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LOCAL EQUITY REPORT

SCOTIA GROUP JAMAICA LIMITED

Barita Investments Limited
15 St. Lucia Way, Kingston
Tel #: 1-888-429-5333

	SGJ
Last Closing	J$52.57
52 Week High	J$63.99
52 Week Low	J$41.00
YTD Return	-1.85%
Trailing P/B	1.16x
Trailing P/E	7.70x
Target Price	J$78.32
Upside Potential	48.99%
Recommendation	OVERWEIGHT
Date	April 11, 2025

Company Overview

Scotia Group Jamaica Limited (SGJ) is a provider of banking and financial services in Jamaica. It operates as a 71.78% subsidiary of Scotiabank Caribbean Holdings Limited, incorporated in Barbados, with its ultimate parent, The Bank of Nova Scotia Canada, headquartered in Canada. SGJ's operations span five key segments: Retail Banking, Corporate and Commercial Banking, Treasury, Investment Management Services, and Insurance Services.

The **Retail Banking segment** offers personal banking services, deposit accounts, credit and debit cards, consumer loans, and mortgages. The **Corporate and Commercial Banking segment** provides financial services for businesses, such as direct debit facilities, current accounts, deposits, overdrafts, loans, and other credit facilities. The Treasury segment executes the Group's liquidity and investment management functions and manages the correspondent banking relationships and foreign currency trading activities. The **Investment Management Services segment** offers investments, unit trusts, pension and other fund management services, brokerage and advisory services, and trust account administration services. The **Insurance Services segment** provides life and health insurance, individual pension administration, and annuities.

Investment Thesis and Outlook

Scotia Group Jamaica (SGJ) has several merits that reinforce its value proposition as an adequately capitalized, prudently managed, and strategically positioned financial institution. **The Group has successfully expanded its market share in commercial banking through steady loan growth, maintained strong credit quality despite portfolio expansion, and improved its operational efficiency through a combination of cost containment and revenue growth.** SGJ has also demonstrated an ability to generate consistent earnings growth and maintain credit quality that remains notably better than the industry average.

Regarding dividend payments, SGJ has maintained an average dividend yield of approximately 3.7% over the past five years, ranging between 3.1% and 4.5%. However, it is notable that the dividend payout ratio has declined from 56.7% in FY 2020 to 25.5% in FY 2024 with a net increase in the dividend yield from 3.1% to 3.9% over the same period. This reduction in the payout ratio may reflect the Group's more conservative approach to capital retention in anticipation of regulatory changes under Basel III. While investors seeking high dividend payouts might view this approach as overly cautious, SGJ's conservative stance can also be interpreted positively as a proactive measure to bolster its capital buffers and maintain strategic flexibility. SGJ's solid capital base, targeted growth across key lending segments, competitive cost structure, growing insurance business and expanding digital banking capabilities collectively support its ability to sustain long-term shareholder value creation, notwithstanding the expected regulatory headwinds.

Key Value Drivers

1. **Strong Capital Buffers in the Face of Stricter Regulations**

   With the Bank of Jamaica (BoJ) implementing stricter capital requirements under Basel III by early 2026, SGJ's strong capital position provides it with a competitive advantage relative to peers that may be less prepared to meet these new regulatory standards without compromising loan growth. This is substantiated by the banking subsidiary's risk-based capital adequacy ratio of 12.97% at the end of January 2025, placing it above the regulatory minimum of 10%, with much stronger buffers across its other regulated entities. This strength is further bolstered by a Tier 1 Capital base of

J$53.95 billion as of October 31, 2024. Additionally, the Group maintains exceptional credit quality, with non-accrual loans constituting just 1.6% of gross loans, significantly below the industry average of 2.4%. At the most recent Annual General Meeting, President and CEO Audrey Tugwell Henry reaffirmed the company's commitment to prudent capital management, positioning SGJ to meet Basel III requirements seamlessly while continuing to deliver regular dividend distributions to shareholders.

Some may view the Group's relatively modest risk appetite as a constraint to earnings and dividend growth. However, SGJ's risk aversion could also be viewed as an investment positive, given heightened uncertainty surrounding the macroeconomic and monetary policy backdrop. Notwithstanding, SGJ's excess capital and liquidity provides the strategic flexibility to deploy more capital across their business lines if market conditions improve materially.

2. **Sustained Earnings Growth and Shareholder Returns**

SGJ consistently delivers impressive financial performance, **reporting net income of J$4.2 billion in the first quarter of 2025, representing year-over-year (YoY) growth of 34.5%,** following a strong 17.0% increase to J$20.2 billion for FY 2024. This earnings trajectory is primarily driven by significant loan portfolio expansion, up 13.3% compared to the prior year, which is notably higher than the four-year historical average growth rate of 9.1% recorded since the onset of the COVID-19 pandemic. The improvement in net interest margins, supported by elevated interest rates, along with increased contributions from the insurance business, has further strengthened SGJ's earnings profile. Notably, Scotia Insurance delivered net insurance revenue growth of 96% year-over-year, to end the quarter at $1.03 billion, enhancing the overall resilience and diversity of SGJ's revenue streams.

