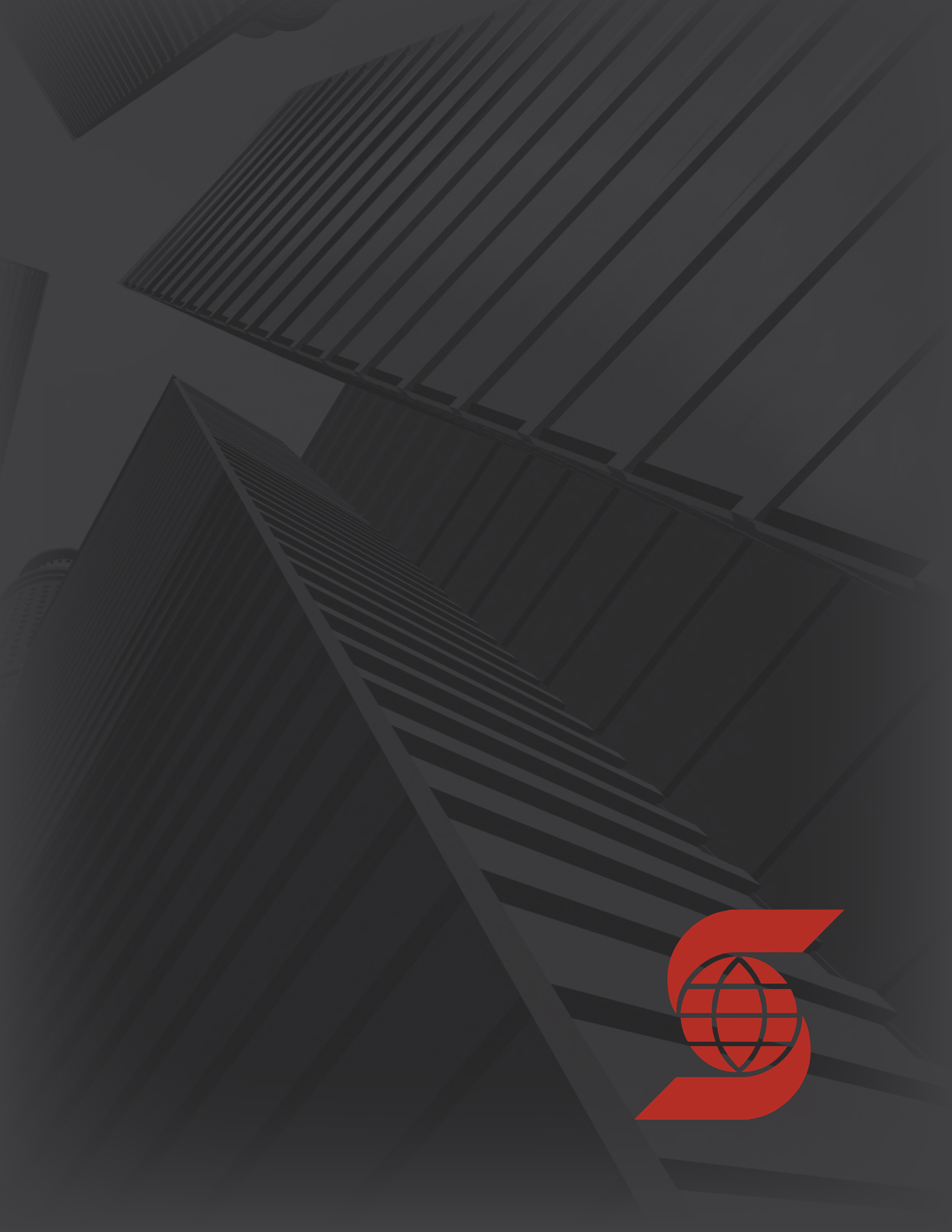
Annual Report 2016

# Deepening Relationships

Scotia Investments®

Scotia Investments Jamaica Limited



# Contents

To be the **leading Wealth Management provider,** delivering **innovative financial solutions** and **superior customer experience** by a highly skilled and dynamic team, while achieving **profitable growth** for all our stakeholders.

# Focused Priorities

As we look to the future, we remain focused on those areas that will have the greatest impact and drive long term value creation for all stakeholders. We have had a solid and successful strategy, however, we must evolve to better meet the needs of a changing environment. As such, our focused priorities have been redesigned as follows:

## Customer Focus:

We want to deepen primary relationships with our customers by placing them at the center of everything we do. This involves enhancing our client risk assessment processes and upgrading the tools used in determining our client portfolio suitability and investment selections.

## Business Mix Alignment:

This involves knowing our customers so well to anticipate and proactively provide value-added advice and the appropriate solutions for their needs.

## Leadership and Enhancement of Team Members' Engagement:

Focus on developing, recruiting and retaining top talent; re-evaluating compensation, rewards and recognition practices; building leadership bench strength and ensuring employees enjoy work life balance.

## Structural Cost Transformation:

We are optimizing our operations to better serve our customers and lower costs. Our focus will be on cementing the implementation of our new operating system, completing the alignment of workflow and processes so as to gain maximum efficiency.

## Digital Transformation:

We want to differentiate and enhance our customers' experience through innovation as we seek to become the digital leader in sales, marketing, engagement and customer convenience.

# Notice of
# Annual General Meeting

**NOTICE IS HEREBY GIVEN that the Annual General Meeting of Scotia Investments Jamaica Limited (the "Company") will be held on Thursday, March 30, 2017 at 10:00 am at the Blue Mountain Suite, Knutsford Court Hotel, St. Andrew, Jamaica, to consider, and if thought fit, pass the following resolutions:-**

## *Resolution No. 1 – Audited Accounts*

"That the Directors' Report, the Auditor's Report and the Statements of Account of the Company for the year ended October 31, 2016 previously circulated be and are hereby received."

## *Resolution No. 2 – Election of Directors*

i) Article 100 (b) of the Company's Articles of Incorporation provides that at each Annual General Meeting all Directors for the time being shall retire from office. The retiring Directors are: Barbara Alexander, Anthony Chang, Angela Fowler, Jeffrey Hall, Lissant Mitchell, Jacqueline Sharp, Cathy Welling and William David McConnell.

ii) The proposed resolutions for election/re-election of Directors proposed by the Board of Directors of the Company are:

(a) "That retiring Director **Barbara Alexander** be and is hereby re-elected a Director of the Company."

(b) "That retiring Director **Angela Fowler** be and is hereby re-elected a Director of the Company."

(c) "That retiring Director **Jeffrey Hall** be and is hereby re-elected a Director of the Company."

(d) "That retiring Director **Lissant Mitchell** be and is hereby re-elected a Director of the Company."

(e) "That retiring Director **Jacqueline Sharp** be and is hereby re-elected a Director of the Company."

(f) "That retiring Director **Cathy Welling** be and is hereby re-elected a Director of the Company."

(g) "That retiring Director **William David McConnell** be and is hereby re-elected a Director of the Company."

## *Resolution No. 3 – Appointment of Auditors*

"That KPMG, Chartered Accountants, having agreed to continue in office as Auditors be and are hereby appointed as Auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company."

**BY ORDER OF THE BOARD**

Richard Fraser
Secretary
January 11, 2017

REGISTERED OFFICE
7 Holborn Road
Kingston 10

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A Member entitled to attend and vote at this meeting may appoint a Proxy to attend and vote in his/her stead. A Proxy need not also be a Member of the Company. Enclosed is a Proxy Form for your convenience, which must be lodged at the Company's Registered Office at least forty-eight hours before the time appointed for holding a meeting. The Proxy Form shall bear the stamp duty of $100.00 before being signed. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person executing the Proxy.

# Directors' Report

**The Directors submit herewith the Statement of Consolidated Revenue, Expenses, Unappropriated Profits, Assets and Liabilities of Scotia Investments Jamaica Limited (the "Company") for the year ended October 31, 2016.**

The Consolidated Statement of Revenue and Expenses shows pre-tax profit for the year of $1.83 billion from which there has been provided $480 million for corporate income tax and deferred tax, leaving a balance of $1.35 billion.

The appropriation of earnings detailed in the financial statements includes a final dividend of 45 cents per stock unit payable to stockholders on record as at December 28, 2016 payable on January 18, 2017. This brings the total distribution for the year to $1.80 per stock unit which is the same as the period ended October 31, 2015.

Mr. Bruce Bowen resigned from the Board of Directors effective May 30, 2016. The Board would like to express its sincere appreciation to Mr. Bowen for his invaluable contribution to the Company and wish him well in his future endeavours.

Mr. William David McConnell was appointed to the Board of Directors effective August 02, 2016.

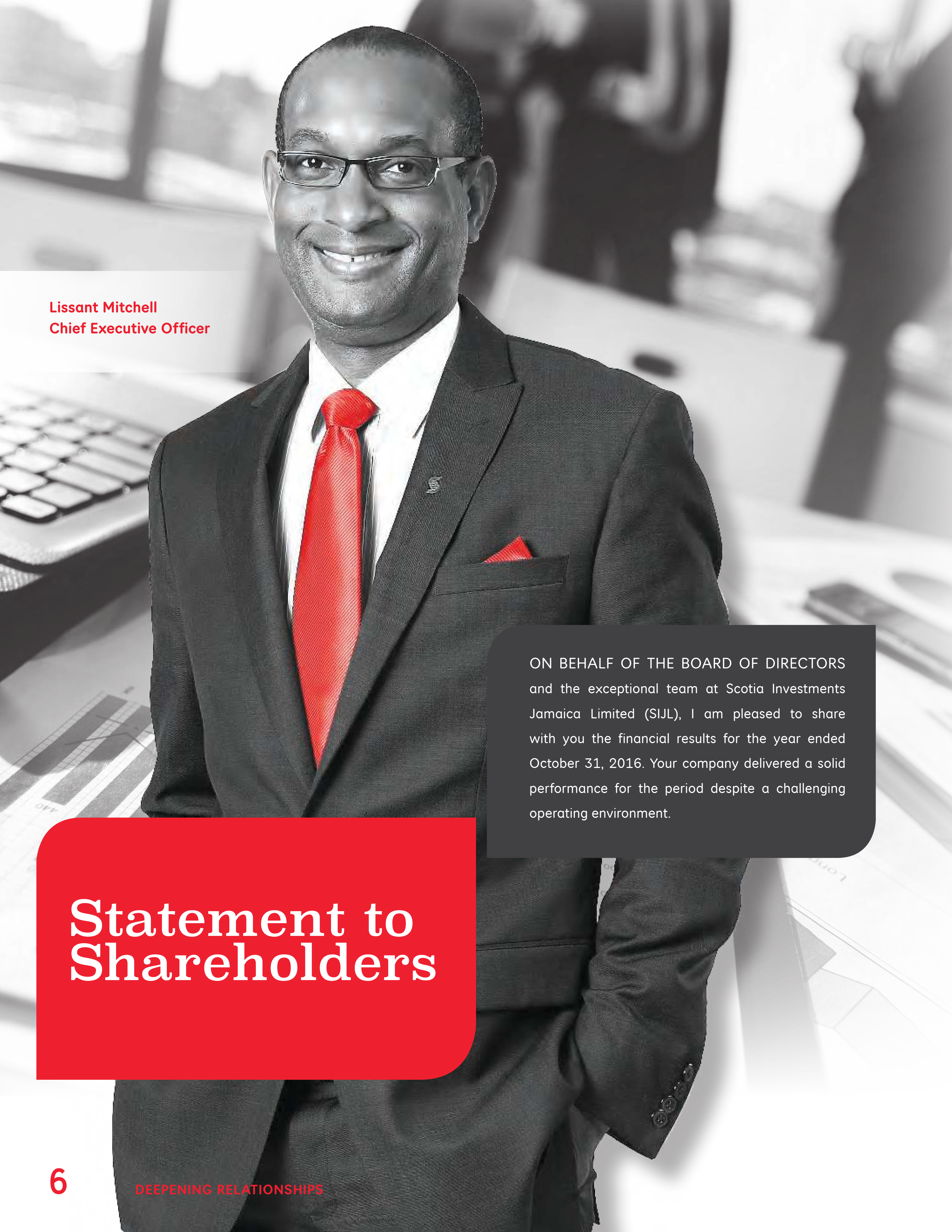
Mrs. Julie Thompson-James has resigned as Company Secretary effective January 10, 2017 and Mr. Richard Fraser has been appointed with effect from January 11, 2017.

The Auditors, KPMG, Chartered Accountants, have signified their willingness to continue in office.

Your Directors wish to thank the Management and Staff of the Company for their performance during the year under review.

On behalf of the Board

Jeffrey M. Hall
Chairman
January 11, 2017



Lissant Mitchell
Chief Executive Officer

ON BEHALF OF THE BOARD OF DIRECTORS and the exceptional team at Scotia Investments Jamaica Limited (SIJL), I am pleased to share with you the financial results for the year ended October 31, 2016. Your company delivered a solid performance for the period despite a challenging operating environment.

# Statement to Shareholders

## FINANCIAL RESULTS

Net profit for the year was $1.35 billion, which represented an increase of $326 million or 32% over the prior year's profit of $1.02 billion. Earnings per share came in at $3.19 versus last year's performance of $2.42. The Balance Sheet of your Company increased to $71.20 billion from $68.85 billion the previous year, an increase of $2.34 billion or 3%. In keeping with its long term strategy, your Company continued to diversify its earnings away from interest income towards a more balanced composition where it relies more on non-interest revenue for growth. Of note, your Company saw a 13% increase in its asset management business line, given its long term strategic objective to focus on fee and commission based revenue sources. The asset management business line represents an important thrust for your Company accounting for the majority of non-interest revenues at 54%.

## TRANSITION PERIOD

Over the last fiscal, we went through a transition period for the Company, the benefits of this exercise became evident during this year. In our last statement to you, we highlighted a series of medium term to long term objectives against which your Company had started to evaluate itself as it focused on enhancing longer term sustainable shareholder value. We would like to share with you some of our successes as follows:.

1. **Returned to a positive trajectory for return on equity (ROE) and grew earnings per share (EPS):** ROE and EPS moved higher to 9.28% and $3.19, respectively in 2016 from 7.34% and $2.42, respectively in 2015.

2. **Achieved a positive operating leverage:** operating leverage came out positively at 10.06% in 2016 versus a negative 31.81% in 2015. Positive operating leverage occurs when our revenues grow more quickly than expenses, and reflects increasing productivity.

3. **Maintained strong capital ratios for the remaining balance sheet business:** our capital adequacy ratio remained solid at 43.02%, well above the 10% statutory requirement. Our strong capital position also enables us to take advantage of future growth opportunities.

As part of this transition period, your Company executed various elements of its structural cost realignment initiatives, which it had started in the prior financial year. For instance, some functions within select areas of our operations were consolidated within the wider group. Lastly, your Company also embarked on some business line realignment which will contribute to overall cost savings in the future.

## OUR OPERATIONS

At the end of October 31, 2016, your Company's asset management business had 28% of the overall collective investment scheme market in Jamaica, inclusive of mutual funds and unit trusts. Total funds under management (on and off balance sheet) ended the year, at $176 billion up by $14 billion from the previous year. Your Company continued to maintain its focus on executing its long-stated core strategy of diversifying its product suite to reduce its dependency on net interest revenues. With this in mind, I am pleased to announce that during the year, we added the Scotia Premium US$ Indexed Fund to our product offering. The Fund offers investors, protection against local currency depreciation as it is invested primarily in USD fixed income securities. Already this product surpassed our expectations with assets under management topping $2.2 billion.

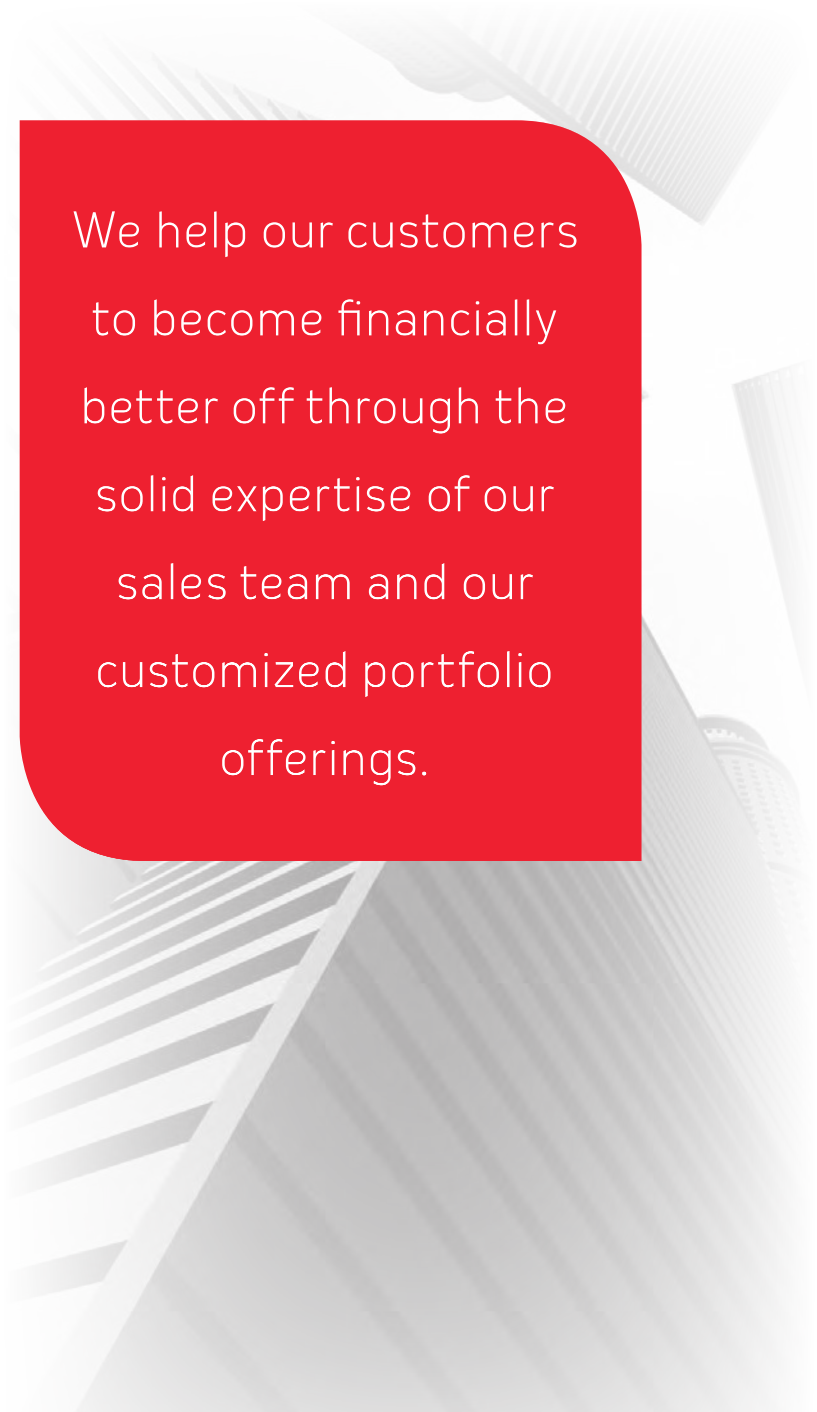
Under the securities trading and treasury business pillar, the strength of your Company's balance sheet ensured that it maintained required levels of liquidity and our capital adequacy ratios were more than required to meet regulatory and normal business operations.

The Capital Markets business pillar, which was launched in 2011, has executed close to US$973 million in deal flow since inception. The Capital Markets team continues to be an important contributor to your Company's strategy to continue diversifying its revenue stream and providing alternative solutions to our clients. During the year, the unit participated in a series of regional transactions, among other locally executed transactions, cementing its place as a regional dealmaker. The expertise of the Capital Markets team has gained it the reputation as the place for executing highly sophisticated, innovative deals to which a wide range of companies can attest.

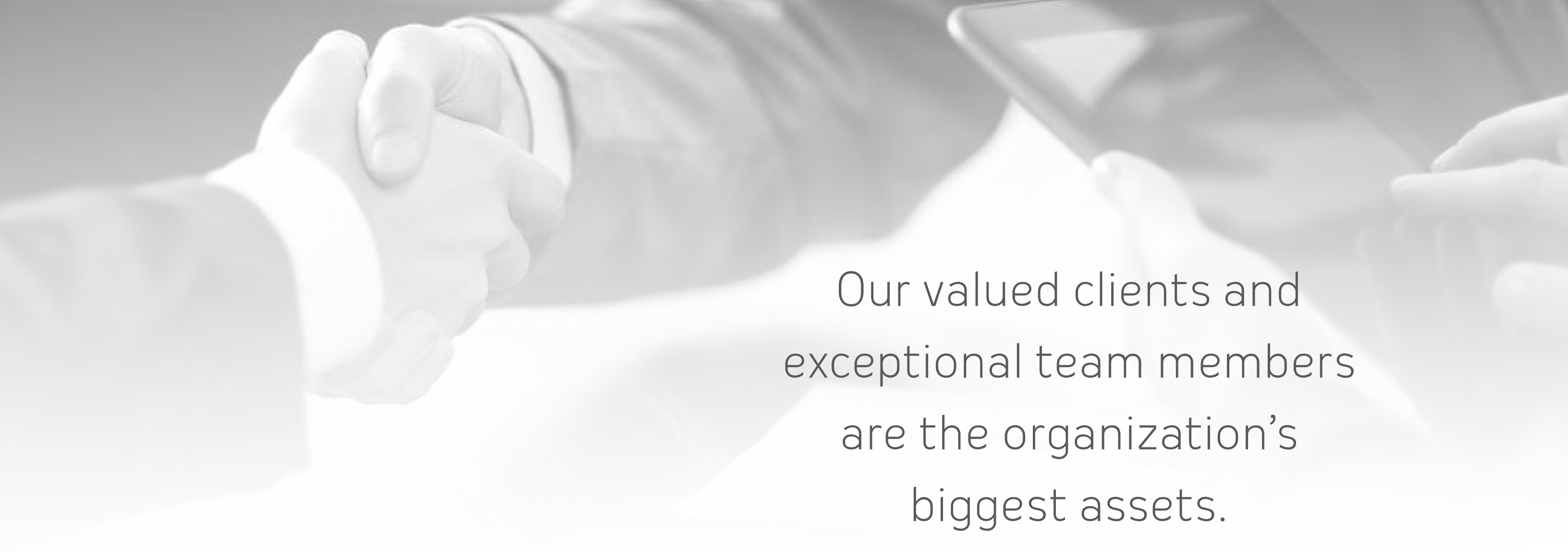
The Retail Brokerage business line, which underpins the overall business, was able to grow product sales in a volatile and tepid global macro-economic environment. This speaks squarely to the effort and expertise of the sales teams, and the confidence and trust clients continue to place in our diversified product suite and advice provided in helping them to become financially better off.

As previously outlined, a key objective to be achieved for our business operations is to streamline processes and functions to enhance the client experience and improve efficiency and service delivery. To this end, we are very pleased to announce that during the year, your Company successfully launched our new wealth management operating system - OPICS/Bankfusion. This is an important and significant accomplishment and represents a major milestone for your organization. With the full implementation of OPICS/Bankfusion, we anticipate major enhancements and improved efficiencies in all areas of our operations.

Your Company's unwavering focus on its employees remains a key focus area, with the strengthening of its talent pool and leadership bench strength. In this regard, a select group of top performers from a wide cross section of the firm are enrolled in an Emerging Leaders Forum. The aim of this program is to deepen leadership development and enhance succession planning. We will continue to place great importance on having a diverse and talented group of employees, and on developing our leadership depth and capabilities to ensure we maintain an advantage in the market place.



We help our customers to become financially better off through the solid expertise of our sales team and our customized portfolio offerings.



Our valued clients and exceptional team members are the organization’s biggest assets.

## LOOKING AHEAD

The Jamaican economy continues to show signs of recovery evidenced by the improvements in the country’s macroeconomic indicators and restored business and consumer confidence. Your Company’s strong foundation as a market leading asset management and brokerage firm, positions it well to benefit from the opportunities that will develop. We will therefore remain focused on building on our strong foundation and deepening our commitment to help make our customers become better off.

The competitive advantage we hold as part of a growing global footprint allows us to tap into this international network of expertise for the benefits of clients, and also plays an important role in the effective execution of our business strategy. We are confident that our strategy is sound. We also recognise that innovation, product simplification and increased investment in technology are critical to our success and long-term viability. Therefore, by executing our strategy well, and making meaningful progress on our focus priorities, your Company will be well positioned to continue to perform within the ranges of our medium term objectives and create longer term shareholder value.

## ACKNOWLEDGEMENTS

In closing, I would like to recognize the continued support and guidance of the Board of Directors, all of whom have contributed to the success of your organization. Our valued clients and exceptional team members are the organization’s biggest assets. The team will continue to work to ensure that SIJL remains the premier financial institution where client expectations are exceeded and shareholder value is increased.

**Lissant Mitchell**
**Chief Executive Officer**

# BOARD of DIRECTORS


## Jeffrey Hall (Chairman)

Mr. Jeffrey Hall is the appointed Chairman of Scotia Investments Jamaica Limited, The Bank of Nova Scotia Jamaica Limited and Scotia Group Jamaica Limited. He is the Chairman of the Bank's Human Resources & Pension Committee and a member of the Bank and Group's Audit & Conduct Review Committee and Executive & Enterprise Risk Committee.

Mr. Hall is the Chief Executive Officer of Jamaica Producers Group Limited and has worked with that Company since 2002. He is the Chairman of Kingston Wharves Limited and a member of the Board of Directors of several companies, including Jamaica Producers Group Limited, Blue Power Group Limited and the National Housing Trust.

He has practiced as an Attorney-at-Law and has served as a Director of the Jamaica Stock Exchange and the Bank of Jamaica.

Mr. Hall holds a Juris Doctorate from the Harvard Law School and a Master of Public Policy from Harvard University, USA. He also earned a Bachelor of Arts degree in Economics from Washington University, USA.

## Barbara Alexander

Ms. Barbara Alexander was appointed to the Board of The Bank of Nova Scotia Jamaica Limited and Scotia Group Jamaica Limited on November 26, 2007. A practicing Attorney-at-Law since 1976, Ms. Alexander is the Senior Partner of the law firm, Myers, Fletcher & Gordon. Her experience includes Banking and Finance, Project Finance, Real Estate and Commercial Law.

She is a member of the Audit & Conduct Review Committee and the Human Resources & Pensions Committee for the Scotia Group; and she chairs the Board of Scotia Jamaica Building Society and Scotia Asset Management (Jamaica) Limited. Ms. Alexander also serves as a Director of Scotia Investments Jamaica Limited, CVSS/United Way of Jamaica and the Arts Foundation of the Edna Manley College.

Ms. Alexander is a graduate of The University of the West Indies from which she holds a Bachelor of Science Honours degree in Accounting. She is a member of the Jamaican Bar Association and the Law Society of England, United Kingdom.

## Anthony Chang, CD

Mr. Anthony Chang was appointed to the Board of Directors of Scotia Investments Jamaica Limited on December 14, 2006. He is the Chairman of the Audit & Conduct Review Committee.

Mr. Chang serves as Chairman of Scotia Jamaica Life Insurance Company Limited, and is on the Boards of Scotia Group Jamaica Limited and The Bank of Nova Scotia Jamaica Limited. He is also a member of the Executive & Enterprise Risk Committee.

He brings extensive business expertise to these Boards based on his knowledge and experience having served as a Director of several prominent companies including LASCO Distributors and Digicel Jamaica Limited. He is a Director and Managing Director of Consolidated Bakeries Jamaica Limited.

Mr. Chang is a graduate of The Richard Ivey School of Business, University of Western Ontario. He is also a recipient of the Hubert H. Humphrey Fellow at American University, Washington DC, awarded by the Government of the United States of America. He has pursued professional courses with several institutions, including York and Wharton Universities.

## Angela Fowler

Mrs. Angela Fowler was appointed to the Scotia Investments Jamaica Limited, Board of Directors on July 25, 2007. She is also a Member of the Audit & Conduct Review Committee and the Human Resources and Pension Committee.

Mrs. Fowler is an Attorney-at-Law and Senior Partner of the law firm, Livingston, Alexander & Levy. She practices in the areas of commercial law, estate and corporate tax planning, pensions and employee benefits schemes.

Mrs. Fowler is a graduate of the University of the West Indies. She is also a member of the Jamaican Bar Association, Private Sector Organisation of Jamaica, the International Pension and Employee Benefits Lawyers' Association and Deputy Chairperson of the Jessie Ripoll Primary School Board.

## William David McConnell

Mr. William David McConnell was appointed to the Board of Directors of Scotia Investments Jamaica Limited on August 2, 2016. Mr. McConnell is Co-Managing Director and Co-Founder of Select Brands Limited a leading Wines and Spirits Company in Jamaica. Prior to the establishment of his business, he has held the position of Managing Director of Sales and Marketing for J. Wray and Nephew Limited with key responsibility for increasing profitability and developing Brand Positioning for the company's products. Other positions held with J. Wray & Nephew include General Manager, Export Division with responsibilities for International Business.

He holds an M.B.A. in Marketing and Finance from the University of Miami and a B.A., in Marketing and International Business from Florida International University.

# BOARD of DIRECTORS continued

## Lissant Mitchell

Mr. Lissant Mitchell has more than 20 years experience in the local financial industry. He was appointed Senior Vice-President, Wealth Management, Scotia Group Jamaica Limited; and Chief Executive Officer, Scotia Investments Jamaica Limited, on November 1, 2011.

He serves on the Scotia Group Jamaica Limited and Scotia Investments Asset & Liability Committees; and the Group's Managed Funds Investment Committee. He is also a Director of Scotia Investments Jamaica Limited, Scotia Asset Management Jamaica Limited and Scotia Caribbean Income Fund.

He is a Director of the Jamaica Stock Exchange; and he has also served as President of the Primary Dealers Association; and as well as, Secretary of the Jamaica Securities Dealers Association.

Mr. Mitchell holds a Master of Business Administration (MBA) from the University of Manchester, United Kingdom; and a Bachelor of Science (BSc) in Accounting and Economics from The University of the West Indies.

## Jacqueline Sharp

Mrs. Jacqueline Sharp is the President & CEO of Scotia Group Jamaica Limited since September 1, 2013. Prior to being appointed President & CEO, she was the Chief Financial Officer & Chief Administrative Officer for the Group with responsibility for financial and regulatory reporting, financial risk management, strategic planning, legal, compliance and oversight of the Systems Support Centre. Mrs. Sharp has had a range of experience within the Group, since joining in 1997, including establishing the Private Banking Unit and successfully leading Scotia Jamaica Life Insurance Company Limited.

Mrs. Sharp serves as a member of several Boards including Scotia Group Jamaica Limited, The Bank of Nova Scotia Jamaica Limited, Scotia Investments Jamaica Limited, The Scotia Jamaica Building Society, Scotia Jamaica Life Insurance Company Limited, Scotia Jamaica Microfinance Company Limited and Chair of the Board of Trustees of the Pension Plan for The Bank of Nova Scotia Jamaica Limited.

She holds a Bachelor of Science degree with Honours in Accounting from The University of the West Indies; is a Chartered Financial Analyst (CFA) Charter Holder; has successfully completed the Certified Public Accountant (CPA) examinations, the Ivey Executive Program at Ivey Business School (University of Western Ontario) and Scotiabank's iLead Executive Development Programme.

