

Speech by Mr. Bruce Bowen
President & CEO, Scotia Group Jamaica Limited
For the Annual General Meeting
At the
Montego Bay Convention Centre
Friday, March 1, 2013

Salutations:

- Shareholders
- Our Chairman
- Members of the Board
- Members of the Executive and Staff of Scotia Group Jamaica Limited
- Our special guests
- Ladies and gentlemen...

I extend a special welcome to our shareholders at our Annual General Meeting 2013...the first to be held in this great City of Montego Bay, which holds growing potential as a business hub.

A Successful Year in the Face of Tremendous Odds

It is my pleasure to report on another successful year of operation in which Scotia Group Jamaica recorded growth in all business lines, and even more importantly, continued to deliver on our mandate to make our customers and shareholders financially better off.

As you heard in the last presentation, we achieved our business objectives despite a very challenging economic environment – intense competition, a weak local economy, and uncertainty in the business community and wider society with respect to the IMF Agreement.

We also saw the government's May 2012 budget impose some new taxes on the financial sector. For fiscal 2012 this amounted to in excess of \$400 million for Scotia Group.

Our Achievements for 2012

Our Bank enjoyed solid loan growth as we supported our customers in their drive to grow their businesses and acquire new assets. We also launched a new suite of deposit products; a package of incentives tailored to meet the varying needs of our customer base, this suite is designed to promote consistent saving, wise spending and effective management of banking costs. Within nine months of its introduction, this innovative new product suite contributed to a 40% increase in the monthly average number of new accounts opened.

Our Bank continues to optimise the use of alternative channels so our customers have convenient and secure access to our financial services.

- We installed over 200 new and environmentally-friendly Automated Banking Machines (ABMs) with a new locking system to enhance customer safety.
- Customers can also now conduct foreign exchange transactions through Scotia Online
- And we also enhanced the suite of merchant services and electronic products for business customers with the roll-out of cutting-edge POS Merchant Services and Scotia Online for Business

I am also proud to note that Scotiabank has emerged to become a dynamic player in the Small and Medium-Size Business Sector, which is accepted as an engine of economic growth. Over the year our SME team secured partnerships with key segments of the industry and rolled out various workshops to build the capacity of its customers.

Our subsidiaries also recorded strong achievements:

- Our **mortgage** portfolio recorded a 15.4% market share as at the end of September making us the second largest in the industry. New mortgages booked for the financial year grew by 40% which is unprecedented and an achievement we are proud of.

- **Scotia Investments** continued to dominate the unit trust and mutual funds industries with 50% and 56% market share respectively. The newest mutual fund, The Scotia Premium Money Market Fund surpassed \$1.4 billion in Net Asset Value after only a year in market. And Capital Markets, the newest division of Scotia Investments closed over US\$500 million in transactions.
- **Scotia Insurance** recorded over \$4.1 billion in new premiums – the highest volume in its 14 years of operation. The Company is also the top ranking Approved Retirement Scheme with its product ScotiaBRIDGE that has over \$2 billion in funds under management. It also launched two new whole life insurance products – Lifetime Security and Life Shelter in keeping with our strategic focus of building out our suite of insurance products.
- Now moving into its second year, **Scotia Jamaica Microfinance Company Limited**, (CREDISCOTIA), continues to deliver simple financial solutions for the micro-business sector whom were previously underserved.

Ladies and gentlemen, we could not have achieved our business objectives without a strong performance culture which is represented in our customer satisfaction score. We topped the competition in respect to customer service among our peers as reported by a third party independent survey where we also saw a decline in customer problems reported, and an improved rate of resolution.

Our Chairman, Brian Porter spoke earlier about our work through our Foundation and our Bright Future programme. We are extremely proud of the various projects we have supported to improve education and health care, as well as, promote community development and environmental preservation and this will continue to be an area of focus for us in 2013.

Awards to the Scotia Group in 2012

Last year the outstanding performance of our management team and employees was reflected in the numerous **major awards and recognition** which Scotiabank received, giving credence to our professionalism and innovation in the implementation of our services to clients.