3. **Expanding Share of the Loan Market**

Scotia Bank (BNS), SGJ's banking subsidiary, **has expanded its presence in the domestic commercial banking loan market, gaining 3.5 percentage points of market share since September 2021 to reach 22.4% as of December 2024.** This growth has directly supported the substantial rise in net interest income (NII), a primary driver of SGJ's impressive profitability. Moreover, the Group maintains a uniquely cost-efficient funding structure relative to its listed peers, due to the concentrated exposure to customer deposits (99.4% of interest bearing liabilities compared to an average of 46.7% for its listed peer-group), resulting in an exceptionally low cost of funds, averaging below 0.5% over the past five years. This contrasts markedly with its principal listed competitors (NCBFG, JMMBGL, SJ), whose average cost of funds stood at approximately 4% for the comparable period (2023-2024). In Q1 2025, SGJ's commercial loan book expanded by 5%, personal banking loans increased by 12%, and mortgage lending surged by 24%. In our view, the Group is well positioned to remain competitive in the loanable funds market, while acknowledging the Bank of Jamaica's (BoJ) forecasted slowdown in private-sector credit growth to 8.3% annually over the next eight quarters compared to 11.5%, 11.8%, and 8.8% over SGJ's 2022, 2023, and 2024 financial years respectively. Notably, SGJ reported loan growth of 14.2%, 14.6%, and 16.3% over the corresponding periods.

4. **Improving Operating Efficiency and Cost Management**

SGJ continues to execute prudent and strategic cost management initiatives, resulting in a marked improvement in operating efficiency as evidenced by **a declining cost-to-income ratio from 62.5% in Q1 2024 to 58.5% in Q1 2025.** Over the longer term, net profit margins have improved significantly, rising from 22.2% in FY 2021 to approximately 34% in FY 2024. Notably, operating expenses increased by 11.6% in Q1 2025, with expense growth partially attributable to ongoing investments in enhancing digital capabilities and customer experience. Continued investment in digital banking initiatives, including digital account onboarding, enhanced mobile banking functionality,

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and real-time interbank transaction capabilities, is anticipated to deliver further efficiency gains, helping SGJ to sustain a competitive return on equity, and potentially improve its dividend distribution profile.

SGJ is well-positioned to outperform other large financial intermediaries in the Jamaican market, with a clear strategic focus on profitable growth, digital innovation, and prudent risk management. Given these factors, SGJ remains an attractive long-term investment, offering the potential for both cash flow and capital appreciation potential.

Valuation and Recommendation

To arrive at our one-year price target for SGJ, a Residual Income model, combined with a market-based approach with key assumptions including a cost of equity of 10.9% was used. Other key assumptions include an adjustment for clean surplus accounting for the residual income model and SGJ sustaining an average return on equity in the mid-teens over the explicit five-year forecast period, underpinned by anticipated growth in the company's loan portfolio and managed assets. Additionally, we project that SGJ will continue to exhibit robust operational efficiency, maintaining its cost-to-income ratio just below 50% over the forecast horizon. Furthermore, we applied the stock's P/E ratio of 7.70x as at April 11, 2025, to our one-year forward estimate of EPS of $8.13, effectively allowing for the possibility that market sentiment remains subdued. Accordingly, **we arrived at a composite 1-year forward price target for the stock of $78.32**. The price target represents an upside of **48.99%** relative to the close price of $52.57 (as of April 11, 2025) and a total return of **52.13%** after considering SGJ's dividend yield. As a result, we have assigned an **OVERWEIGHT** recommendation to SGJ.

Risks to Recommendation and Price Target

We note that there are several risks to our price target, including:

- Technology and cyber security risks that could **potentially impact customer trust, regulatory compliance and financial performance** may be viewed negatively by investors.
- The implementation of Basel III and the associated **capital and liquidity requirements may impact dividend payment capacity.**
- While SGJ has steadily grown its market share in loans, **competition from other financial institutions (NCBFG, JMMBGL, SJ) remains strong**, especially as digital banking and fintech adoption increase.
- Competitors with more **aggressive pricing strategies or higher-risk lending approaches** could capture market share, affecting SGJ's loan growth and net interest income.
- As interest rates fluctuate, there is a risk that **higher borrowing costs could dampen loan demand**, particularly in the mortgage and SME segments, slowing down SGJ's loan growth momentum.
- **External macroeconomic factors** such as geopolitical tensions, trade disruptions, or inflationary pressures could impact consumer spending, investment flows, and remittances, all of which influence banking activity.