## Catherine Welling

Ms. Cathy Welling joined the Board of Directors on November 28, 2011 and is the Senior Vice President, Insurance, Pensions & Wealth for the International Banking Division within Scotiabank.

Ms. Welling's prior roles with Scotiabank include Senior Vice President, International Wealth and Pensions Managing Director & Head of Scotia Private Client Group (Canada); Managing Director of the Online Brokerage; Managing Director of Scotia Cassels Investment Counsel.

Her current directorships include The Bank of Nova Scotia Trust Company (Bahamas) Ltd. (Chair); Scotia Investments Jamaica Ltd.; and, Scotia Jamaica Life Insurance Company Limited.

Ms. Welling holds a Bachelor of Arts degree from McMaster University. She has completed the Executive Programme at the Richard Ivey School of Business, University of Western Ontario and holds the Partners, Directors and Officers certification.

# Corporate Governance

## INTRODUCTION

Scotia Investments Jamaica Limited and its subsidiaries are committed to maintaining high standards of corporate governance to preserve shareholder value and confidence in the long term viability and profitability of the Company.

The Corporate Governance Policy outlines the criteria for selection of Board members, standards of business conduct and ethical behaviour, Board oversight and management, risk management, liquidity funding management and disclosure. This Policy is reviewed by the Board on an annual basis and incorporates various elements of the Private Sector Organization Code on Corporate Governance ("PSOJ Code").

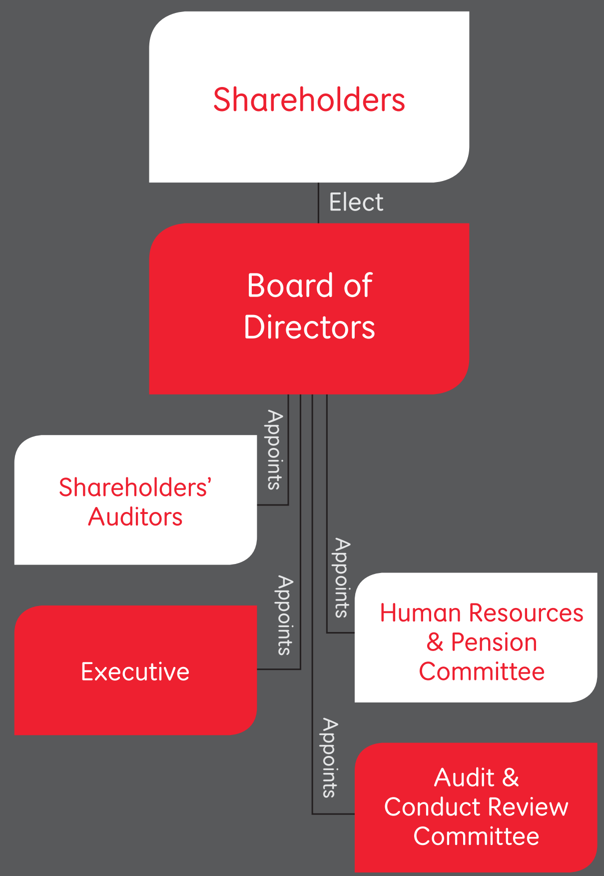
## THE BOARD

As at October 31, 2016 the Board currently consist of eight (8) members and the Company's Articles of Association provides the ability to increase the size of the Board. The current Directors of the Board are Mr. Jeffrey Hall (Chairman), Ms. Barbara Alexander, Mrs. Angela Fowler, Mr. Anthony Chang, Mr. Lissant Mitchell, Mrs. Jacqueline Sharp, Ms. Cathy Welling and Mr. William David McConnell. Mr. Bruce Bowen resigned as a member of the Board on May 30, 2016.

As at October 31, 2016, five (5) of the eight (8) members of the Board of Directors are non-executive independent Directors.

Scotia Investments®

## CORPORATE GOVERNANCE STRUCTURE



Under our Corporate Governance Policy, a Director is not considered independent if:-

1. The Director has been an employee of the Company as within the last five (5) years;
2. The Director is, or has been within the last three (3) years, an employee or executive officer of any Company within the Group or its parent Company;
3. The Director has received or receives additional remuneration from the Company apart from a Director's fee, participates in the Company's share option plan or performance-related pay scheme, or is a member of the Company's pension scheme;
4. The Director has close family ties with any of the Company's advisors, directors or senior employees;
5. The Director represents a significant shareholder;
6. The Director was a former Chief Executive Officer unless there has been a period of at least three (3) years between ceasing employment with the Company and serving on the Board.

## BOARD SELECTION

Individuals who are selected to join our Board are considered based on the following criteria:-

- Prominence in business, institutions and professions;
- Integrity, honesty and the ability to generate public confidence;
- Ability to demonstrate sound and independent business judgement;
- Financial literacy;
- Knowledge and appreciation of public issues and familiarity with local, national and international affairs;
- Knowledge of the business of the Company; and
- The ability to devote sufficient time to the Board and Committee work.

The table below highlights Independent/Non-Independent Directors and the respective areas of expertise of the Directors.

| Board Member | Independent (I)/ Non-Independent (NI) | General Management | Finance & Audit | Stategic Management | Banking | H.R. & Education | Legal | Risk Management |
|---|---|---|---|---|---|---|---|---|
| Jeffrey Hall | I | √ | | √ | | | √ | √ |
| Barbara Alexander | I | √ | √ | √ | √ | √ | √ | √ |
| Bruce Bowen* | NI | √ | √ | √ | | | √ | √ |
| Anthony Chang, CD | I | √ | √ | √ | | | | √ |
| Angela Fowler | I | √ | | √ | √ | √ | √ | √ |
| William D. McConnell | I | √ | √ | √ | | | | √ |
| Lissant Mitchell | NI | √ | √ | √ | √ | | | √ |
| Jacqueline Sharp | NI | √ | √ | √ | √ | | | √ |
| Cathy Welling | NI | √ | √ | √ | √ | | | √ |
| | | | | | | | | |

** Resigned May 30, 2016*

## DUTIES AND RESPONSIBILITIES

The Board has an approved mandate which includes the following key duties and functions, some of which are delegated to sub-committees of the Board:-

- To develop the Company's corporate governance principles and practices.
- To oversee and approve the strategic direction of the Company, its succession planning and organisational structure.
- To monitor and review the financial performance of the Company.
- To identify the principal business risk and review and approve key policies and practices (including credit risks, capital risk management, market risk management, investment management, liquidity and funding management) for the long-term management of the Company.
- To oversee the integrity of the Company's internal controls and management information system.
- To review the performance of executive management.

## ASSESSMENT OF DIRECTOR PERFORMANCE

The Board conducts an annual evaluation of Board performance during the year. This assessment allows individual Directors to evaluate the performance of other Directors and Chairpersons of the Board, and its Committees, to comment on the operations of the Board and its Committees and on the level of information provided by Management. The results of this evaluation contributes significantly to the refinement of the corporate governance policy year to year.

## DIRECTORS' TENURE, RETIREMENT & APPOINTMENT

All Directors automatically retire from the Board at each Annual General Meeting after serving a term of one year. The Board may however recommend to shareholders that a Director be elected or re-elected (as the case may be) at the Annual General Meeting of the Company. The Board may appoint Directors during the year. Directors may be appointed to the Board prior to attaining the age of 70.

## DIRECTOR EDUCATION

New Directors are provided with information on the Company and their duties and responsibilities. They have the opportunity to meet with senior management, attend seminars and presentation on the Company's business and operations.

## STANDARDS OF BUSINESS CONDUCT & ETHICAL BEHAVIOUR

Directors, officers and employees of the Company are expected to adhere to the Company's Guidelines for Business Conduct. These Guidelines outline the rules and expectations regarding proper conduct and ethical behaviour including following the law wherever the Company conducts business, avoiding conflicts of interests, honest conduct and integrity and ensuring that the Company's transactions and communications are accurate and confidential.

In addition, directors, senior management officers and their connected parties are subject to the Company's "Insider Trading Policy" in respect of trading in the securities of the Company. The policy serves as a guide and prohibits trading in the Company's securities during particular intervals and requires disclosure of all trades in the Company's securities by them or their connected parties.

All employees and Directors of the Company are required to provide written certification of their compliance with the Company's Guidelines for Business Conduct.

## DISCLOSURE

The Company is committed to providing timely, accurate and balanced disclosure of financial results, significant developments and other material information about the Company to shareholders, the Financial Services Commission and the Jamaica Stock Exchange.

## BOARD COMMITTEES

The Board has two (2) established Committees; the Audit & Conduct Review Committee and the Human Resources & Pension Committee each with clearly defined charters.

### Audit & Conduct Review Committee

Members of the Audit & Conduct Review Committee are appointed by the Board which determines its charters. In accordance with its charters the Audit & Conduct Committee has oversight responsibility for the following areas and is reposed with the duty of critical review and recommendation to the Board, where appropriate:-

- Reviewing the quarterly and consolidated financial statements of the Company to ensure the integrity of the Company's financial reporting, disclosures and system of internal control over financial reporting
- Ensuring the Company's compliance with legal and regulatory requirements
- Monitoring the Company's internal audit and external audits
- Developing and implementing policies to identify and resolve conflicts of interest which may arise from transactions conducted by the Company.

### Composition & Frequency of Meetings

The Audit & Conduct Review Committee meets quarterly and consists of four (4) independent members. The Committee members are Mr. Anthony Chang (Chairman), Ms. Barbara Alexander, Mrs. Angela Fowler and Mr. Jeffrey Hall.

### The Human Resources & Pension Committee

Members of the Human Resources Committee are appointed by the Board which determines its charter. This Committee has oversight for the following areas and is reposed with the responsibility of reviewing and making recommendations to the Board:-

- Compensation to be paid to Senior Executives and other Board-appointed officers of the Company, the general criteria and design of the Company's incentive/bonus schemes and the basis of distribution of incentives;
- Review of the senior level organisational structure and staffing of the Company;
- Approval of the incentive pay awarded to staff under the Company incentive/bonus scheme;

### Composition & Frequency of Meetings

The Human Resources Committee meets quarterly and consists of three (3) members. The Committee members are Ms Barbara Alexander (Chair), Mrs. Angela Fowler, and Mrs. Jacqueline Sharp. Two (2) of the three (3) members of the Committee are Independent Directors.

## BOARD & COMMITTEE MEETING REGISTER

The attendance of the Directors at Board, Committee and Annual General Meetings is reflected in the table *Attendance Record For Directors* on page 17.

## WEBSITE

The Corporate Governance Policy has been uploaded to Scotia Investment's Website to provide investors and stakeholders with ready access to information on how our operations are governed at:

**www.scotiainvestmentsjm.com**

## ATTENDANCE RECORD FOR DIRECTORS

The attendance of the Annual General Meetings, Directors at Board and Committee Meetings is reflected in the table below:-

| Board Member | Position | Annual General Meeting (SIJL) | Board Meetings | Audit & Conduct Review Committee | Human Resources & Pensions Committee |
|---|---|---|---|---|---|
| **No. of Meetings** | | **1** | **4** | **4** | **4** |
| Jeffrey Hall* | Non-Executive | 1 | 4 | 4 | - |
| Barbara Alexander** | Non-Executive | 1 | 4 | 4 | 4 |
| Bruce Bowen**** | Executive | 1 | 2 | - | - |
| Anthony Chang, CD*** | Non-Executive | 1 | 4 | 4 | - |
| Angela Fowler | Non-Executive | 1 | 4 | 4 | 4 |
| William D. McConnell***** | Non-Executive | 0 | 1 | - | - |
| Lissant Mitchell | Executive | 1 | 4 | - | - |
| Jacqueline Sharp | Executive | 1 | 4 | - | 4 |
| Cathy Welling | Executive | 0 | 4 | - | - |

** Board Chairman*
*** Human Resources & Pension Committee Chair*
**** Audit & Conduct Review Committee Chairman*
***** Resigned May 30, 2016*
****** Appointed August 2, 2016*

## DIRECTOR COMPENSATION

### SCOTIA INVESTMENTS JAMAICA LIMITED

| | | Per Meeting Fee (expressed in JMD) | | |
|---|---|---|---|---|
| Position | Annual Retainer Expressed in JMD | Board | Audit | Human Resources & Pension |
| Board Chairman | $1,100,000 | | | |
| Deputy Chairman | $900,000 | | | |
| Committee Chair | $675,000 | | | |
| Audit Committee Chair | $800,000 | | | |
| Audit Committee Members | $600,000 | | | |
| Other Directors | $550,000 | | | |
| All Directors | | $48,000 | $58,000 | $45,000 |
| | | | | |

# Senior Management

## Lissant Mitchell - CEO

Lissant Mitchell has more than 20 years experience in the local financial industry. He was appointed Senior Vice- President, Wealth Management, Scotia Group Jamaica Limited; and, Chief Executive Officer, Scotia Investments Jamaica Limited, on November 2011.

He serves on the Scotia Group Jamaica Limited and Scotia Investments Asset & Liability Committees; and the Group's Managed Funds Investment Committee. He is also a Director of Scotia Investments Jamaica Limited, Scotia Asset Management Jamaica Limited and Scotia Caribbean Income Fund.

He is a Director of the Jamaica Stock Exchange; and he has also served as President of the Primary Dealers Association; and as well as, Secretary of the Jamaica Securities Dealers Association.

Lissant holds a Master of Business Administration (MBA) from the University of Manchester, United Kingdom; and a Bachelor of Science (BSc) in Accounting and Economics from The University of the West Indies.

## Hugh Miller - SVP, Chief Operating Officer

Hugh Miller has more than 20 years experience in the local financial services industry and assumed the role of Chief Operating Officer at Scotia Investments Jamaica Limited (SIJL) in January 2012. Hugh recently assumed expanded operational roles in Scotia Asset Management Caribbean ("SAMC"), which spans Cayman, Trinidad & Tobago, St. Lucia and Jamaica. In this new capacity, he will be responsible for strategically managing the business and operational infrastructure of SIJL and SAMC, which includes Treasury & Trading, Finance, Business Support, Fund Administration, Compliance and Investment Operations. He previously served as Vice President, Treasury for Scotiabank.

He serves on the Boards of Scotia Caribbean Income Fund, ScotiaBRIDGE, the Pension Plan of The Bank of Nova Scotia Jamaica Limited and The Jamaican Association of Investment Professionals. Hugh is also a member of SIJL's Asset Liability Committee, SIJL's Compliance Risk Management Oversight Committee and SAMC Investment Oversight Committee, as well as, Scotia Group Jamaica Limited's Asset Liability Committee. Hugh holds a Bachelor of Science (BSc) degree with honours in Economics, with a minor in Accounting, from The University of the West Indies, and he is a CFA Charter Holder.

## Courtney Sylvester - SVP, Sales, Service & Client Experience

Courtney Sylvester joined Scotia Investments in October 2013 and is responsible for providing strategic leadership in directing and coordinating all sales and advisory activities for our retail clientele, as well as driving one of our primary strategic imperatives – Client Intimacy. In addition he leads our investment research team which provides investment information and insights to our advisors and clients. In these capacities he has direct responsibility for our Retail Distribution/Branch Network and Client Experience across Scotia Investments.

Courtney is a seasoned finance professional with significant experience in Commercial Banking, Merchant Banking, Credit Risk Management, as well as Retail Sales and Service. He has been in a number of senior roles at Scotiabank including District Vice President – Retail Banking, Branch Manager, Senior Manager - Credit Risk, and Senior Relationship Manager - Corporate Banking.

He holds an MBA, and a BSc in Mechanical Engineering, both from the State University of New York in Buffalo.

## Michelle Wright - AVP Finance & Chief Financial Officer

Michelle Wright joined Scotia Investments in September 2013, following her previous appointment as Senior Financial Analyst at Scotiabank, a position which she held for 8 years. Michelle has over 15 years of experience within Scotia Group Jamaica and its subsidiaries covering Finance, Processing Support and Commercial Banking, and has held progressively senior roles in these Units over the years. In her current role, she is responsible for the financial and management reporting at Scotia Investments, as well as the development and maintenance of the necessary financial internal controls.

Michelle holds a Masters degree in Accounting with distinction, and a Bachelors degree in Management Studies and Accounting with First Class Honours from the University of the West Indies. She is also a CPA, and an Associate of the Institute of Chartered Accountants of Jamaica.

## Brian Frazer - VP and Chief Investment Officer, Asset Management & GM, Scotia Asset Management (Jamaica) Ltd

As Vice President and Chief Investment Officer, Asset Management, Brian is responsible for developing the strategic direction and focus for Investment Management and Product Development for mutual funds, unit trusts and institutional asset management business lines across the English Speaking Caribbean Region. Brian leads an investment management team that currently manages in excess of US$1.2 Billion of assets on behalf of unit trusts, mutual funds, corporate clients and individual investors across the region.

Brian Frazer has over 18 years of experience in the financial services industry and has extensive experience in trading, treasury, asset management, risk management, operations and product development.

Brian earned his undergraduate degree in Accounting and Economics at The University of the West Indies and has received professional training in accounting, asset/liability and risk management both locally and overseas. Brian is a Chartered Financial Analyst (CFA) Charterholder, and is a member of the CFA Institute and the CFA Society of Trinidad and Tobago.

Brian is also a Director of The Pension Funds Association of Jamaica Limited and is the founding President of the Jamaican Association of Investment Professionals (JAIP).

# Senior Management

continued

## Karl McKenzie - VP, Business Support

Karl McKenzie joined Scotia Investments in August 2011 from his prior assignment as Senior Manager of Scotiabank's Business Service Centre, where he led a team of over 52 persons. He is responsible for the Business Support Group which comprises Operations, Central Support and Compliance Units.

Karl is a career banker of 39 years, with extensive experience in operations, electronic banking services, project management and workflow processing.

Karl holds an MBA in Financial Services from the Dalhousie University, Bachelor of Commerce in Financial Services from Nipissing University and is a Fellow of the Institute of Canadian Bankers.

## Andrea Tinker - VP, Re-engineering Projects

Andrea Tinker joined Scotia Investments in March 1993 and served as Chief Financial Officer for Scotia Investments for over 6 years. In her current role, she will oversee an important system transition that will enhance the first-class customer service offered at Scotia Investments.

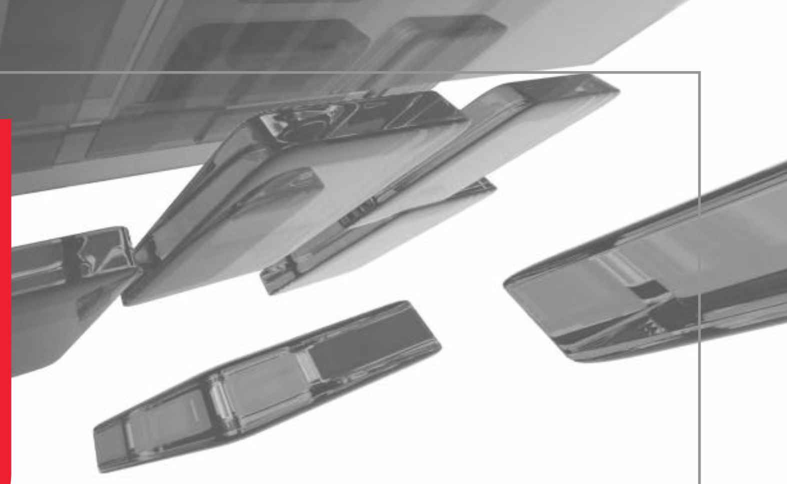
Andrea is also a Director of the Scotia Caribbean Income Fund. She is a member of the Association of Chartered Certified Accountants with over 20 years in the accounting profession.

## Dylan Coke - VP, Origination and Capital Markets

Dylan joined Scotia Investments in November 2014 as Vice President of Origination and Capital Markets. He has over 18 years of experience in executing complex commercial transactions both as an attorney and as an investment banker and has particular expertise in the structuring of private placements of debt, syndicated financing, IPOs and various forms of structured finance.

In his current role he is responsible for originating and executing fund-raising transactions in the local and regional capital markets for medium to large corporates via offers of both debt and equity.

Prior to entering investment banking, Dylan practised commercial law and litigation for 9 years. He holds an LLB from the University of the West Indies and an LLM in International Banking and Financial Law from Boston University School of Law.



# Subsidiary & Divisional Reports

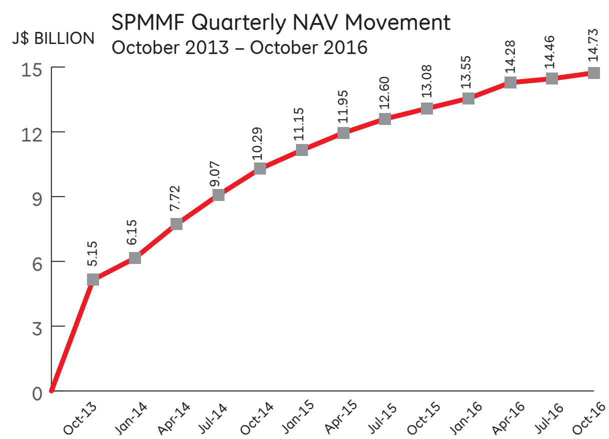
## SCOTIA ASSET MANAGEMENT (JAMAICA) LIMITED

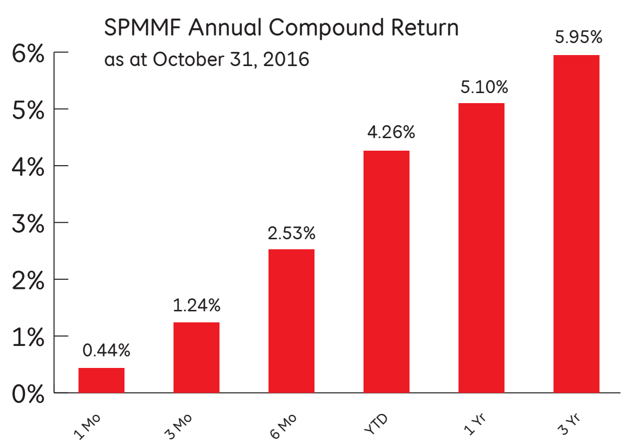
Scotia Asset Management continued to have a significant share of the local unit trust industry with approximately 19% as at October 31, 2016. Of note, the Scotia Premium US Dollar Indexed Fund was successfully launched in January 2016 and boasts a Net Asset Value (NAV) of $2.2 billion as at October 31, 2016. The Scotia Premium Money Market Fund ("SPMMF") continued to experience robust growth over the year and achieved a (NAV) of $14.73 billion. This represents a growth of approximately 13% from October 2015 to October 2016. The Scotia Caribbean Income Fund closed the year with a NAV of US$118.3 million while the Scotia Premium Growth Fund ("SPGF") continued to report strong returns as the local equities market continued to perform well over the year. With these milestones, SAMJ's Assets under Management (AUM) increased by 15.81% over the prior year to $34.35 billion. SAMJ contributed $611 million to the revenues of Scotia Investments Jamaica Limited which represents a 10% increase compared to $554 million the previous year.

Within the unit trust market, competition continued to be strong as focus remained on transitioning from the retail repurchase agreement business model. There was significant growth in assets under management within the industry which was facilitated by the launch of new products in the fiscal year.

### Scotia Premium Money Market Fund (SPMMF)

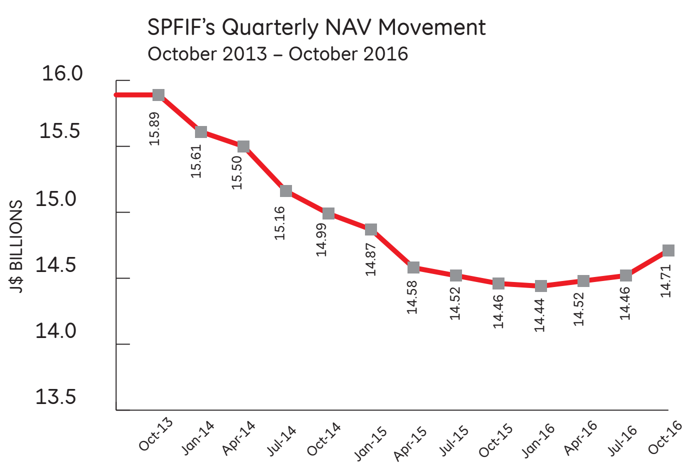
The SPMMF continued to be a good investment option for retail clients as the Fund outperformed its benchmark (the 1 Month T-Bill rate) over the 12 month period on a gross return basis. Consequently, purchases into the Fund primarily contributed to the 13% year over year growth with the NAV ending the year at $14.7 billion. The Fund remained competitive with a 12-month net return to October 31, 2016 of 5.1%.

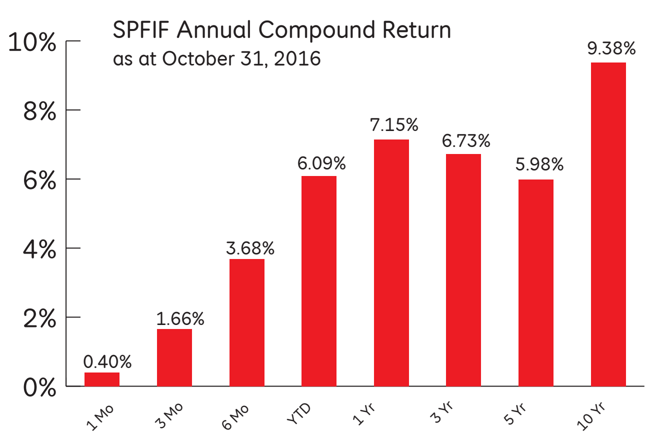


## Scotia Premium Fixed Income Fund (SPFIF)

During the year, as the JMD depreciated and local interest rates fell, some unit holders rebalanced their portfolios from the SPFIF in pursuit of funds with USD exposure, particularly the recently launched Scotia Premium US Dollar Indexed Fund and our suite of Scotiabank Mutual Funds. Notwithstanding, the SPFIF continued to deliver competitive returns to its investors with a 12-month return of 7.15% and a calendar year to date return of 6.09%, and positive real return of 5.32% and 4.26%, respectively. Additionally, the Fund outperformed its benchmark on a gross return basis over the 12-month period. During the year, the Fund Managers continued to diversify the Fund by increasing its exposure to corporate bonds, fixed rate securities and foreign currency denominated assets which benefitted the Fund and contributed to its competitive yield at the end of the year.



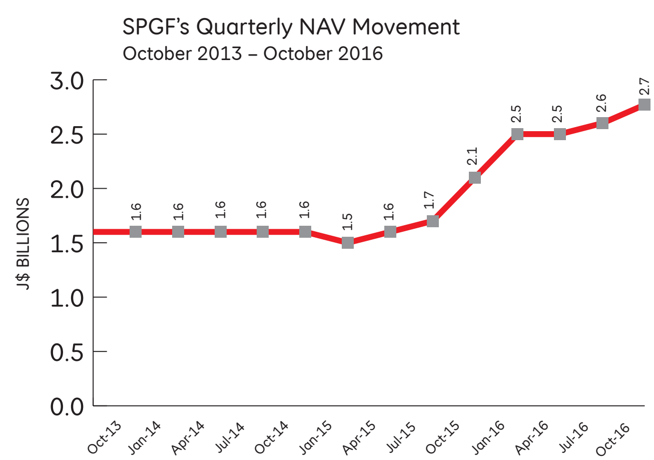




## Scotia Premium Growth Fund (SPGF)

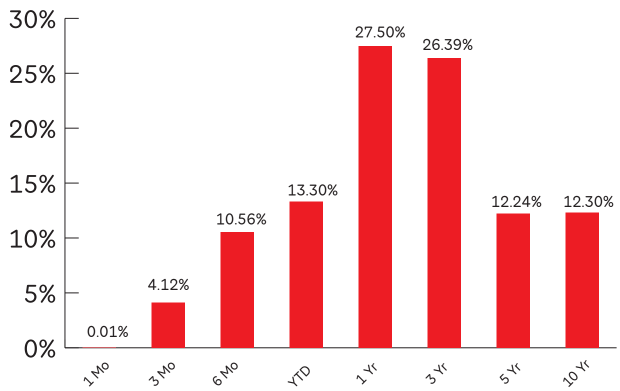
The Scotia Premium Growth Fund ended the year at $2.72 billion, commanding 18.2% of the equity-based unit trust market.

The Fund Managers increased the Fund's exposure to both local and international equities during the 12-month period to October 31, 2016. The local equities indices continued to move higher as investors remained confident in the Jamaican economy. The global equities market showed periods of volatility over the year as investors weighed the potential impact of the "Brexit" vote, the impending US election results, the initial fears of successive rate hikes by the US Federal Reserve, and the significant movements in oil prices.

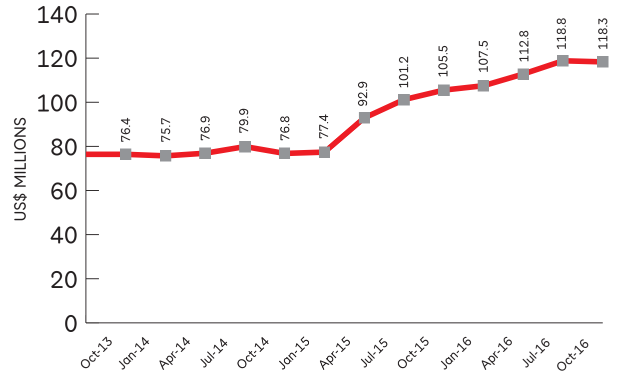
The SPGF's returns were 27.5% for the 12-month period and 13.3% for calendar year-to-date compared to the benchmark returns of 32.36% and 14.61%, respectively. The performance relative to the benchmark was largely due to an underweight position at the start of the year in select junior market stocks which rallied significantly as well as an overweight position in US equities which had a lower rate of return than local equities.



SPGF Annual Compound Return
as at October 31, 2016




SCIF's Quarterly NAV Movement
October 2013 – October 2016




## Scotia Caribbean Income Fund (SCIF)

The Scotia Caribbean Income Fund's NAV grew by 12.1% as local investors generally had an increased demand for attractive USD investment options to hedge against currency depreciation.

The Latin America and the Caribbean region bond prices were impacted by several events during the fiscal year including multi-year low oil prices, uncertainty surrounding when the Federal Reserve (Fed) would increase interest rates, and the "Brexit" vote. Ultimately, the Fed and other major central banks decided to keep or increase their accommodative monetary policy given the perceived risks to the global economy. As a result, bond prices across the region rallied as investors searched for higher yielding instruments. Therefore, amid the rallying of bond prices, the fund generated positive returns of 4.82%, which was higher than the return of 1.29% for the previous year.

The Fund continued to distribute 100% of net income earned to its shareholders and this remained a prominent feature of interest for current and prospective clients.

At the end of the year, the 12-month dividend yield was 2.07%. The Fund remains adequately diversified across the various asset classes as depicted in the graph below. The Fund Managers' strategy is to mitigate interest rate risk and provide investors with a consistent and stable income stream.