We received the Gold Medal for Best Mid-Sized Contact Centre in the Americas Region; Gold Medal for Best Sales Professional; Silver Medal in Best Customer Service Professional category from **Contact Centre World**. In addition, **Global Finance Magazine** declared our Bank to be-- the Best Emerging Bank, the Best Foreign Exchange Provider, and the Best Internet Bank. And, the prestigious **Euromoney Magazine** endorsed our operation with a Best Bank Award.

Scotiabank was declared the most **Outstanding Contributor** to the Christmas Kettle Appeal of the Salvation Army, Eastern Jamaica Division; and our support for environmental initiatives placed us in the **Leader Category** of the Jamaica Environmental Trust's recognition programme.

Our Bank was also the Winner & Runner-Up of the **2012 Bancassurance Production Member of the Year Award** presented by the Jamaica Association of Insurance & Financial Advisors (JAIFA). And, some 13 Members of Scotia Insurance qualified to attend The **Million Dollar Round Table**.

Please join me in applauding the members of the Scotia Team for their commitment to service in the interest of our financial institution and to the benefit of Jamaica.

The Challenging Environment 2013

Jamaica continues to face significant challenges looking forward to 2013, given its lack of economic growth, compounded by a still recovering global economy. The Bank of Jamaica is forecasting continued recession over the coming few months which will dampen demand for lending and may impact credit quality as the lack of growth continues beyond the second quarter.

Those factors are compounded by the recently concluded **National Debt Exchange (NDX)**, which is a prior action in the Government of Jamaica's efforts to sign an agreement with the **International Monetary Fund (IMF)**. While the NDX, as part of GOJ's wider economic programme is slated to place the Jamaican economy on a path to economic vibrancy, it will require the entire country to make major adjustments and new sacrifices in the short term.

As an industry, the financial sector will see an estimated reduction in interest earned on government securities of \$17 billion annually while also facing increased tax measures that were announced by the Government in Parliament on February 12.

And while we work through quantifying the impact that the GOJ's programme will have on Scotia Group we are resolute that we made the correct decision to support the NDX because the debt exchange is a small component of the overall fiscal reform which is necessary to ensure the future of the country. Scotiabank is a strong institution and well capitalized to weather the challenges ahead. Our strong commitment to risk management and oversight; prudent capital management; and our legacy as a financial institution that our customers and shareholders feel safe with are principles that will serve us well in the years ahead.

New Strategies for Challenging Times

To survive these challenging economic times, we will need to pull together as a Group. We will need to be more efficient and creative; and we will need to collaborate more effectively.

We will refine, hone and stay true to our strategy, which recognizes the challenges of the operating environment; ensures we maximize and transform our core operations while looking for opportunities to leverage our existing infrastructure and exploiting new business opportunities. Our 5 point strategy consists of:

- Continuing to build a **high performance culture** through a holistic approach to people development.
- **Sustainable revenue growth** which will be achieved by us doing a better job of leveraging the Group's structure to improve the value we are creating for our existing customers. We will also focus on penetrating new market segments that will drive new growth opportunities for Scotia going forward.
- **Operational Efficiency** with a focus on improving our branch network to ensure we are serving our clients through their preferred medium in a convenient and cost effective

manner. We will also continue to look for opportunities to reduce duplication across the Group and look for new and improved ways to support our sales team.

- Under **Client Intimacy** we are focused on deepening relationships with our customers through the provision of the right solutions and offering the best advice. By maintaining a customer centric approach and leveraging our expertise in banking, insurance and investments we can help our customers be financially better off.
- Finally, we remain committed to our disciplined and systematic approach to **Risk Management**. Our reputation of being a safe and stable institution increases in significance during uncertain economic times. This important capability gives us a significant competitive advantage in a difficult operating environment.

Some of our strategic initiatives will have short term revenue impact, others will create a platform for long-term sustainable growth in the future.

In closing, I thank our Board for Directors for their interest and guidance, our staff for their committed service and our shareholders and customers for their continued confidence – all of which have ensured the growth and stability of Scotia Group Jamaica.