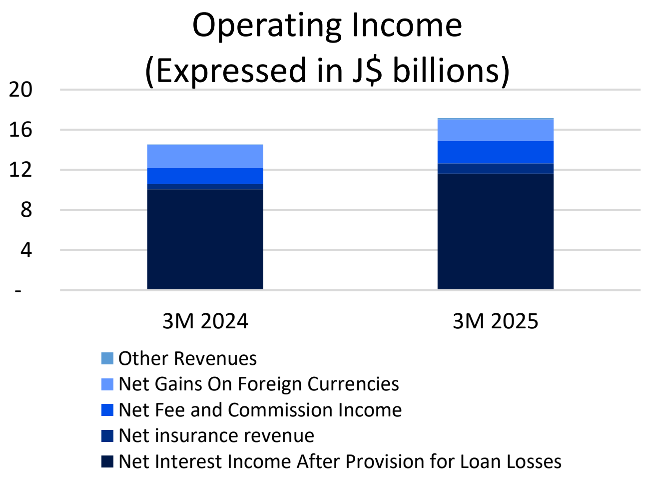
Industry Overview and Competitive Positioning

The financial services sector was among the most severely affected sectors at the beginning of the COVID-19 Pandemic. The downturn in global and domestic asset prices led to many financial institutions reporting fair value losses and increasing expected credit losses due to a weakening macroeconomic environment. These issues were exacerbated by accelerating inflation, which prompted a global rate hike cycle as central banks attempted to slow the pace of growth In a global economy still recovering from pre-pandemic lows. Inflationary pressures began cooling in 2023 as most economies returned to pre-pandemic levels of economic activity, further supported by dissipating geopolitical risks. In 2024, central banks then began pivoting towards more accommodative monetary policy, with the US Federal Reserve making its first rate cut in September 2024. Locally, the Bank of Jamaica began easing monetary restrictions in the summer of 2024, cutting its benchmark policy rate by a cumulative 100 basis points during 2024. Since the beginning of 2025 however, many central banks around world (including the BoJ) have since paused rate cuts as policymakers continue to monitor deteriorating trade relations between the US and key trading partners, geopolitical tensions in Europe and the Middle East, and the potential impact that such disruptions could have on inflation. With the return of the 'higher for longer' rhetoric, large financial conglomerates like SGJ could see elevated rates over a longer period than previously anticipated.

Scotia Group Jamaica (SGJ) has solidified its **competitive positioning** as one of the leading financial institutions in Jamaica. The company's **considerable market share, cost-effective funding structure, operational efficiency, and diversified revenue streams** provide a sustainable advantage over its peers. Scotia Group is also well poised to benefit from elevated rates over the medium term considering the composition of its funding base and its relative insensitivity to changes in market rates. Other key considerations include the adoption of Basel III in early 2026 and the potential impact of higher capital charges on long term earnings growth for local commercial banks. The implementation of Basel III not only increases capital adequacy requirements but also introduces stricter liquidity and funding standards (LCR and NSFR).

Financial Highlights - Three Months Ended January 31, 2025 (3M 2025)

Improving NII Supports Operating Income Growth



Total **operating income increased by 19.1% to $16.5 billion**, up from $13.9 billion reported for the first quarter of 2024. The notable improvement in operating income was predominantly driven by growth in net interest income (NII) after accounting for provisions for loan losses, while contributions from other income streams cumulatively represented 8.6 percentage points (or $1.1 billion) of the overall 19.1% increase (equivalent to $2.7 billion). **NII remains the primary driver of growth in Scotia Group's operating income, increasing by 15.3% (or $1.5 billion) to $11.6 billion.** This positive performance was further supported by a substantial decline in expected credit losses (ECL). The notable reduction in ECL can be attributed to favourable adjustments in key factors influencing credit risk in the Group's impairment models, leading to improved credit quality. Such improvements in credit quality ultimately resulted in positive credit migration across the Group's three stages of credit risk, thereby reducing required allowances for credit losses.

NII Growth Supported by a High Interest Rate Environment

Scotia Group's interest income continues to benefit from a supportive macroeconomic environment, characterized by an expanding loan portfolio and market rates that remain elevated compared to the beginning of the pandemic. **Importantly, the Group's net interest margin expanded from 6.25% in FY2021 to 10.2% for the trailing twelve-month period ended January 31, 2025**, highlighting strong earnings generation from its interest-bearing assets. Furthermore, Scotia Group maintains a particularly low cost of funds, registering an **effective interest cost of just 0.43% for the trailing twelve months**. This low-cost funding base primarily stems from the Group's reliance on customer deposits, facilitating muted growth in interest expenses relative to interest income. Consequently, net interest income has surged from its pandemic-era low of $22.7 billion recorded in FY2021 to $47.4 billion for the current trailing twelve-month period.