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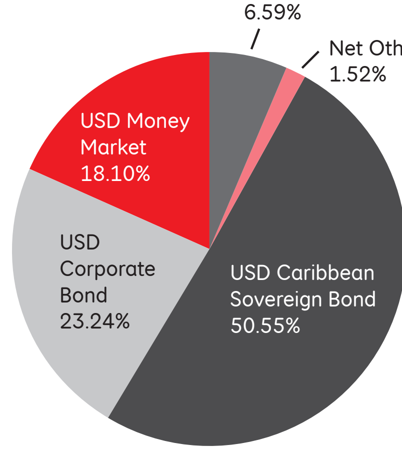
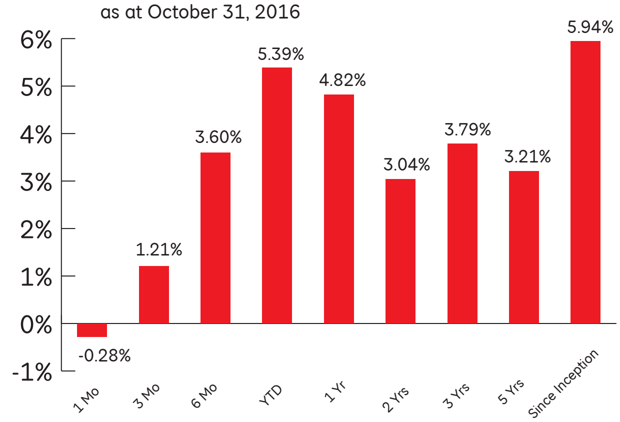
SCIF Composition
As at October 31, 2016




SCIF Annual Compound Return
as at October 31, 2016



## SCOTIA INVESTMENTS ASSET MANAGEMENT DIVISION

### Investment Management Services

The Asset Management Unit (AMU) had funds under management (FUM) of $69.8 billion as at October 31, 2016, a growth of 11.9% compared to the $62.4 billion under management at the end of the previous year. Pension funds assets under management (AUM) grew to $69 billion and firmly placed Scotia Investments as the second largest Pension Fund manager in the industry.

The 2015/16 financial year was mixed with a downward trend in local interest rates, continued depreciation of the local currency and solid growth in the local equities market. As a result, direct and indirect exposure to foreign currency denominated assets, fixed rate instruments, attractively priced corporate bonds and equities with strong long-term fundamentals were the main strategies employed during the year. The decline in local interest rates benefitted the Funds under our management with exposure to fixed rate securities and further depreciation in the Jamaican Dollar positively impacted the US Dollar denominated Bonds under management. The real estate segment continued to provide an inflation hedge providing both income and capital appreciation during the year.

Revenues from investment management as at October 31, 2016 contributed $242.4 million to the overall revenues of SIJL. This represents an 11.0% increase compared to the previous year's revenues. The Unit will continue its focus on growing revenues by expanding its investment management services and exploring additional product offerings to support and/or complement our existing services.

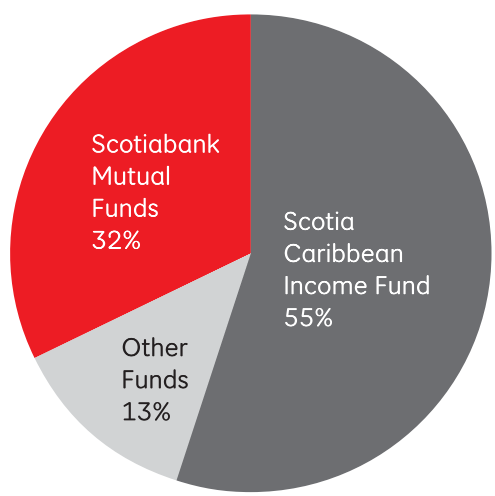
### Mutual Funds

SIJL remains the market leader in the Mutual Fund market with a suite of 55 Mutual Funds offered to investors. These are comprised of our five Scotiabank Mutual Funds, CI Mutual Funds and our proprietary Scotia Caribbean Income Fund.

Investors have access to the major asset classes: cash, fixed income and equity in their portfolios as well as investment options for global and regional assets, with the ability to effectively diversify their holdings. The Scotiabank Mutual Funds and CI Mutual Funds are denominated in US and Canadian dollars.  In addition, clients continue to enjoy the attractive features of the Scotia Caribbean Income Fund.

As at October 31, 2016, SIJL held an 87% market share of the mutual fund segment (including the Caribbean Income Fund).  SIJL's total CI and Scotiabank Mutual Funds Asset Under Administration (AUA) was in excess of US$69 million as at October 31, 2016. This total exceeds US$212 million, when the Caribbean Income Fund is included.

Local Mutual Fund Market Share
As at October 31, 2016




## THE ORIGINATION & CAPITAL MARKETS UNIT

This past year, the focus of the team was directed at relationship building with the issuer and investor community while working to increase its deal pipeline. The team continued to work closely with the Scotiabank Corporate & Commercial Banking Division team (CCBC) to present comprehensive financing solutions to a range of medium to large corporate clients.

The team further cemented its role as a leading regional deal maker by its participation in the successful Cable Bahamas (Arranger & Broker) and Trinidad Generation Unlimited (Local Book Runner) bond offers. The US$600 million Trinidad Generation Unlimited Bond Offer was a highly successful offer for a major power producer in Trinidad which was led internationally by Scotia Capital USA and Credit Suisse. The team handled the local regulatory filings and book building efforts.

We are also quite proud of our role as Lead Broker in a $340 million Offer of Urban Renewal Bonds for PanJam Investment Ltd which was one of the first such offers in a number of years. The proceeds of the offer, which benefitted from generous tax incentives under the Urban Renewal (Tax Relief) Act, were used in the renovation of the Oceana Hotel in Downtown Kingston.


## SALES & SERVICE UNIT

“Deepening Customer Relationships - Driving Results” was the theme underlying our strategies and activities during the fiscal year 2016 to ensure that we focused on this key success factor in order to grow our business in this competitive industry. This emphasis contributed to our success in a number of ways including the growth of our Scotia Caribbean Income Fund by 20% to over US$118 million and our Scotiabank Mutual Funds by 26% to over US$67 million.

In order to ensure that our financial advisors remained at the forefront of the industry we hosted a number of key training programmes which included specialized techniques in determining clients’ needs in order to provide appropriate financial advice. We also provided workshops to highlight the features and benefits of our suite of products, investment strategies, economic updates, as well as accreditation to sell our suite of Scotiabank Mutual Funds.

We made significant enhancements to the process and framework which our advisors utilise when conducting reviews of clients’ investment portfolios. We also continued our programme of educational client events across all branch locations during the year which included topics such as investment strategies and retirement planning. This was also complemented by consistent provision of information on developments in the local and international financial markets to clients.

Our advisors continued to receive first rate research and economic updates which kept them, as well as our clients, in tune with developments in the financial markets as they unfolded. This was complemented by timely updates from Scotia Investments Asset Management Division regarding key information on Unit Trust and Mutual Fund performances.

We recognized our top performing team members on a quarterly basis as the year progressed, with our rewards and recognition programme culminating in our stellar "Eclipse Awards" ceremony at the end of the year. Here we celebrated those team members who contributed significantly to growth in sales of our unit trusts, mutual funds and securities trading products in keeping with our business strategy, and also those team members who had made a positive contribution towards our client experience.

## MARKETING OVERVIEW

### CLIENT INTIMACY AND FINANCIAL LITERACY:

#### Client Engagement

As we sought to deepen our relationships with clients across the island, the marketing team embarked on a series of client events throughout the year which included cocktails and seminars; aimed at building client intimacy and expanding their financial knowledge of investment opportunities in local and international markets.

#### Campaign Launch

We launched our new brand and products campaign dubbed "Customized Portfolio Designs" during a client brunch at MODA Market in November 2015. Clients attending the event were treated to a pre-release viewing of the advertising campaign and were introduced to our master "portfolio design" team which included relationship managers and our senior management team.

#### Launch of Scotia Premium USD Index Fund

The team was proud to launch our newest fixed income product, the *Scotia Premium US Dollar Indexed Fund* at our head office in New Kingston in February. The product was launched at a press conference where our company's executives highlighted the features and unique benefits of the Fund.

#### Sponsorships

Throughout the year, we also continued to position our brand within our target market by sponsoring various lifestyle, business and sporting events. These included the 2016 Le Diner En Blanc, Caribbean Premier League T20, the 2016 Caribbean Neurological Surgeons Conference, MODA Market, MAJ Annual Symposium and The Jamaica Stock Exchange's Regional Conference.

## Corporate Philanthropy

The 2015 re-installment of the Jamaica Athletics Administrative Association (JAAA) Golden Cleats Awards ceremony was once again an opportunity for the Scotia Investments brand to demonstrate its support for the growth of track and field in Jamaica and encourage top performing youngsters in the sport.

For the sixth year in a row, Scotia Investments joined our colleagues in Scotia Wealth Management Division to host the 2016 Trench Town Reading Centre's Annual Spelling Bee Competition. The competition saw 85 children ages 5-16 contend for the coveted first-place spot in their respective category.

## Advisor Profiling

The team initiated our "Smart Money Matters" programme, which gave our advisors an opportunity to provide investment expertise through an engaging series of media interviews and press articles on personal finance and related topics. We also continued our thrust to provide clients and prospects with up to date financial information on the economy through other direct online channels such as our e-newsletter and podcast 'Market Pulse'. This provided clients fortnightly financial advice and cutting edge analysis in a podcast format.

## Social Media Profiling

Our focus on digital promotion of our products and services and of our sales team continued with our strong social media presence. Our most active platforms were Instagram, Facebook and Twitter, which saw our senior sales officers providing personal finance advice, exploratory video features about our products and services as well as our client portfolio planning strategies.

## Corporate

The team hosted on our Annual General Meeting on March 4, 2016 at the Knutsford Court Hotel. The event continues to be supported by shareholders and the media who use the opportunity to speak with the Board and management of the company, engage in discussion about our financial performance and make recommendations on the way forward for the new fiscal year.

# BUSINESS SUPPORT UNIT (BSU)

The BSU continued to play an integral role in driving the company's key focused priorities. During fiscal year 2016, the mission centered around forging deeper relationships with clients and key stakeholders and executing several projects and initiatives to further support the company's operational efficiency strategic imperative.

## Operations Support/Projects

During the fiscal year the company continued to focus on executing critical components of the of the Proceeds of Crime Act - Retrospective Due Diligence (POCA/ RDD) project by updating and/or collecting current information from our clients in order to further deepen our relationships and better serve them. Additionally, key emphasis was placed on also strengthening our compliance framework and meeting regulatory requirements. There was also keen attention paid to delivering some key milestones for the Foreign Account Tax Compliance Act (FATCA) reporting.

The Unit also focused on meeting requirements mandated by the Financial Services Commission (FSC) relating to the enhanced regulatory and supervisory framework for the retail repo market in continuous efforts to protect clients who utilize financial services. We have achieved significant results with minimal interruption to our clients' experience and will continue within this initiative to ensure full adherence in the coming year.

The BSU, in conjunction with the system implementation project team, is at an advanced stage of successfully concluding phase 1 of the implementation of our new core operating system which will enhance our client experience and support the operational efficiency of the company.  This system implementation includes extensive training of staff and the further strengthening of controls to minimize operational risks and effectively mitigate our general risk exposures..

## Business Continuity Plan

Scotia Investments continued to place high priority on our Business Continuity Plan (BCP) by ensuring that a robust and effective structure is in place so that the business is able to recover from disasters, pandemics and other disruptions in the shortest time possible, without significant impact to our business operations and client experience. Training of staff and actively testing the plans are two areas of focus that continued to receive senior management oversight.

# Corporate Profile

**Scotia Investments Jamaica Limited (SIJL), a subsidiary of Scotia Group, is a leading wealth management company in Jamaica that offers a diverse suite of bespoke financial products and services to make our clients financially better off. Our product and service offerings include:**

- Unit Trust and Mutual Funds (including US and Canadian dollar Mutual Funds)
- Stockbrokerage & Securities Services
- Capital Market Services
- Pension & Asset Management Services
- Money Market Investment Products
- Trust Services
- Cambio Services

In terms of market share, SIJL controls 28% of the Collective Investment Scheme Industry which includes our proprietary Unit Trusts (4) and our US-denominated Scotia Caribbean Income Fund. With access to our global network, we offer Scotiabank Mutual Funds to complement our product suite. With our demonstrated expertise, we continue to lead the fixed income Unit Trust market with the Scotia Premium Fixed Income Fund, the recently launched Scotia Premium US Dollar Indexed Fund and the Scotia Premium Money Market Fund which has grown to $14.5 billion in just under 5 years. As the 2nd largest Pension Fund Manager in the industry we command over $69 billion in Assets Under Management.

We serve the sophisticated needs of our customers through the provision of an extensive product suite of offerings which comprises of money market, securities trading (fixed income), stockbrokerage/equity trading and foreign exchange trading. For the financial year 2016, the Treasury and Trading Unit was ranked number one by value and volume on the Jamaica Stock Exchange( inclusive of block transactions). Additionally, the unit remains among the leading primary dealer in the island as ranked by the Bank of Jamaica Quarterly Performance Index Scores.

Our Scotia Investments brand essence is defined by our core values: Passion, Accountability, Integrity & Respect which is the over-arching framework that guides over interaction with our clients. Our dedicated team of senior leaders, led by our Chief Executive Officer and Board of Directors continue to ensure the accomplishment of the strategic objectives of the company to maintain our dominance of the investment market.

Integral to our delivery of a superior client experience, is the ongoing training of our investment advisors in the acquisition of local (Financial Services Commission) and international (Canadian Securities Institute) accreditation. Undoubtedly, our sales team are among the leading financial experts in the region. Our clients can access our team through various touch points which include an island-wide branch network, wealth contact centre and website channels.

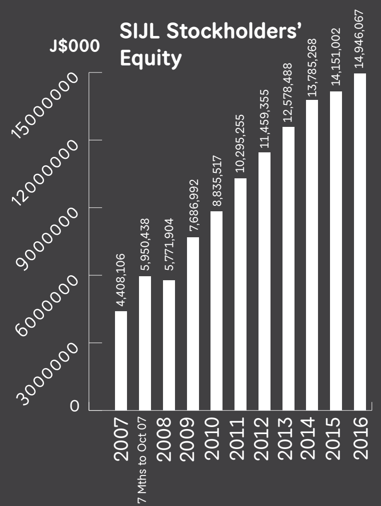
# Financial Highlights 2016

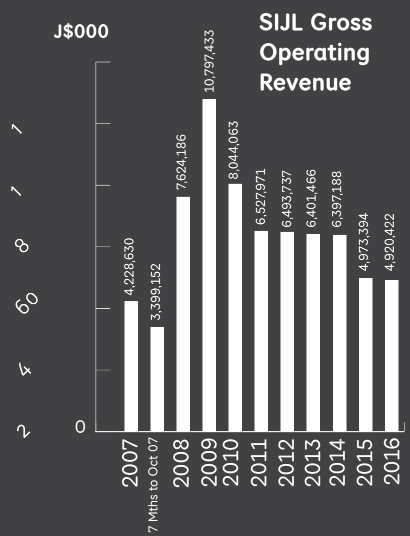
| | 2007 J$ ('000) | 7 Mths to Oct-2007 J$ ('000) | 2008 J$ ('000) | 2009 J$ ('000) |
|---|---|---|---|---|
| **Profit and Loss Account** | | | | |
| Gross Operating Revenue | 4,228,630 | 3,399,152 | 7,624,186 | 10,797,433 |
| Net Interest Revenue | 854,915 | 724,633 | 1,960,014 | 3,359,099 |
| Other Operating Revenues | 745,971 | 340,353 | 642,217 | 657,105 |
| Other Operating Expenses | 930,863 | 595,607 | 1,062,059 | 1,360,236 |
| Net Profit attributable to members | 702,955 | 686,295 | 1,239,480 | 2,128,870 |
| **Balance Sheet** | | | | |
| Total Assets | 37,749,263 | 56,352,603 | 65,996,518 | 74,010,727 |
| Total Liabilities | 33,341,157 | 50,402,165 | 60,224,614 | 66,323,735 |
| Total Stockholders' Equity | 4,408,106 | 5,950,438 | 5,771,904 | 7,686,992 |
| Total Funds Under Management | 38,519,109 | 84,480,969 | 96,790,241 | 109,433,421 |
| Number of Stock Units at Year End | 309,258,639 | 374,364,997 | 423,194,765 | 423,194,765 |
| **Key Financial Ratios** | | | | |
| Earnings per share ($) | 2.27 | 1.83 | 2.93 | 5.03 |
| Book Value per share | 14.25 | 15.89 | 13.64 | 18.16 |
| Efficiency Ratio | 57% | 57% | 41% | 34% |
| Return on Average Equity | 20% | 14% | 21% | 32% |
| Return on Average Asset | 2% | 1% | 2% | 3% |
| Net Profit Growth (% growth) | -20% | *67% | 5% | 72% |
| Asset Growth (% growth) | 23% | 49% | 17% | 12% |
| Equity Growth (% growth) | 24% | 35% | -3% | 33% |
| Average Equity | 3,985,640 | 5,179,272 | 5,090,005 | 6,729,448 |
| Average Assets | 34,160,812 | 47,050,933 | 51,872,891 | 70,003,623 |
| Net Revenue | 1,630,965 | 1,053,094 | 2,599,695 | 3,944,492 |

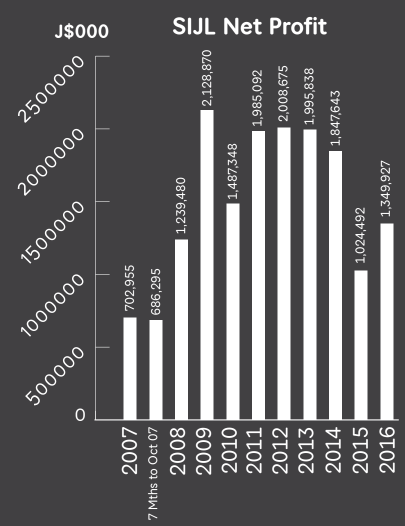
** Based on annualised net profit after tax for 7 months ended Oct 2007*

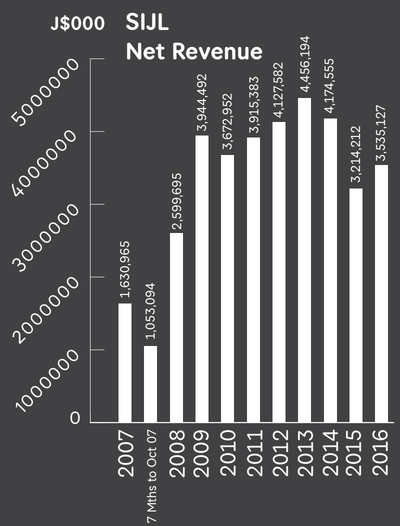
| 2010<br>J$ ('000) | 2011<br>J$ ('000) | 2012<br>J$ ('000) | 2013<br>J$ ('000) | 2014<br>J$ ('000) | 2015<br>J$ ('000) | 2016<br>J$ ('000) |
|---|---|---|---|---|---|---|
| 8,044,063 | 6,527,971 | 6,493,737 | 6,401,466 | 6,397,188 | 4,973,394 | 4,920,422 |
| 3,105,843 | 2,816,466 | 2,812,148 | 2,713,029 | 2,284,969 | 1,753,050 | 1,534,917 |
| 701,072 | 1,065,049 | 1,294,014 | 1,645,611 | 1,882,617 | 1,458,287 | 1,984,960 |
| 1,228,395 | 1,260,446 | 1,283,063 | 1,658,369 | 1,568,164 | 1,706,310 | 1,705,095 |
| 1,487,348 | 1,985,092 | 2,008,675 | 1,995,838 | 1,847,643 | 1,024,492 | 1,349,927 |
| 70,974,893 | 72,854,001 | 73,871,395 | 73,746,560 | 72,314,290 | 68,848,222 | 71,185,461 |
| 62,139,376 | 62,558,746 | 62,412,040 | 61,168,072 | 58,529,022 | 54,697,220 | 56,239,394 |
| 8,835,517 | 10,295,255 | 11,459,355 | 12,578,488 | 13,785,268 | 14,151,002 | 14,946,067 |
| 118,884,463 | 135,213,981 | 138,302,969 | 143,679,286 | 151,579,352 | 161,814,073 | 175,770,726 |
| 423,194,765 | 423,194,765 | 423,194,765 | 423,194,765 | 423,194,765 | 423,194,765 | 423,194,765 |
| 3.51 | 4.69 | 4.75 | 4.72 | 4.37 | 2.42 | 3.19 |
| 20.88 | 24.33 | 27.08 | 29.72 | 32.57 | 33.44 | 35.32 |
| 33% | 32% | 31% | 37% | 37% | 53% | 48% |
| 18% | 20% | 18% | 17% | 14% | 7% | 9% |
| 2% | 3% | 3% | 3% | 3% | 1% | 2% |
| -30% | 33% | 1% | -1% | -7% | -45% | 32% |
| -4% | 3% | 1% | 0% | -2% | -5% | 3% |
| 15% | 17% | 11% | 10% | 10% | 3% | 6% |
| 8,261,255 | 9,565,386 | 10,877,305 | 12,018,922 | 13,181,878 | 13,968,135 | 14,548,535 |
| 72,492,810 | 71,914,447 | 73,362,698 | 73,808,978 | 73,030,425 | 70,581,256 | 70,016,842 |
| 3,672,952 | 3,915,383 | 4,127,582 | 4,456,194 | 4,174,555 | 3,214,212 | 3,535,127 |

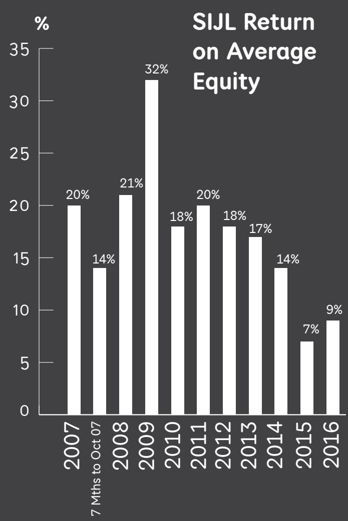
# Financial Highlights 2016



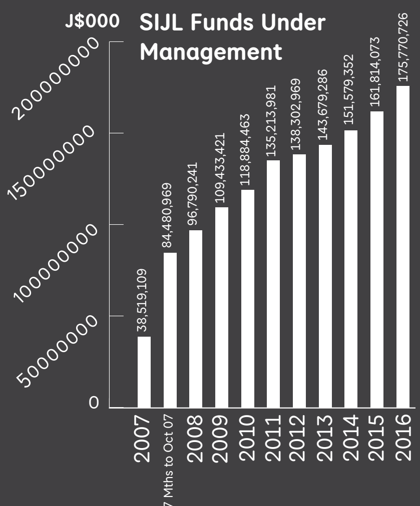

**Stockholders' Equity**
Stockholders' Equity represents the equity stake currently held on the books by a firm's ordinary shareholders. It is calculated either as a firm's total assets minus its total liabilities or as share capital plus retained earnings minus treasury shares.

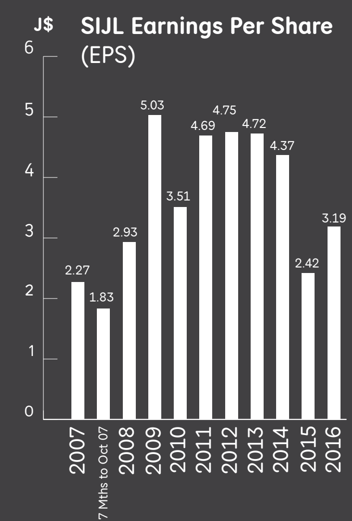
**Return on Average Equity**
A measure of a company's profitability that indicates the profit per unit of equity invested in the company. Return on Equity is often calculated by dividing net income by average shareholders' equity. Average shareholders' equity is calculated by adding the shareholders' equity for the last four quarters and dividing the result by four.

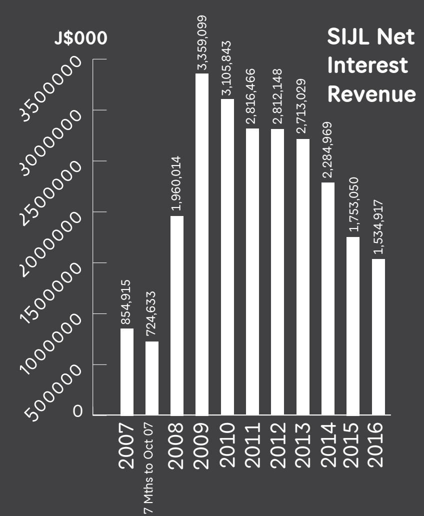
**Return on Assets (ROA)**
An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. ROA is calculated by dividing a company's annual earnings by its total assets. ROA tells what earnings were generated from invested capital (assets). The ROA figure gives investors an idea of how effectively the company is converting the money it has to invest into net income.

**Net Income (NI)**
A company's total earnings (or profit) which is calculated by taking revenues and adjusting for operating costs, depreciation, interest, taxes and other expenses. The number is found on a company's income statement and is an important measure of how profitable the company is over a period of time. The measure is also used to calculate earnings per share. Net Income is often referred to as "the bottom line" since net income is listed at the bottom of the income statement.

**Net Revenue**
The amount of money that a company actually earns during a specific period, excluding impairment losses.




**Gross Operating Revenue**
The amount of profit realised from a business' own operations, but excluding operating expenses.

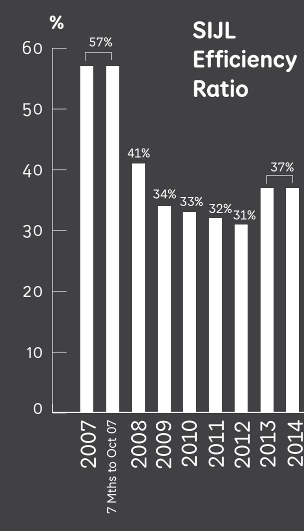
**Earnings Per Share (EPS)**
The portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share is generally considered to be the single most important variable in determining a share's price. EPS is also a major component of the price-to-earnings valuation ratio.

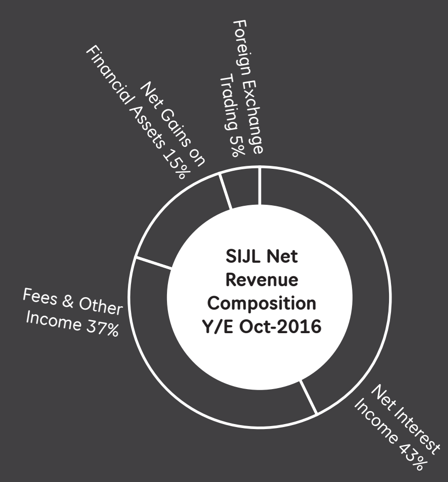
**Efficiency Ratio**
A ratio used to evaluate the overhead structure of a financial institution. The efficiency ratio gives us a measure of how effectively a company is operating. Efficiency is usually an acceptable measure of profitability as the more efficient companies are those that are able to generate increased revenues while containing increases in operating costs. The efficiency ratio may be calculated in a number of ways, but the most common is non-interest expense divided by total revenue. An increasing efficiency ratio means the company is losing a larger percentage of its income to expenses. If the ratio is getting lower, it is good for the company and its shareholders.

**Net Interest Income**
Net interest income (NII) is the difference between the interest income earned and the interest payments made to customers.

***NII = (Interest earned on assets) - (interest payments on liabilities)***

Depending on the firm's specific portfolio of assets and liabilities (fixed or floating rate), the firm's NII can be more or less sensitive to the changes in interest rates.



# Management's Discussion & Analysis

## INTRODUCTION

Scotia Investments Jamaica Limited (SIJL) continues to provide high quality financial services, supported by a network of 4 branches and 137 employees. We are a 77.01% subsidiary of Scotia Group Jamaica Limited ("Scotia Group") which is incorporated and domiciled in Jamaica. Scotia Group is a 71.78% subsidiary of Scotiabank Caribbean Holdings Limited, which is incorporated and domiciled in Barbados. The Bank of Nova Scotia Limited, which is incorporated and domiciled in Canada, is the ultimate parent company.

We are a licensed securities dealer, a member of the Jamaica Stock Exchange and have primary dealer status from the Bank of Jamaica (BOJ). The principal activities of the company comprise investment advisory and brokerage services, portfolio and fund management, investment management services for pension plans and the operation of foreign exchange cambios. We deliver investment products to both retail and institutional clients, as well as structured financing arrangements to corporate clients through our Capital Markets Unit.

## OUR ENVIRONMENT

Several challenges ensued during the year for the investment banking and brokerage industry. The industry continues to bear the burden of increased asset tax which took effect during the prior financial year and Scotia Investments, as part of a group of regulated companies, continues to pay the highest corporate tax rate of 33 1/3%, relative to other non-regulated companies that pay a lower income tax rate. We saw heightened competitive pressures as companies in the financial sector aggressively vied for market share in a low growth environment.

Within the domestic fixed income securities market, we have seen pockets of improvement relative to the previous financial year. In particular, there have been greater levels of liquidity seen on the Government of Jamaica (GOJ) local currency NDX bonds as a result of more active trading. During the financial year, the continued effort by the Central Bank to cut interest rates, which stands at a record low of 5%, (30 days certificate of deposit rate) combined with a reduction in the frequency with which the government participated in the bond market, had a positive impact on the local currency NDX securities.

Our local macroeconomic variables continued to trend in the right direction. We highlight, in particular, estimates from the Planning Institute of Jamaica (PIOJ), which showed that for the June to September quarter of 2016, the economy recorded growth of 2.3%, the highest since 2002. Moreover, policymakers have continued to execute the major initiatives under the IMF programme, leading to successful completion of all quarterly tests. As a result of its proven success and the resulting improved confidence in our economy, the GOJ has received approval from the International Monetary Fund (IMF) Board for the implementation of a new Stand-By Agreement to replace the current Extended Fund Facility. This new Standby Agreement with the IMF is expected to have a stronger tilt towards growth oriented measures.

Despite the challenging market conditions, the results this year show that Scotia Investments has been well served by its unique business model, efficiency, expense management, and consistent execution of its strategic objectives. Your company will continue to make its contribution to national development, while encouraging policymakers to maintain their commitment to the agreed IMF programme, including the timely execution of strategic growth initiatives.

SIJL is committed to maintaining a solid capital base as we continue to exceed the regulatory capital requirement. We have re-invested 43.57% of our profits into the business, growing our capital base by $0.59 billion during 2016 compared to reinvesting 25.65% of our profit and growing our capital base by $0.26 billion in 2015. This will ensure that we continue to deliver superior service to our valued clients, as well as strategically position the company to take advantage of any future opportunities.

## OVERVIEW OF FINANCIAL RESULTS

| Financial Highlights | 2016 | 2015 |
|---|---|---|
| | $000's | $000's |
| Total Assets | 71,185,461 | 68,848,222 |
| Pledged Assets | 52,440,265 | 53,751,562 |
| Investment Securities | 6,893,775 | 7,217,767 |
| Liabilities under Repurchase Agreements | 34,319,909 | 37,612,663 |
| Other Client Obligations | 15,352,087 | 12,714,643 |
| Shareholders' Equity | 14,946,067 | 14,151,002 |
| Net Profit After Tax | 1,349,927 | 1,024,492 |
| Return on Average Equity | 9.28% | 7.34% |
| | | |
| Earnings per share (cents) | 319 | 242 |
| Dividend per share (cents) | 180 | 180 |

Scotia Investments recorded Net Profit available to common shareholders of $1.35 billion, while our return on average equity stood at 9.28%. These results, which translate to earnings per share of $3.19, were delivered as a result of our diversified business model, prudent risk management practices and our team's ability to lead the financial services market with targeted value propositions to our clients.

