MAKING MONEY WORK FOR YOU.

LOCAL EQUITY REPORT

SCOTIA GROUP JAMAICA LIMITED

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

BARITA INSIGHTS: Scotia Group Jamaica Limited

OFFER PRICE: $61.50

RECOMMENDATION: Fair on Publicly Available Information

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Company Overview

Stock	SGJ
Close Price	J$57.54
Offer Price	J$61.50
Fair Value Range	J$56.19 - $60.05
Dividend Yield	3.13%
Trailing P/B	1.06x
Trailing P/E	8.62x
Recommendation	MARKETWEIGHT
Date: July 31st 2026	

Scotia Group Jamaica Limited (SGJ) is one of the largest financial groups listed on the Jamaica Stock Exchange (JSE) and one of the country's two dominant commercial banking franchises. It operates as a 71.78% subsidiary of Scotiabank Caribbean Holdings Limited (SCHL), incorporated in Barbados, whose ultimate Parent is The Bank of Nova Scotia of Canada. SGJ ended the half-year to April 30, 2026 with **J$844 billion in total assets**, a J$378 billion net loan book, and J$170 billion of shareholders' equity. Its operations span five segments: Retail Banking, Corporate and Commercial Banking, Treasury, Investment Management Services, and Insurance Services.

SGJ operating model largely follows a conventional bank that also offers other financial products. SGJ borrows cheaply, relying on customer deposits which it lends or invests at a higher rate, keeping the spread. Roughly three-quarters of group revenue is this net interest income. The Group also earns fees on cards, transactions, wealth management and trust services, foreign-currency trading gains, and insurance underwriting. The retail and commercial banking franchises generate the bulk of profit while treasury, fund management and insurance round out the earnings mix and add diversification.

On June 12, 2026, SGJ announced that SCHL intends to acquire the 28.22% of the Group it does not already own at **J$61.50 per share in cash** to take the Group private, removing it from the JSE.

Investment Thesis and Recommendation

SGJ – a conventional hold-or-sell decision vs a cash takeout: Scotiabank's J$61.50 per-share offer sits above our base fair value range of J$56.19–J$60.05 and about 13.4% above the undisturbed pre-announcement price. Our base fair value range relied on publicly available information at the time of the analysis and does not account for any incremental value that could accrue to the Parent within a wholly-owned structure. Because the Parent already controls 71.78% of the Group, a competing bidder is unlikely. However, under the court-approved Scheme of Arrangement, large institutional holders have leverage that can be used to request fuller information and test whether the consideration adequately compensates minority shareholders. Based on our assessment of a justifiable valuation range, institutional holders should use that leverage to obtain more information on the Group, using our fair value range as a valuation floor.

SGJ remains well funded and capitalised, continuing to take loan market share while running credit quality better than the industry average. We do note however that return on equity has drifted down to roughly 13.0% (annualised) from the 15% range of FY2023-FY2024, while our estimate of its cost of equity sits at 11.9%. When a bank earns modestly above its cost of equity, it is worth only modestly more than its book value, which is where the shares and the offer now sit (about 1.06x and 1.13x book respectively).

The cost of accepting the offer is both structural and financial. SGJ is one of the few large-cap, dividend-paying financial names on the JSE, and the roughly J$54 billion that will be returned to minorities will be difficult to redeploy into comparable local exposure. Investors should note that this is primarily a portfolio-construction issue and not, by itself, a reason to reject a full and fair price. For holders who believe SGJ's Parent can unlock incremental value from excess capital within a wholly owned structure, or that earnings can re-accelerate toward the mid-J$60s over the next year, the offer price could arguably be below what fuller information supports. However, we do note that on publicly available information currently available, the stock does screen as fairly valued, making the offer price fair in the absence of more information.

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

Key Value Drivers

Four drivers explain SGJ's earnings and, by extension, what the business is worth. They remain intact, but each has shifted in a way that matters for the offer assessment.

- **A funding base that is the cheapest in the market.** SGJ funds itself almost entirely with customer deposits (deposits are roughly 85% of total liabilities) rather than the wholesale or repo funding its listed peers rely on. The result is an effective cost of funds of about **0.4%** on a trailing-twelve-month basis, which is a structural advantage that no local competitor can match. This is the single most durable pillar of the franchise as it allows SGJ to earn a relatively high net interest margin (about 7% of average interest-earning assets) while maintaining conservative lending practices.
- **Continued loan market-share gains.** SGJ's banking subsidiary (the Bank of Nova Scotia Jamaica or BNSJ) has increased its share of the commercial-bank loan market from **18.9% in September 2021 to 25.2% by March 2026**, representing a 6.3 percentage-point gain. BNSJ achieved this feat while the market leader, NCB, lost more than 10 points to about 30%. The gap between the two has narrowed from roughly 21 points to about 5. Against that backdrop, SGJ's net loans grew 16.8% year-on-year to J$378 billion, led by mortgages (+19%), commercial loans (+15%) and consumer loans (+15%). This share capture, supported by the Group's cheap deposit base, is the main driver of net interest income growth.
- **Excess capital adequacy and strong credit quality.** Every regulated subsidiary exceeds its minimum capital requirement with the bank's capital adequacy ratio at **13.95%** as of April 2026 (versus a 10% minimum), up from 12.97% a year earlier. The Group also reported surpluses across its building society, life insurer and investment company subsidiaries. This surplus capital may be part of the Parent's rationale for privatisation, as the Parent could manage excess capital more efficiently within a wholly-owned structure. Non-accrual loans at **1.3% of gross loans** were below the 2.3% industry average, with provision coverage at 119% of non-performing loans.
- **Earnings diversification beyond spread income.** Net fee and commission income rose 26.6% year-on-year to J$5.0 billion, helped by lower card-processing costs, while foreign-currency trading contributed a steady J$4.5 billion. Funds under management and the insurance operations also support earnings stability, as assets under management grew about 10% while the general-insurance agency lifted gross written premiums 54%. These streams cushion the Group against the eventual decline in interest rates, although insurance revenue itself dipped 8% this period on lower contractual-margin releases.

The one driver that has clearly weakened is **profitability per unit of equity**. Return on equity has fallen from ~15% to roughly 13.0% as the equity base swelled (helped by large pension-related gains that pass through OCI), the effective tax rate rose to 31%, and credit provisioning normalised upward. Beyond pension-related gains, SGJ's return on equity is also being mechanically depressed through sub-optimal capital management that has led to equity base expansion. This decline, set against the current cost of equity, is the crux of the valuation and the reason the shares trade close to book value.