Scotia Group's robust financial performance over the past three years was largely **facilitated by a high-interest rate environment**, during which the Group effectively capitalized on its funding base's relative insensitivity to market rate movements. Nevertheless, as monetary policy easing eventually translates to lower market interest rates, Scotia will likely experience some compression in net interest margins over the medium to long term. However, **Scotia Group's substantial cash reserves and relatively low cost of funding should enable the Group to maintain a strong competitive position** over the near to medium term. However, over its 2025 financial year, we expect Scotia Group's net interest margin is expected to remain elevated.

Improving Growth Contribution from Fee Income and Insurance Activity

Net fee and commission income, along with insurance operations, contributed a **combined 44.3%** of the total $2.7 billion YoY increase in Scotia Group's operating income.

For the quarter, net fee and commission income reached $2.2 billion, representing a substantial increase of $671.8 million or 42.9%, primarily driven by higher volumes of client transactions. While the quarterly report did not explicitly detail which business segments contributed most significantly to this growth, **historical trends indicate that commercial and depository fees, along with retail banking fees, have traditionally been the principal drivers of fee income over the past six financial years**. Notably, these sub-categories were the primary contributors to fee income growth in FY 2024, with commercial and depository fees increasing by 13.76% YoY to $10 billion, and retail banking fees rising 4.25% to $9.2 billion. Given the Group's ongoing growth trajectory in loans and deposits, fee income from these revenue lines is expected to continue growing at a steady pace. Additionally, management has highlighted a strategic objective to expand SGJ's off-balance sheet business, specifically through mutual funds and unit trusts. **As at January 31, 2025, funds under management increased by $26.1 billion or 13.3% YoY**, driven by improved performance across pension funds and unit trusts. This growth notably exceeds the average compound annual growth rate of 7.8% experienced over the 2019–2024 period.

Meanwhile, the Group's net insurance results nearly doubled YoY to $1.03 billion, reflecting higher releases of contractual service margins and lower insurance expenses, consistent with the strong performance of SGJ's insurance portfolio. Growth in transaction volumes also contributed positively to this performance. With Scotia Group consistently delivering robust loan portfolio growth, particularly in retail lending and mortgages, the Group remains strategically positioned to generate increased insurance revenue by cross-selling insurance products alongside its core financial offerings. Consequently, SGJ is expected to sustain strong momentum in its insurance business over the medium term.

Improving Operating Efficiency

Scotia Group demonstrated continued operating efficiency as reflected by the reduction in the cost-to-income ratio to 58.5% in the 3M 2025 from 62.5% in the 3M 2024 (**48.1% for the trailing-twelve-months (TTM), compared to 48.4% for FY 2024).** This improvement was driven by the aforementioned robust growth in operating income, which significantly outpaced the 11.6% increase in operating expenses to $9.7 billion during the quarter. While staff costs increased by 24.4% or $721 million YoY to $3.7 billion, the much more modest growth in Other operating expenses of 0.93% or $32 million to $3.5 billion subdued overall growth in operating expenses.