In a competitive financial services industry, SIJL remains a significant player in the investment management sector, boasting a 28% market share in the total collective investment schemes. Our success was achieved primarily through the execution of our long-term strategy to grow our unit trusts, mutual funds and asset management businesses.

As at October 31, 2016, total funds under management stood at $176 billion, of which $126 billion or 72% represents the off-balance sheet portfolio, compared to 69% last year. Our clients continue to trust us to seek stability through diversification of their portfolios.

Our results were achieved within our risk tolerance levels due to strong management and oversight. Our risk management framework incorporates risk principles and risk appetite measures which guide the management of our business lines.

## STRATEGIC DIRECTION

We remain committed to the long term vision of generating revenues in a diversified manner to produce an adequate risk adjusted return for all our stakeholders. As we continue the evolution of our re-aligned business model, we remain focused on reducing structural costs. Our long held strategy of reducing our reliance on net interest income by leveraging the strengths of both the local and international Scotiabank Group will continue. This will entail the ongoing development of a diverse range of products and services with unique value propositions that will strengthen existing client relationships and build new ones.

## FOCUSED PRIORITIES

As we look to the future, we remain focused on those areas that will have the greatest impact and drive long term value creation for all stakeholders. We have had a solid and successful strategy, however, we must evolve it to better meet the needs of a changing environment. As such, our focus priorities have been redesigned as follows:

**Customer Focus:** We want to deepen primary relationships with our customers by placing them at the center of everything we do. This involves enhancing our client risk assessment processes and upgrading the tools used in determining our client portfolio suitability and investment selections.

**Business Mix Alignment:** This involves knowing our customers so well to anticipate and proactively provide value-added advice, and the appropriate solutions for their needs. Our efforts will also include enhancement of the product suite for our retail and institutional clientele.

**Leadership and Enhancement of Team Members' Engagement:** Inclusion is the action that delivers the benefits of diversity. Competing at our best means creating and maintaining an inclusive environment, demonstrated through people and our practices that allows us to build leadership capacity and bench strength, as we continue to develop a comprehensive leadership development plan for current and future leaders.

**Structural Cost Transformation:** To better serve our customers and lower costs, we are optimizing our operations. Our focus here will be on cementing the implementation of our new operating system, completing the alignment of workflows and processes, and consolidating all asset management activities within SIJL, to gain maximum efficiency.

**Digital Transformation:** We want to differentiate and enhance customer experience through innovation as we seek to become the digital leader in sales, marketing, engagement and customer convenience. We intend to implement the appropriate technologies to support the aggressive growth of our asset management business in Jamaica and across the region, as well as to implement supporting tools to improve our Advisors' interaction with our clients.

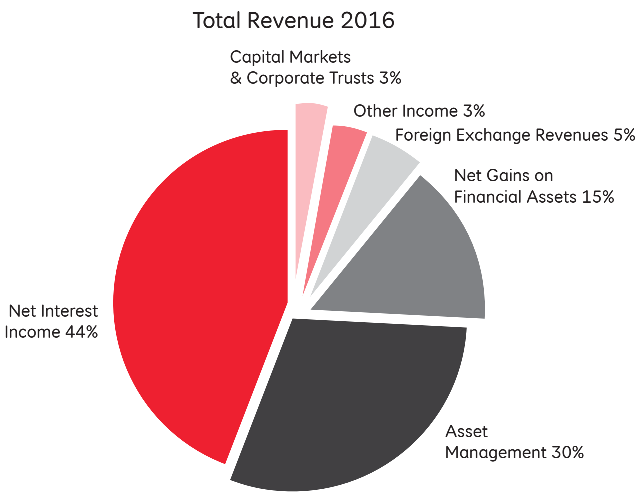
## FINANCIAL PERFORMANCE

### TOTAL REVENUE

Total revenue for the year was $3.54 billion, $321 million or 10% above last year. Net interest income recorded a decline of 12% due to lower asset yields. Nevertheless, we continue to pursue our strategy to reduce on-balance sheet exposure through the growth of our asset management segment. We expect that this will further reduce our reliance on net interest income while growing our earnings from fee based products. The contribution of non-interest income (NII) to total revenues increased by 11% to 56% in 2016.

The continuous growth in our funds and asset management business allowed us to record a 13% increase in our asset management revenues.

| Total Revenue | 2016 | 2015 | Change | |
|---|---|---|---|---|
| | $000 | $000 | $000 | % |
| Net Interest Income | 1,534,917 | 1,753,050 | (218,133) | (12) |
| Asset Management | 1,072,907 | 948,587 | 124,320 | 13 |
| Net Gains on Financial Assets | 530,799 | 284,782 | 246,017 | 86 |
| Foreign Exchange Trading | 177,684 | 50,196 | 127,488 | 254 |
| Capital Markets | 98,961 | 96,145 | 2,816 | 3 |
| Other Income | 119,859 | 81,452 | 38,407 | 47 |
| | **3,535,127** | **3,214,212** | **320,915** | **10** |

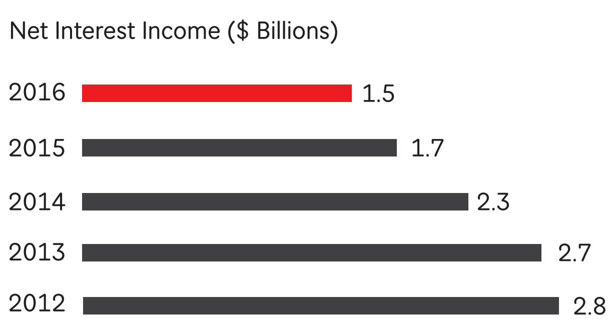



Net gains on financial assets were up by $246 million or 86% above last year, due to increased market-making opportunities for assets included in our portfolio.

The increase in foreign exchange revenues of $127 million, which more than doubled 2015 performance was primarily due to realized gains on the sale of mutual fund holdings during the year.

## NET INTEREST INCOME

We recorded net interest income of $1.53 billion in 2016, down $218 million from last year. This is in keeping with the lower interest rate environment and the market conditions that affected liquidity during the year.

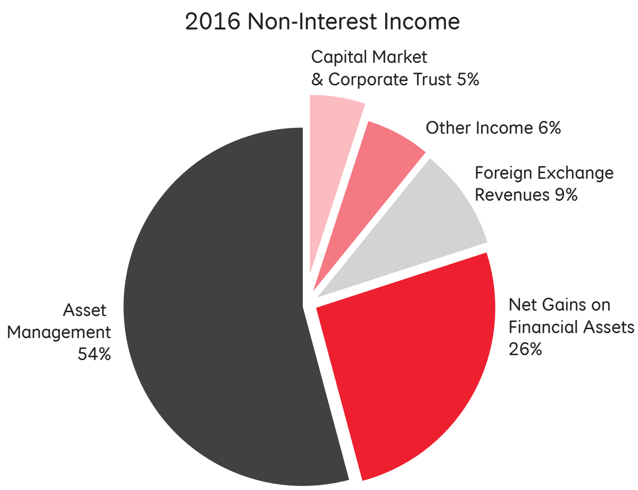



Our net interest margin on JMD earning assets portfolio decreased marginally relative to prior year by 10 basis points to 1.73%, while whole year average volumes decreased by $3.1 billion to $38.5 billion. The average yields on our USD earning assets decreased by 34 basis points to 2.29%, resulting in lower income of US$428 thousand.

Total interest income and interest expense decreased by $580 million and $362 million respectively, in keeping with lower interest rates year over year.

## NON-INTEREST INCOME

Non-interest income (NII) is comprised of fees and commission income, foreign exchange trading income, net gains on financial assets and other revenues. NII (net of impairment recoveries/losses on loans) was $2 billion for the year, up $539 million or 37% above last year.



## NON-INTEREST EXPENSES

Non-Interest expenses for the year totalled $1.71 billion, down $1.2 million or 0.07% which was relatively flat compared to last year. The decrease in salaries and benefits of $105 million, property expenses including depreciation of $13 million, and asset taxes of $12 million, were offset by increased computer expenses of $22 million, and amortization costs of $36 million due to the new system implementation in the current year. During the year, we continued our focus on proactively managing our expenses to seek gains from operational efficiencies.

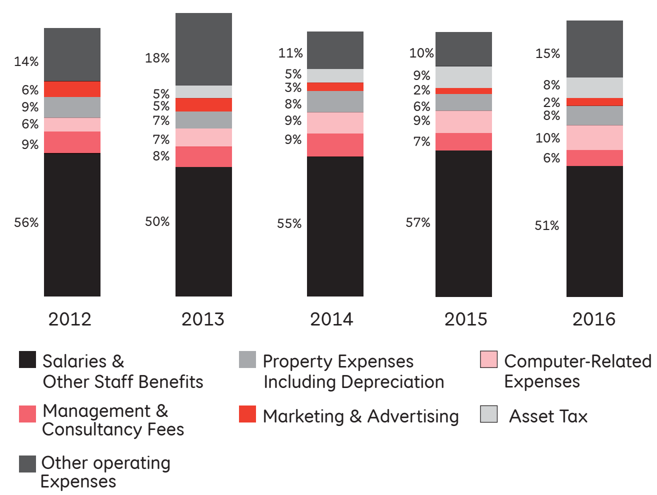
Salaries and employee benefits costs, the largest component of our expenses, were $865 million, down $105 million or 11% over last year. These expenses also accounted for 51% of the total operating costs, compared to 57% last year.

Property expenses, including depreciation were down $13 million due to lower insurance costs, reduced utility charges and security expenses.

Computer related expenses were up $22 million over last year due primarily to the devaluation of the Jamaican dollar against the US dollar.

Non-Interest Expense ($ Billions)


Non-Interest Expense Allocation




| | 2016 | 2015 | Change | |
|---|---|---|---|---|
| | $000 | $000 | $000 | % |
| Salaries & Staff Benefits | 865,463 | 970,181 | 104,718 | 11% |
| Property Expenses including Depreciation | 102,701 | 115,535 | 12,834 | 11% |
| Computer-related expenses | 168,774 | 146,417 | (22,357) | -15% |
| Management & Consultancy Fees | 134,103 | 110,165 | (23,938) | -22% |
| Marketing & Advertising | 42,397 | 39,842 | (2,555) | -6% |
| Asset Tax | 136,184 | 147,791 | 11,607 | 8% |
| Other Operating Expenses | 255,473 | 176,379 | (79,094) | -45% |
| | **1,705,095** | **1,706,310** | **1,215** | **0.07%** |

Management and consultancy fees were up $24 million or 22%, and marketing and advertising expenses were also up by $3 million or 6%.

The asset tax expense accounted for 8% of the total operating costs, compared to 9% last year.

Our productivity ratio decreased to 48% from 53% in 2015. The improvement in productivity in 2016 is attributable to the net effect of our increase in revenues of 10%, combined with flat operating costs compared to prior year.

### TAXES

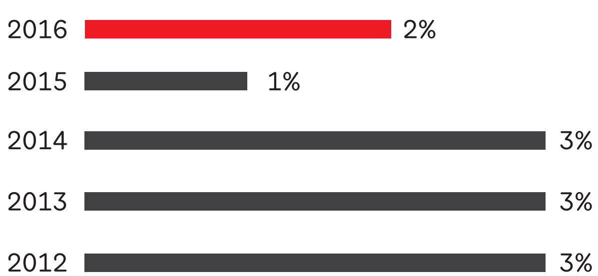
In 2016, our income tax expense was $480 million, up 0.7% or $3 million over last year. The marginal increase is consistent with the higher profitability offset by an improved effective tax rate from 32% to 26%.

## FINANCIAL CONDITION

### ASSETS

Total assets of $71.2 billion at year end were $2.4 billion or 3% above the $68.8 billion reported last year. This is in line with our thrust to reduce our on balance sheet exposure and focus on our asset management business.

Return on Average Assets




#### Cash Resources

Our cash resources held to meet our cash outflow obligations and respond effectively to unexpected liquidity events stood at $5.69 billion (2015: $2.22 billion).

#### Securities

Total investment securities and other pledged assets, decreased by $1.74 billion to $59.7 billion. Pledged assets, mainly relating to securities sold under repurchase agreements and capital management accounts, declined by $1.31 billion to $52.4 billion, and represented 88% (2015: 87%) of total investment securities and pledged assets. We expect to see a decline in these asset balances in the short term, as we transition our customers to our off-balance sheet solutions.

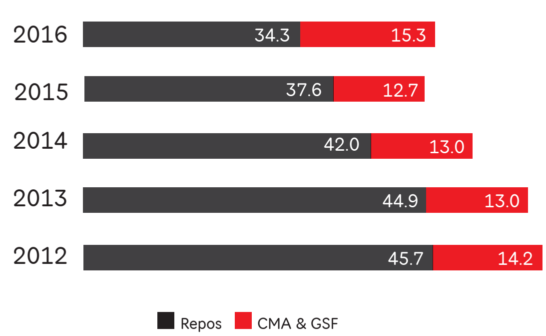
| | 2016 | | 2015 | |
|---|---|---|---|---|
| | $000's | % | $000's | % |
| Financial assets at fair value through statement of revenue and expenses | 353,976 | 0.59 | 459,502 | 0.75 |
| Pledged assets | 52,440,265 | 87.86 | 53,751,562 | 87.50 |
| Investment securities: available-for-sale | 6,893,775 | 11.55 | 7,217,767 | 11.75 |
| **Total securities and other pledged assets** | **59,688,016** | **100.00** | **61,428,831** | **100.00** |

### LIABILITIES

Total liabilities were $56.2 billion as at October 31, 2016, a marginal increase of $1.5 billion or 3% above last year, driven mainly by the increase in our clients' holdings in Capital Management and Government Securities Funds, and offset by the reduction in Repurchase Agreements.

**Obligations related to Repurchase Agreements, Capital Management and Government Securities Funds.**

Repurchase Agreements and
Capital Management Accounts ($' Billions)



As per the Repurchase Agreements and Capital Management Accounts graph on the previous page (39), these represent funds invested by our clients where the total obligations declined by $700 million or 1% during the year as we re-aligned our portfolios towards wealth creation through mutual fund and unit trust vehicles. Consequently, there was a $14.6 billion increase in our funds and asset management portfolios.

## FUNDS UNDER MANAGEMENT

Scotia Investments continued to be a significant player in the industry for the provision of investment management services. As at October 31, 2016, the unit trusts, mutual funds and asset management portfolios stood at $126 billion, which represented 70% of the total Off Balance Sheet funds under administration. In addition, assets under custodial arrangements totalled $54 billion (2015: $46 billion).

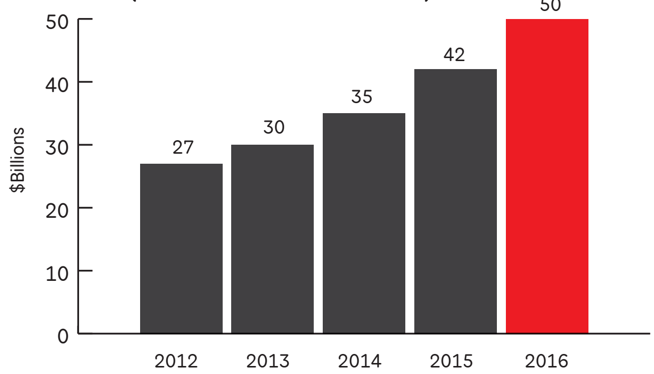
The unit trusts, mutual funds and asset management portfolios are managed on a non-recourse basis on behalf of investors and the Group has no equitable rights or interest.

The funds managed through the unit trusts and mutual funds totalled $49.6 billion (2015: $42.3 billion) up 17% and is attributable to both growth in volume and appreciation in value of the funds.

The Scotia Premium Money Market Fund, our flagship money market fund launched three years ago, continues to experience significant inflows, and achieved a 13% increase over last year to surpass the $14 billion mark. Our new unit trust fund, the Scotia Premium USD Indexed Fund, launched in the second quarter had reached $2.2 billion at October 31, 2016. The Scotia Caribbean Income Fund increased in net asset value (NAV) by 13% over last year with all other unit trust funds contributing $0.8 billion to the overall increase in funds under management.

Other funds under administration for which the Group provides investment management advisory and trustee services to third parties stood at $76.5 billion (2015: $69.2 billion). The 11% increase over last year was influenced primarily by contributions to the funds as well as an appreciation in the value of the assets of the Funds.

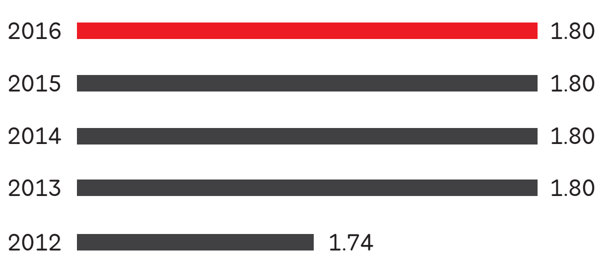
Managed Funds
(Unit Trust & Mutual Funds)




## SHAREHOLDERS' EQUITY

Total shareholders' equity rose to $14.9 billion in 2016, 0.79 billion more than prior year. This represented a 5.62% increase influenced primarily by increased retained earnings.

Dividends Per Share



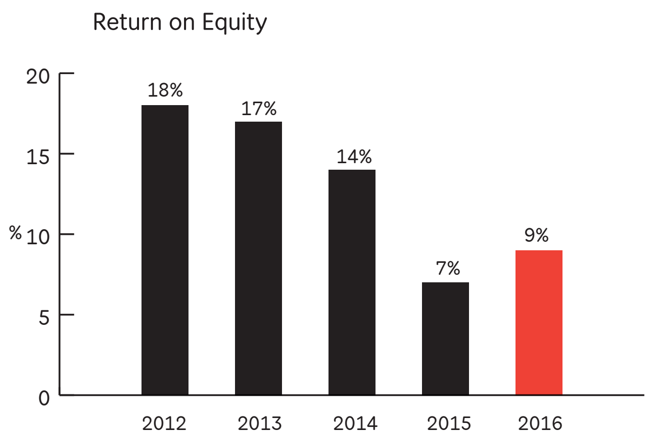
### SHAREHOLDERS' RETURN

Shareholders continued to receive quarterly dividends, which totalled $1.80 per share for this year. We remain focused on achieving sustainable, long-term earnings growth and stable dividend income streams to our shareholders. The dividend payout ratio for 2016 was 56.43% compared to 74.35% last year.

### CAPITAL ADEQUACY

Scotia Investments maintains a strong capital base to support the risks associated with its diversified businesses. This base contributes to safety for our customers, and fosters investor confidence, while allowing the company to take advantage of growth opportunities that may arise. Our risk based capital adequacy ratios, a measure of the Company's overall strength, continues to exceed the regulatory requirements and remain among the highest of its peer group. As at October 31, 2016, capital adequacy ratio was 43.02% (2015: 47.03%), which was 33.02% (2015: 37.03%) in excess of the regulatory requirement of 10%.

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Captial Adequacy Ratio | 43.02% | 47.03% | 50.58% | 41.50% | 36.70% |
| Regulatory Requirement | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Excess Over Regulatory Requirement | 33.02% | 37.03% | 40.58% | 31.50% | 26.70% |




## BUSINESS OUTLOOK

Jamaica's fiscal trajectory continues to head in the right direction with the signing of a new 36-month Standby agreement with the IMF. Inflation levels remain manageable and the rate of depreciation on the exchange rate has slowed significantly. These favourable indicators are contributing to increased business and consumer confidence, and will impact customers positively, with expectations of growth in all business lines of the Company.

As we continue to build on the benefits emanating from our transitioning process, your company will pivot even more towards a greater diversification of revenues from non-interest income generating businesses. We will therefore remain focused on building on our strong foundation, and deepening our commitment to help make our customers become better off.

We are optimistic about our business prospects in the year ahead, and confident that with continued discipline we will remain on course to meet our long-term strategic objectives. Your Company is well positioned to support the growth and stability of our economy and capitalize on the opportunities that will be created. Moreover, as part of a growing global footprint with an excellent brand and reputation, this allows us to tap into this international network of expertise for the benefits of customers, and also play an important role in the effective execution of our business strategy. We also recognise that innovation, product simplification, and increased investment in technology are critical to our success and long-term viability.

In the year ahead, we will maintain our emphasis on generating shareholder value and delivering superior customer experience for the benefit of all our Stakeholders.

# RISK Management REPORT

**The primary goals of risk management are to ensure that the outcomes of risk-taking activities are consistent with the Company's strategies and risk appetite, and that there is an appropriate balance between risk and reward in order to maximize shareholder returns.**

## THREE LINES OF DEFENCE

Scotia Investment's risk management framework is predicated on the three-lines-of-defence model adopted by Scotia Group. Within this model, functional Business Line staff and management (the first line) incur and own the risks, while Scotia Group's risk management units and other control functions (the second line) provide independent oversight and objective challenge to the 1st line of defence, as well as monitoring and control of risk. Scotia Group's Internal Audit Department (the third line) provides assurance that control objectives are achieved by the first and second lines of defence.

## RISK MANAGEMENT FRAMEWORK

Scotia Investments has a robust, disciplined risk management framework supported by a strong risk management culture where risk management is a responsibility shared by all of the Company's employees. The framework is supported by a robust risk management culture perpetuated throughout Scotia Group Jamaica Limited & its affiliates (the Group, Scotia Group).

This framework is subject to constant evaluation to ensure that it meets the changes in the markets in which the Company operates, including regulatory standards and industry best practices.

**1st Line of Defence**

**Business Line/Corporate Function**

- Owns the risks associated with business activities.
- Exercises business judgement to evaluate risk.
- Ensures activities are within the Company's risk appetite and risk management policies.

**2nd Line of Defence**

**Risk Management and Other Control Functions**

- Independently facilitates and monitors the implementation of effective risk management practices.
- Develops policies, measurement & reporting, limits and controls, oversight and monitoring.
- Provides oversight and objective challenge to the 1st line of defence.
- Provides training, tools and advice to support policy and compliance.

**3rd Line of Defence**

**Internal Audit**

- Independent monitoring and oversight function.
- Focus on governance framework and control systems.
- Audit findings reported to management and Audit Committee.

# Risk Management Framework

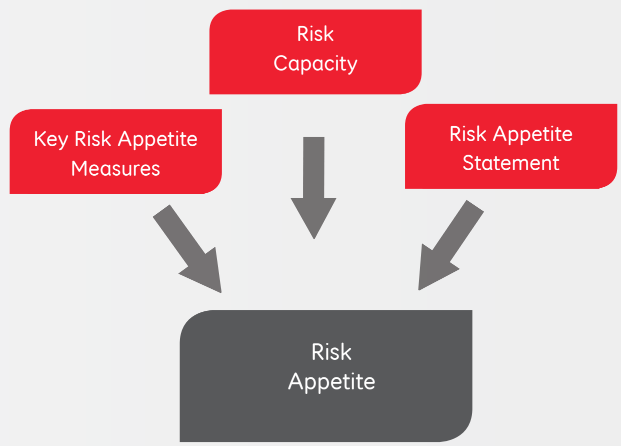

Scotia Investments risk management framework consists of the key elements:

1. Risk Governance
2. Risk Appetite
3. Risk Management Techniques

**Risk governance -** The company has a well-established risk governance structure, with an active and engaged Board of Directors supported by an experienced senior management team and Scotia Group centralized risk management units that is independent of the business lines. Decision-making is highly centralized through a number of senior and executive risk management committees.

**Risk appetite -** The company's Risk Appetite Framework governs risk-taking activities on an enterprise-wide basis. It consists of the identification of risk capacity, the risk appetite statement and key risk appetite measures. Together, the application of these measures helps to ensure the company stays within appropriate risk boundaries.

**Risk management techniques -** Effective risk management includes techniques that are integrated with the company's strategies and business planning processes. Risk management techniques are regularly reviewed and updated to ensure consistency with risk-taking activities, and relevance to the business and financial strategies of the company.




# Risk Management Report

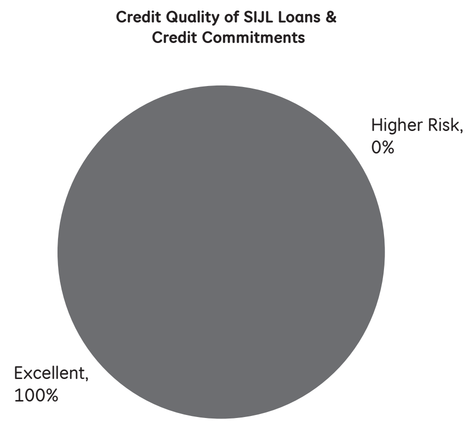
## CREDIT RISK

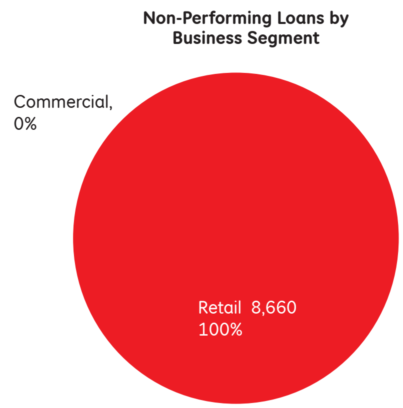
**Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour a financial or contractual obligation to the Company. Credit risk is created in Scotia Investments' direct lending operations, and in its funding, investment and trading activities where counterparties have repayment or other obligations to the Firm.**

The Credit Risk framework for Scotia Investments' seeks to support business outcomes that are consistently within the risk tolerance of the company. Doing this involves ensuring that target markets and product offerings are well defined and understood; risk parameters for new underwritings and for the portfolios as a whole are clearly specified, and consistently complied with; activities, including origination and syndication are managed in a manner to ensure the goals for the overall portfolio are met; and transactions are initiated and monitored within applicable limits.

Scotia Investments' credit risk management revolves around Group credit risk policies, business specific policies, a defined credit risk strategy and risk appetite, business ownership in managing risks, and centralised Group expertise to assist in identification, guidance, and oversight of credit risk elements including adjudication of large loans and/or management of exception exposures.

Scotia Investments' credit portfolio includes personal, private sector, and sovereign borrowers. Private sector exposure is generally secured by marketable securities. The credit risk approaches applied meet the objectives of client friendly yet risk appropriate credit adjudication and lending standards. Scotia Investments' periodically reviews its credit risk policies and methodologies and makes enhancements when necessary.




## MARKET RISK

**Market risk is the risk of loss from changes in market prices and rates (including interest rates, credit spreads, equity prices, and foreign exchange rates), the correlations among them, and their levels of volatility.**

The Board of Directors reviews and approves market risk policies and limits annually. The Asset & Liability Committee (ALCO) oversees the application of the framework set by the Board, and monitors the company's market risk exposures and the activities that give rise to these exposures.

Scotia Group's Market Risk Management unit provides independent oversight of all significant market risks, supporting the ALCO with analysis, risk measurement, monitoring, reporting and support for new product development. To ensure compliance with policies and limits, market risk exposures are independently monitored on a continuing basis, by Market Risk Management and by the Treasury support units. They provide senior management, business units, and the ALCO with a series of daily, weekly and monthly reports of market risk exposures by business line and risk type.

**Areas of Market Risk Exposure**

| Types of Risk | Investment Activities | Trading Activities | Funding Activities |
|---|---|---|---|
| Interest Rate Risk | √ | √ | √ |
| Foreign Currency Risk | √ | √ | √ |
| Credit Spread & Equities Risk | √ | √ | |

## INVESTMENT AND FUNDING ACTIVITIES

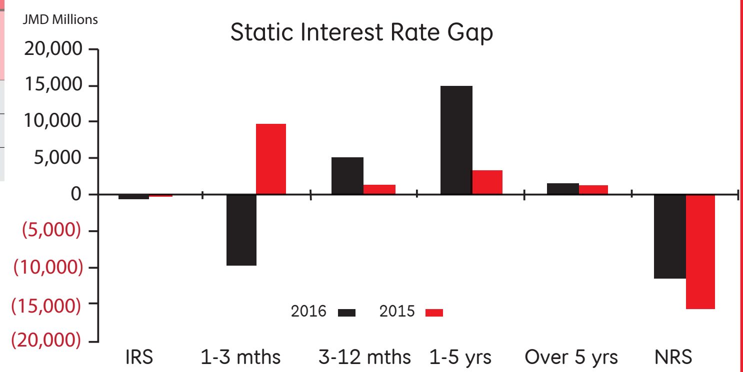
Market risk arising from the Company's investment and funding activities is identified, managed and controlled through the Company's asset-liability management processes. The ALCO meets monthly to review risks and opportunities, and evaluate performance.

## INTEREST RATE RISK

The company actively manages its interest rate exposures with the objective of enhancing net interest income within established risk tolerances. Interest rate risk is managed in accordance with Board-approved policies and limits, which are designed to control the risk to income and economic value of shareholders' equity. The income limit measures the effect of a specified change in interest rates on the Company's annual net interest income, while the economic value limit measures the impact of a specified change in interest rates on the present value of the Company's net assets. Interest rate exposures in individual currencies are also controlled by gap limits.

Gap analysis, simulation modelling, sensitivity analysis and Value at Risk (VaR) are used to assess exposures and for planning purposes. Interest rate risk exposure is generally based on the earlier of contractual re-pricing or maturity of the Company's assets and liabilities. Certain assets and liabilities without a fixed maturity are assigned a maturity profile based on the longevity of the exposure. Common shareholders' equity is assumed to be interest rate sensitive between one and three months.

Further details on the interest rate risk exposure for the Group are summarized in Note 35 (c) (i).



Source: MOF, SIJL

## FOREIGN CURRENCY RISK

Foreign currency risk arises from foreign currency operations. The Company mitigates the effect of foreign currency exposures by financing its foreign currency assets with borrowings in the same currencies. The differences between foreign currency assets and liabilities are reflected in either positive or negative spot positions. Spot position limits are approved by the Board at least annually, and the ALCO reviews and manages these positions.

The foreign currency risk exposure for the Group is summarized in Note 35 (c) (ii).

## EQUITY RISK

**Equity risk is the risk of loss due to changes in the prices and the volatility of individual equity instruments and equity indices. The Board sets limits on the level of exposure and diversification. This is a key strategy employed to reduce the impact of non-performance of a specific class of assets.**

The equity risk exposure for the Group is summarized in Note 35 (c) (iii).

## TRADING ACTIVITIES

Scotia Investments policies, processes and controls for trading activities are designed to achieve a balance between pursuing profitable trading opportunities and managing earnings volatility within a framework of sound and prudent practices. Trading activities are primarily customer focused, but also include a proprietary component. In its trading activities, the Company buys and sells currencies in the spot market, as well as equities and bonds for its customers. Gains and losses from these activities are included in other income.

Market risk arising from these activities is managed in accordance with Board-approved policies, and aggregate VaR and stress testing limits. The quality of the Company's VaR is validated by regular backtesting analysis, in which the VaR is compared to theoretical and actual profit and loss results.

## LIQUIDITY RISK

**Liquidity risk is the risk that the Company is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to depositors, settlement of securities borrowing and repurchase transactions, and lending and investment commitments.**

Effective liquidity risk management is essential in order to maintain the confidence of clients and counterparties, and to enable the core businesses to continue to generate revenue, even under adverse circumstances.