The Proposed Privatisation and Delisting

On June 12, 2026, SGJ announced that it had entered into a definitive arrangement agreement under which **Scotiabank Caribbean Holdings Limited will acquire all shares it does not already own at J$61.50 in cash per share under a Scheme of Arrangement** and take the Group private. The minority percentage subject to the scheme represents 28.22% of the total shareholding, which equates to ~ 878 million shares valuing about **J$54 billion** (approximately C$500 million):

SCHL already holds 71.78% of the Group. Minority shareholders may elect to be paid in Jamaican or US dollars, which would be converted at the weighted-average selling rate published by the Bank of Jamaica three days before the settlement date.

Rationale as disclosed

Scotiabank frames the transaction as a move to enhance capital and operational efficiency and to improve its agility in responding to market opportunities, while reaffirming a near-137-year commitment to Jamaica. From a risk management perspective, the settlement consideration of $CAD 500 million is expected to represent only 5 basis points of Common Equity Tier 1 (CET1).

Mechanics as disclosed

The deal will be executed as a court-approved **Scheme of Arrangement** under Jamaica's Companies Act, 2004. It requires three approvals to proceed: (i) a majority of the minority shareholders present and voting at a court-ordered meeting; (ii) at least **75% in value** of those minority shareholders who should be present and voting at the meeting of shareholders; and (iii) the approval of the Supreme Court of Jamaica.[1] SGJ outlined that a committee of independent directors (advised by Ernst & Young as independent financial advisor) has reviewed the terms and obtained a fairness opinion that the consideration is fair from a financial point of view. This independent valuation and the full terms will be set out in a Scheme Booklet ahead of the meetings.

The court has fixed the calendar. On July 15, 2026, the Supreme Court (Commercial Division, Batts J) ordered the meetings at which the scheme will be voted. Three dates now matter:

- Scheme Booklet, notice and proxy sent to all stockholders ahead of the meetings, and published on the JSE and SGJ websites
- **October 7, 2026**: separate meetings of SCHL and of the minority stockholders
- **October 30, 2026**: the hearing at which the court decides whether to sanction the scheme, listed for one hour.

The structure, and what it implies for the timing of any capital release

The June announcement was reported as SCHL acquiring the units it does not already own but the July court order describes the scheme as **SGJ repurchasing** all units, as opposed to SCHL. The distinction matters because if the repurchase is funded from within the Group, roughly J$54 billion of SGJ's own capital is applied to the buyout itself, meaning some of the excess capital could be released at completion with the minority receiving it as an exit price rather than as a distribution. If SCHL funds it, the Group's capital position is untouched, and the surplus remains available to the Parent afterwards. Either way the sequencing is now unambiguous: any release of capital from SGJ, whether it funds this transaction or follows it, falls on or after settlement in the fourth quarter, by which point minority holders will have been paid out and delisted. The funding source, and the pro-forma capital adequacy of each regulated subsidiary after settlement, should be set out in the Scheme Booklet. They are the first questions we would put to the Board.

Implications for shareholders

If the scheme is approved and sanctioned, minority shareholders will receive J$61.50 per share in cash and cease to be shareholders and the shares will be delisted from the JSE. The benefit is a clean exit at a slight premium to our estimate of fair value and the most recent closing price[2]. The cost, however, is the loss of a liquid, dividend-paying financial holding company and the challenge of finding suitable assets to reinvest the proceeds locally.

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[1] Source: https://www.jamstockex.com/scotiabank-reaffirms-commitment-to-jamaica-as-it-moves-towards-privatising-sgjl/

[2] SGJ closed on July 31, 2026 at J$57.54.

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The **75%-by-value threshold among minorities is the key conditionality**. This gives concentrated institutional holders (pension funds and unit trusts) real influence over whether the deal clears, and it protects dissenters, since a court will not sanction a scheme it does not consider fair. Should the scheme fail, the shares will remain listed, but the overhang would likely persist and the Parent could pursue alternative routes. In a scenario where the public float later falls below the JSE's minimum, remaining holders could be left with shares that are far harder to trade.

Valuation and Recommendation

We assessed SGJ on two pillars. First, we sought to ascertain what the business is independently worth. Second, we sought to determine whether the J$61.50 cash offer represents a fair offer to minority shareholders.

While the work produced a base fair value range of J$56.19–J$60.05 (which gives a weighted average fair value target of J$58.44) from the three core valuation methodologies, the wider valuation range derived from the scenario analysis is useful in assessing the offer price of J$61.50.

Our valuation range for Scotia Group Jamaica runs from J$45.57 per share in a blended Bear scenario to J$68.71 in a blended Bull scenario, while the three base-case methodology outputs converge within a tighter J$56.19–J$60.05 fair value range, broadly in line with the current market price of J$57.54. The wider scenario range reflects roughly 22% downside in the Bear case against 18% upside in the Bull case, implying a broadly symmetric risk/reward skew around fair value base case. The base fair value range is anchored by three methodologies: Residual Income (J$60.05), Dividend Discount Model (J$57.89), and Justified P/B (J$56.19), which converge within a tight J$3.86 band, lending confidence to the valuation despite differing modelling approaches. We view the stock as fairly valued at current levels, with the scenario spread capturing the principal sensitivities to key ROE, growth, and discount rate assumptions. The offer price of **J$61.50** is above the base fair value range but within the wider scenario range of **J$45.57–J$68.71**.

A detailed explanation of our valuation approach is outlined below.