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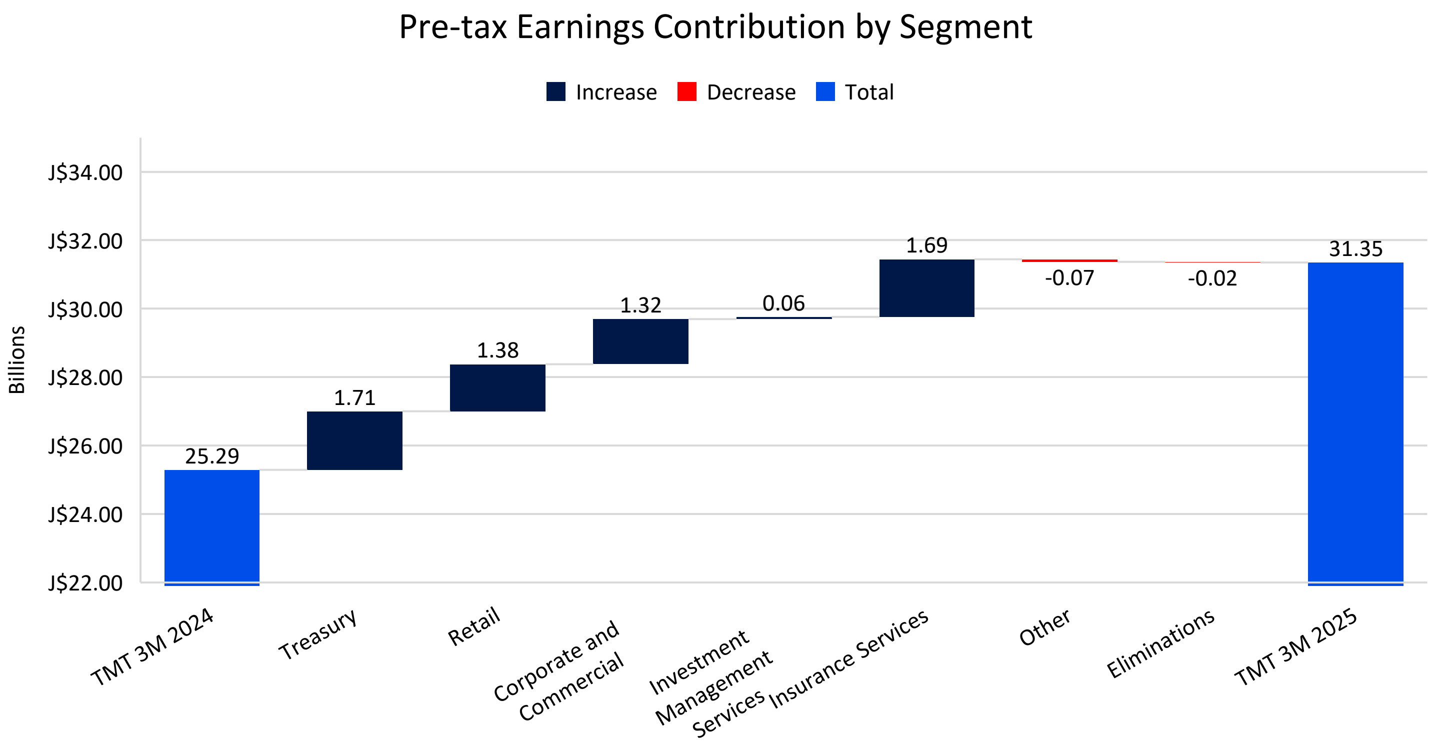
Effective cost containment, coupled with record growth in interest income over that period led to a material improvement in profitability, culminating in the YoY increase of 31.5% in earnings before taxes (EBT) to $6.86 billion. After accounting for tax provisions, SGJ reported YoY net profit growth of 34.5% to $4.2 billion. Accordingly, SGJ's net profit margin has improved to 25.4% for 3M 2025 from 22.5% for the corresponding quarter a year earlier.

This improvement in the net profit margin was the primary factor driving the increase in **the Group's TTM return on equity (RoE) to 15.3%, versus 15.1% for the corresponding period in the prior year**. However, the positive impact from margin improvement was partially offset by a reduction in financial leverage, which fell to 4.9x as at the end of the 3M 2025, from 5.5x a year earlier. The lower degree of financial leverage was a function of a significant expansion in the equity base, primarily attributable to robust earnings growth. Considering our estimated cost of equity of 10.9%, the RoE underscores SGJ's sustained ability to generate economic value to shareholders.

Other Comprehensive Income and One-Off Charges

The Group reported other comprehensive income (OCI) of $9.4 billion for the 3 months ended January 31, 2025, a notable improvement compared to the other comprehensive loss of $7.02 billion recorded in the corresponding period of 2024. This positive shift was primarily driven by favourable remeasurements of the defined benefit pension plan and obligations, reflecting actuarial gains on plan assets. Coupled with the increase in net income, total comprehensive income improved to $13.6 billion for Q1 2025, reversing the loss of $3.9 billion experienced in Q1 2024.Moving forward, SGJ's equity base is likely to continue improve, partially supported by the current macroeconomic and monetary policy backdrop, which skews risk to the downside for yields on debt securities over the next 12-24 months, supporting higher market values.

Banking Segments Lead the Pack



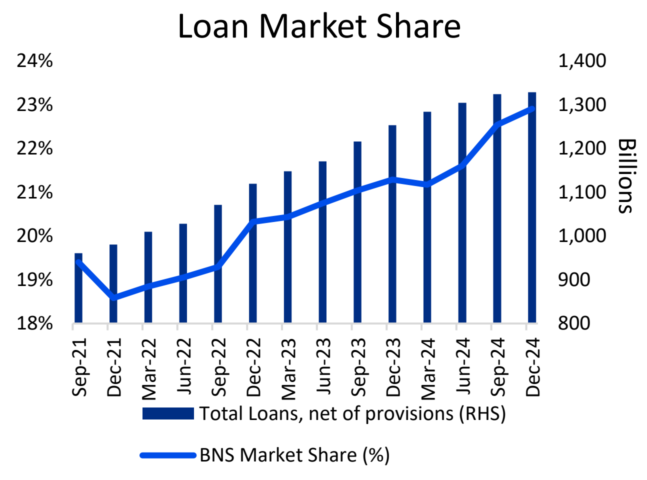
On a TTM basis, the contribution to earnings growth was fairly evenly distributed across the Group's core operating segments; treasury, insurance services, retail banking, and corporate and commercial banking. Both the treasury and insurance services segments showed particularly robust performances, each reporting pre-tax earnings increases of 47.2% to $5.34 billion and $5.27 billion, respectively. This broad-based growth was mirrored in quarterly performance, as these two segments continued to demonstrate strong momentum in EBT. While the banking segments collectively remain the most significant contributors to Scotia Group's overall pre-tax earnings, the increasing contributions from treasury and insurance services will remain critical to monitor.