Liquidity risk is managed within the framework of policies and limits that are approved by the Board of Directors. The Board receives reports on risk exposures and performance against approved limits. The Asset & Liability Committee (ALCO) provides senior management oversight of liquidity risk and meets monthly to review the Company's liquidity profile.

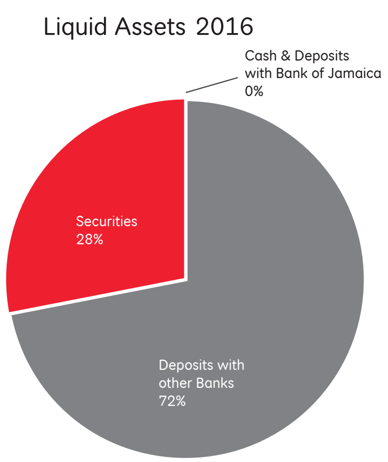
The Company actively measures and forecasts cash flows and manages liquidity through a set of limits including:

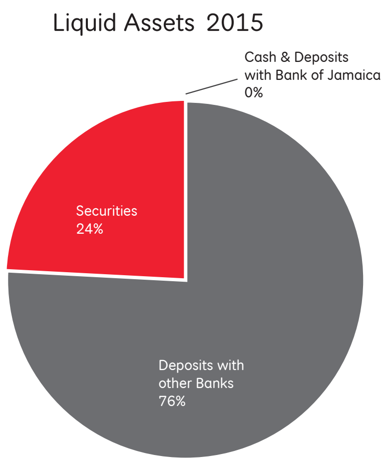
- the maximum net cash outflow by currency over specified short-term horizons (cash gaps) and
- a minimum level of core liquidity consisting of highly liquid, unencumbered assets that can be readily sold, or pledged to secure borrowings, under stressed market conditions or due to company specific events.

The Company has adopted, and is an integral component in, Scotia Group's liquidity contingency plan. The plan specifies an approach for analyzing and responding to actual and potential liquidity events. It also outlines the governance structure for the management and monitoring of liquidity events, processes for effective internal and external communication, and identifies potential counter measures to be considered at various stages of an event. The liquidity contingency plan is approved by Scotia Group's Board of Directors.

## LIQUIDITY PROFILE

The Company maintains large holdings of liquid assets to support its operations. These assets generally can be sold or pledged to meet the Company's obligations. As at October 31, 2016 liquid assets were $15.1 Billion or 21% of total assets, compared to $9.7 Billion or 14% of total assets as at October 31, 2015. The mix of these assets is as follows:




## OPERATIONAL RISK

**Operational risk is the risk of loss, whether direct or indirect, to which the Company is exposed due to inadequate or failed internal processes or systems, human error, or external events. Operational risk includes legal and regulatory risk, business process and change risk, fiduciary or disclosure breaches, technology failure, financial crime and environmental risk, and excludes reputational risk. It exists in some form in every business and function.**

The impact of Operational risk may not only result in financial loss, but also regulatory sanctions and damage to the Company's reputation.

Scotia Investments has adopted the policies, processes and assessment methodologies utilized by Scotia Group to ensure that operational risk is appropriately identified and managed with effective controls. The three lines of defence model helps to ensure proper accountability and clearly defines the roles and responsibilities for operational risk management. The first line of defence is the business units, who own the risks in their businesses and operations. The second line of defence is led by a centralized Operational Risk Management function, with support from control and stewardship functions across the Group. The third line of defence is Internal Audit which is independent and is responsible for verifying that significant risks are identified and assessed, and for testing controls to ensure that overall risk is at an acceptable level. The Internal Audit department is also responsible for auditing and assessing the Bank's Operational Risk Management Framework, including its design and effectiveness.

SIJL has also adopted the Group's Operational Risk Management Framework which sets out an integrated approach to identify, assess, control, mitigate and report operational risks. Some key components of the Group's Operational Risk Management Framework include but are not limited to the following:

# Risk Management Report

- The Group's risk and control assessment programme, which includes formal reviews of significant units, operations and processes to identify and assess operational risks. This programme provides a basis for management to ensure that key risks have been identified and that controls are functioning effectively. Business line management attests to the accuracy of each assessment and develops action plans to mitigate residual risk exposure, as appropriate. Results of these reviews are summarized and reported to executive management and the Board of Directors.

- There is a standard inventory of operational risks which are discussed and considered in each risk assessment.

- Training programmes, including the mandatory Anti-Money Laundering, Operational Risk and Information Security courses and examinations which ensure employees are aware and equipped to safeguard our customers' and the Company's assets.

- Risk mitigation programmes, which use insurance policies to transfer the risk of high severity losses, where feasible and appropriate.

- Operational risk reporting is provided to the Bank's senior executive management and the Board of Directors, and includes information relating to key events, results, trends and themes across the operational risk tools. The combination of these information sources provides both a backward and forward-looking view of operational risks within the company.

## REPUTATIONAL RISK

**Reputational risk is the risk that negative publicity regarding Scotia Investments' conduct, business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures.**

Negative publicity about an institution's business practices may involve any aspect of its operations, but usually relates to questions of business ethics and integrity, or quality of products and services. Negative publicity and the attendant reputational risk frequently arise as a by-product of some other kind of risk management control failure.

Reputational risk is managed and controlled throughout Scotia Group by codes of conduct, governance practices and risk management programmes, policies, procedures and training. Many relevant checks and balances are executed through the company's well-established compliance programme and operational risk management programme. All directors, officers and employees have a responsibility to conduct their activities in accordance with the Scotiabank Guidelines for Business Conduct, and in a manner that minimizes reputational risk.

## STRATEGIC RISK

**Strategic Risk is the risk that the bank's business strategies are ineffective, being poorly executed, or insufficiently resilient to changes in the business environment.**

The Board of Directors is ultimately responsible for oversight of strategic risk, by adopting a strategic planning process and approving, on an annual basis, a strategic plan for the company.

The execution and evaluation of strategic plans is a fundamental element of the company's risk management framework. All employees are responsible for clearly understanding the company's direction and goals. On an ongoing basis, business lines and control units identify, manage, and assess the internal and external events and risks that could impede achievement of strategic objectives. The Executive Management Team regularly meets to evaluate the effectiveness of the company's strategic plan, and consider what amendments, if any, are required.

# Stockholdings
As at 31 October, 2016

## 10 Largest Stockholders as at 31 October 2016

| Stockholder | No. of Units | Percentage |
|---|---|---|
| Scotia Group Jamaica Limited | 325,891,065 | 77.01 |
| Sagicor PIF Equity Fund | 14,441,768 | 3.41 |
| Mayberry West Indies Limited | 10,137,777 | 2.40 |
| Trading A/C - National Insurance Fund | 7,021,597 | 1.66 |
| JCSD Trustee Services Limited - Sigma Optima | 3,263,448 | 0.77 |
| JCSD Trustee Services Ltd A/C #76579-02 | 2,237,886 | 0.53 |
| Peter Wing Chuan Ayuen | 2,001,000 | 0.47 |
| Grace Kennedy Limited Pension Scheme | 1,984,000 | 0.47 |
| P.A.M. Limited - Pooled Pension Equity Fund | 1,848,251 | 0.44 |
| Guardian Life Limited | 1,682,166 | 0.40 |
| **TOTAL** | **370,508,958** | **87.55** |

## Stockholders of Senior Management & Connected Parties as at 31 October 2016

### SENIOR MANAGEMENT AND CONNECTED PARTIES

| Last Name | First Name | Total Stockholding | Direct | Connected Parties |
|---|---|---|---|---|
| Coke | Dylan | 0 | 0 | 0 |
| Frazer | Brian | 838 | 0 | 838 |
| McKenzie | Karl | 3,000 | 0 | 3,000 |
| Miller | Hugh | 10,000 | 10,000 | 0 |
| Mitchell | Lissant | 2,000 | 0 | 2,000 |
| Sylvester | Courtney | 0 | 0 | 0 |
| Tinker | Andrea | 216,050 | 216,050 | 0 |
| Wright | Michelle | 0 | 0 | 0 |

## Stockholders of Directors & Connected Parties as at 31 October 2016

**DIRECTORS AND CONNECTED PARTIES**

| Last Name | First Name | Total Stockholding | Direct | Connected Parties |
|---|---|---|---|---|
| Alexander | Barbara | 623 | 0 | 623 |
| Chang | Anthony | 0 | 0 | 0 |
| Fowler | Angela | 0 | 0 | 0 |
| Hall | Jeffrey | 0 | 0 | 0 |
| McConnell | William | 0 | 0 | 0 |
| Mitchell | Lissant | 2,000 | 0 | 2,000 |
| Sharp | Jacqueline | 0 | 0 | 0 |
| Welling | Cathy | 0 | 0 | 0 |

**NOTES:**
*On 2 August 2016, William David McConnell was appointed to the Board of Directors*

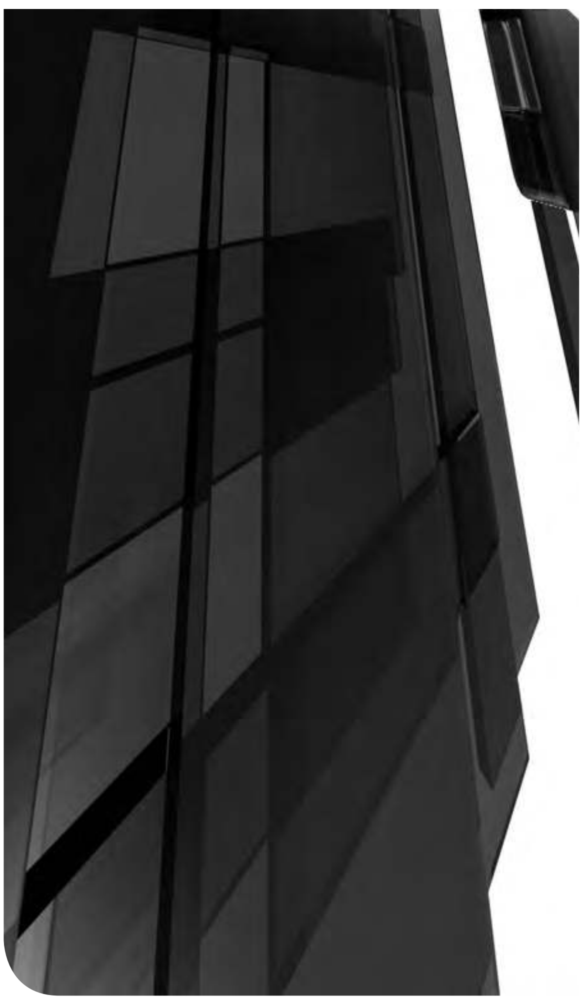
## Stockholders Mix as at 31 October 2016

| Stockholdings | Number Of Stockholders | Total Stocks Held | Holding % |
|---|---|---|---|
| Up to 500 | 493 | 136,890 | 0.03 |
| 501 to 2,000 | 765 | 974,268 | 0.23 |
| 2,001 to 5,000 | 578 | 2,061,480 | 0.49 |
| 5,001 to 10,000 | 303 | 2,351,647 | 0.56 |
| 10,001 to 50,000 | 396 | 9,393,963 | 2.22 |
| 50,001 to 100,000 | 86 | 6,567,136 | 1.55 |
| 100,001 to 250,000 | 66 | 10,981,978 | 2.60 |
| 250,001 to 500,000 | 21 | 8,133,995 | 1.92 |
| Over 500,000 | 25 | 382,593,408 | 90.41 |
| **TOTAL** | **2,733** | **423,194,765** | **100.00** |

## Ordinary Stockholders as at 31 October 2016

| Category | Number Of Stockholders | Number Of Units |
|---|---|---|
| Insurance Companies | 19 | 10,670,565 |
| Pension Funds | 27 | 10,693,058 |
| Individual | 2,556 | 29,496,229 |
| Other | 131 | 372,334,913 |
| **TOTAL** | **2,733** | **423,194,765** |

# Financial Statements



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INDEPENDENT AUDITORS' REPORT

To the Members of
**SCOTIA INVESTMENTS JAMAICA LIMITED**

**Report on the Financial Statements**

We have audited the financial statements, comprising the separate finanicial statements of Scotia Investments Jamaica Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 55 to 125, which comprise the Group's and the Company's statements of financial position as at October 31, 2016, the Group's and the Company's statements of revenue and expenses, comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the prepartion of financial statements that are free from material mistatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
**SCOTIA INVESTMENTS JAMAICA LIMITED**

**Report on the Financial Statements (continued)**

*Auditors' Responsibility* (cont'd)

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements thta give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at October 31, 2016, and of the Group's and the Company's financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

**Report on additional matters as required by the Jamaican Companies Act**

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

December 6, 2016

**SCOTIA INVESTMENTS JAMAICA LIMITED**

**Consolidated Statement of Revenue and Expenses**
**Year ended October 31, 2016**
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **Net interest income and other revenue** | | | |
| Interest from loans and deposits with banks | | 285,904 | 290,652 |
| Interest from securities | | 2,649,558 | 3,224,455 |
| Total interest income | 6 | 2,935,462 | 3,515,107 |
| Interest expense | 6 | (1,400,545) | (1,762,057) |
| Net interest income | 6 | 1,534,917 | 1,753,050 |
| Impairment losses on loans, net of recoveries | 23 | 15,250 | 2,875 |
| Net interest income after impairment losses on loans | | 1,550,167 | 1,755,925 |
| Fee and commission income | 7 | 1,245,714 | 1,097,945 |
| Net foreign exchange trading income | 8 | 177,684 | 50,196 |
| Net gains on financial assets | 9 | 530,799 | 284,782 |
| Other revenue | 10 | 30,763 | 25,364 |
| | | 1,984,960 | 1,458,287 |
| | | 3,535,127 | 3,214,212 |
| **Expenses** | | | |
| Salaries, pension contributions and other staff benefits | 11 | 865,463 | 970,181 |
| Property expenses, including depreciation | | 102,701 | 115,535 |
| Amortisation of intangible assets | 28 | 36,330 | - |
| Asset tax | | 136,184 | 147,791 |
| Other operating expenses | | 564,417 | 472,803 |
| | 12 | 1,705,095 | 1,706,310 |
| **Profit before taxation** | 14 | 1,830,032 | 1,507,902 |
| **Taxation** | 15 | ( 480,105) | ( 483,410) |
| **Profit for the year** | 16 | 1,349,927 | 1,024,492 |
| **EARNINGS PER STOCK UNIT** (expressed in $ per share) | 17 | 3.19 | 2.42 |

The accompanying notes form an integral part of the financial statements

**SCOTIA INVESTMENTS JAMAICA LIMITED**

**Consolidated Statement of Comprehensive Income**
**Year ended October 31, 2016**
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **Profit for the year** | 16 | 1,349,927 | 1,024,492 |
| **Other comprehensive income:** | | | |
| Items that may be reclassified to profit or loss: | | | |
| Unrealised net gains on available-for-sale financial assets | | 251,256 | 78,522 |
| Realised gains on available-for-sale financial assets | | ( 20,638) | ( 17,591) |
| Amortisation of fair value reserve on financial instruments reclassified to loans and receivables | | - | 15,297 |
| Other comprehensive income before tax | | 230,618 | 76,228 |
| Taxation on other comprehensive income | 29(a) | ( 26,269) | 26,765 |
| **Other comprehensive income, net of tax** | | 204,349 | 102,993 |
| **Total comprehensive income for the year** | | 1,554,276 | 1,127,485 |
| **Total comprehensive income for the year attributable to stockholders of the company** | | 1,554,276 | 1,127,485 |

The accompanying notes form an integral part of the financial statements

**SCOTIA INVESTMENTS JAMAICA LIMITED**

**Consolidated Statement of Financial Position**
**October 31, 2016**
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

| | Notes | 2016 | 2015 |
|---|---|---|---|
| ASSETS | | | |
| **Cash resources** | | | |
| Notes and coins of, deposit with, and money at call at, Bank of Jamaica | 18 | 5,198 | 26,167 |
| Amounts due from other financial institutions | 18 | 2,841,745 | 1,101,506 |
| Accounts with parent and fellow subsidiaries | 18, 19 | 2,847,907 | 1,096,618 |
| | | 5,694,850 | 2,224,291 |
| **Financial assets at fair value through profit or loss** | 20 | 353,976 | 459,502 |
| **Pledged assets** | 21 | 52,440,265 | 53,751,562 |
| **Loans, after allowance for impairment losses** | 22 | 69,422 | 97,818 |
| **Investment securities** | 25 | 6,893,775 | 7,217,767 |
| **Other assets** | | | |
| Customers' liabilities under guarantees | | 4,143,040 | 3,480,500 |
| Taxation recoverable | | 970,861 | 1,281,029 |
| Sundry assets | 26 | 412,114 | 158,271 |
| Property, plant and equipment | 27 | 11,442 | 21,765 |
| Goodwill and intangible assets | 28 | 130,484 | 107,605 |
| Deferred tax assets | 29(b) | 65,232 | 48,112 |
| | | 5,733,173 | 5,097,282 |
| | | 71,185,461 | 68,848,222 |

The accompanying notes form an integral part of the financial statements

# SCOTIA INVESTMENTS JAMAICA LIMITED

## Consolidated Statement of Financial Position (Continued)
October 31, 2016
*(Expressed in thousands of Jamaican dollars unless otherwise stated)*

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Securities sold under repurchase agreements** | 21(a) | 34,319,909 | 37,612,663 |
| **Capital management and government securities funds** | 21(a), 30 | 15,352,087 | 12,714,643 |
| **Other liabilities** | | | |
| Guarantees issued | | 4,143,040 | 3,480,500 |
| Other liabilities | 31 | 2,340,541 | 680,810 |
| Taxation payable | | 43,207 | 184,597 |
| Deferred tax liabilities | 29(b) | 40,610 | 24,007 |
| | | 6,567,398 | 4,369,914 |
| **STOCKHOLDERS' EQUITY** | | | |
| Share capital | 32 | 1,911,903 | 1,911,903 |
| Cumulative remeasurement result from available-for-sale financial assets | 33 | 245,823 | 41,474 |
| Capital reserve | 34 | 24,615 | 22,075 |
| Unappropriated profits | | 12,763,726 | 12,175,550 |
| | | 14,946,067 | 14,151,002 |
| | | 71,185,461 | 68,848,222 |

The financial statements on pages 55 to 125 were approved for issue by the Board of Directors on December 6, 2016 and signed on its behalf by:

Jeffrey Hall — Chairman

Anthony Chang — Director

Lissant Mitchell — Director

Julie Thompson-James — Secretary

The accompanying notes form an integral part of the financial statements

**SCOTIA INVESTMENTS JAMAICA LIMITED**

**Consolidated Statement of Changes in Stockholders' Equity**
**Year ended October 31, 2016**
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

| | Notes | Share capital | Cumulative remeasurement result from available-for-sale financial assets | Capital reserve | Unappropriated profits | Total |
|---|---|---|---|---|---|---|
| **Balances at October 31, 2014** | | 1,911,903 | ( 61,519) | 22,075 | 11,912,809 | 13,785,268 |
| **Total comprehensive income for the year:** | | | | | | |
| Profit for the year | 16 | - | - | - | 1,024,492 | 1,024,492 |
| **Other comprehensive income:** | | | | | | |
| Items that may be reclassified to profit or loss | | | | | | |
| Unrealised gains on available-for-sale financial assets, net of taxes | | - | 104,522 | - | - | 104,522 |
| Realised gains on available-for-sale financial assets, transferred to profit or loss | | - | ( 11,727) | - | - | ( 11,727) |
| Amortisation of fair value reserve on financial Instruments reclassified to loans and receivables | | - | 10,198 | - | - | 10,198 |
| Total other comprehensive income | | - | 102,993 | - | - | 102,993 |
| **Total comprehensive income for the year** | | - | 102,993 | - | 1,024,492 | 1,127,485 |
| **Transactions with owners of the company:** | | | | | | |
| Dividends | 38(a) | - | - | - | ( 761,751) | ( 761,751) |
| **Balances at October 31, 2015** | | 1,911,903 | 41,474 | 22,075 | 12,175,550 | 14,151,002 |

The accompanying notes form an integral part of the financial statements.

**SCOTIA INVESTMENTS JAMAICA LIMITED**

**Consolidated Statement of Changes in Stockholders' Equity (Continued)**
**Year ended October 31, 2016**
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

| | Notes | Share capital | Cumulative remeasurement result from available-for-sale financial assets | Capital reserve | Unappropriated profits | Total |
|---|---|---|---|---|---|---|
| **Balances at October 31, 2015** | | 1,911,903 | 41,474 | 22,075 | 12,175,550 | 14,151,002 |
| **Total comprehensive income for the year:** | | | | | | |
| Profit for the year | 16 | - | - | - | 1,349,927 | 1,349,927 |
| **Other comprehensive income:** | | | | | | |
| Items that may be reclassified to profit or loss | | | | | | |
| Unrealised gains on available-for-sale financial assets, net of taxes | | - | 216,462 | - | - | 216,462 |
| Realised gains on available-for-sale financial assets, transferred to profit or loss | | - | ( 12,113) | - | - | ( 12,113) |
| Total other comprehensive income | | - | 204,349 | - | - | 204,349 |
| **Total comprehensive income for the year** | | - | 204,349 | - | 1,349,927 | 1,554,276 |
| **Movement in reserve due to dissolution of subsidiary** | | - | - | 2,540 | - | 2,540 |
| **Transactions with owners of the company:** | | | | | | |
| Dividends | 38(a) | - | - | - | ( 761,751) | ( 761,751) |
| **Balances at October 31, 2016** | | 1,911,903 | 245,823 | 24,615 | 12,763,726 | 14,946,067 |

The accompanying notes form an integral part of the financial statements.

**Consolidated Statement of Cash Flows**
**Year ended October 31, 2016**
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 1,349,927 | 1,024,492 |
| Items not affecting cash: | | | |
| Interest income | 6 | (2,935,462) | (3,515,107) |
| Interest expense | 6 | 1,400,545 | 1,762,057 |
| Impairment losses on loans, net of recoveries | 23 | ( 15,250) | ( 2,875) |
| Depreciation | 27 | 11,554 | 10,445 |
| Amortisation of intangible assets | 28 | 36,330 | - |
| Loss on disposal of property, plant and equipment | | 837 | - |
| Taxation | 15 | 480,105 | 483,410 |
| | | 328,586 | ( 237,578) |
| Changes in operating assets and liabilities: | | | |
| Amounts due from other financial institutions | | ( 336,575) | ( 283,495) |
| Pledged assets | | 442,732 | 4,649,702 |
| Loans | | 43,661 | 15,069 |
| Capital management and government securities funds | | 2,637,550 | ( 288,570) |
| Securities sold under repurchase agreements | | (3,228,501) | (4,291,953) |
| Taxation recoverable | | 310,168 | ( 528,472) |
| Sundry assets | | ( 251,303) | ( 588,718) |
| Financial assets at fair value through profit or loss | | 105,526 | 64,804 |
| Other liabilities | | 1,659,731 | 828,927 |
| | | 1,711,575 | ( 660,284) |
| Interest received | | 2,932,000 | 3,740,690 |
| Income tax paid | | ( 648,281) | ( 466,776) |
| Interest paid | | (1,464,904) | (1,880,161) |
| **Net cash provided by operating activities (carried forward to page 62)** | | 2,530,390 | 733,469 |

The accompanying notes form an integral part of the financial statements

SCOTIA INVESTMENTS JAMAICA LIMITED

**Consolidated Statement of Cash Flows (Continued)**
**Year ended October 31, 2016**
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **Cash flows from operating activities (brought forward from page 61)** | | 2,530,390 | 733,469 |
| **Cash flows from investing activities** | | | |
| Investment securities | | 560,585 | (1,773,144) |
| Purchase of property, plant and equipment | 27 | ( 2,068) | ( 1,746) |
| Purchase of intangible assets | 28 | ( 59,209) | ( 23,403) |
| **Net cash provided/(used) by investing activities** | | 499,308 | (1,798,293) |
| **Cash flows from financing activity** | | | |
| Dividends paid to stockholders, being net cash used by financing activity | 38(a) | ( 761,751) | ( 761,751) |
| Effect of exchange rate changes on cash and cash equivalents | | 336,575 | 283,495 |
| Net increase/(decrease) in cash and cash equivalents | | 2,604,522 | (1,543,080) |
| Cash and cash equivalents at beginning of year | | 7,341,194 | 8,884,274 |
| **Cash and cash equivalents at end of year** | 18 | 9,945,716 | 7,341,194 |

The accompanying notes form an integral part of the financial statements

**SCOTIA INVESTMENTS JAMAICA LIMITED**

**Company Statement of Revenue and Expenses**
**Year ended October 31, 2016**
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **Net interest income and other revenue** | | | |
| Interest from loans and deposits with banks | | 285,167 | 289,910 |
| Interest from securities | | 2,649,558 | 3,224,455 |
| Total interest income | 6 | 2,934,725 | 3,514,365 |
| Interest expense | 6 | (1,404,035) | (1,770,011) |
| Net interest income | 6 | 1,530,690 | 1,744,354 |
| Impairment losses on loans, net of recoveries | 23 | 15,250 | 2,875 |
| Net interest income after impairment losses on loans | | 1,545,940 | 1,747,229 |
| Fee and commission income | 7 | 540,646 | 489,187 |
| Net foreign exchange trading income | 8 | 138,372 | 27,487 |
| Net gains on financial assets | 9 | 481,489 | 227,916 |
| Other revenue | 10 | 295,086 | 621,254 |
| | | 1,455,593 | 1,365,844 |
| | | 3,001,533 | 3,113,073 |
| **Expenses** | | | |
| Salaries, pension contributions and other staff benefits | 11 | 865,463 | 970,181 |
| Property expenses, including depreciation | | 116,393 | 122,146 |
| Amortisation of intangible assets | 28 | 36,330 | - |
| Asset tax | | 135,383 | 147,053 |
| Other operating expenses | | 486,449 | 413,080 |
| | 12 | 1,640,018 | 1,652,460 |
| **Profit before taxation** | 14 | 1,361,515 | 1,460,613 |
| **Taxation** | 15 | ( 325,880) | ( 338,706) |
| **Profit for the year** | 16 | 1,035,635 | 1,121,907 |

The accompanying notes form an integral part of the financial statements

**SCOTIA INVESTMENTS JAMAICA LIMITED**

**Company Statement of Comprehensive Income**
**Year ended October 31, 2016**
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **Profit for the year** | 16 | 1,035,635 | 1,121,907 |
| **Other comprehensive income:** | | | |
| Items that may be reclassified to profit | | | |
| Unrealised net gains on available-for-sale financial assets | | 251,256 | 78,522 |
| Realised gains on available-for-sale financial assets | | ( 20,638) | ( 17,591) |
| Amortisation of fair value reserve on financial instruments reclassified to loans and receivable | | - | 15,297 |
| Other comprehensive income, before tax | | 230,618 | 76,228 |
| Taxation on other comprehensive income | 29(a) | ( 26,269) | 26,765 |
| **Other comprehensive income, net of tax** | | 204,349 | 102,993 |
| **Total comprehensive income for the year** | | 1,239,984 | 1,224,900 |
| **Total comprehensive income for the year attributable to stockholders of the company** | | 1,239,984 | 1,224,900 |

The accompanying notes form an integral part of the financial statements

**SCOTIA INVESTMENTS JAMAICA LIMITED**

**Company Statement of Financial Position**
**October 31, 2016**
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **Cash resources** | | | |
| Notes and coins of, deposit with, and money at call at, Bank of Jamaica | 18 | 5,198 | 26,167 |
| Amounts due from other financial institutions | 18 | 2,841,745 | 1,101,506 |
| Accounts with parent and fellow subsidiaries | 18, 19 | 2,592,439 | 1,057,727 |
| | | 5,439,382 | 2,185,400 |
| **Financial assets at fair value through profit or loss** | 20 | - | 154,836 |
| **Pledged assets** | 21 | 53,110,366 | 54,180,793 |
| **Loans, after allowance for impairment losses** | 22 | 69,422 | 97,818 |
| **Investment securities** | 25 | 6,223,674 | 6,788,537 |
| **Investment in subsidiaries** | | 218,248 | 344,015 |
| **Other assets** | | | |
| Customers' liabilities under guarantees | | 4,143,040 | 3,480,500 |
| Taxation recoverable | | 969,783 | 1,276,794 |
| Sundry assets | 26 | 340,997 | 85,111 |
| Property, plant and equipment | 27 | 9,979 | 19,036 |
| Intangible assets | 28 | 108,989 | 86,110 |
| Deferred tax assets | 29(a) | 65,135 | 48,021 |
| | | 5,637,923 | 4,995,572 |
| | | 70,699,015 | 68,746,971 |

The accompanying notes form an integral part of the financial statements

SCOTIA INVESTMENTS JAMAICA LIMITED

**Company Statement of Financial Position (Continued)**
**October 31, 2016**
*(Expressed in thousands of Jamaican dollars unless otherwise stated)*

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Securities sold under repurchase agreements** | 21(a) | 34,942,082 | 38,019,238 |
| **Capital management and government securities funds** | 21(a), 30 | 15,352,087 | 12,714,643 |
| **Other liabilities** | | | |
| Amounts due to subsidiaries | | 194,774 | 369,604 |
| Guarantees issued | | 4,143,040 | 3,480,500 |
| Other liabilities | 31 | 2,186,687 | 627,704 |
| Taxation payable | | - | 133,170 |
| | | 6,524,501 | 4,610,978 |
| **STOCKHOLDERS' EQUITY** | | | |
| Share capital | 32 | 1,911,903 | 1,911,903 |
| Cumulative remeasurement result from available-for-sale financial assets | 33 | 245,823 | 41,474 |
| Capital reserve | 34 | 24,615 | 24,615 |
| Unappropriated profits | | 11,698,004 | 11,424,120 |
| | | 13,880,345 | 13,402,112 |
| | | 70,699,015 | 68,746,971 |

The financial statements on pages 55 to 125 were approved for issue by the Board of Directors on December 6, 2016 and signed on its behalf by:

Jeffrey Hall — Chairman

Anthony Chang — Director

Lissant Mitchell — Director

Julie Thompson-James — Secretary

**SCOTIA INVESTMENTS JAMAICA LIMITED**

**Company Statement of Changes in Stockholders' Equity**
**Year ended October 31, 2016**
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

| | Notes | Share capital | Cumulative remeasurement result from available-for-sale financial assets | Capital reserve | Unappropriated profits | Total |
|---|---|---|---|---|---|---|
| **Balances at October 31, 2014** | | 1,911,903 | ( 61,519) | 24,615 | 11,063,964 | 12,938,963 |
| **Total comprehensive income for the year:** | | | | | | |
| Profit for the year | 16 | - | - | - | 1,121,907 | 1,121,907 |
| **Other comprehensive income:** | | | | | | |
| Items that may be reclassified to profit or loss | | | | | | |
| Unrealised gains on available-for-sale financial assets, net of tax | | - | 104,522 | - | - | 104,522 |
| Realised gains on available-for-sale-financial assets transferred to profit or loss | | - | ( 11,727) | - | - | ( 11,727) |
| Amortisation of fair value reserve on financial instruments classified to loans and receivable | | - | 10,198 | - | - | 10,198 |
| Total other comprehensive income | | - | 102,993 | - | - | 102,993 |
| Total comprehensive income for the year | | - | 102,993 | - | 1,121,907 | 1,224,900 |
| **Transactions with owners of the company:** | | | | | | |
| Dividends paid | 38(a) | - | - | - | ( 761,751) | ( 761,751) |
| **Balances at October 31, 2015** | | 1,911,903 | 41,474 | 24,615 | 11,424,120 | 13,402,112 |
| **Total comprehensive income for the year:** | | | | | | |
| Profit for the year | 16 | - | - | - | 1,035,635 | 1,035,635 |
| **Other comprehensive income:** | | | | | | |
| Items that may be reclassified to profit or loss | | | | | | |
| Unrealised gains on available-for-sale financial assets, net of tax | | - | 216,462 | - | - | 216,462 |
| Realised gains on available-for-sale-financial assets transferred to profit or loss | | - | ( 12,113) | - | - | ( 12,113) |
| Total other comprehensive income | | - | 204,349 | - | - | 204,349 |
| Total comprehensive income for the year | | - | 204,349 | - | 1,035,635 | 1,239,984 |
| **Transactions with owners of the company:** | | | | | | |
| Dividends paid | 38(a) | - | - | - | ( 761,751) | ( 761,751) |
| **Balances at October 31, 2016** | | 1,911,903 | 245,823 | 24,615 | 11,698,004 | 13,880,345 |

The accompanying notes form an integral part of the financial statements.

