revenue to a greater emphasis on fee-based incomes from new products.

This morning I will share four initiatives already underway, in the areas of protection, wealth management, customer experience and the Contact Centre.

Scotia Insurance: ScotiaBRIDGE

As I said earlier, Scotia Insurance has performed consistently well and we realise that there are even more opportunities to provide protection products and thus increase our footprint in this market.

Next month we will launch ScotiaBRIDGE, a retirement savings vehicle which allows individuals to effectively plan and fund their retirement years.

ScotiaBRIDGE will benefit the many Jamaicans who are either self-employed or employed to companies without a pension plan.

We believe that this is a good time to introduce this product and we expect sales to positively impact the Group bottom-line.

Scotia Private Client Group

In a bid to standardise our wealth offering globally and compete more effectively, we will re-launch our Private Banking business under the name Scotia Private Client Group (SPCG) in June 2009. This re-launch will coincide with the opening of a new Wealth Management Center on Constant Spring Road.

SPCG Jamaica will then be consistent in its product and service offering with the growing number of SPCG centres around the world. Our clients in Jamaica will be able to access the same level of service at any SPCG centre globally - including the new centre that will be opened in Miami in 2009.

This allows our clients to benefit from our global connections and expertise while ensuring a standardized experience in every country where we operate.

CUSTOMER EXPERIENCE

You may be aware that we significantly intensified our efforts to create an improved customer experience in 2008.

Activities took place in four main areas: people, governance, technology, customer insights and feedback.

In February 2008, we introduced continuous monitoring of customer feedback about the quality of service in our branches.

As we now approach the anniversary of that effort, we have seen significant improvements in how customers rate our services.

Our speed of service improved from serving 48 percent of our customers within 20 minutes in February to now serving 61 percent within that timeframe. Improvements were largely a result of greater diligence in teller supervision and redoubled efforts to better direct branch traffic.

In the most recent results, 75 percent of customers rated our teller service as excellent (5 out of 5) as compared to 64 percent in February 2008. This means our tellers are consistently practising the service behaviours expected to deliver a world class customer experience.

The percentage of loyal customers (defined as those who are fully satisfied and will definitely continue to use us and will definitely recommend us) increased from 29 percent in February 2008 to 35 percent today.

CALL CENTRE EXPANSION

In keeping with our plans to support our growth objectives more efficiently than through branch expansion, Call Centres will form a core part of our channel differentiation strategy in the future, especially since we can provide outstanding service versus the competition.

The International Banking (IB) Division recognised that the Jamaican centre provides one of the highest quality service across call centres worldwide. As a result, we were chosen to be one of the core centres.

The call centres in Jamaica and Trinidad will be virtually networked to create one primary hub for call centre services in the English-speaking Caribbean.

This hub will be the single point of contact for all Scotiabank products and services offered in the Caribbean. It creates significant economies of scale by eliminating the need to build call centres in other countries within the region.

We expect staffing in the two centres to increase to 300 heads over the next 5 years, with the lion's share (two-thirds) of those posts residing in Jamaica.

This would represent a 50 percent growth in the BNSJ call centre from pre-regionalisation staffing of about 130 heads. New posts will not only include front-line positions, but also roles in areas such as development, quality assurance, operations and management.

We are making a significant financial investment to equip the Centre with world-class technology from the agent desktop to the back office.

This will enhance the capability of the Centre to provide high quality service and will further support the Centre's emergence as a significant revenue contributor to the business.

CONCLUSION

I have tried to give you an idea of where the Group is going this year, without giving away any of our secrets.

As you can see, we are taking nothing for granted.

There have been many surprises in the financial services industry in other parts of the world and the poor judgment and lack of accountability revealed in some cases have tarnished the image of banking.

These developments reinforce our conviction that at Scotiabank we must rely on our core values to provide a guide for navigating these rough waters.

We are known for making good decisions and we will not abandon our tried and tested risk management policies in the interest of short-term gain. (We have seen where that can lead.)

Our franchise is strong and better positioned than the competition due to our capital strength and global reach.

Most importantly, we have a strong and dedicated team of employees who are passionate about what they do.

This is why I can assure you that your company will not go the way of those that make the news daily.

Our core values: integrity, insight, commitment, respect and spirit have sustained us in Jamaica for 120 years. We are confident that they will help us to remain standing in the face of these challenges and emerge even more solid than before.

Thank you