For the 3M 2025, retail banking emerged as the leading contributor to EBT growth among the Group's six operating segments. Specifically, retail banking EBT surged by $1.2 billion, representing a YoY increase of 724.5%, reaching $1.3 billion. The growth in the retail banking segment largely reflected higher revenues associated with mortgages, consumer loans, and credit cards. This expansion more than offset the $331 million or 9.5% decline in corporate and commercial banking segment EBT. Nevertheless, despite this contraction, corporate and commercial banking continues to be the largest individual contributor to the Group's earnings, representing $3.2 billion of the total $6.9 billion reported in pre-tax earnings for the quarter. Further examination of the Group's loan portfolio composition reveals a historical pattern, wherein retail loans (inclusive of all credit card segments) have consistently accounted for approximately 60% of the total loans outstanding, while corporate and commercial loans constitute the remaining 40%.

Asset Base Expansion from a Growing Loan Portfolio

SGJ's asset base expanded by 11% (or $73.3 billion) YoY to $739.2 billion, driven primarily by significant growth in its loan and investment portfolios. The Group's loan portfolio increased by 13.3% (or $36.7 billion), reaching $312.6 billion, while its investment portfolio surged, rising 33.4% (or $46.7 billion), totalling $186.3 billion. Notably, Management previously attributed the growth in the loan portfolio during FY 2024 to a 24% increase in mortgages, complemented by a solid 12% growth in consumer loans.

The sustained strength in the loan portfolio allowed the Bank of Nova Scotia (BNS, SGJ's banking subsidiary) to significantly expand its share of the loanable funds market. Although the combined market share of the top five commercial banks has remained relatively stable at just above 88% over the past 14 quarters, BNS improved its individual market share from 18.9% in September 2021 to 22.4% by December 2024. This market outperformance largely stems from the bank's extensive market reach, sizeable cash reserves relative to its peers, integrated and complementary suite of financial services, and its relatively low-cost funding structure, which relies predominantly on customer deposits. Consequently, SGJ was able to achieve substantial loan portfolio growth, while its robust risk management framework ensured this growth occurred without materially elevating credit risk.



Looking forward, increased loan origination is expected to counterbalance the anticipated reduction in the yield on earning assets, driven by downward pressure on market rates over the next 12 to 24 months. Moreover, BNS maintains the largest cash and bank balance among all commercial banks, as confirmed by the most recent commercial banking data released by the Bank of Jamaica for the quarter ending December 31, 2024. This substantial liquidity positions SGJ favourably, providing ample flexibility to strategically expand both its loan and investment portfolios. Given the Group's prudent and effective liquidity management practices, SGJ remains well-positioned to attract loan demand once market rates begin their anticipated downward trajectory.

Credit Quality

Scotia Group's credit quality remains strong with **total non-accrual loans (NAL) as a percentage of gross loans relatively flat at 1.6% YoY.** This highlights the Group's strong risk management framework as SGJ's non-accrual loans (NALs) as a share of gross loans continues to trend below the **industry average, which stood at 2.4%** as at Q3 2024. While the quarterly release provided no details on the Group's stock of high-quality liquid assets, SGJ's FY 2024 results did outline that SGJ maintains large holdings of unencumbered liquid assets to support its operations, with these assets generally having sufficient liquidity and quality to be sold or pledged to meet the Group's obligations.

Solvency and Capital Adequacy

After peaking at around 5.59x at year-end FY 2022, Scotia Group's degree of financial leverage (as measured by total assets/total shareholders' equity) has trended lower, currently standing at 4.91x as of the end of 3M 2025. This improvement in solvency highlights the Group's commitment to sound risk management. Scotia's improving financial position also emphasizes the Group's prudent cost management, which has led to improving profitability. The anticipated improvement in the carrying value for investment securities measured at FVOCI as yields continue to fall is also expected to translate to unrealized gains, culminating in higher reserves and ultimately, a larger equity base.