Our independent fair value range: J$56.19–J$60.05

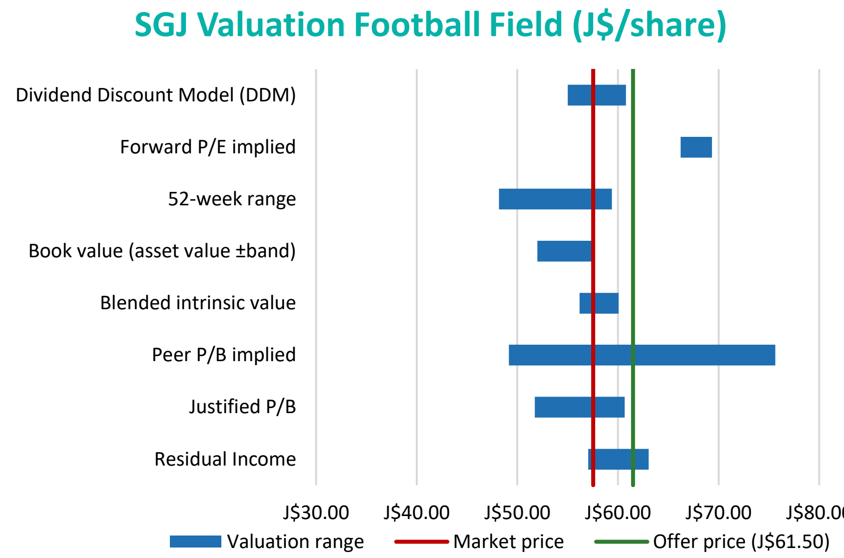
Valuing financial services companies presents specific analytical challenges. Professor Aswath Damodaran, a global thought leader on valuation at the NYU Stern School of Business, observes that: "banks, insurance companies, and other financial service firms pose particular challenges for an analyst attempting to value them for two reasons: The first is that the nature of their businesses make it difficult to define both debt and reinvestment, making the estimation of cash flows much more messy. The other is that they tend to be heavily regulated, and the effects of regulatory requirements on value have to be considered". Two implications are relevant here: 1) the typical DCF is often inappropriate for an entity such as SGJ; and 2) any estimate of fair market value will contain uncertainty around regulatory capital, particularly where the analyst does not have full entity-level disclosure. Against this background, and consistent with valuation literature on financial services companies, the following methods were used to estimate SGJ's intrinsic value: 1) residual income model, 2) dividend discount model (DDM) and 3) justified P/B model.

All three approaches suit a deposit-funded, regulated bank, where enterprise cash-flow methods fit poorly and book value tracks the capital base more closely than reported earnings, which can be affected by provisioning, tax, and OCI swings. The first and primary lens is the **residual-income model**, which values equity as today's book value plus the present value of returns the bank earns above its estimated cost of equity. The second is a **justified price-to-book multiple**. As it pertains to the price-to-book ratio, Damodaran observes that "*if anything, the strength of the relationship between price-to-book ratios and returns on equity should be stronger for financial service firms than for other firms, because the book value* *of equity is much more likely to track the market value of equity invested in existing assets*." SGJ's justified P/B (1.03x) was derived from fundamentals, rather than by peer comparison. As a sense check, similar justified P/B multiples were derived for SGJ's peers: NCBFG (0.90x), Sagicor (1.38x) and JMMBGL (0.50x). These three provided an average P/B multiple of 0.93x against a forward book value per share of $54.74 for FY2026, which equates to a fair value estimate of J$50.79. For that reason, we view the relative P/B comparison as a secondary valuation lens for SGJ. In a small, heterogeneous peer universe, averaging peer multiples can import company-specific distress and business-model noise rather than measure SGJ's intrinsic equity value. Accordingly, for a deposit-funded bank such as SGJ, the fundamentals-driven justified P/B approach is the more coherent and reliable anchor.

The third is a **dividend discount model**, which captures dividends paid out of distributable earnings and provides a direct read on what equity may be worth to shareholders. This is consistent with the generalised argument in the literature "that the only cash flows that a stockholder in a publicly traded firm receives are dividends": therefore, as a historically strong dividend payer, the DDM is highly appropriate to estimate the intrinsic value of SGJ's common equity.

Key Valuation Assumptions and Discussion

Cost of Equity (Ke) Build	
Base CAPM Build	
JM Rf (10yr)	7.4%
Rf Rate (US) — CAPM base	4.69%
Beta	0.607
Market Return	10.36%
Equity Risk Premium (ERP)	5.67%
Country Premium	2.74%
Base Ke	**10.87%**
Additional Premiums	
Company-Specific Premium	0.15%
Liquidity Premium	0.26%
Size Premium	0.67%
Subtotal — Additional Premiums	**1.08%**
Adjusted Ke	**11.94%**



The residual income model yielded a fair value estimate of $60.05. This model used a five-year forecast horizon, an across-the-cycle average return on equity of 12.10% and a sustainable growth rate (g) of 5.81%, which is a function of the entity's retention ratio and average return on equity. The residual income model assumes an adjusted EPS (dividing forecasted total comprehensive income by total shares outstanding) of $8.21 in FY 2026, with modest earnings growth to $9.38 in FY 2030 against a dividend payout ratio of 25% (on EPS) over the same period. This results in book value per share growing by a compound annual growth rate of 10.2% over the forecast period from $54.74 in FY 2026 to $80.70 in FY 2030. The terminal residual value is assumed to grow at g and is capitalised at Ke minus g.

The justified P/B model yielded a fair value target of $56.19 against our forecasted book value per share of $54.74 for FY 2026. The justified P/B uses the conventional (RoE - g) / (ke - g) formula to arrive at a target multiple of 1.03x, which reflects the modest economic spread the Group earns above its 11.94% cost of equity (ke) and the through the cycle return on equity of 12.10%. The sustainable growth rate is derived using the through the cycle return on equity of 12.10% and a through the cycle retention ratio of 47.96%.

The DDM was similarly calibrated over a 5-year forecast period, using the same cost of equity of 11.94% and an implied dividend payout ratio of 25% over the explicit forecast period, with the terminal value capitalising a terminal payout ratio of 52% on all earnings post-FY 2030. The model assumes an EPS of $7.37 for FY 2026, with modest earnings growth to $8.98 by FY 2030. The terminal value assumes a sustainable growth rate of 5.81% thereafter, consistent with both the residual income and justified P/B models. This method yielded a fair value estimate of $57.89.

Taken together, these fundamental anchors produce a base fair value range of **J$56.19–J$60.05**. The lower end is defined by the justified P/B model, while the upper end is defined by the residual income model. The DDM sits within the range at J$57.89 and provides a dividend-based cross-check on the intrinsic equity value. This range better reflects the dispersion across the three core valuation methods than a single blended target, while still showing that the methods converge within a relatively tight band.