SCOTIA INVESTMENTS JAMAICA LIMITED

**Company Statement of Cash Flows**
**Year ended October 31, 2016**
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 1,035,635 | 1,121,907 |
| Items not affecting cash: | | | |
| Interest income | 6 | (2,934,725) | (3,514,365) |
| Interest expense | 6 | 1,404,035 | 1,770,011 |
| Impairment losses on loans, net of recoveries | 23 | ( 15,250) | ( 2,875) |
| Depreciation | 27 | 11,125 | 9,866 |
| Amortisation of intangible asset | 28 | 36,330 | - |
| Loss on disposal of subsidiary | 10, 13(c) | 3 | 97,684 |
| Taxation | 15 | 325,880 | 338,706 |
| | | ( 136,967) | ( 179,066) |
| Changes in operating assets and liabilities: | | | |
| Amounts due from other financial institutions | | ( 336,425) | ( 283,336) |
| Pledged assets | | 202,656 | 4,725,438 |
| Loans | | 43,661 | 15,069 |
| Capital management and government securities funds | | 2,637,550 | ( 288,570) |
| Securities sold under repurchase agreements | | (3,013,453) | (4,350,323) |
| Taxation recoverable | | 307,011 | ( 530,329) |
| Sundry assets | | ( 255,886) | ( 609,124) |
| Amounts due to subsidiaries | | ( 174,830) | ( 69,356) |
| Financial assets at fair value through profit or loss | | 154,836 | 121,670 |
| Other liabilities | | 1,558,983 | 828,602 |
| | | 987,136 | ( 619,325) |
| Interest received | | 2,931,264 | 3,739,947 |
| Income tax paid | | ( 502,433) | ( 353,723) |
| Interest paid | | (1,467,844) | (1,894,065) |
| **Net cash provided by operating activities (carried forward to page 68)** | | 1,948,123 | 872,834 |

The accompanying notes form an integral part of the financial statements

**SCOTIA INVESTMENTS JAMAICA LIMITED**

**Company Statement of Cash Flows (Continued)**
**Year ended October 31, 2016**
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **Cash flows from operating activities (brought forward from page 68)** | | 1,948,123 | 872,834 |
| **Cash flows from investing activities** | | | |
| Investment securities | | 800,661 | (1,848,880) |
| Investment in subsidiaries | | 125,764 | ( 708) |
| Proceeds from winding up of subsidiary | 13 | - | 2,316 |
| Purchase of property, plant and equipment | 27 | ( 2,068) | ( 1,746) |
| Purchase of intangible assets | 28 | ( 59,209) | ( 23,403) |
| Net cash provided/(used) by investing activities | | 865,148 | (1,872,421) |
| **Cash flows from financing activity** | | | |
| Dividends paid to stockholders, being net cash used by financing activity | 38 | ( 761,751) | ( 761,751) |
| Effect of exchange rate changes on cash and cash equivalents | | 336,425 | 283,336 |
| Net increase/(decrease) in cash and cash equivalents | | 2,387,945 | (1,478,002) |
| Cash and cash equivalents at beginning of year | | 7,302,303 | 8,780,305 |
| **Cash and cash equivalents at end of year** | 18 | 9,690,248 | 7,302,303 |

The accompanying notes form an integral part of the financial statements

**Notes to the Financial Statements**
**Year ended October 31, 2016**
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 1. Identification, regulation and licence

Scotia Investments Jamaica Limited ("the Company") is incorporated and domiciled in Jamaica. It is a 77.01% subsidiary of Scotia Group Jamaica Limited ("Scotia Group"), which is incorporated and domiciled in Jamaica. Scotia Group is a 71.78% subsidiary of Scotiabank Caribbean Holdings Limited, which is incorporated and domiciled in Barbados. The Bank of Nova Scotia Limited, which is incorporated and domiciled in Canada, is the ultimate parent company. The registered office of the Company is located at 7 Holborn Road, Kingston 10, Jamaica.

The Company is a licensed securities dealer, a member of the Jamaica Stock Exchange and has primary dealer status from the Bank of Jamaica. The principal activities of the Company comprise investment advisory and brokerage services, portfolio management, fund management, investment management services for pension plans and operating foreign exchange cambios.

The Company's subsidiaries, which together with the Company are referred to as "the Group", are as follows:

| Subsidiaries | Principal activities | Holding | Country of incorporation |
|---|---|---|---|
| Scotia Asset Management Jamaica Limited | Unit trust and fund management services | 100% | Jamaica |
| Scotia Asset Management (St. Lucia) Inc. | Fund management | 100% | St. Lucia |
| Scotia Jamaica Investment Management Limited | Non-trading | 100% | Jamaica |

Billy Craig Investments Limited and DB&G Corporate Services Limited, wholly owned non-trading subsidiaries of the Company, were wound up on September 30, 2016 (note 13).

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied by the Group entities for all the periods presented, unless otherwise stated.

### (a) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, and comply with the Jamaican Companies Act ("Act").

**New, revised and amended standards and interpretations that became effective during the year**

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The Group has assessed them and none of them had any significant effect on the amounts and disclosures in the financial statements.

**New, revised and amended standards and interpretations that are not yet effective**

At the date of authorisation of these financial statements the following relevant standards, amendments to existing standards and interpretations have been published but were not yet effective and the Group has not early adopted.

**2. Summary of significant accounting policies (continued)**

**(a) Basis of preparation (continued)**

(i) Statement of compliance (continued)

**New, revised and amended standards and interpretations that are not yet effective (continued)**

- IAS 1, *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:

  - specific single disclosures that are not material do not have to be presented even if they are the minimum requirement of a standard;
  - the order of notes to the financial statements is not prescribed;
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
  - specific criteria is now provided for presenting sub-totals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirement for the statement of profit or loss and OCI; and
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

  The Group is assessing the impact that this amendment will have on its 2017 financial statements.

- Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation*, are effective for accounting periods beginning on or after January 1, 2016.

  - The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.

  - The amendment to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

  The Group is assessing the impact that these amendments will have on its 2017 financial statements.

- Amendments to IAS 27, *Equity Method in Separate Financial Statements*, effective for accounting periods beginning on or after January 1, 2016 allow the use of the equity method in separate financial statements, and apply to the accounting for subsidiaries, associates and joint ventures.

  The Group is assessing the impact that these amendments will have on its 2017 financial statements.

## 2. Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

(i) Statement of compliance (continued)

**New, revised and amended standards and interpretations that are not yet effective (continued)**

- Amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Investments in Associates* and *Joint Ventures*, in respect of Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, are effective for annual reporting periods beginning on or after January 1, 2016. The amendments require that when a parent loses control of a subsidiary in a transaction with an associate or joint venture, the full gain be recognised when the assets transferred meet the definition of a 'business' under IFRS 3, *Business Combinations*.

  The Group is assessing the impact these amendments will have on its 2017 financial statements.

- Amendments to IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities* and IAS 28, *Investments in Associates and Joint Ventures*, effective for accounting periods beginning on or after January 1, 2016, have been amended to introduce clarifications on which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit or loss. IFRS 10 was amended to confirm that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity. An investment entity shall measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. IAS 28 was amended to provide an exemption from applying the equity method for investment entities that are subsidiaries and that hold interests in associates and joint ventures. IFRS 12 was amended to clarify that the relevant disclosure requirements in the standard apply to an investment entity in which all of its subsidiaries are measured at fair value through profit or loss.

  The Group is assessing the impact that these amendments will have on its 2017 financial statements.

**2. Summary of significant accounting policies (continued)**

**(a) Basis of preparation (continued)**

(i) Statement of compliance (continued)

**New, revised and amended standards and interpretations that are not yet effective (continued)**

- Improvements to IFRS 2012-2014 cycle, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the Group are as follows:

  - IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* has been amended to clarify that if an entity changes the method of disposal of an asset or disposal group – i.e. reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale or vice versa without any time lag, then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognises any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute the asset or disposal group. If an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

  - IFRS 7, *Financial Instruments: Disclosures*, has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when these are derecognised in entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

    IFRS 7 has also been amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets* and *Financial Liabilities (Amendment to IFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, *Interim Financial Reporting*, require their inclusion.

  - IAS 34, *Interim Financial Reporting*, has been amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report". The interim financial report is incomplete if the interim financial statements and any disclosures incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

  The Group is assessing the impact these amendments will have on its 2017 financial statements.

**2. Summary of significant accounting policies (continued)**

**(a) Basis of preparation (continued)**

(i) Statement of compliance (continued)

**New, revised and amended standards and interpretations that are not yet effective (continued)**

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

  The Group is assessing the impact that these amendments will have on its 2018 financial statements.

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:

  - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
  - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
  - Future taxable profits used to establish whether a deferred tax asset can be recognised should be the amount calculated before the effect of reversing temporary differences.
  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

  The Group is assessing the impact that this amendment will have on its 2018 financial statements.

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

**2. Summary of significant accounting policies (continued)**

**(a) Basis of preparation (continued)**

(i) Statement of compliance (continued)

**New, revised and amended standards and interpretations that are not yet effective (continued)**

- IFRS 9, *Financial Instruments* (continued)

  The Group is assessing the impact that the standard may have on its 2019 financial statements.

- IFRS 15, *Revenue from Contracts with Customers* is effective for periods beginning on or after January 1, 2018. It replaces IAS 11, Construction Contracts, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

  The Group is assessing the impact that the standard may have on its 2019 financial statements.

- IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases, and for low-value items with a value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

  Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

  The Group is assessing the impact that this standard will have on its 2020 financial statements.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis as modified for the revaluation at fair value of available-for-sale financial assets and financial assets at fair value through profit or loss.

2. **Summary of significant accounting policies (continued)**

**(a) Basis of preparation (continued)**

(iii) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS and the Act requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(iv) Functional and presentation currency

These financial statements are presented in Jamaican dollars, which is the Group's functional currency. Financial information presented is shown in thousands of Jamaican dollars, unless otherwise stated.

(v) Comparative information

Where necessary, comparative amounts have been reclassified to conform with changes in the presentation in the current year.

**(b) Basis of consolidation**

The consolidated financial statements include the assets, liabilities and results of operations of the Company and its subsidiaries presented as a single economic entity.

Subsidiaries are those entities controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Company and its subsidiaries are collectively referred to as "Group".

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries are consistent with those of the Group.

The Group uses the acquisition method of accounting for business combinations. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

**(c) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to, and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as its chief operating decision maker.

**2. Summary of significant accounting policies (continued)**

**(d) Foreign currency translation**

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the reporting date. Foreign currency non-monetary items that are measured at historical cost are translated at historical rates. Foreign currency items measured at fair value are translated into the functional currency using the rate of exchange at the date the fair value was determined.

Foreign currency gains and losses resulting from the settlement of foreign currency transactions and from the translation at the reporting date exchange rates of foreign currency monetary assets and liabilities are recognised in profit or loss.

**(e) Revenue recognition**

(i) Interest income

Interest income is recognised in profit or loss for interest earning instruments using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently. Interest income includes coupons earned on fixed income investments and accrued discount on treasury bills and other discounted instruments, and amortisation of premium on instruments bought at a premium.

Where collection of interest income is considered doubtful, or payment is outstanding for more than 90 days, the banking regulations stipulate that interest should be taken into account on the cash basis.

IFRS requires that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(ii) Fee and commission income

Fees and commission income are recognised on the accrual basis when service has been provided. Origination fees for loans which are probable of being drawn down, are recognised in profit or loss immediately, as they are not considered material for deferral.

Fee and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees are apportioned over the period in which the service is provided. The same principle is applied for financial planning and custody services that are continuously provided over an extended period of time.

(iii) Foreign exchange trading income

Income from foreign exchange cambio trading is determined on a trade-date basis.

## 2. Summary of significant accounting policies (continued)

### (e) Revenue recognition (continued)

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

### (f) Interest expense

Interest expense is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability.

### (g) Taxation

Taxation on the profit or loss for the year comprises current and deferred income taxes. Current and deferred income taxes are recognised as tax expense or benefit in profit or loss except where they relate to a business combination, or items recognised directly in other comprehensive income.

(i) Current income tax

Current tax charges are based on the taxable profit for the year, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The current tax is calculated at tax rates enacted at the reporting date.

(ii) Deferred income tax

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and the amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised. Deferred tax assets are reviewed at each reporting date to determine whether it is probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

Current and deferred tax assets and liabilities are offset when the legal right of set-off exist and when they relate to income taxes levied by the same tax authority on either the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

### (h) Financial assets and liabilities

Financial assets comprise cash resources, financial assets at fair value through profit or loss, investment securities, pledged assets, loans and certain other assets. Financial liabilities comprise securities sold under repurchase agreements, capital management and government securities funds and certain other liabilities.

## 2. Summary of significant accounting policies (continued)

### (h) Financial assets and liabilities (continued)

(i) Recognition

The Group initially recognises loans and receivables on the date at which the Group becomes a party to the contractual provisions of the instrument i.e., the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the settlement date - the date on which the asset is delivered to or by the Group.

(ii) Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or have expired.

The Group enters into transactions whereby it transfers assets, but retains either all or a portion of the risks and rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

(iii) Measurement

On initial recognition, financial assets and liabilities are measured at fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The measurement of financial assets subsequent to initial recognition depends upon their classification as set out in note 2(i) below, namely: loans and receivables are measured at amortised cost; held-to-maturity investments are measured at amortised cost; investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably determined are measured at amortised cost.

Other financial assets are measured at their fair values without any deduction for transaction costs that may be incurred on sale or other disposal.

After initial recognition, financial liabilities are measured at amortised cost.

### (i) Financial assets

(i) Classification

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

(1) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception by management. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling in the short term, or if it is a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These assets are measured at fair value and all related gains and losses are included in profit or loss.

**2. Summary of significant accounting policies (continued)**

**(i) Financial assets (continued)**

(i) Classification (continued)

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable. Loans and receivables are initially recognised at fair value, which is the cash consideration to originate or purchase the loan including any transaction costs.

(3) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity and which are not designated as at fair value through profit or loss or as available-for-sale. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale and the Group would be prohibited from classifying investment securities as held-to-maturity for the current and the following two financial years. Held-to-maturity investments are measured at amortised cost.

(4) Available-for-sale

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified in any of the other three categories of financial assets. They are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale investments are measured at fair value except for any unquoted equity securities whose fair value cannot be reliably measured, which are carried at cost. Unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income. On disposal or impairment of these investments, the unrealised gains or losses included in stockholders' equity are transferred to profit or loss.

(ii) Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

## 2. Summary of significant accounting policies (continued)

### (i) Financial assets (continued)

(ii) Identification and measurement of impairment (continued)

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, management makes judgements as to current economic and credit conditions and their effect on default rates, loss rates and the expected timing of future recoveries, ensuring that assumptions remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised directly in other comprehensive income to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in other comprehensive income.

### (j) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- the host contract is not itself carried at fair value through profit or loss;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss, unless they form part of a qualifying cash flow or net investment hedging relationship.

## 2. Summary of significant accounting policies (continued)

### (k) Investment in subsidiaries

Investment in subsidiaries are stated at cost less impairment losses.

### (l) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase the assets at a fixed price on a future date (repurchase agreements) and securities purchased under agreements to resell the asset at a fixed price on a future date (reverse repurchase agreements) are treated as collateralised financing transactions. In the case of reverse repurchase agreements, the underlying asset is not recognised in the Group's financial statements. In the case of repurchase agreements, the underlying collateral is not derecognised from the Group's statement of financial position but is segregated as pledged assets. The difference between the sale/purchase and repurchase/resale price is recognised as interest over the life of the agreements using the effective interest method.

### (m) Loans and allowance for impairment losses

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell immediately or in the near term, and that upon initial recognition, the Group designates as at fair value through profit or loss, or as available-for-sale.

Loans are recognised when cash is advanced to borrowers. They are initially recorded at fair value of the consideration given, which is the cash disbursed to originate the loan, including any transaction costs, and are subsequently measured at amortised cost. Loans are stated net of unearned income and allowance for impairment.

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the loans. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the impaired loans.

A loan is classified as impaired when in management's opinion, there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. As required by statutory regulations, if a payment on a loan is contractually 90 days in arrears, the loan will be classified as impaired, if not already classified as such.

When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases, and interest is taken into account on the cash basis. Whilst this differs from IFRS, which requires that interest on the impaired asset continue to be recognised through the unwinding of the discount that was applied to the estimated future cash flows, the difference is not considered material.

### (n) Guarantees

The Group's potential liability under guarantees is reported as a liability in the statement of financial position. The Group has equal and offsetting claims against its customers in the event of a call on these commitments, which are reported as an asset.

## 2. Summary of significant accounting policies (continued)

### (o) Goodwill and intangible assets

(i) Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of the acquisition over the fair value of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(ii) Computer software

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. However, such costs are expensed where they are considered to be immaterial.

Amortisation is charged to profit or loss on the straight-line basis over the estimated useful life of the computer software, which is four (4) years from the date of implementation.

### (p) Leases

The leases entered into by the Group are all operating leases, where a significant portion of the risks and rewards of ownership are retained by the lessor. Payments under operating leases are charged to the profit or loss on the straight-line basis over the period of the lease.

### (q) Property, plant and equipment

Land is stated at historical cost. All other property, plant and equipment are stated at historical cost less accumulated depreciation and, if any, impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Expenditure subsequent to acquisition is included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditure is classified as repairs and renewals and charged as expenses in the profit or loss during the financial period in which it is incurred.

Depreciation and amortisation are calculated on the straight-line method at rates that will write off the depreciable amount of the assets to their residual values over their expected useful lives, as follows:

| | |
|---|---|
| Building | 40 years |
| Furniture, fixtures and equipment | 10 years |
| Computer equipment | 4 years |
| Motor vehicles | 5 years |
| Leasehold improvements | Period of lease |

The depreciation methods, useful lives and residual values are reassessed at each reporting date.

**2. Summary of significant accounting policies (continued)**

**(q) Property, plant and equipment (continued)**

Property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining the profit or loss for the year.

**(r) Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of goodwill is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(s) Employee benefits**

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions and vacation leave; non-monetary benefits such as medical care; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits, termination benefits and equity compensation benefits are accounted for as below. Other long-term benefits are not considered material and are expensed when incurred.

**2. Summary of significant accounting policies (continued)**

**(s) Employee benefits (continued)**

The Company operates a defined-contribution pension scheme, the assets of which are held in a trustee-administered fund. The pension plan is funded by contributions from employees and the Company to the scheme, made on the basis provided for in the rules. Contributions are charged to the profit or loss in the period to which it relates.

**(t) Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

**(u) Share capital**

(i) Classification

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets.

(ii) Dividends

Dividends on ordinary shares are recognised in stockholder's equity in the period in which they are approved by the Board of Directors, thereby becoming irrevocably payable.

**(v) Fiduciary activities**

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets, and income arising thereon, are excluded from these financial statements, as they are not assets or income of the Group.

**(w) Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bank of Jamaica, amounts due from financial institutions, and highly liquid financial assets with original maturities of less than ninety days, which are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in their fair value.

## 3. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates, assumptions and judgments that affect the reported amounts of, and disclosures relating to, assets, liabilities, income and expenses reported in these financial statements. Amounts and disclosures based on these estimates assumptions and judgments may be different from actual outcomes, and these differences may be reported in the financial statements of the next financial year. Estimates and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are continually evaluated.

(i) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of revenue and expenses, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Impairment of goodwill

Impairment of goodwill is dependent upon management's internal assessment of future cash flows from cash-generating units that gave rise to the goodwill. The internal assessment determines the amount recoverable from future use of those units. In addition, the estimate of the amount recoverable from future use of those units is sensitive to the discount rates used. Goodwill impairment was assessed as $Nil for 2016 (2015: $Nil).

(iii) Income taxes

Estimates and judgements are required in determining the provision for income taxes. The tax liability or asset arising from certain transactions or events may be uncertain during the ordinary course of business. In cases of such uncertainty, the Group recognises liabilities for possible additional taxes based on its judgement. Where, on the basis of a subsequent determination, the final tax outcome in relation to such matters is different from the amount that was initially recognised, the difference will impact the current and deferred income tax provisions in the period in which such determination is made.

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 3. Critical accounting estimates and judgements in applying accounting policies (continued)

(iv) Valuation of financial instruments

Fair values of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates.

Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

## 4. Responsibilities of the appointed external auditors

The stockholders, pursuant to the Act, appoint the external auditors. Their responsibility is to conduct an independent audit of the financial statements in accordance with International Standards on Auditing and report thereon to the stockholders.

## 5. Segment financial information

The Group's reportable segments are its strategic business units and are based on the Company's management and internal reporting structure. At this time there are no material reportable segments into which the Group's business may be broken down, other than as disclosed in these financial statements.

The Group's operations are located mainly in Jamaica, based on the geographical location of its clients. The subsidiary located overseas represents less than 10% of the Group's gross external revenue and assets.

## 6. Net interest income

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Interest income: | | | | |
| Investment securities | 2,647,685 | 3,220,485 | 2,647,685 | 3,220,485 |
| Deposits with banks and other financial institutions | 199,405 | 159,039 | 198,668 | 158,297 |
| Loans | 86,499 | 131,613 | 86,499 | 131,613 |
| Financial assets at fair value through profit or loss | 1,329 | 2,738 | 1,329 | 2,738 |
| Reverse repurchase agreements | 544 | 1,232 | 544 | 1,232 |
| Interest income (carried forward to page 88) | 2,935,462 | 3,515,107 | 2,934,725 | 3,514,365 |

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 6. Net interest income (continued)

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Interest income (brought forward from page 87) | 2,935,462 | 3,515,107 | 2,934,725 | 3,514,365 |
| Interest expense: | | | | |
| Repurchase agreements | 1,388,969 | 1,743,069 | 1,392,459 | 1,751,023 |
| Capital management and government securities funds | 11,576 | 18,988 | 11,576 | 18,988 |
| | 1,400,545 | 1,762,057 | 1,404,035 | 1,770,011 |
| Net interest income | 1,534,917 | 1,753,050 | 1,530,690 | 1,744,354 |

## 7. Fee and commission income

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Asset management fees | 1,072,907 | 948,587 | 367,912 | 339,829 |
| Trust fees | 52,518 | 48,810 | 52,518 | 48,810 |
| Structured financing fees | 46,443 | 47,335 | 46,443 | 47,335 |
| Stock brokerage fees | 40,068 | 27,004 | 40,068 | 27,004 |
| Credit related fees | 2,063 | 2,119 | 2,063 | 2,119 |
| Other | 31,715 | 24,090 | 31,642 | 24,090 |
| | 1,245,714 | 1,097,945 | 540,646 | 489,187 |

## 8. Net foreign exchange trading income

Net foreign exchange trading income is comprised primarily of gains and losses arising from foreign currency trading activities and revaluation.

## 9. Net gains on financial assets

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Equity securities held for trading | 53,012 | 64,889 | 3,702 | 8,023 |
| Equity securities available-for-sale | 25,029 | - | 25,029 | - |
| Debt securities held for trading | 323,722 | 224,407 | 323,722 | 224,407 |
| Debt securities available-for-sale | 129,036 | ( 4,514) | 129,036 | ( 4,514) |
| | 530,799 | 284,782 | 481,489 | 227,916 |

## 10. Other revenue

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Dividend income from subsidiary | - | - | 326,361 | 550,289 |
| Amount due (from)/to subsidiary written off on winding up | - | - | ( 64,575) | 145,182 |
| Loss on winding up of subsidiary [note 13(c)] | - | - | ( 3) | ( 97,684) |
| Other | 30,763 | 25,364 | 33,303 | 23,467 |
| | 30,763 | 25,364 | 295,086 | 621,254 |

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 11. Salaries, pension contributions and other staff benefits

| | The Group and Company | |
|---|---|---|
| | 2016 | 2015 |
| Wages and salaries | 708,157 | 805,880 |
| Payroll taxes | 48,327 | 51,291 |
| Pension contributions | 21,626 | 22,923 |
| Other staff benefits | 87,353 | 90,087 |
| | 865,463 | 970,181 |

## 12. Expenses by nature

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Salaries, pension contributions and other staff benefits (note 11) | 865,463 | 970,181 | 865,463 | 970,181 |
| Computer related expenses | 168,774 | 146,417 | 167,890 | 146,417 |
| Asset tax | 136,184 | 147,791 | 135,383 | 147,053 |
| Management and consultancy fees | 134,103 | 110,165 | 96,851 | 89,133 |
| Property expenses, including depreciation | 102,701 | 115,535 | 116,393 | 122,146 |
| Marketing and advertising | 42,397 | 39,842 | 37,961 | 39,494 |
| Transportation and communication | 37,799 | 41,956 | 37,799 | 41,716 |
| Amortisation of intangible assets (note 28) | 36,330 | - | 36,330 | - |
| Regulatory fees | 23,568 | 23,724 | 17,257 | 17,828 |
| Stationery | 10,695 | 11,007 | 10,695 | 11,007 |
| Other operating expenses | 147,081 | 99,692 | 117,996 | 67,485 |
| | 1,705,095 | 1,706,310 | 1,640,018 | 1,652,460 |

## 13. Winding up of subsidiaries

Billy Craig Investments Limited (BCIL) and DB&G Corporate Services Limited (DCSL), wholly-owned subsidiaries of the Company, were wound up on September 30, 2016. BCIL and DCSL contributed losses before tax of $243 and $1,694, respectively, to the Group for the period November 1, 2015 to September 30, 2016.

In the prior year, Interlink Investments Limited (Interlink), a wholly-owned subsidiary, was wound up. Interlink contributed loss before tax of $740 to the Group for the period November 1, 2014 to June 1, 2015.

(a) Analysis of assets and liabilities disposed of:

| | 2016 | 2015 |
|---|---|---|
| Cash and cash equivalents, being net assets disposed of | - | 2,316 |

(b) Net cash inflow on winding up of subsidiaries:

| | 2016 | 2015 |
|---|---|---|
| Proceeds from winding up | - | 2,316 |
| Less: cash and cash equivalent in subsidiary | - | (2,316) |
| Net cash inflow | - | - |

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 13. Winding up of subsidiaries (continued)

(c) Loss on winding up of subsidiaries

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Consideration received | - | 2,316 | - | 2,316 |
| Net assets on winding up | - | (2,316) | - | - |
| Investment in subsidiaries | - | - | (3) | (100,000) |
| Loss on winding up (note 10) | - | - | (3) | (97,684) |

## 14. Profit before taxation

In arriving at the profit before taxation, the following are among the items that have been charged:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Operating lease rentals | 75,632 | 75,444 | 75,632 | 75,444 |
| Directors' emoluments | | | | |
| - Fees | 7,762 | 5,820 | 5,242 | 4,390 |
| - Other | 22,339 | 23,959 | 22,339 | 23,959 |
| Auditors' remuneration | | | | |
| Current year | 14,226 | 11,710 | 12,721 | 9,309 |
| Depreciation | 11,554 | 10,445 | 11,125 | 9,866 |
| Loss on disposal of property, plant and equipment | 837 | - | - | - |
| Amortisation of intangible assets | 36,330 | - | 36,330 | - |

## 15. Taxation

(a) Taxation charge

Income tax is computed on the profit for the year as adjusted for tax purposes and is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Current income tax: | | | | |
| Income tax at 33⅓%, 25% and 1% | 518,314 | 586,759 | 380,686 | 460,986 |
| Taxation in respect of prior year | ( 11,423) | - | ( 11,423) | - |
| | 506,891 | 586,759 | 369,263 | 460,986 |
| Deferred income tax: | | | | |
| Origination and reversal of temporary differences [note 29(c)] | ( 26,786) | (103,349) | ( 43,383) | (122,280) |
| | 480,105 | 483,410 | 325,880 | 338,706 |

(b) Taxation losses, subject to agreement by the Commissioner, Tax Administration Jamaica, available for set-off against future taxable profits, amounted to $Nil (2015: $18,868) for the Group.

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 15. Taxation (continued)

(c) Reconciliation of applicable tax charge to effective tax charge:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Profit before taxation | 1,830,032 | 1,507,902 | 1,361,515 | 1,460,613 |
| Taxation at 33⅓%, 25% and 1% | 682,546 | 689,836 | 453,838 | 486,871 |
| Adjusted for the effects of: | | | | |
| Income not subject to tax | | | | |
| - Tax free investments | ( 166,587) | ( 197,182) | ( 166,587) | ( 197,182) |
| - Exempt revenue | ( 64,446) | ( 43,902) | ( 18,522) | ( 1,661) |
| Expenses not deductible for tax purposes | 84,964 | 54,331 | 84,452 | 54,027 |
| Other charges and allowances | 425 | 15,895 | ( 15,878) | ( 3,349) |
| Different tax rates of subsidiaries operating in other jurisdictions | ( 45,374) | ( 35,568) | - | - |
| Taxation in respect of prior year | ( 11,423) | - | ( 11,423) | - |
| Taxation expense | 480,105 | 483,410 | 325,880 | 338,706 |
| Effective tax rate | 26.23% | 32.06% | 23.94% | 23.19% |

## 16. Profit for the year and unappropriated profits attributable to stockholders

(a) Profit for the year is dealt with in the financial statements of Group entities as follows:

| | 2016 | 2015 |
|---|---|---|
| The Company | 1,035,635 | 1,121,907 |
| The Subsidiaries | 314,292 | ( 97,415) |
| | 1,349,927 | 1,024,492 |

(b) Unappropriated profits are dealt with in the financial statements of Group entities as follows:

| | 2016 | 2015 |
|---|---|---|
| The Company | 11,698,004 | 11,424,120 |
| The Subsidiaries | 1,065,722 | 751,430 |
| | 12,763,726 | 12,175,550 |

## 17. Earnings per stock unit

Basic earnings per stock unit are calculated by dividing the profit attributable to stockholders by the weighted average number of ordinary stock units in issue during the year.

| | 2016 | 2015 |
|---|---|---|
| Profit attributable to stockholders | 1,349,927 | 1,024,492 |
| Weighted average number of ordinary stock units in issue ('000) | 423,195 | 423,195 |
| Basic earnings per stock unit (expressed in $ per share) | 3.19 | 2.42 |

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 18. Cash and cash equivalents

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Cash resources | 5,694,850 | 2,224,291 | 5,439,382 | 2,185,400 |
| Less: amounts not considered cash and cash equivalents: | | | | |
| Accrued interest | ( 835) | ( 813) | ( 835) | ( 813) |
| | 5,694,015 | 2,223,478 | 5,438,547 | 2,184,587 |
| Add other cash equivalent balances: | | | | |
| Pledged assets with original maturity less than ninety days | 4,251,701 | 5,117,716 | 4,251,701 | 5,117,716 |
| | 9,945,716 | 7,341,194 | 9,690,248 | 7,302,303 |
| Cash and balances with central bank | 5,198 | 26,167 | 5,198 | 26,167 |
| Amounts due from other financial institutions | 2,841,745 | 1,101,506 | 2,841,745 | 1,101,506 |
| Accounts with parent and fellow subsidiaries | 2,847,907 | 1,096,618 | 2,592,439 | 1,057,727 |
| Pledged assets [note 21(c)] | 4,251,701 | 5,117,716 | 4,251,701 | 5,117,716 |
| Accrued interest | ( 835) | ( 813) | ( 835) | ( 813) |
| | 9,945,716 | 7,341,194 | 9,690,248 | 7,302,303 |

## 19. Accounts with parent and fellow subsidiaries

These represent inter-company accounts held with the parent company and fellow subsidiaries in the ordinary course of business.

