

SPEAKING NOTES

Mr. Bruce Bowen

President and CEO, Scotiabank Jamaica

Press conference to launch

Productive Sector Growth Fund

October 12, 2009. 11:00 a.m.

GREETINGS

INTRODUCTION

- Although it is entirely coincidental, I think it is very appropriate that we are making this announcement at the beginning of Bankers' Week, a project of the Jamaica Bankers Association. The theme of the week - **Saving our Country through Savings and Investments** speaks to one of the major pillars of economic growth in an economy; which is savings. In order for there to be funds to invest in and lend to growing companies, a society must have funds to lend. Savings also allow people to increase their quality of living and plan for the future.
- In recognition of Bankers Week, members of the Scotiabank Group team across Jamaica are visiting schools to teach children about the importance of savings and to encourage students to begin a lifetime habit of saving.

- Another important ingredient for a healthy economy is a vibrant productive sector. The productive sector generates jobs and economic activity, which in turn generates revenues for Government to fund the services required in a modern society. Without a healthy private sector a society must rely upon foreign aid and foreign investment to survive.
- It is against this background that I am very pleased to be here on behalf of the entire Scotiabank Group Team to launch the **Scotiabank Productive Sector Growth Fund**; a J\$500 million fund to provide Jamaica's productive sector with access to low cost loans to grow their businesses.

Why are we doing this now?

- The past 12 – 18 months have been a very difficult period for the Jamaican economy. In

hindsight it appears to have been a 'perfect storm' of events to hurt the Jamaican people, Jamaica's Private Sector and the Government of Jamaica;

- First there was the fallout from the local and regional Ponze Schemes that resulted in many Jamaicans losing their life savings in the hope of realizing unrealistic returns,
- Over the past year there has been the impact of the global financial crisis, which has hurt all of Jamaica's major industries.
 - Bauxite production has fallen and bauxite companies closed as global aluminum prices fell in response to lower demand in major industrial economies.

- Tourism, while doing better in Jamaica than almost any other Caribbean country, has seen revenues reduce.
- Remittances have fallen as Jamaicans abroad have experienced unemployment or reduced earnings.
- As a result of these events Jamaica's GDP has contracted, unemployment has increased and Government revenues fallen. The Jamaican \$ has devalued over the past year and until recently inflation was running in excess of 10%.
- Very few, if any Jamaican's can say they have not seen a significant impact in their personal finances.
- However, I believe that there are signs of stability in the Jamaican economy, and

possibly even signs of encouragement for the coming year;

- Bank of Jamaica is reporting stability in the country's Net International Reserves, Balance of Payments have improved, the J\$ has been stable for the past 6 months, and inflation is now below 10%.
- It appears that we will be shortly entering into an IMF agreement that will ensure Balance of Payments support for the next few years. This will provide the Bank of Jamaica further comfort to continue the path of reduced interest rates; all things otherwise equal.
- International economists are saying that the U.S. and other major economies have stabilized, and some are even saying that

the next 12 months will see economic growth.

- That will have a positive impact on the Bauxite industry, tourist arrivals and remittances. Already we have seen one Bauxite company announce plans to increase production, and for the month of August remittances reported a year over year improvement.
- If, in fact, Jamaica has seen the bottom of the financial crisis; if the economic environment has stabilized, I believe that now is the time that the Private Sector must lead the Country out of recession.
- Unfortunately, the Government of Jamaica's financial position is very difficult, and as a result they are not in a position to fund major projects to stimulate the economy. Therefore, it

is the Productive Sector that needs to provide leadership.

- Jamaica has long proven that Jamaican entrepreneurs are amongst the best in the world. Our creativity and passion for excellence can be seen in the success of our athletes, the worldwide recognition of our artists, and the power of the Jamaican brand in the global tourism market.
- Now, there are many reasons that Jamaica's Productive Sector has not lived up to its potential to transform the economy. Manufacturers talk about energy costs, security costs, Government bureaucracy and the high cost of capital.
- While there is little we can do to impact many of these challenges; as Jamaica's leading financial institution Scotiabank Group can make an impact in one area; the cost of capital.

It is for this reason that Scotiabank has taken the lead in reducing interest rates following the Bank of Jamaica's lead over the past 2 months. With the launch of the **Scotiabank Productive Sector Growth Fund**, we believe that we can make a further contribution to the sector.

Scotiabank Productive Sector Growth Fund

- Who are we targeting?
 - Small and Medium Sized Businesses with less than \$500 million in revenues annually,
 - Manufacturers
 - Agricultural Sector
 - Services

- What are Eligible Uses for the Funds
 - Acquisition of Capital Equipment
 - Reengineering, Retooling, Modernization
 - Replanting, Resuscitation of Crops
 - Medium Term Working Capital

- What are the desired Outcomes from the Program?
 - Creation of Employment
 - New or Increased Export Earnings
 - Import Replacement

- Productive Sector Growth Fund
 - Interest Rate : 9.95% p.a.
 - Fund Amount J\$500 million
 - \$75 million “Smart Start SME Fund”
 - Businesses less than 2 years old
 - Minimum \$2 million; Maximum \$5 million
 - \$425 million for Established Businesses
 - Minimum \$5 million; Maximum \$40 million
 - \$2 million minimum for Agriculture

- Key Terms & Conditions
 - J\$ non-revolving loans secured with tangible security and guarantees from principals
 - Up to 7 year term

- Equity of 30% minimum
- Refinancing limited to 25% of loan (50% for existing Scotiabank borrowing customers)
- Scotiabank to become lead bank
- Normal credit conditions apply

- Benefits to Fund Participants
 - Access to Capital at preferential rates
 - Facilitates Business expansion as Economy recovers
 - Improves competitiveness vis-à-vis foreign competitors
 - Allows for more competitive pricing

- Benefits to Jamaica
 - Stimulates economic activity
 - Creates new jobs
 - Positive impact on Balance of Payments
 - A growing SME and Commercial sector builds wealth for Jamaicans

- Improved financial health of Private Sector leads to increased tax revenues for Government.

CONCLUSION

- Like the rest of the world, Jamaica finds itself in challenging times. But, as is often said; Crisis is just another word for Opportunity.
- We must grasp the opportunity now to build a healthy economy, anchored in the solid foundation of a strong Productive Sector.
- As Jamaica's leading financial institution and understanding our role as a good corporate citizen; Scotiabank Group Jamaica recognizes our duty to play our part in strengthening this foundation, and we look

forward to continued partnerships with this important industry.