To extend the analysis further, a P/E multiples approach was also performed. That approach produced a more optimistic or 'bull case' estimate: by applying SGJ's current 8.6x trailing P/E to a one-year-forward EPS estimate of J$7.69, we derived a fair value of **J$66.24**. However, we treat that estimate as an upside scenario for two connected reasons. First, a P/E earnings multiple in a financial services entity can be sensitive to management judgments such as provisions for bad loans. For example, a bank that is more conservative in classifying bad loans could report lower earnings and, therefore, a higher P/E ratio; the reverse is also true. As a result, fair value estimates for a financial company using this method may either overstate or understate intrinsic equity value. Second, the dividend discount model is the more disciplined version of the same earnings-based logic. It capitalises the distributable portion of a bank's earnings at the cost of equity, along an explicit growth path and a normalised terminal payout. Against this background, we show the P/E valuation estimate in the SGJ Valuation Football Field above, but it does not feature in our base fair value range of J$56.19–J$60.05.

Our key assumptions are the aforementioned **cost of equity (CoE) of 11.94%,** which was derived using a build-up CAPM approach, and a through-the-cycle adjusted return on equity of 12.10%.[3] The adjusted return on equity incorporates OCI by using total comprehensive income rather than net income, which satisfies the "clean surplus" condition required when using residual-income models. On these inputs the residual-income model returns a value of **J$60.05**, the dividend discount model **J$57.89** and the justified price-to-book multiple of **1.03x** implies a value of **J$56.19** based on our forecast book value for FY 2026.

[3] The through-the-cycle adjusted ROE is meant to smooth out cyclical highs and lows to give a clearer picture of normalised long-term earnings. This is particularly useful for financial services companies that may show either elevated loan losses or inflated revenues based on disturbances to the underlying economic cycle.

Is the J$61.50 offer fair? Conditional

Reference point	Value ($)	Offer vs reference
Cash offer price	61.50	Reference
Justified P/B value	56.19	+9.4%
Blended target	58.44	+5.2%
Residual-income	60.05	+2.4%
5-Year high	62.43	-1.5%
Undisturbed price	54.21	+13.4%
Dividend Discount	57.89	+6.2%

The table frames the offer against each valuation anchor and against the market. On a disclosed, status quo basis, the J$61.50 offer appears fair to investors. Set against the undisturbed market price (J$54.21), it delivers a premium of ~13.4%.

The offer price of J$61.50 captures the value the enterprise generates, as currently configured, with a meaningful capital surplus embedded in the equity base. This matters because the surplus capital drag arose under the control of the same shareholder now seeking to buy out the minority. The capital position analysis below considers whether minorities are being compensated for value the Parent could unlock after privatisation, rather than allowing that upside to transfer entirely to the proposed purchaser or the parent.

While that surplus, and what it may be worth once the Group is private, cannot be accurately quantified based on currently available information, the section below outlines a key consideration investors should be mindful of ahead of any voting decision.

Capital Position and the Fairness of the Offer

Our base fair value range values SGJ as currently configured, and this configuration includes a meaningful surplus of regulatory capital held above minimum requirements at the Group's BOJ and FSC regulated subsidiaries.

That surplus matters for the valuation in important ways: capital held above requirements earns a low return relative to capital deployed in the core lending book. Carrying it dilutes measured return on equity, and because the justified price-to-book multiple is a direct function of ROE relative to the cost of equity, a suppressed ROE produces a suppressed fair value. The effect runs through all three of our base-case methods. To the extent the surplus is earning below our 11.94% estimated cost of equity, our base fair value range understates what the same franchise would be worth once the capital position is optimised, and a higher fair value becomes arguable. The Ke and ROE sensitivity grid below shows how quickly the justified P/B output moves on modest changes to that ROE assumption.

Ke ↓ \ RoE →	9.00%	10.00%	11.00%	12.10%	13.00%	14.00%	15.00%
10.87%	J$34.53	J$45.34	J$56.15	J$68.08	J$77.76	J$88.57	J$99.38
11.25%	J$32.12	J$42.17	J$52.23	J$63.33	J$72.34	J$82.39	J$92.45
11.50%	J$30.71	J$40.32	J$49.93	J$60.55	J$69.16	J$78.77	J$88.39
11.94%	J$28.50	J$37.42	J$46.34	**J$56.19**	J$64.18	J$73.10	J$82.02
12.25%	J$27.13	J$35.63	J$44.12	J$53.50	J$61.11	J$69.61	J$78.10
12.50%	J$26.12	J$34.30	J$42.47	J$51.51	J$58.83	J$67.01	J$75.18
12.75%	J$25.18	J$33.06	J$40.95	J$49.65	J$56.71	J$64.59	J$72.48
13.00%	J$24.30	J$31.91	J$39.52	J$47.93	J$54.74	J$62.35	J$69.96

The relevance to the offer is this. Once the Group is wholly owned, the Parent faces no public-market constraint on optimising that capital structure, whether by special distribution, buyback, or dividend-up from the operating subsidiaries. Minority shareholders cashed out at J$61.50 would not participate in any subsequent release. We make no claim as to the Parent's intentions, and none has been disclosed. But the sequence is one that minority holders should have clearly in view: a take-private priced off a capital position that suppresses reported returns, followed by a release of that capital to a single remaining owner, would transfer to the Parent value that would otherwise have accrued pro rata to all shareholders.

We are not in a position to size that potential transfer on public information, nor do we attempt to. Regulatory capital is not the same as IFRS book equity, and management has indicated that a portion of the visible buffer is pre-funding against the Basel III cutover, which makes it required capital in waiting rather than free equity. Capital held at separately regulated subsidiaries cannot be moved to the holding company without regulatory approval, and double-leverage constraints bind further. These factors could account for most of the apparent surplus, or for very little of it. That is precisely the point: the question cannot be settled from outside the Group.

Accordingly, before voting, minority shareholders should seek:

1. The J$ quantum of capital held above regulatory minima at each regulated subsidiary and at group level, at the latest audited date;
2. How much of that surplus is earmarked as Basel III pre-funding, with pro-forma post-cutover ratios;
3. How much is constrained by subsidiary solvency and double-leverage and therefore not distributable to the holding company;
4. The actual yield the surplus is earning, which determines whether any of the above translates into foregone value; and
5. The valuation range, assumptions and sensitivities underlying the Ernst & Young fairness opinion, together with the Scheme Booklet ahead of the meetings.

Absent that disclosure, J$61.50 remains defensible as fair on publicly available information. With more information, however, our fair value range may prove conservative. Investors should be clear that the distance between those two statements rests entirely on information that has not yet been published.