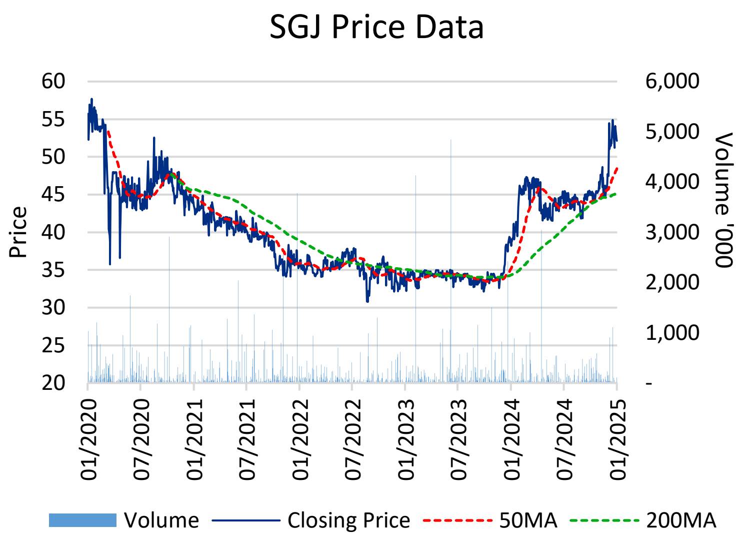
On this note, the Group remains adequately capitalized across all its regulated subsidiaries as outlined below:

Capital Adequacy	BoJ/FSC Requirement	3M 2025	Excess
Bank of Nova Scotia Jamaica	10.00%	12.97%	2.97%
Scotia Jamaica Building Society	10.00%	64.15%	54.15%
Scotia Jamaica Life Insurance	100.00%	491.40%	391.40%
Scotia Investments Jamaica Ltd.	10.00%	78.33%	68.33%

Market Price Analysis

Like other large-cap financial services companies listed on the Jamaica Stock Exchange, SGJ experienced depressed investor sentiment and subdued stock performance following the onset of the COVID-19 pandemic. However, sentiment notably improved in December 2023 when the Group reported a substantial 67.0% increase in full-year earnings, catalysing a breakout from the previous trading range of approximately $32.00 to $35.00. This propelled the stock upward by 36.5% to a peak of $47.26 in April 2024, before consolidating again and establishing support near $41.50 through December 2024. A comparable price response followed the release of SGJ's unaudited FY 2024 results in December, initiating another rally, this time of approximately 3.0% up to April 11, 2025.

Against this backdrop, barring a material deterioration in earnings, we view the likelihood of the stock falling below the point of initiation for the current rally of about $48.22 as remote. The technical indicators also reinforce this optimistic stance; SGJ's share price currently trades comfortably above both its 50-day and 200-day moving averages, a pattern characteristic of a healthy and sustained rally. Moreover, SGJ has exhibited relative strength, outperforming the broader JSE Main Market, which is down 6.0% for the calendar year-to-date, while SGJ is down 1.9%.



Additionally, although SGJ's stock price is now approaching its **all-time high of $62.40**, it is important to recognize that the trailing twelve-month **EPS at the time of that previous peak (9M 2019) was significantly lower at $3.66, compared to the current $6.83 as at Q1 2025.** The marked improvement in SGJ's earnings power considerably enhances the prospects for the stock to break through its historical high in the upcoming quarters.

While SGJ's stock appreciation over the 2024 calendar year has led to **the stock trading at a higher price-to-earnings (P/E) multiple of 7.70x as of April 11, 2025, it remains relatively undervalued compared to its closest financial-sector peers, namely, NCB Financial Group (NCBFG) and Sagicor Group Jamaica (SJ), which currently trade at an average multiple of approximately 12.25x. Considering our price target of $78.32, we imply a target multiple of 11.48, which we view as conservative, supported by several key strengths unique to SGJ.**

Notably, SGJ's strong capital position, low-cost funding base primarily driven by customer deposits, and consistently high-quality credit portfolio distinguish it from its peers and provide a robust foundation for sustained growth. Additionally, SGJ's advanced progress in digital transformation initiatives continues to deliver efficiency improvements, enhanced client experiences, and stronger revenue diversification, all of which reinforce its competitive advantage. These attributes collectively warrant a premium valuation relative to both NCBFG and SJ, underscoring SGJ's ability to generate resilient and high-quality earnings growth over the foreseeable future.