## 20. Financial assets at fair value through profit or loss

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Government of Jamaica securities | - | 154,836 | - | 154,836 |
| Units held in unit trusts | 353,976 | 304,666 | - | - |
| | 353,976 | 459,502 | - | 154,836 |

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 21. Pledged assets

(a) Assets are pledged to other financial institutions and as collateral under repurchase agreements with counterparties. All repurchase agreements mature within twelve months.

| | The Group | | | |
|---|---|---|---|---|
| | Asset | | Related liability | |
| | 2016 | 2015 | 2016 | 2015 |
| Securities sold under repurchase agreements: | | | | |
| Clients | 27,994,941 | 30,315,223 | 25,700,517 | 27,514,739 |
| Other financial institutions | 9,092,186 | 10,634,804 | 8,619,392 | 10,097,924 |
| | 37,087,127 | 40,950,027 | 34,319,909 | 37,612,663 |
| Capital management & government securities funds | 15,353,138 | 12,801,535 | 15,352,087 | 12,714,643 |
| | 52,440,265 | 53,751,562 | 49,671,996 | 50,327,306 |

| | The Company | | | |
|---|---|---|---|---|
| | Asset | | Related liability | |
| | 2016 | 2015 | 2016 | 2015 |
| Securities sold under repurchase agreements: | | | | |
| Clients | 27,994,941 | 30,315,223 | 25,700,517 | 27,514,739 |
| Other financial institutions | 9,762,287 | 11,064,035 | 9,241,565 | 10,504,499 |
| | 37,757,228 | 41,379,258 | 34,942,082 | 38,019,238 |
| Capital management & government securities funds | 15,353,138 | 12,801,535 | 15,352,087 | 12,714,643 |
| | 53,110,366 | 54,180,793 | 50,294,169 | 50,733,881 |

(b) Included in pledged assets are the following categories of assets

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Deposits with financial institutions | 8,086,167 | 6,574,111 | 8,086,167 | 6,574,111 |
| Loans | 796,209 | 814,695 | 796,209 | 814,695 |
| Government issued securities: | | | | |
| Available-for-sale | 30,564,332 | 30,170,744 | 30,627,859 | 30,232,719 |
| Held-to-maturity | 3,726,331 | 5,709,864 | 3,726,331 | 5,709,864 |
| Unitised funds: | | | | |
| Available-for-sale | 45,394 | 1,079,386 | 45,394 | 1,079,386 |
| Other: | | | | |
| Available-for-sale Corporate bonds | 9,221,832 | 9,402,762 | 9,828,406 | 9,770,018 |
| | 52,440,265 | 53,751,562 | 53,110,366 | 54,180,793 |

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 21. Pledged assets (continued)

(c) Included in pledged assets are the following amounts which are regarded as cash equivalents for the purposes of the statement of cash flows:

| | The Group and Company | |
|---|---|---|
| | 2016 | 2015 |
| Debt securities and other investments with an original maturity of less than 90 days (note 18) | 4,251,701 | 5,117,716 |

## 22. Loans, after allowance for impairment losses

| | The Group and Company | |
|---|---|---|
| | 2016 | 2015 |
| Personal | 78,010 | 100,074 |
| Interest receivable | 71 | 56 |
| Total | 78,081 | 100,130 |
| Less: allowance for impairment losses [notes 22(b) and 23] | ( 8,659) | ( 2,312) |
| | 69,422 | 97,818 |

(a) Loans on which interest is suspended amounted to $8,659 (2015: $2,312) for the Group and the Company.

(b) The ageing of the loans at the reporting date was:

| | The Group and Company | |
|---|---|---|
| | 2016 | 2015 |
| Neither past due nor impaired | 69,351 | 97,762 |
| Impaired loans more than 90 days | 8,659 | 2,312 |
| Interest receivable | 71 | 56 |
| Gross loan portfolio | 78,081 | 100,130 |
| Less: allowance for impairment losses (note 23) | ( 8,659) | ( 2,312) |
| | 69,422 | 97,818 |

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of loans less than 90 days past due.

(c) Renegotiated loans

Restructuring activities include extended payment arrangements, modification and deferral of payments.

Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review.

During the year, there were no renegotiated loans.

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 22. Loans, after allowance for impairment losses (continued)

(d) Repossessed collateral

In the normal course of business, the security documentation which governs the collateral charged in favour of the Group to secure the debt, gives the Group express authority to repossess the collateral in the event of default. Repossessed collateral is sold as soon as practicable, with the proceeds used to reduce outstanding indebtedness. Repossessed collateral is not recognised in the Group's statement of financial position.

The Group had no repossessed collateral at the reporting date (2015: Nil).

## 23. Impairment losses on loans

| | The Group and Company | |
|---|---|---|
| | 2016 | 2015 |
| Total impaired loans | 8,659 | 2,312 |
| Provision at beginning of year | 2,312 | 1,369 |
| Provided during the year | 6,347 | 943 |
| Allowance at end of year [note 22(b)] | 8,659 | 2,312 |
| Provided during the year | 6,347 | 943 |
| Recoveries of bad debts | (21,597) | (3,818) |
| | (15,250) | (2,875) |

Allowance for impairment losses:

A loan is classified as impaired if its carrying value exceeds the present value of the cash flows expected in future periods from interest repayments, principal repayments and proceeds of liquidation of collateral. Allowances for credit losses are made on all impaired loans. Uncollected interest not accrued in these financial statements on impaired loans was estimated at $1,619 as at October 31, 2016 (2015: $1,183) for the Group and the Company.

The total allowance for loan losses is made up as follows:

| | The Group and Company | |
|---|---|---|
| | 2016 | 2015 |
| Allowance based on accounting standard - IAS 39 | 8,659 | 2,312 |

This is the allowance based on the requirements of IAS 39, *Financial Instruments: Recognition and Measurement*.

## 24. Reclassification of financial assets

On October 1, 2008, the Company reclassified Government of Jamaica (GOJ) Global Bonds that were included in pledged assets from available-for-sale to loans and receivables in accordance with paragraph 50(E) of IAS 39. The standard required that such reclassification be made at the fair value of the instruments at the date of reclassification. The prices of GOJ Global Bonds as at September 30, 2008 were used to determine the fair value used for the reclassification. The remaining loans and receivables matured in June 2015.

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 25. Investment securities

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Available-for-sale | | | | |
| Government securities | 1,899,380 | 2,418,748 | 1,835,853 | 2,356,773 |
| Corporate bonds | 4,437,531 | 3,225,801 | 3,830,957 | 2,858,546 |
| Quoted shares | 275,706 | 102,000 | 275,706 | 102,000 |
| Credit linked note | - | 1,204,689 | - | 1,204,689 |
| Treasury bills | 281,158 | 266,529 | 281,158 | 266,529 |
| | 6,893,775 | 7,217,767 | 6,223,674 | 6,788,537 |

The Group has not reclassified any financial asset measured at amortised cost to securities carried at fair value during the year.

## 26. Sundry assets

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Accounts receivable and prepayments | 405,210 | 150,720 | 334,093 | 77,560 |
| Other | 6,904 | 7,551 | 6,904 | 7,551 |
| | 412,114 | 158,271 | 340,997 | 85,111 |

## 27. Property, plant and equipment

| | The Group | | | |
|---|---|---|---|---|
| | Land & building | Leasehold improvements | Furniture, fixtures, motor vehicles & equipment | Total |
| Cost: | | | | |
| October 31, 2014 | 3,146 | 89,857 | 85,579 | 178,582 |
| Additions | - | - | 1,746 | 1,746 |
| October 31, 2015 | 3,146 | 89,857 | 87,325 | 180,328 |
| Additions | - | 1,384 | 684 | 2,068 |
| Disposals | - | (35,270) | ( 6,617) | ( 41,887) |
| October 31, 2016 | 3,146 | 55,971 | 81,392 | 140,509 |
| Accumulated depreciation: | | | | |
| October 31, 2014 | 1,532 | 89,548 | 57,038 | 148,118 |
| Charge for the year | 74 | 72 | 10,299 | 10,445 |
| October 31, 2015 | 1,606 | 89,620 | 67,337 | 158,563 |
| Charge for the year | 74 | 467 | 11,013 | 11,554 |
| Eliminated on disposals | - | (35,270) | ( 5,780) | ( 41,050) |
| October 31, 2016 | 1,680 | 54,817 | 72,570 | 129,067 |
| Net book values: | | | | |
| October 31, 2016 | 1,466 | 1,154 | 8,822 | 11,442 |
| October 31, 2015 | 1,540 | 237 | 19,988 | 21,765 |
| October 31, 2014 | 1,614 | 309 | 28,541 | 30,464 |

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 27. Property, plant and equipment (continued)

| | The Company | | |
|---|---|---|---|
| | Leasehold improvements | Furniture, fixtures motor vehicles & equipment | Total |
| Cost: | | | |
| October 31, 2014 | 54,587 | 60,444 | 115,031 |
| Additions | - | 1,746 | 1,746 |
| October 31, 2015 | 54,587 | 62,190 | 116,777 |
| Additions | 1,384 | 684 | 2,068 |
| October 31, 2016 | 55,971 | 62,874 | 118,845 |
| Accumulated depreciation: | | | |
| October 31, 2014 | 54,278 | 33,597 | 87,875 |
| Charge for the year | 72 | 9,794 | 9,866 |
| October 31, 2015 | 54,350 | 43,391 | 97,741 |
| Charge for the year | 467 | 10,658 | 11,125 |
| October 31, 2016 | 54,817 | 54,049 | 108,866 |
| Net book values: | | | |
| October 31, 2016 | 1,154 | 8,825 | 9,979 |
| October 31, 2015 | 237 | 18,799 | 19,036 |
| October 31, 2014 | 309 | 26,847 | 27,156 |

## 28. Intangible assets

| | The Group | | | The Company |
|---|---|---|---|---|
| | Goodwill | Computer software | Total | Computer software |
| Cost: | | | | |
| October 31, 2014 | 26,113 | 160,358 | 186,471 | 160,361 |
| Additions | - | 23,403 | 23,403 | 23,403 |
| October 31, 2015 | 26,113 | 183,761 | 209,874 | 183,764 |
| Eliminated on winding up of subsidiary | ( 4,618) | - | ( 4,618) | - |
| Additions | - | 59,209 | 59,209 | 59,209 |
| October 31, 2016 | 21,495 | 242,970 | 264,465 | 242,973 |
| Accumulated amortisation and impairment losses: | | | | |
| October 31, 2014 and 2015 | 4,618 | 97,651 | 102,269 | 97,654 |
| Eliminated on winding up of subsidiary | ( 4,618) | - | ( 4,618) | - |
| Amortisation | - | 36,330 | 36,330 | 36,330 |
| October 31, 2016 | - | 133,981 | 133,981 | 133,984 |
| Net book values: | | | | |
| October 31, 2016 | 21,495 | 108,989 | 130,484 | 108,989 |
| October 31, 2015 | 21,495 | 86,110 | 107,605 | 86,110 |
| October 31, 2014 | 21,495 | 62,707 | 84,202 | 62,707 |

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 29. Deferred tax assets and liabilities

Deferred income taxes are calculated on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, using applicable tax rates of:

Scotia Investments Jamaica Limited at 33⅓%
Scotia Asset Management (Jamaica) Limited 33⅓%
Scotia Jamaica Investment Management Limited at 25%
Scotia Asset Management (St. Lucia) Inc. at 1%

(a) The movement on the deferred income tax account is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Balance at the beginning of the year | 24,105 | (106,009) | 48,021 | (101,024) |
| Recognised in the statement of revenue and expenses [note 15(a)] | 26,786 | 103,349 | 43,383 | 122,280 |
| Recognised in other comprehensive income: | | | | |
| Available-for-sale securities fair value remeasurement | (26,269) | 26,765 | (26,269) | 26,765 |
| Balance at the end of the year | 24,622 | 24,105 | 65,135 | 48,021 |

(b) Deferred income tax assets and liabilities are attributable to the following items:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Deferred income tax assets: | | | | |
| Vacation leave accrued | 11,179 | 11,094 | 11,179 | 11,094 |
| Accelerated tax depreciation | 16,399 | 6,084 | 16,302 | 5,993 |
| Available-for-sale financial assets | 7,539 | 33,808 | 7,539 | 33,808 |
| Unrealised premium/discount on available-for-sale securities | 113,211 | 53,602 | 113,211 | 53,602 |
| Other | 20,426 | 20,426 | 20,426 | 20,426 |
| Deferred income tax liabilities: | | | | |
| Interest receivable and interest payable, net | (103,522) | (76,902) | (103,522) | (76,902) |
| Accelerated tax depreciation | - | ( 7) | - | - |
| Other | ( 40,610) | (24,000) | - | - |
| Net deferred tax assets | 24,622 | 24,105 | 65,135 | 48,021 |
| This comprises: | | | | |
| Net deferred tax assets | 65,232 | 48,112 | 65,135 | 48,021 |
| Net deferred tax liabilities | ( 40,610) | (24,007) | - | - |
| | 24,622 | 24,105 | 65,135 | 48,021 |

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 29. Deferred tax assets and liabilities (continued)

(c) The deferred tax charge recognised in profit for the year comprises the following temporary differences and related tax:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Vacation leave accrued | 85 | ( 588) | 85 | ( 588) |
| Accelerated tax depreciation | 10,322 | ( 159) | 10,309 | ( 168) |
| Interest receivable and interest payable, net | (26,620) | 33,384 | (26,620) | 33,384 |
| Unrealised premium/discount on available-for-sale securities | 59,609 | 68,563 | 59,609 | 68,563 |
| Other | (16,610) | 2,149 | - | 21,089 |
| | 26,786 | 103,349 | 43,383 | 122,280 |

## 30. Capital management and government securities funds

The capital management and government securities funds represent the investment of contributions from third-party clients. Changes in the value of the fund at each valuation date are based on the net accretion in value of the underlying investments.

## 31. Other liabilities

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Due to clients | 1,463,569 | - | 1,463,569 | - |
| Accrued liabilities | 495,473 | 352,499 | 489,468 | 344,372 |
| Sundry | 381,499 | 328,311 | 233,650 | 283,332 |
| | 2,340,541 | 680,810 | 2,186,687 | 627,704 |

## 32. Share capital

| | Number of units | | Total | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Authorised: | | | | |
| Ordinary shares of no par value | 1,200,000 | 1,200,000 | | |
| Issued and fully paid: | | | | |
| Ordinary stock units | 423,195 | 423,195 | 1,911,903 | 1,911,903 |

Under the provisions of the Act, the shares have no par value. The holders of the ordinary stock units are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## 33. Cumulative remeasurement result from available-for-sale financial assets

This represents the unrealised surplus or deficit on the revaluation of available-for-sale investments.

## 34. Capital reserve

Capital reserve comprises gains on disposal of an interest in a subsidiary and land, furniture and fixtures sold to an associated company.

## 35. Financial risk management

### (a) Overview and risk management framework

By their nature, the Group's activities are principally related to the use of financial instruments. This will involve analysis, evaluation and management of some degree of risk or combination of risks. The Group's aim is therefore to achieve an appropriate balance between risks and return and minimise potential adverse effects on the Group's financial performance.

The Group manages risk through a framework of risk principles, organizational structures and risk measurement and monitoring processes that are closely aligned with the activities of our business units. The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board has established committees for managing and monitoring risks.

Two key committees for managing and monitoring risks are as follows:

(i) Board Audit Committee

The Board Audit Committee is solely comprised of independent directors. The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Committee is assisted in its oversight role by the Internal Audit Department. The Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

(ii) Asset and liability Committee

The Asset and Liability Committee (ALCO) has the responsibility of ensuring that risks are managed within the limits established by the Board of Directors. The Committee meets at least once monthly to review risks, evaluate performance and provide strategic direction. In addition, internal audit is responsible for the independent review of risk management and the control environment. The Committee reviews investment, loans and funding activities, and ensures that the existing policies comprehensively deal with the management and diversification of the Company's investment and loan portfolios and that appropriate limits are being adhered to.

The most important types of risk are credit risk, market risk, and liquidity risk. Market risk includes currency, interest rate and other price risks.

### (b) Credit risk

#### (i) Credit risk management

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment allowances are made for losses that have been incurred at the reporting date. However, significant negative changes in the economy, an industry segment that represents a concentration in the Group's loan portfolio, or positions in tradeable assets such as bonds could result in losses that are different from those recognised at the reporting date.

## 35. Financial risk management (continued)

### (b) Credit risk (continued)

#### (i) Credit risk management (continued)

At a strategic level, the Group manages the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to any one borrower, or groups of borrowers, and industry segments. The exposure to any one borrower, including banks and brokers, is further restricted by sub-limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored daily.

Operationally, exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations, and by restructuring loans where appropriate. Exposure to credit risk is also managed in part by obtaining collateral, corporate and personal guarantees.

In addition, the Group will seek additional collateral from the counterparty where impairment indicators are noticed for the relevant individual loans.

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances are consistent with the policies outlined in note 2(m).

The Group further manages its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

#### (ii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans or guarantees. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

#### (iii) Credit quality

**Commercial loans**

In measuring credit risk of commercial loans at the counterparty level, the Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class:

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

**35. Financial risk management (continued)**

**(b) Credit risk (continued)**

**(iii) Credit quality (continued)**

**Commercial loans (continued)**

| Group's rating | External rating: Standard & Poor's equivalent |
|---|---|
| Excellent | AAA to AA+ |
| Very Good | AA to A+ |
| Good | A to A- |
| Acceptable | BBB+ to BB+ |
| Higher Risk | BB and under |

**Retail loans**

Retail loans are risk-rated based on an internal scoring system which combines statistical analysis with credit officer judgment, and fall within the following categories:

- Excellent
- Good
- Higher risk

The table below shows the percentage of the Group's and Company's balances as at the reporting date relating to loans and advances and the associated impairment provision for each of the Group's internal rating categories:

| | The Group and Company | |
|---|---|---|
| | 2016 | 2015 |
| | % | % |
| Excellent | 99.8 | 99.9 |
| Higher Risk | 0.2 | 0.1 |
| | 100.0 | 100.0 |

The following table presents an analysis by rating agency designation of debt and similar securities, other than loans, based on Standard & Poor's ratings or their equivalent as at October 31, 2016 and 2015:

| | The Group and Company | |
|---|---|---|
| | 2016 | 2015 |
| AAA to AA+ | 1,840,658 | 1,212,405 |
| AA to A+ | 5,475,231 | 5,115,072 |
| A to A- | 4,421,441 | 4,966,252 |
| BBB+ to BB+ | 2,203,192 | 1,492,215 |
| BB to B- | 36,190,042 | 39,503,450 |
| Unrated | - | 264,580 |
| | 50,130,564 | 52,553,974 |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Financial assets at fair value through profit or loss | - | 154,836 | - | 154,836 |
| Investment securities | 6,618,069 | 7,115,767 | 5,947,968 | 6,686,537 |
| Pledged assets: | | | | |
| Held-to-maturity | 3,726,331 | 5,709,864 | 3,726,331 | 5,709,864 |
| Available-for-sale | 39,786,164 | 39,573,507 | 40,456,265 | 40,002,737 |
| | 50,130,564 | 52,553,974 | 50,130,564 | 52,553,974 |

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

**35. Financial risk management (continued)**

**(b) Credit risk (continued)**

**(iv) Maximum exposure to credit risk**

**Collateral and other credit enhancements held against loans**

It is the Group's practice to lend on the basis of the customer's or Issuer's ability to meet their obligations out of their cash flow resources rather than rely on the value of security offered as collateral. Nevertheless, the collateral is an important mitigant of credit risk, depending on the customer's standing and the type of product, some facilities are granted on an unsecured basis. For other facilities, a charge over collateral is obtained and considered in determining the credit decision and pricing. In the event of default the Group may utilise the collateral as a source of repayment. In such cases the collateral is used to settle all debt obligations to the Group, and excess value is returned to the borrower.

The Group holds collateral against credits to borrowers primarily in the form of cash, motor vehicles, real estate, charges over business assets such as premises, inventory and accounts receivable and charges over financial instruments such as debt securities and equities. Estimates of fair values are based on the value of the collateral assessed at the time of borrowing and are generally not updated except when credits to borrowers are individually assessed as impaired.

The estimated fair value of the collateral with enforceable legal right pursuant to the agreements for outstanding loans and guarantees is $3,966,994 (2015: $3,516,718) for the Group and Company.

**(v) Concentration of exposure to credit risk**

**(1) Loans**

The following table summarises the Group's and Company's credit exposure for loans at their carrying amounts, as categorised by the industry sectors. Loans are primarily extended to customers within Jamaica.

| | The Group and Company | | | |
|---|---|---|---|---|
| | Loans | Acceptances, guarantees and letters of credit | Total 2016 | Total 2015 |
| Construction and real estate | - | 25,814 | 25,814 | 27,205 |
| Financial institutions | - | 48,104 | 48,104 | 42,570 |
| Manufacturing | - | 88,000 | 88,000 | 93,500 |
| Personal | 78,010 | 3,458,042 | 3,536,052 | 2,916,815 |
| Professional and other services | - | 513,363 | 513,363 | 472,998 |
| Tourism and entertainment | - | 9,717 | 9,717 | 27,486 |
| Interest receivable | 71 | - | 71 | 56 |
| | 78,081 | 4,143,040 | 4,221,121 | 3,580,630 |
| Total impairment allowance | ( 8,659) | - | ( 8,659) | ( 2,312) |
| Total | 69,422 | 4,143,040 | 4,212,462 | 3,578,318 |

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

**35. Financial risk management (continued)**

**(b) Credit risk (continued)**

**(v) Concentration of exposure to credit risk (continued)**

**(2) Debt securities and amounts due from other banks**

The following table summarises the Group's and Company's credit exposure for debt securities and amounts due from other banks at their carrying amounts, as categorised by issuer:

| | Maximum exposure | | | |
|---|---|---|---|---|
| | The Group | | The Company | |
| | 2016 | 2015 | 2016 | 2015 |
| Governments | 36,471,201 | 38,720,721 | 36,471,201 | 38,720,721 |
| Bank of Jamaica | 5,198 | 26,167 | 5,198 | 26,167 |
| Financial institutions | 13,776,577 | 11,026,038 | 13,521,109 | 10,987,146 |
| Corporate and other | 13,659,363 | 12,628,564 | 13,659,363 | 12,628,564 |
| | 63,912,339 | 62,401,490 | 63,656,871 | 62,362,598 |

Other than exposure on Government of Jamaica securities, there is no significant concentration of liquid funds. For securities purchased under resale agreements, titles to securities are transferred to the Group's custody for the duration of the agreement.

**(c) Market risk**

Market risk arises from changes in market prices and rates (including interest rates, credit spreads, equity prices and foreign exchange rates), correlations among these risks, and the levels of volatility.

The Group manages market risk through risk limits approved by the Board of Directors. Risk limits are determined for each portfolio, and are set by product and risk type, with market liquidity being a principal factor in determining the level of limits set. Limits are set using a combination of risk measurement techniques, including position limits and stress testing to identify the potential net interest income and market value effects of the positions in different scenarios. The results of the stress tests are reviewed by senior management and by the Board of Directors.

The Group also trades in financial instruments where it takes positions to take advantage of short-term market movements in securities prices and in foreign exchange and interest rates. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

The management of the individual elements of market risks – interest rate, currency, and equity price rates are as follows:

**(i) Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing market interest rates on its financial position and cash flows.

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 35. Financial risk management (continued)

### (c) Market risk (continued)

#### (i) Interest rate risk (continued)

The Group monitors interest rate risk using its Asset and Liability Management model. It calculates the interest rate risk gaps, economic value and annual income amounts which are compared with risk limits approved by the Board of Directors. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly.

The following tables summarise carrying amounts of assets, liabilities and equity in order to arrive at the Group's and the Company's interest rate gap based on the earlier of contractual repricing and maturity dates.

| | The Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2016 | | | | | | |
| | Immediately rate sensitive | Within 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Non-rate sensitive | Total |
| Cash resources | - | 5,688,817 | - | - | - | 6,033 | 5,694,850 |
| Financial assets at fair value through profit or loss | - | - | - | - | - | 353,976 | 353,976 |
| Pledged assets | 100 | 32,669,816 | 7,051,820 | 10,921,465 | 1,339,233 | 457,831 | 52,440,265 |
| Loans, after allowance for impairment losses | - | 9,280 | 2,488 | 56,659 | 15,023 | ( 14,028) | 69,422 |
| Investment securities | - | 335,331 | 1,509,979 | 3,946,902 | 768,816 | 332,747 | 6,893,775 |
| Other assets | - | - | - | - | - | 5,733,173 | 5,733,173 |
| Total assets | 100 | 38,703,244 | 8,564,287 | 14,925,026 | 2,123,072 | 6,869,732 | 71,185,461 |
| Securities sold under repurchase agreements | 872,712 | 30,770,513 | 2,527,338 | - | - | 149,346 | 34,319,909 |
| Capital management and government securities funds | 15,350,881 | - | - | - | - | 1,206 | 15,352,087 |
| Other liabilities | - | - | - | - | - | 6,567,398 | 6,567,398 |
| Stockholders' equity | - | - | - | - | - | 14,946,067 | 14,946,067 |
| Total liabilities and stockholders' equity | 16,223,593 | 30,770,513 | 2,527,338 | - | - | 21,664,017 | 71,185,461 |
| **Total interest rate sensitivity gap** | (16,223,493) | 7,932,731 | 6,036,949 | 14,925,026 | 2,123,072 | (14,794,285) | - |
| **Cumulative gap** | (16,223,493) | ( 8,290,762) | (2,253,813) | 12,671,213 | 14,794,285 | - | - |

| | 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Immediately rate sensitive | Within 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Non-rate sensitive | Total |
| Total assets | 450,000 | 38,540,199 | 4,519,950 | 17,541,976 | 574,379 | 7,221,718 | 68,848,222 |
| Total liabilities and stockholders' equity | 12,951,327 | 33,158,663 | 4,002,405 | - | - | 18,735,827 | 68,848,222 |
| **Total interest rate sensitivity gap** | (12,501,327) | 5,381,536 | 517,545 | 17,541,976 | 574,379 | (11,514,109) | - |
| **Cumulative gap** | (12,501,327) | ( 7,119,791) | (6,602,246) | 10,939,730 | 11,514,109 | - | - |

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 35. Financial risk management (continued)

### (c) Market risk (continued)

#### (i) Interest rate risk (continued)

| | The Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2016 | | | | | | |
| | Immediately rate sensitive | Within 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Non-rate sensitive | Total |
| Cash resources | - | 5,433,349 | - | - | - | 6,033 | 5,439,382 |
| Pledged assets | 100 | 32,669,816 | 7,204,848 | 11,434,741 | 1,339,233 | 461,628 | 53,110,366 |
| Loans, after allowance for impairment losses | - | 9,280 | 2,488 | 56,659 | 15,023 | ( 14,028) | 69,422 |
| Investment securities | - | 335,331 | 1,356,951 | 3,433,625 | 768,816 | 328,951 | 6,223,674 |
| Investment in subsidiaries | - | - | - | - | - | 218,248 | 218,248 |
| Other assets | - | - | - | - | - | 5,637,923 | 5,637,923 |
| Total assets | 100 | 38,447,776 | 8,564,287 | 14,925,025 | 2,123,072 | 6,638,755 | 70,699,015 |
| Securities sold under repurchase agreements | 872,712 | 30,949,508 | 2,969,323 | - | - | 150,539 | 34,942,082 |
| Capital management and government securities funds | 15,350,881 | - | - | - | - | 1,206 | 15,352,087 |
| Other liabilities | - | - | - | - | - | 6,524,501 | 6,524,501 |
| Stockholders' equity | - | - | - | - | - | 13,880,345 | 13,880,345 |
| Total liabilities and stockholders' equity | 16,223,593 | 30,949,508 | 2,969,323 | - | - | 20,556,591 | 70,699,015 |
| **Total interest rate sensitivity gap** | (16,223,493) | 7,498,268 | 5,594,964 | 14,925,025 | 2,123,072 | (13,917,836) | - |
| **Cumulative gap** | (16,223,493) | ( 8,725,225) | (3,130,261) | 11,794,764 | 13,917,836 | - | - |

| | 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Immediately rate sensitive | Within 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Non-rate sensitive | Total |
| Total assets | 450,000 | 38,501,307 | 4,519,950 | 17,541,976 | 574,379 | 7,159,359 | 68,746,971 |
| Total liabilities and stockholders' equity | 12,951,327 | 33,246,257 | 4,320,743 | - | - | 18,228,644 | 68,746,971 |
| **Total interest rate sensitivity gap** | (12,501,327) | 5,255,050 | 199,207 | 17,541,976 | 574,379 | (11,069,285) | - |
| **Cumulative gap** | (12,501,327) | ( 7,246,277) | (7,047,070) | 10,494,906 | 11,069,285 | - | - |

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

**35. Financial risk management (continued)**

**(c) Market risk (continued)**

**(i) Interest rate risk (continued)**

Average effective yields by the earlier of the contractual repricing and maturity dates:

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| | 2016 | | | | | |
| | Immediately rate sensitive | Within 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Weighted average |
| | % | % | % | % | % | % |
| Cash resources | - | 0.10 | - | - | - | 0.10 |
| Pledged assets | 12.75 | 5.94 | 4.33 | 3.79 | 9.63 | 5.36 |
| Loans, after allowance for impairment losses | - | 0.40 | 6.16 | 6.26 | 8.72 | 6.05 |
| Capital management and government securities funds | 0.10 | - | - | - | - | 0.10 |
| Investment securities | - | 6.10 | 2.33 | 2.76 | 6.82 | 3.31 |
| Securities sold under repurchase agreements | 4.78 | 4.05 | 1.88 | - | - | 3.90 |

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Immediately rate sensitive | Within 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Weighted average |
| | % | % | % | % | % | % |
| Cash resources | - | 0.11 | - | - | - | 0.11 |
| Pledged assets | 6.33 | 5.90 | 6.48 | 3.35 | 10.98 | 5.29 |
| Loans, after allowance for impairment losses | - | 0.42 | 6.71 | 6.37 | 7.55 | 6.58 |
| Capital management and government securities funds | 0.15 | - | - | - | - | 0.15 |
| Investment securities | - | 5.62 | 1.32 | 1.55 | 6.73 | 3.43 |
| Securities sold under repurchase agreements | 1.10 | 4.46 | 1.77 | - | - | 4.15 |

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

**35. Financial risk management (continued)**

**(c) Market risk (continued)**

**(i) Interest rate risk (continued)**

Average effective yields by the earlier of the contractual repricing and maturity dates (continued):

| | The Company | | | | | |
|---|---|---|---|---|---|---|
| | 2016 | | | | | |
| | Immediately rate sensitive | Within 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Weighted average |
| | % | % | % | % | % | % |
| Cash resources | - | 0.10 | - | - | - | 0.10 |
| Pledged assets | 12.75 | 5.94 | 4.28 | 3.72 | 9.63 | 5.32 |
| Loans, after allowance for impairment losses | - | 0.40 | 6.16 | 6.26 | 8.72 | 6.05 |
| Capital management and government securities funds | 0.10 | - | - | - | - | 0.10 |
| Investment securities | - | 6.10 | 2.39 | 2.84 | 6.82 | 3.44 |
| Securities sold under repurchase agreements | 4.78 | 4.04 | 1.68 | - | - | 3.85 |
| | 2015 | | | | | |
| | Immediately rate sensitive | Within 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Weighted average |
| | % | % | % | % | % | % |
| Cash resources | - | 0.11 | - | - | - | 0.11 |
| Pledged assets | 6.33 | 5.90 | 6.48 | 3.31 | 10.98 | 5.26 |
| Loans, after allowance for impairment losses | - | 0.42 | 6.71 | 6.37 | 7.55 | 6.58 |
| Capital management and government securities funds | 0.15 | - | - | - | - | 0.15 |
| Investment securities | - | 5.62 | 1.32 | 1.48 | 6.73 | 3.53 |
| Securities sold under repurchase agreements | 1.10 | 4.45 | 1.69 | - | - | 4.11 |

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

**35. Financial risk management (continued)**

**(c) Market risk (continued)**

**(i) Interest rate risk (continued)**

(1) Yields are based on book values and contractual interest adjusted for amortisation of premiums and discounts. Yields on tax-exempt investments have not been computed on a taxable equivalent basis.