Risks to Our View

The principal risks now attach to the transaction rather than to the business, although the two interact.

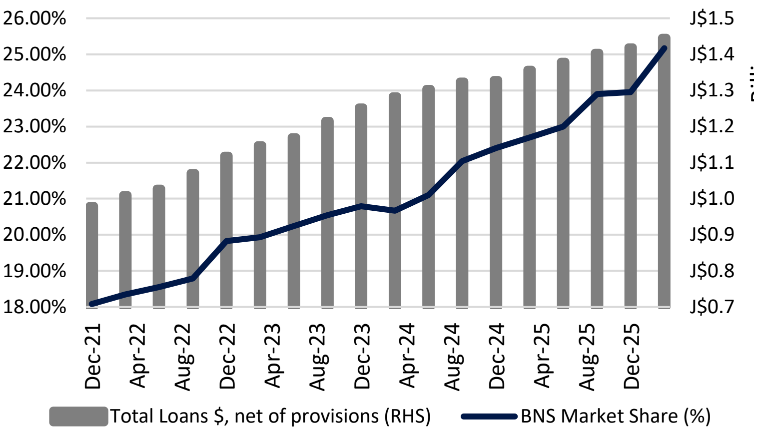
- **Deal-completion risk.** The scheme requires a majority in number and 75% by value of minority shareholders, plus Supreme Court sanction. A determined bloc of institutional holders could vote it down if they judge J$61.50 inadequate. If the deal fails, the shares would likely give back much of the post-announcement gain, leaving holders with the original liquidity and reinvestment questions.
- **Price-adequacy risk.** If SGJ's earnings re-accelerate through faster loan growth, a steeper margin, or normalising tax and provisioning), intrinsic value could move toward the mid-J$60s over twelve months, in which case J$61.50 may prove low. We treat this as an upside scenario rather than the base case, given the weak Jamaican growth and broader outlook.
- **Reinvestment and concentration risk.** For pension funds, unit trusts and income investors, the loss of one of the JSE's few large, liquid, 4%-plus-yielding financial names is a real portfolio problem. Capital returned at completion may not find comparable local homes, pushing some proceeds offshore or into lower-quality substitutes.
- **Governance and minority-protection dynamics.** This is a related-party transaction in which the controlling shareholder is also the buyer. The independent committee, the Ernst & Young fairness opinion, and the court process are safeguards. Investors should however read the forthcoming Scheme Booklet's independent valuation before voting.

Industry Overview and Competitive Positioning

SGJ competes in a concentrated banking market where the top five commercial banks hold roughly 88% of system loan value. Within that structure, SGJ has been the clear share-gainer of the cycle: BNSJ has lifted its loan market share by 6.3 points since late 2021 to about 25%, closing most of the historical gap to the market leader. The key driver behind BNSJ's loan market capture is its funding base. Because BNSJ funds itself almost entirely with low-cost customer deposits, it can price loans competitively while still earning an attractive margin, whereas deposit-light peers that rely on costlier wholesale and repo funding cannot match it on risk-adjusted terms. The advantage compounds as retained capital supports the balance-sheet's capacity to lend. Paired with SGJ's integrated banking platform, the Group's investment and insurance arms also deepen client relationships, with most of the gains won in mortgages and commercial lending.

That edge is, however, amplified by the current high-rate environment. As the Bank of Jamaica eases, the absolute funding-cost gap will narrow and competition for loans should intensify. As such, the expectation is that the pace of market share capture should slow and BNSJ's share of the market could slow by ceding some market share to competitors. The franchise should keep most of what it has won, since deposit relationships are sticky and the non-price advantages persist, but a maturing market share story is consistent with the normalised returns over the long run that the valuation assumes.

Domestic Loan Market



Source: BoJ

The macro backdrop is the main external pressure on the franchise and helps explain why the shares had de-rated before the offer. The Jamaican economy contracted sharply in the wake of Hurricane Melissa with total value added falling 4.1% year-on-year in the March 2026 quarter. The Planning Institute of Jamaica projects a further 3% to 4% contraction in the June quarter. The Bank of Jamaica has held its policy rate at 5.5%, but the short-run policy rate path remains uncertain over the next year, with the global energy-prices tied to the Middle East conflict exhibiting continued volatility. Over the medium term, however, lower rates should have an asymmetric impact across the sector. Peers funded with rate-sensitive wholesale and repo money should reprice liabilities down faster than assets, lifting their margins off the high-rate trough. SGJ, however, is already at the funding floor and has no such lever to pull. As such, the Group should see its NIM hold roughly flat or modestly decline. Easing is therefore a relative headwind to SGJ's margin premium rather than a tailwind, alongside a still-cautious credit environment as lenders absorb the storm's aftermath. None of this is fatal to SGJ, but it does argue for the moderate, near-book valuation the offer crystallises.

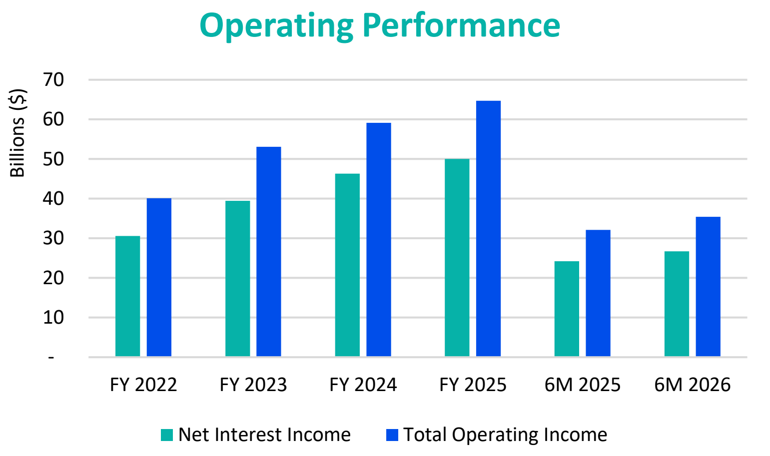
Financial Highlights for the Six Months Ended April 30, 2026

Positive earnings growth

Net income rose **9.5% to J$10.1 billion**, with earnings per share up the same 9.5% to 324 cents. Total operating income increased 10.3% to J$35.5 billion (management's broader revenue measure, which excludes credit losses, rose 11.1% to J$37.1 billion). Profit before tax advanced 9.0% to J$15.4 billion; net income grew slightly faster than pre-tax profit only because of base effects, as the effective tax rate actually rose to 31.2% from 27.4%. Earnings growth was broad-based but a step down from the high-teens earnings growth of recent years, consistent with a maturing, more fully-valued franchise.

