Scotiabank highlights

Scotiabank is Canada's third largest Canadian bank based on assets and market capitalization. It remains Canada's most internationally active bank with operations in over 55 countries. The bank continued its profitable growth with a record financial year, reporting a net income of CA$6,466 million, which includes a one-time CA$708 million income related to real estate gains – an increase of CA$1,116 million compared to 2011. Led by Canadian and international banking, Scotiabank maintained a relatively consistent ROE of approximately 19.7% (or 17.6% excluding real estate gains) compared to 18.8% in 2011. Based on the strong results, Scotiabank increased its quarterly dividend to CA$0.55 from CA$0.52 in Q2 and to $0.57 during Q4, representing an annual increase of CA$0.05 or 9.6% during the fiscal year.

Canadian Banking had another record year with net income increasing CA$268 million or 16% over last year to CA$1,938 million. The growth was driven by higher transaction-driven card revenues and deposit fees, partially offset with the continuing low interest rate environment which drove interest profits down 5 basis points to 2.16%. For fiscal 2013, Scotiabank continues to see strong growth potential in most business segments with slightly lower growth in real estate lending. In the next fiscal year, Scotiabank had stated it would continue operating ING Direct Canada as a separate entity to maintain its competitive advantage. However, in January 2013, Scotiabank announced that it would close its mortgage broker division and sell mortgages direct to consumers. Any brokerage lending business will now be diverted to Scotiabank.

International Banking continued to expand its operations with net income increasing by CA$267 million to CA$1,734 million, driven by revenue growth from the prior year and recent acquisitions. Overall, Latin America continues to be the strongest geographical region for International Banking with revenues of CA$3,905 million this year, up CA$905 million from 2011. Outside of acquisitions, retail and commercial loan growth continue to experience double digit growth in Peru and Chile. For fiscal 2013, Scotiabank will continue to consider selective opportunities for acquisitions that would grow its footprint in its current markets or new international markets.

Global Wealth Management continued to experience strong organic growth. The decrease in net income in the current year of CA$85 million to CA$1,170 million relates to a one time gain recognized in the prior year for the acquisition of DundeeWealth. Growth in fee-based revenues, from higher levels of assets under management and higher insurance revenue, were offset by declines in the online brokerage revenue. The 2013 outlook remains positive for Global Wealth Management according to Scotiabank, even with uncertain market conditions.

Global Banking and Markets, which was previously known as Scotia Capital, had an active year, increasing net income to CA$1,492 million in 2012 compared to CA$1,258 million in 2011. Scotiabank experienced strong growth in many areas including fixed income, equities and commodities but did experience a decline in investment banking due to a soft mergers and acquisitions market in 2012. Global Banking and Markets continues to expect to face challenges given the uncertainty in the capital markets, but will continue to look to grow its various organic product sectors.

The overall provision for credit losses increased CA$176 million in fiscal 2012 to CA$1,252 million. The increase was largely driven by International Banking due to acquisitions and growth in its retail lending portfolio. Overall provisions decreased in Canadian Banking by CA$86 million to CA$506 million in 2012. Both Global Wealth Management and Global Banking and Markets experienced minimal growth or decline in the provisions for credit losses.