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Financial Appendix

	FY 2023	FY 2024	Y/Y Growth	3M 2024	3M 2025	Y/Y Growth
Income Statement (,000 except per share items)						
Net Interest Income	39,456,807	46,304,295	17.4%	11,105,064	12,220,266	10.0%
Expected Credit Losses	(2,395,789)	(4,157,392)	73.5%	(1,028,440)	(601,495)	-41.5%
Net insurance revenue	**1,816,968**	**2,546,927**	**40.2%**	**523,958**	**1,027,727**	**96.1%**
Net Fee and Commission Income	6,737,674	7,228,799	7.3%	1,566,730	2,238,498	42.9%
Net Gains On Foreign Currencies	8,754,339	9,318,933	6.4%	2,325,713	2,142,129	-7.9%
Total Operating Income	**53,068,376**	**59,118,715**	**11.4%**	**13,890,566**	**16,545,270**	**19.1%**
Salaries, Pension Contributions and Other Staff Benefits	11,109,963	11,807,236	6.3%	2,954,695	3,675,613	24.4%
Total Non-Interest Expense	**27,628,205**	**29,415,013**	**6.5%**	**8,675,404**	**9,685,536**	**11.6%**
Earnings before Taxes	25,440,171	29,703,702	16.8%	5,215,162	6,859,734	31.5%
Taxation	(8,211,542)	(9,545,911)	16.2%	(2,089,166)	(2,655,348)	27.1%
Net Income	**17,228,629**	**20,157,791**	**17.0%**	**3,125,996**	**4,204,386**	**34.5%**
Reported EPS	5.54	6.48	17.0%	1.00	1.35	34.5%
Balance Sheet (,000)						
Cash Resources	178,614,196	160,751,881	-10.0%	202,085,263	177,592,955	-12.1%
Loans, net of allowance for credit losses	268,829,718	312,755,204	16.3%	275,725,627	312,457,115	13.3%
Investment securities	158,755,546	184,472,698	16.2%	139,641,466	186,294,634	33.4%
Total Assets	**664,736,962**	**705,016,705**	**6.1%**	**665,913,025**	**739,245,527**	**11.0%**
Deposits by the public	444,875,527	476,060,200	7.0%	456,716,707	491,081,536	7.5%
Total Liabilities	538,188,875	566,547,128	5.3%	544,505,122	588,565,873	8.1%
Retained earnings reserve	49,891,770	51,891,770	4.0%	51,891,770	57,891,770	11.6%
Unappropriated profits	69,812,474	76,007,550	8.9%	61,303,694	81,563,296	33.0%
Total Equity	126,548,087	138,469,577	9.4%	121,407,903	150,679,654	24.1%
Cash Flow Statement (,000)						
Cash flows from operating activities	**18,955,683**	**- 39,609,550**	**-309.0%**	**4,612,704**	**10,316,399**	**123.7%**
Depreciation	845,898	964,764	14.1%	262,991	289,502	10.1%
Changes in working capital, excluding taxes	25,189,026	- 94,602,326	-475.6%	6,063,115	16,210,174	167.4%
Cash flows from investing activities	**5,257,498**	**- 21,109,839**	**-501.5%**	**18,527,386**	**- 2,335,855**	**-112.6%**
Purchase of property and equipment	- 1,105,424	- 1,199,582	8.5%	- 151,351	- 303,223	100.3%
Cash flows from financing activities	**- 4,382,512**	**- 5,322,618**	**21.5%**	**- 1,290,485**	**- 1,447,299**	**12.2%**
Dividends paid to stockholders	- 4,200,651	- 5,134,129	22.2%	- 1,244,637	- 1,400,217	12.5%
Ending Cash	**123,838,823**	**59,124,093**	**-52.3%**	**146,236,097**	**64,988,289**	**-55.6%**

Definitions:

Sell = REDUCE EXPOSURE IN YOUR PORTFOLIO TO ZERO
UNDERWEIGHT = REDUCE EXPOSURE IN YOUR PORTFOLIO TO LESS THAN 5% FOR THIS PARTICULAR ASSET
MARKETWEIGHT/HOLD = EXPOSURE TO THE ASSET SHOULD BE EQUAL TO 5% OF YOUR TOTAL PORTFOLIO
OVERWEIGHT/BUY = EXPOSURE TO THIS ASSET SHOULD BE BETWEEN 5% AND 10% OF YOUR TOTAL PORTFOLIO

Ratio Analysis

	FY 2023	FY 2024	3M 2025 TTM
Profitability			
Cost to Income	52.1%	49.8%	49.6%
Net Interest Margin	6.8%	7.3%	7.3%
Net Profit Margin	34.1%	37.7%	33.9%
Return on Equity	14.8%	15.2%	15.2%
Return on Assets	2.7%	2.9%	3.0%
Solvency and Capital Adequacy			
Financial Leverage	5.3x	5.1x	4.9x
Capital Adequacy (Bank only)	13.6%	12.7%	13.0%
Credit Quality			
Non Accrual Loans to Gross Loans	1.6%	1.6%	1.6%

	FY 2023	FY 2024	3M 2025 TTM
Activity			
Loans to Deposits	60.4%	65.7%	63.6%
Interest Earning Assets as a % of Total Assets	92.2%	93.9%	92.3%

	FY 2023	FY 2024	3M 2025 TTM	Current
Valuation				
Price to Book	0.8x	1.0x	1.2x	1.1x
Price to Earnings	6.1x	7.0x	8.7x	7.7x
Dividend Yield	4.1%	3.9%	2.9%	3.2%
Market Cap (J$ Billions)	105.9	141.5	183.8	163.8

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