Net interest income: volume, not margin

Net interest income (the spread between what SGJ earns on loans and investments and what it pays for deposits) grew **10.3% to J$26.7 billion** and remains roughly three-quarters of revenue. The growth was volume-driven rather than margin-driven, as the loan book expanded 16.8% while the net interest margin held broadly stable at about 7% of average interest-earning assets. This is the financial signature of the market-share story set out earlier, with the bank lending more rather than repricing existing assets higher. Interest expense of just J$1.2 billion against interest income of J$27.9 billion confirms the sub-0.5% cost of funds. The one offset was the credit-loss charge, up 32% to J$1.7 billion as provisioning normalised from low prior-year levels. These higher ECL charges trimmed the growth in net interest income after provisions to 9.1%.

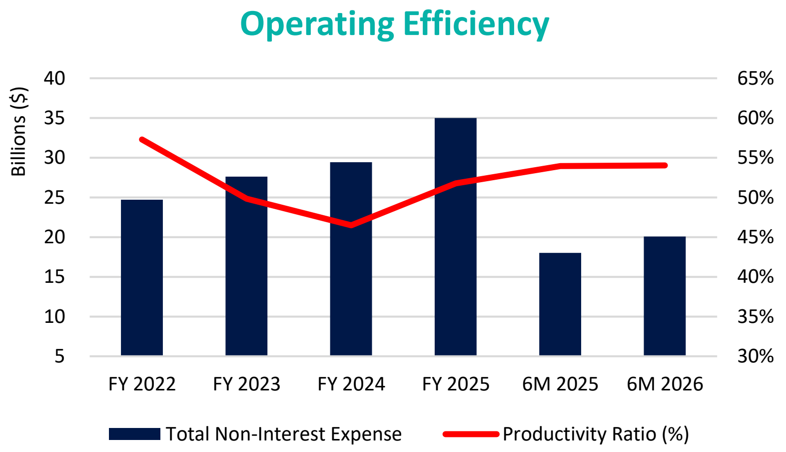


Fee income strong; insurance softer

Non-interest income was led by **net fee and commission income, up 26.6% to J$5.0 billion**, helped chiefly by lower card-processing expenses and higher transaction volumes. Foreign-currency trading gains held steady at J$4.5 billion. Working the other way, net insurance revenue fell 8.4% to J$1.7 billion on lower contractual-service-margin releases, even as the general-insurance agency grew gross written premiums 54% and the life insurer grew premiums 8%. Other revenue jumped to J$494 million, boosted by Hurricane Melissa insurance proceeds and gains on asset sales, both one-off in nature.

Operating efficiency has plateaued

The era of steady efficiency improvement appears to have plateaued. Operating expenses rose **11.4% to J$20.1 billion**, slightly outpacing operating income growth of 10.3%, so the productivity (cost-to-income) ratio was essentially flat at 54%. Within the total, staff costs rose 6.9% to J$7.7 billion, but other operating expenses rose 16.3% to J$8.8 billion on higher transaction costs and continued technology investment, and asset taxes added J$1.8 billion. This is cost management holding the line rather than the margin-expanding efficiency story of prior years, and it is one reason return on equity has eased.

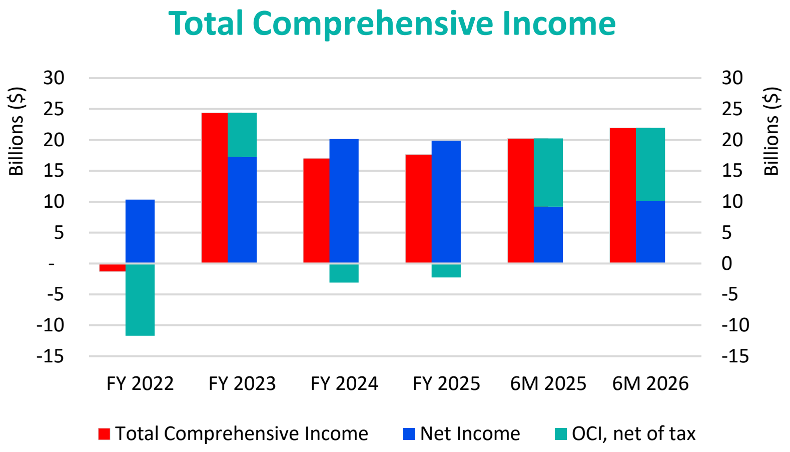


Returns are normalizing lower

Return on equity was 13.0% on an annualised basis, essentially flat year-on-year but well below the roughly 15% of FY2023 and FY2024. The decline reflected equity base growth of 8.8% (swelled by large remeasurement gains on the defined-benefit pension plan that flow through other comprehensive income), a higher tax rate, and loan provision normalizing. With our estimated cost of equity at 11.9%, SGJ is now generating only a modest economic spread over its cost of capital, which is precisely why both the trading price of the shares and the offer price sit so close to book value. Return on assets was steady at about 2.5%, and financial leverage edged up to 5.0 times.

Pension gain lifted equity, not earning power

Beneath reported profit, other comprehensive income (gains and losses that bypass the income statement and flow straight to equity) added a further J$11.9 billion. The bulk of the OCI gain was due to a **J$19.0 billion remeasurement gain on the staff pension plan** (J$12.6 billion after tax), reflecting higher discount rates and strong plan-asset returns. This partially explains why equity grew 8.8% while profit grew 9.5%, which mechanically diluted return on equity. And while the investment book took a J$1.9 billion mark-to-market hit on fair-value-through-OCI securities as yields backed up, that portfolio is small enough that the drag is minor, leaving SGJ's earnings far less exposed to interest-rate swings than a securities-heavy institution and reinforcing its lower-volatility, loan-led character.

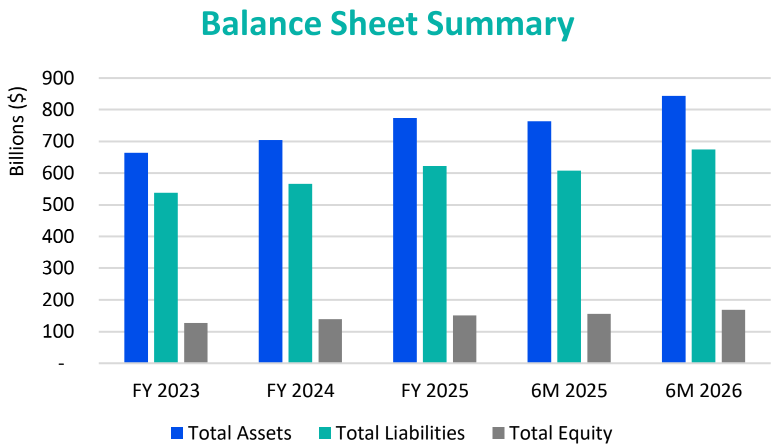


Banking segments drove the growth

The two banking franchises did essentially all of the heavy lifting. **Corporate and Commercial Banking remained the largest profit centre, with pre-tax earnings up 12.5% to J$7.2 billion**, while Retail Banking grew by 27.9% to J$2.8 billion on mortgage, consumer and card income. Treasury added 6.1% to J$2.1 billion. Insurance Services was flat at J$2.4 billion and Investment Management Services slipped 5.9% to J$0.9 billion. Together, corporate-commercial and retail banking accounted for almost the entire J$1.3 billion increase in group pre-tax earnings. The combination of these segment performances underline that this is, at its core, a banking story.

Balance sheet: loan-led expansion

The balance sheet grew 10.5% to J$843.9 billion, but the more telling story is its changing shape. Net loans rose 16.8% to J$378.3 billion and now represent **44.8% of assets, up from 42.4%**, while the investment-securities portfolio shrank 1.8% to J$172.4 billion. This suggests that SGJ is redeploying out of lower-yielding securities into higher-yielding loans, the balance-sheet expression of both the stable margin and the share gains noted above. On the funding side, customer deposits grew 11.9% to J$571.8 billion and funds roughly **85% of total liabilities**. With no repurchase (repo) funding and no expensive wholesale notes, deposits remain the structural source of the sub-0.5% cost of funds. With the Group's loan-to-deposit ratio at ~66% against a system average of 70% (as at end-April



2026), SGJ has the capacity to keep lending, so the share-gain runway is not constrained by its own balance sheet. Shareholders' equity grew 8.8% to J$169.7 billion, lifting book value per share to J$54.53 from J$50.11.

Credit quality remains above average

Non-accrual loans were 1.3% of gross loans (down from 1.4% a year earlier), against an industry average of 2.3%, with accumulated provisions covering 119% of non-performing loans. A key factor to note, however, is that the full credit impact of Hurricane Melissa may not yet have surfaced on the loan book, so this metric warrants monitoring even though it is currently favourable.

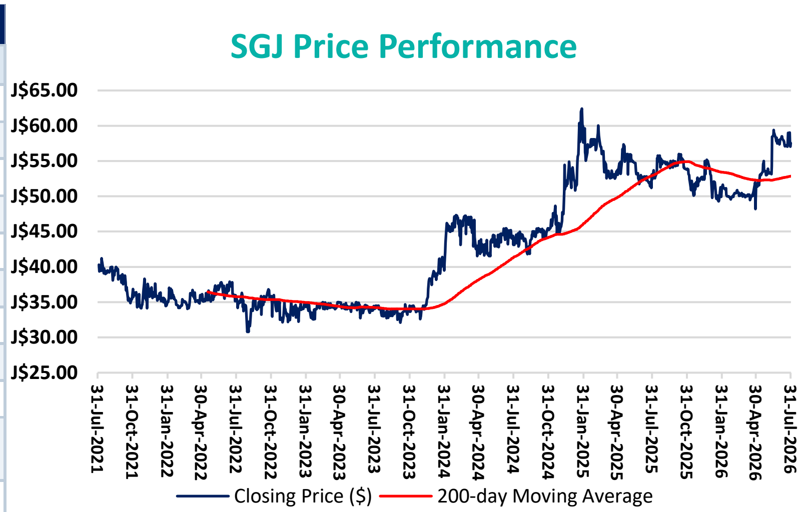
Capital strength across every entity

SGJ exceeds its regulatory capital minimums in every regulated subsidiary. The bank's capital adequacy ratio improved to 13.95% from 12.97% a year earlier. This surplus capital both protects the Group and supports the Parent's rationale for privatisation, as capital above requirements could be better managed within a wholly-owned structure.

Regulatory capital adequacy	Minimum	Q2 FY2026	Surplus
Bank of Nova Scotia Jamaica	10.00%	13.95%	3.95%
Scotia Jamaica Building Society	10.00%	69.54%	59.54%
Scotia Jamaica Life Insurance	100.00%	435.14%	335.14%
Scotia Investments Jamaica Ltd.	10.00%	87.57%	77.57%

Market Price Analysis

Market profile (19 Jun 2026)	Value
Closing price	J$57.54
Market capitalization	~J$179.0 Bn (3,111.6 Mn shares)
1-year price return	9.7%
Year-to-date price return	8.3%
52-week range	J$48.19 – J$59.40
Last close vs 200-day moving average	J$57.54 vs J$52.85 (+8.9%)
Last close vs 50-day moving average	J$57.54 vs J$56.69 (+1.5%)
Average daily volume — 60-day	~85,579 units (J$~4.8 Mn value)
Average daily volume — 252-day	~113,784 units (J$~6.0 Mn value)
Closing bid / ask	J$57.99 / J$58.00
Bid-ask spread — latest / 60-day average	0.02% / ~1.05%
LTM realized volatility (annualized)	~21.7%



SGJ's share price tells the story of the transaction in two phases. Through the first half of 2026 the stock de-rated with the deteriorating Jamaican economy, drifting from its January 2025 5-year high of J$62.43 down to a 52-week low of **J$48.19 on April 29, 2026** as Hurricane Melissa, the subsequent contraction and a soft local equities market weighed on sentiment. It had recovered to ~ J$54 by early June, after trading below both its 50-day and longer-run averages for much of 2026.

On June 12 (the day the buyout was disclosed), the stock jumped **7.8% to J$58.43** on roughly five times normal volume, and its most recent closing price at the time of analysis was **J$57.54**, up 8.3% for the year to date and modestly below its fresh 52-week high of J$59.40. Crucially, the shares traded roughly **6.1% below the J$61.50 offer**. That residual discount is the market pricing the time to a fourth-quarter close and the risk that the scheme does not clear, a normal pattern for an announced but unconditional deal, and a reminder that the offer is not yet money in hand.

Two points put the price in context. First, the J$61.50 offer is a premium of about 13% to the undisturbed price near J$54 but slightly below the stock's own January 2025 peak of J$62.43, so investors are being offered roughly their next best-ever exit to date, but not a price that exceeds where the shares have already traded. Second, on the JSE the offer crystallises value in a name whose liquidity is thin (average daily turnover of only about J$6 million and a free float of just 28%), which makes the clean cash exit more valuable than it would be for a more liquid holding. On balance, the market's behaviour is consistent with our conclusion: the offer is fair, acceptance is the rational course, and the small remaining discount to J$61.50 is compensation for deal risk rather than evidence of further fundamental upside.

Appendix

	FY 2024	FY 2025	Y/Y Growth	6M 2025	6M 2026	Y/Y Growth
Income Statement (,000 except per share items)						
Net Interest Income	46,304,295	50,009,564	8.0%	24,252,855	26,738,516	10.2%
Expected Credit Losses	(4,157,392)	(2,884,307)	-30.6%	(1,252,736)	(1,656,050)	32.2%
Net insurance revenue	**2,546,927**	**3,393,149**	**33.2%**	**1,851,657**	**1,695,787**	**-8.4%**
Net Fee and Commission Income	7,228,799	7,212,724	-0.2%	3,941,720	4,991,828	26.6%
Net Gains On Foreign Currencies	9,318,933	9,519,975	2.2%	4,494,094	4,518,691	0.5%
Total Operating Income	**59,118,715**	**64,711,861**	**9.5%**	**32,148,353**	**35,465,042**	**10.3%**
Salaries, Pension Contributions and Other Staff Benefits	11,807,236	14,883,981	26.1%	7,191,747	7,690,193	6.9%
Total Non-Interest Expense	**29,415,013**	**34,993,377**	**19.0%**	**18,015,311**	**20,060,036**	**11.3%**
Earnings before Taxes	29,703,702	29,718,484	0.0%	14,133,042	15,405,006	9.0%
Taxation	(9,545,911)	(9,816,990)	2.8%	(4,926,332)	(5,321,785)	8.0%
Net Income	**20,157,791**	**19,901,494**	**-1.3%**	**9,206,710**	**10,083,221**	**9.5%**
Reported EPS	6.48	6.40	-1.2%	2.96	3.24	9.5%
Balance Sheet (,000)						
Cash Resources	160,751,881	201,769,520	25.5%	195,114,259	215,249,065	10.3%
Loans, net of allowance for credit losses	312,755,204	350,438,350	12.0%	323,880,436	378,319,165	16.8%
Investment securities	184,472,698	169,900,739	-7.9%	175,532,008	172,383,217	-1.8%
Total Assets	**705,016,705**	**773,776,402**	**9.8%**	**763,519,084**	**843,858,799**	**10.5%**
Deposits by the public	476,060,200	529,766,696	11.3%	511,206,485	571,765,757	11.8%
Total Liabilities	566,547,128	623,263,232	10.0%	607,607,696	674,194,155	11.0%
Retained earnings reserve	51,891,770	65,891,770	27.0%	65,891,770	69,891,770	6.1%
Unappropriated profits	76,007,550	73,835,224	-2.9%	79,084,017	89,711,996	13.4%
Total Equity	138,469,577	150,513,170	8.7%	155,911,388	169,664,644	8.8%
Cash Flow Statement (,000)						
Cash flows from operating activities	**- 39,609,550**	**10,660,628**	**-126.9%**	**5,666,034**	**16,033,120**	**183.0%**
Depreciation	964,764	1,017,647	5.5%	551,269	785,649	42.5%
Changes in working capital, excluding taxes	- 94,602,326	10,573,483	-111.2%	6,937,875	29,911,810	331.1%
Cash flows from investing activities	**- 21,109,839**	**11,955,166**	**-156.6%**	**3,997,107**	**7,514,844**	**88.0%**
Purchase of property and equipment	- 1,199,582	- 1,789,615	49.2%	- 462,539	- 724,962	56.7%
Cash flows from financing activities	**- 5,322,618**	**- 5,816,867**	**9.3%**	**- 2,581,566**	**- 2,907,807**	**12.6%**
Dividends paid to stockholders	- 5,134,129	- 5,600,867	9.1%	- 2,489,275	- 2,800,434	12.5%
Ending Cash	**59,124,093**	**76,931,579**	**30.1%**	**131,580,454**	**80,088,618**	**-39.1%**

Definitions:

Sell = REDUCE EXPOSURE IN YOUR PORTFOLIO TO ZERO

UNDERWEIGHT = REDUCE EXPOSURE IN YOUR PORTFOLIO TO LESS THAN 5% FOR THIS PARTICULAR ASSET

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OVERWEIGHT/BUY = EXPOSURE TO THIS ASSET SHOULD BE BETWEEN 5% AND 10% OF YOUR TOTAL PORTFOLIO

Ratio Analysis

	FY 2024	FY 2025	6M 2026 TTM
Profitability			
Cost to Income	49.8%	54.1%	54.4%
Net Interest Margin	7.3%	7.2%	7.1%
Net Profit Margin	34.1%	30.8%	30.5%
Return on Equity	15.2%	13.8%	12.8%
Return on Assets	2.9%	2.7%	2.6%
Solvency and Capital Adequacy			
Financial Leverage	5.1x	5.1x	5.0x
Capital Adequacy (Bank & Building Society)	13.7%	15.2%	13.9%
Credit Quality			
Non Accrual Loans to Gross Loans	1.6%	1.3%	1.3%

	FY 2024	FY 2025	6M 2026 TTM
Activity			
Loans to Deposits	65.7%	66.1%	66.2%
Interest Earning Assets as a % of Total Assets	93.9%	94.0%	91.8%

	FY 2024	FY 2025	6M 2026 TTM	Current
Valuation				
Price to Book	1.0x	1.1x	0.9x	1.1x
Price to Earnings	7.0x	8.4x	7.5x	8.6x
Dividend Yield	3.6%	3.0%	3.5%	3.0%
Market Cap (J$ Billions)	141.3	167.7	155.3	179.0

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