(2) Yields are based on book values, net of allowance for credit losses and contractual interest rates.

(3) Yields are based on contractual interest rates.

**Sensitivity to interest rate movements**

The following shows the sensitivity to interest rate movements using scenarios that are based on recently observed market movements. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the basis as outlined below.

| | 2016 | 2015 |
|---|---|---|
| JMD Interest rates | increase/decrease by 200 bps | increase/decrease by 300 bps |
| USD Interest rates | increase/decrease by 75 bps | increase/decrease by 50 bps |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Effect on profit or loss | 13,217 | 213,953 | 13,217 | 213,953 |
| Effect on stockholders' equity | 444,695 | 413,871 | 444,695 | 413,871 |

**(ii) Currency risk**

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The main currencies giving rise to this risk are the USD, CAD, GBP, and EUR. The Group ensures that the net exposure is kept to an acceptable level by matching foreign assets with liabilities as far as possible.

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 35. Financial risk management (continued)

### (c) Market risk (continued)

#### (ii) Currency risk (continued)

The tables below summarize the Group's exposure to foreign currency risk:

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| | 2016 | | | | | |
| JMD Equivalent | JMD | USD in JMD | CAD in JMD | GBP in JMD | EUR in JMD | TOTAL in JMD |
| Assets: | | | | | | |
| Cash resources | 812,350 | 4,642,242 | 69,701 | 143,512 | 27,045 | 5,694,850 |
| Financial assets at fair value through profit or loss | 353,976 | - | - | - | - | 353,976 |
| Pledged assets | 36,167,734 | 15,999,829 | 86,122 | 186,580 | - | 52,440,265 |
| Loans, after allowance for impairment losses | 69,422 | - | - | - | - | 69,422 |
| Investment securities | 1,151,882 | 5,460,735 | 281,158 | - | - | 6,893,775 |
| Other assets | 3,624,208 | 2,093,202 | 17,322 | ( 148) | ( 1,411) | 5,733,173 |
| Total assets | 42,179,572 | 28,196,008 | 454,303 | 329,944 | 25,634 | 71,185,461 |
| Liabilities: | | | | | | |
| Securities sold under resale agreement | 24,986,083 | 9,333,826 | - | - | - | 34,319,909 |
| Capital management & government securities funds | 967,746 | 12,968,524 | 359,702 | 889,746 | 166,369 | 15,352,087 |
| Other liabilities | 3,579,631 | 2,920,419 | 23,351 | 43,016 | 981 | 6,567,398 |
| Total liabilities | 29,533,460 | 25,222,769 | 383,053 | 932,762 | 167,350 | 56,239,394 |
| Net position | 12,646,112 | 2,973,239 | 71,250 | (602,818) | (141,716) | 14,946,067 |

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| JMD Equivalent | JMD | USD | CAD | GBP | EUR | TOTAL |
| Assets: | | | | | | |
| Cash resources | 546,767 | 1,304,975 | 72,770 | 233,951 | 65,828 | 2,224,291 |
| Financial assets at fair value through profit or loss | 459,502 | - | - | - | - | 459,502 |
| Pledged assets | 36,821,224 | 16,631,219 | 81,163 | 217,956 | - | 53,751,562 |
| Loans, after allowance for impairment losses | 97,818 | - | - | - | - | 97,818 |
| Investment securities | 1,938,271 | 5,012,966 | 266,530 | - | - | 7,217,767 |
| Other assets | 3,413,195 | 1,657,733 | 17,770 | 2,295 | 6,289 | 5,097,282 |
| Total assets | 43,276,777 | 24,606,893 | 438,233 | 454,202 | 72,117 | 68,848,222 |
| Liabilities: | | | | | | |
| Securities sold under resale agreement | 26,453,506 | 11,159,157 | - | - | - | 37,612,663 |
| Capital management & government securities funds | 870,144 | 10,061,296 | 410,033 | 1,189,778 | 183,392 | 12,714,643 |
| Other liabilities | 2,379,821 | 2,809,746 | 27,176 | ( 735,576) | (111,253) | 4,369,914 |
| Total liabilities | 29,703,471 | 24,030,199 | 437,209 | 454,202 | 72,139 | 54,697,220 |
| Net position | 13,573,306 | 576,694 | 1,024 | - | ( 22) | 14,151,002 |

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 35. Financial risk management (continued)

### (c) Market risk (continued)

#### (ii) Currency risk (continued)

The tables below summarize the Group's exposure to foreign currency risk (continued):

| | The Company | | | | | |
|---|---|---|---|---|---|---|
| | 2016 | | | | | |
| JMD Equivalent | JMD | USD in JMD | CAD in JMD | GBP in JMD | EUR in JMD | TOTAL in JMD |
| Assets: | | | | | | |
| Cash resources | 556,882 | 4,642,242 | 69,701 | 143,512 | 27,045 | 5,439,382 |
| Financial assets at fair value through profit or loss | - | - | - | - | - | - |
| Pledged assets | 36,231,261 | 16,606,403 | 86,122 | 186,580 | - | 53,110,366 |
| Investment subsidiaries | 218,248 | - | - | - | - | 218,248 |
| Loans, after allowance for impairment losses | 69,422 | - | - | - | - | 69,422 |
| Investment securities | 1,088,355 | 4,854,161 | 281,158 | - | - | 6,223,674 |
| Other assets | 2,986,858 | 2,635,302 | 17,322 | ( 148) | ( 1,411) | 5,637,923 |
| Total assets | 41,151,026 | 28,738,108 | 454,303 | 329,944 | 25,634 | 70,699,015 |
| Liabilities: | | | | | | |
| Securities sold under repurchase agreement | 25,046,602 | 9,895,480 | - | - | - | 34,942,082 |
| Capital management & government securities funds | 967,746 | 12,968,524 | 359,702 | 889,746 | 166,369 | 15,352,087 |
| Other liabilities | 3,196,210 | 3,260,943 | 23,351 | 43,016 | 981 | 6,524,501 |
| Total liabilities | 29,210,558 | 26,124,947 | 383,053 | 932,762 | 167,350 | 56,818,670 |
| Net position | 11,940,468 | 2,613,161 | 71,250 | (602,818) | (141,716) | 13,880,345 |

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| JMD Equivalent | JMD | USD | CAD | GBP | EUR | TOTAL |
| Assets: | | | | | | |
| Cash resources | 507,876 | 1,304,975 | 72,770 | 233,951 | 65,828 | 2,185,400 |
| Financial assets at fair value through profit or loss | 154,836 | - | - | - | - | 154,836 |
| Pledged assets | 36,821,224 | 17,060,450 | 81,163 | 217,956 | - | 54,180,793 |
| Investment subsidiaries | 344,015 | - | - | - | - | 344,015 |
| Loans, after allowance for impairment losses | 97,818 | - | - | - | - | 97,818 |
| Investment securities | 1,938,271 | 4,583,736 | 266,530 | - | - | 6,788,537 |
| Other assets | 2,941,467 | 2,027,751 | 17,770 | 2,295 | 6,289 | 4,995,572 |
| Total assets | 42,805,507 | 24,976,912 | 438,233 | 454,202 | 72,117 | 68,746,971 |
| Liabilities: | | | | | | |
| Securities sold under repurchase agreement | 26,453,507 | 11,565,731 | - | - | - | 38,019,238 |
| Capital management & government securities funds | 870,144 | 10,061,296 | 410,033 | 1,189,778 | 183,392 | 12,714,643 |
| Other liabilities | 1,935,532 | 3,495,099 | 27,176 | ( 735,576) | (111,253) | 4,610,978 |
| Total liabilities | 29,259,183 | 25,122,126 | 437,209 | 454,202 | 72,139 | 55,344,859 |
| Net position | 13,546,324 | ( 145,214) | 1,024 | - | ( 22) | 13,402,112 |

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 35. Financial risk management (continued)

### (c) Market risk (continued)

#### (ii) Currency risk (continued)

The following significant exchange rates were applied during the period:

| | Average rate for the year | | Reporting date spot rate | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| USD | 123.9982 | 116.1969 | 128.7033 | 119.5755 |
| CAD | 92.2129 | 92.0075 | 95.1561 | 89.8687 |
| GBP | 170.3124 | 177.8415 | 155.7139 | 182.2461 |
| EUR | 136.4279 | 131.2166 | 141.0683 | 131.1022 |

Sensitivity to foreign exchange rate movements

A weakening of the JMD against the following currencies at October 31 would have increased/(decreased) profit and stockholders' equity by the amounts shown below. This analysis is performed on the same basis for 2015. The strengthening of the JMD against the same currencies at October 31 would have had the equal but opposite effect on the amounts shown, on the basis that all other variables remain constant.

| | 2016 | 2015 |
|---|---|---|
| USD | increase/decrease by 3.75% | increase/decrease by 3.00% |
| CAD | increase/decrease by 15% | increase/decrease by 5.50% |
| GBP | increase/decrease by 7% | increase/decrease by 8.50% |
| EUR | increase/decrease by 8.25% | increase/decrease by 8.25% |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Effect on profit and stockholders' equity | 40,002 | 24,603 | 34,664 | 21,003 |

#### (iii) Equity price risk

Equity price risk arises out of price fluctuations in the equity prices. The risk arises out of holding positions in either individual stocks (idiosyncratic risk) or in the market as a whole (systemic risk). The goal is to earn dividend income and realise capital gains sufficient to offset the interest foregone in holding such long-term positions.

The Board sets limits on the level of exposure, and diversification is a key strategy employed to reduce the impact on the portfolio, which may result from the non-performance of a specific class of asset. Given the potential volatility in the value of equities and the non-interest bearing characteristic of these instruments, the Company limits the amount invested in them.

At the reporting date, the Group's and Company's equity portfolio was:

| | 2016 | 2015 |
|---|---|---|
| Investment securities | 275,706 | 102,000 |

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 35. Financial risk management (continued)

### (c) Market risk (continued)

#### (iii) Equity price risk (continued)

**Sensitivity to equity price movements**

The equity portfolio was shocked by a 10% decrease and increase in stock prices based on holdings as at October 31, 2016. The sensitivity shock is based on the Institute of Chartered Accountants of Jamaica proposed shift in equity prices. This analysis was performed on the same basis for 2015. The effect on the Group's and Company's profit and stockholders' equity are shown below.

| | Profit or loss | | Equity | |
|---|---|---|---|---|
| | Maximum increase | Maximum decrease | Maximum increase | Maximum decrease |
| 31 October 2016 | - | - | 27,571 | (27,571) |
| 31 October 2015 | - | - | 10,200 | (10,200) |

### (d) Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight and maturing deposits, loan drawdowns and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for companies to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates. Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and central bank balances, government and corporate bonds, treasury bills, and loans.

Liquidity requirements to support calls under guarantees are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

Financial liabilities cash flows

The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the Group's and the Company's financial liabilities based on contractual repayment obligations. The Group expects that many customers will not request repayment on the earliest date the Group could be required to pay.

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 35. Financial risk management (continued)

### (d) Liquidity risk (continued)

The Group

2016

| | Within 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | No specific maturity | Total | Carrying amounts |
|---|---|---|---|---|---|---|---|
| Financial liabilities: | | | | | | | |
| Securities sold under repurchase agreements | 31,736,056 | 2,723,564 | - | - | - | 34,459,620 | 34,319,909 |
| Capital management & government securities funds | 15,352,087 | - | - | - | - | 15,352,087 | 15,352,087 |
| Other liabilities | 4,143,040 | - | - | - | - | 4,143,040 | 4,143,040 |
| Total liabilities | 51,231,183 | 2,723,564 | - | - | - | 53,954,747 | 53,815,036 |

2015

| | Within 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | No specific maturity | Total | Carrying amounts |
|---|---|---|---|---|---|---|---|
| Financial liabilities: | | | | | | | |
| Securities sold under repurchase agreements | 33,729,202 | 4,053,062 | - | - | - | 37,782,264 | 37,612,663 |
| Capital management & government securities funds | 12,714,643 | - | - | - | - | 12,714,643 | 12,714,643 |
| Other liabilities | 3,480,500 | - | - | - | - | 3,480,500 | 3,480,500 |
| Total liabilities | 49,924,345 | 4,053,062 | - | - | - | 53,977,407 | 53,807,806 |

The Company

2016

| | Within 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | No specific maturity | Total | Carrying amounts |
|---|---|---|---|---|---|---|---|
| Financial liabilities: | | | | | | | |
| Amount due to subsidiaries | - | - | - | - | 194,774 | 194,774 | 194,774 |
| Securities sold under repurchase agreements | 31,823,465 | 3,258,329 | - | - | - | 35,081,794 | 34,942,082 |
| Capital management & government securities funds | 15,352,087 | - | - | - | - | 15,352,087 | 15,352,087 |
| Other liabilities | 4,143,040 | - | - | - | - | 4,143,040 | 4,143,040 |
| Total liabilities | 51,318,592 | 3,258,329 | - | - | 194,774 | 54,771,695 | 54,631,983 |

2015

| | Within 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | No specific maturity | Total | Carrying amounts |
|---|---|---|---|---|---|---|---|
| Financial liabilities: | | | | | | | |
| Amount due to subsidiaries | - | - | - | - | 369,604 | 369,604 | 369,604 |
| Securities sold under repurchase agreements | 33,816,611 | 4,371,855 | - | - | - | 38,188,466 | 38,019,238 |
| Capital management & government securities funds | 12,714,643 | - | - | - | - | 12,714,643 | 12,714,643 |
| Other liabilities | 3,480,500 | - | - | - | - | 3,480,500 | 3,480,500 |
| Total liabilities | 50,011,754 | 4,371,855 | - | - | 369,604 | 54,753,213 | 54,583,985 |

## 36. Fair value of financial instruments

### Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The best evidence of fair value for a financial instrument is the quoted price in an active market. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Where possible, the Group measures the fair value of an instrument based on quoted prices or observable inputs obtained from active markets.

For financial instruments for which there is no quoted price in an active market, the Group uses internal models that maximize the use of observable inputs to estimate fair value. The chosen valuation technique incorporates all the factors that market participants would take into account.

When using models where observable parameters do not exist, the Group uses greater management judgement for valuation purposes.

### Fair value hierarchy

The Group measures fair value using the following fair value hierarchy, which reflect the significance of the inputs used in making the measurements.

- Level 1 - fair value measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - fair value measured based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - fair value measured based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognises transfers between levels of the fair value hierarchy at the date the event or change in circumstances that caused the transfer to occur. There were no such transfers during the year.

### Basis of valuation

The specific inputs and valuation techniques used in determining the fair value of financial statements are noted below:

(i) Financial instruments classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques which include utilising recent transaction price or broker quotes.

## 36. Fair value of financial instruments (continued)

### Basis of valuation (continued)

(ii) Financial instruments classified as fair value through profit or loss: fair value is estimated by reference to quoted market prices when available. If quoted market prices are not available then fair values are estimated on the basis of pricing models or discounted cash flows. Fair value is equal to the carrying amount for these investments.

(iii) The fair value of liquid assets and other assets maturing within one year is considered to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and liabilities.

(iv) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.

(v) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans.

Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values.

(vi) The fair values of quoted equity investments are based on current bid prices. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

(vii) The fair values of units held in unit trusts are based on prices published by unit trust managers.

### Valuation technique

All Government of Jamaica securities and international bonds are valued using the bid price from Bloomberg, this price is then applied to estimate the fair value.

**Notes to the Financial Statements (Continued)**
**Year ended October 31, 2016**
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 36. Fair value of financial instruments (continued)

Accounting classifications and fair values:

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | The Group 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | | | Fair value | | |
| | Available-for-sale | At fair value through profit and loss | Total | Level 1 | Level 2 | Total |
| **Financial assets measured at fair value:** | | | | | | |
| Quoted shares | 275,706 | - | 275,706 | 275,706 | - | 275,706 |
| Government securities | 1,899,380 | - | 1,899,380 | - | 1,899,380 | 1,899,380 |
| Treasury bills | 281,158 | - | 281,158 | - | 281,158 | 281,158 |
| Units held in unit trusts | - | 353,976 | 353,976 | - | 353,976 | 353,976 |
| Corporate bonds | 4,437,531 | - | 4,437,531 | - | 4,437,531 | 4,437,531 |
| | 6,893,775 | 353,976 | 7,247,751 | 275,706 | 6,972,045 | 7,247,751 |
| **Pledged assets measured at fair value:** | | | | | | |
| Government securities | 30,564,332 | - | 30,564,332 | - | 30,564,332 | 30,564,332 |
| Unitised funds | 45,394 | - | 45,394 | - | 45,394 | 45,394 |
| Corporate bonds | 9,221,832 | - | 9,221,832 | - | 9,221,832 | 9,221,832 |
| | 39,831,558 | - | 39,831,558 | - | 39,831,558 | 39,831,558 |

| | Carrying amount | Fair value |
|---|---|---|
| **Financial assets not measured at fair value:** | | |
| Cash resources | 5,694,850 | 5,694,850 |
| Loans, after allowance for impairment allowances | 69,422 | 71,479 |
| | 5,764,272 | 5,766,329 |
| **Pledged assets not measured at fair value:** | | |
| Cash resources | 8,086,167 | 8,086,167 |
| Government securities | 3,726,331 | 3,765,128 |
| Loans, after allowance for impairment losses | 796,209 | 796,209 |
| | 12,608,707 | 12,647,504 |

**SCOTIA INVESTMENTS JAMAICA LIMITED**

**Notes to the Financial Statements (Continued)**
**Year ended October 31, 2016**
*(Expressed in thousands of Jamaican dollars unless otherwise stated)*

**36. Fair value of financial instruments (continued)**

Accounting classifications and fair values (continued):

| | The Group 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | | | Fair value | | |
| | Available-for-sale | At fair value through profit and loss | Total | Level 1 | Level 2 | Total |
| **Financial assets measured at fair value:** | | | | | | |
| Quoted shares | 102,000 | - | 102,000 | 102,000 | - | 102,000 |
| Government securities | 2,418,748 | 154,836 | 2,573,584 | - | 2,573,584 | 2,573,584 |
| Treasury bills | 266,529 | - | 266,529 | - | 266,529 | 266,529 |
| Units held in unit trusts | - | 304,666 | 304,666 | - | 304,666 | 304,666 |
| Corporate bonds | 3,225,801 | - | 3,225,801 | - | 3,225,801 | 3,225,801 |
| Credit linked note | 1,204,689 | - | 1,204,689 | - | 1,204,689 | 1,204,689 |
| | 7,217,767 | 459,502 | 7,677,269 | 102,000 | 7,575,269 | 7,677,269 |
| **Pledged assets measured at fair value:** | | | | | | |
| Government securities | 30,170,744 | - | 30,170,744 | - | 30,170,744 | 30,170,744 |
| Unitised funds | 1,079,386 | - | 1,079,386 | - | 1,079,386 | 1,079,386 |
| Corporate bonds | 9,402,762 | - | 9,402,762 | - | 9,402,762 | 9,402,762 |
| | 40,652,892 | - | 40,652,892 | - | 40,652,892 | 40,652,892 |

| | Carrying amount | Fair value |
|---|---|---|
| **Financial assets not measured at fair value:** | | |
| Cash resources | 2,224,291 | 2,224,291 |
| Loans, after allowance for impairment allowances | 97,818 | 98,117 |
| | 2,322,109 | 2,322,408 |
| **Pledged assets not measured at fair value:** | | |
| Cash resources | 6,574,111 | 6,574,111 |
| Government securities | 5,709,864 | 5,716,006 |
| Loans, after allowance for impairment losses | 814,695 | 814,695 |
| | 13,098,670 | 13,104,812 |

*(Expressed in thousands of Jamaican dollars unless otherwise stated)*

## 36. Fair value of financial instruments (continued)

Accounting classifications and fair values (continued):

| | The Company | | | | |
|---|---|---|---|---|---|
| | 2016 | | | | |
| | Carrying amount | | Fair value | | |
| | Available-for-sale | Total | Level 1 | Level 2 | Total |
| **Financial assets measured at fair value:** | | | | | |
| Quoted shares | 275,706 | 275,706 | 275,706 | - | 275,706 |
| Government securities | 1,835,853 | 1,835,853 | - | 1,835,853 | 1,835,853 |
| Treasury bills | 281,158 | 281,158 | - | 281,158 | 281,158 |
| Corporate bonds | 3,830,957 | 3,830,957 | - | 3,830,957 | 3,830,957 |
| | 6,223,674 | 6,223,674 | 275,706 | 5,947,968 | 6,223,674 |
| **Pledged assets measured at fair value:** | | | | | |
| Government securities | 30,627,859 | 30,627,859 | - | 30,627,859 | 30,627,859 |
| Unitised funds | 45,394 | 45,394 | - | 45,394 | 45,394 |
| Corporate bonds | 9,828,406 | 9,828,406 | - | 9,828,406 | 9,828,406 |
| | 40,501,659 | 40,501,659 | - | 40,501,659 | 40,501,659 |

| | Carrying amount | Fair value |
|---|---|---|
| **Financial assets not measured at fair value:** | | |
| Cash resources | 5,439,382 | 5,439,382 |
| Loans, after allowance for impairment allowances | 69,422 | 71,479 |
| | 5,508,804 | 5,510,861 |
| **Pledged assets not measured at fair value:** | | |
| Cash resources | 8,086,167 | 8,086,167 |
| Government securities | 3,726,331 | 3,765,128 |
| Loans, after allowance for impairment allowances | 796,209 | 796,209 |
| | 12,608,707 | 12,647,504 |

**SCOTIA INVESTMENTS JAMAICA LIMITED**

**Notes to the Financial Statements (Continued)**
**Year ended October 31, 2016**
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 36. Fair value of financial instruments (continued)

Accounting classifications and fair values (continued):

| | The Company 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | | | Fair value | | |
| | Available-for-sale | At fair value through profit and loss | Total | Level 1 | Level 2 | Total |
| **Financial assets measured at fair value:** | | | | | | |
| Quoted shares | 102,000 | - | 102,000 | 102,000 | - | 102,000 |
| Government securities | 2,356,773 | 154,836 | 2,511,609 | - | 2,511,609 | 2,511,609 |
| Treasury bills | 266,529 | - | 266,529 | - | 266,529 | 266,529 |
| Corporate bonds | 2,858,546 | - | 2,858,546 | - | 2,858,546 | 2,858,546 |
| Credit link note | 1,204,689 | - | 1,204,689 | - | 1,204,689 | 1,204,689 |
| | 6,788,537 | 154,836 | 6,943,373 | 102,000 | 6,841,373 | 6,943,373 |
| **Pledged assets measured at fair value:** | | | | | | |
| Government securities | 30,232,719 | - | 30,232,719 | - | 30,232,719 | 30,232,719 |
| Unitised funds | 1,079,386 | - | 1,079,386 | - | 1,079,386 | 1,079,386 |
| Corporate bonds | 9,770,018 | - | 9,770,018 | - | 9,770,018 | 9,770,018 |
| | 41,082,123 | - | 41,082,123 | - | 41,082,123 | 41,082,123 |

| | Carrying amount | Fair value |
|---|---|---|
| **Financial assets not measured at fair value:** | | |
| Cash resources | 2,185,400 | 2,185,400 |
| Loans, after allowance for impairment allowances | 97,818 | 98,117 |
| | 2,283,218 | 2,283,517 |
| **Pledged assets not measured at fair value:** | | |
| Cash resources | 6,574,111 | 6,574,111 |
| Government securities | 5,709,864 | 5,716,006 |
| Loans, after allowance for impairment Allowances | 814,695 | 814,695 |
| | 13,098,670 | 13,104,812 |

## 37. Capital risk management

Capital risk is the risk that the Group fails to comply with mandated regulatory requirements, resulting in a breach of its minimum capital ratios and the possible suspension or loss of its securities dealer and banking licences.

The operations of the Group are subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimize the risk of default and insolvency to meet unforeseen liabilities as these arise.

The Group manages its capital resources according to the following objectives:

- To comply with the capital requirements established by the regulators;
- To safeguard its ability to continue as a going concern, and meet future obligations to customers and stockholders;
- To provide adequate returns to stockholders by pricing investments commensurately with the level of risk; and
- To maintain a strong capital base to support the future development of the Group's operations.

The Company is subject to a regulator, which sets and monitors capital adequacy requirements. Required capital adequacy information is filed with the regulator at least quarterly.

Capital adequacy is reviewed by executive management, the audit committee and the board of directors. Based on the guidelines developed by the Financial Services Commission (FSC), the Company is required to:

- Hold the minimum level of regulatory capital; and
- Maintain a minimum ratio of total regulatory capital to risk weighted assets.

Regulatory capital is divided into two tiers:

Tier 1: Capital comprises share capital, reserve fund and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and

Tier 2: Capital comprises qualifying subordinated loan capital, collective impairment allowances and revaluation surplus on fixed assets.

In prior year, investment in subsidiaries was deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital. Effective 2016, the investment in subsidiaries is not a prescribed adjustment.

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 37. Capital risk management (continued)

The risk weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantee. A similar treatment is adopted for off balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the required ratios. During the year, the Company complied with all of the externally-imposed capital requirements to which it is subjected.

| | The Company | |
|---|---|---|
| | Regulated by the FSC | |
| | 2016 | 2015 |
| Tier 1 capital | 13,609,907 | 13,336,023 |
| Tier 2 capital | 24,615 | 24,615 |
| | 13,634,522 | 13,360,638 |
| Less prescribed adjustment – Investment in subsidiaries | - | ( 43,726) |
| Total regulatory capital | 13,634,522 | 13,316,912 |

| | Regulated by the FSC | |
|---|---|---|
| | 2016 | 2015 |
| **Risk weighted assets**: | | |
| On statement of financial position | 29,702,953 | 27,828,901 |
| Foreign exchange exposure | 1,987,523 | 483,925 |
| Total risk weighted assets | 31,690,476 | 28,312,826 |
| Actual regulatory capital to risk weighted assets | 43.02% | 47.03% |
| Regulatory requirement | 10.00% | 10.00% |

Capital adequacy requirements by the FSC involve a market risk measure for the designated assets. Effective July 2016, an operational risk component was incorporated. Therefore, the risk weighted computation to determine the Group and Company's capital adequacy incorporates:

(i) a Risk Weighted Assets (RWA) credit risk charge;

(ii) a Risk Weighted Assets (RWA) market risk charge; and

(iii) a Risk Weighted Assets (RWA) operational risk charge.

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 38. Dividends

(a) Declared

| | The Group and Company | |
|---|---|---|
| | 2016 | 2015 |
| In respect of 2014 | - | 190,438 |
| In respect of 2015 | 190,438 | 571,313 |
| In respect of 2016 | 571,313 | - |
| | 761,751 | 761,751 |

(b) Proposed

At the Board of Directors meeting on December 6, 2016 a dividend in respect of 2016 of $0.45 - per share (December 1, 2015 - $0.45 per share) amounting to a total of $190,438 (2015: $190,438) was proposed. Stockholders' equity for the current financial year does not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the ensuing financial year.

## 39. Commitments

Operating lease commitments:

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | The Group and Company | |
|---|---|---|
| | 2016 | 2015 |
| Not later than one year | 35,081 | 53,703 |
| Later than one year and not later than five years | 3,940 | 34,199 |
| | 39,021 | 87,902 |

## 40. Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties. This involves the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

The subsidiary, Scotia Asset Management (Jamaica) Limited also manages funds on a non-recourse basis, on behalf of investors. The Group has no legal or equitable right or interest in these funds and accordingly, they have been excluded from the financial statements.

At October 31, 2016, the Group had financial assets under administration of approximately $180,147,539 (2015: $157,586,535).

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 41. Related party transactions and balances

The Group is controlled by Scotia Group Jamaica Limited which owns 77.01% of the ordinary stock units. The remaining 29.99% of the stock units is widely held.

Parties are considered to be related if one party has the ability to control or exercise significant influence over, or be controlled and significantly influenced by, the other party. A number of investment transactions are entered into with related parties. These include loans, investment management and foreign currency transactions.

Related party transactions with the parent company include the payment of dividends, management fees, and guarantee fees. The related party balance with the parent is the amount due to the parent company.

No impairment allowances have been recognised in respect of loans given to related parties.

Pursuant to Section 13(1), (d) and (i) of the Banking Act, connected companies include companies with common directors of the Company and/or its subsidiaries.

Related party credit facilities in excess of the limits of Section 13(1), (d) and (i), subject to the maximum of the limits in Section 13(1)(e) of the Banking Act are supported by guarantees issued by the parent company.

Related party transactions, outstanding balances at the year end, and related expenses and income for the year are as follows:

| | The Group | | | | |
|---|---|---|---|---|---|
| | Parent and fellow subsidiaries | Directors and key management personnel | Connected companies | Total 2016 | Total 2015 |
| **Other** | | | | | |
| Fees and commission earned | 6,000 | - | - | 6,000 | 6,637 |
| Securities sold under repurchase agreements | (2,680,000) | ( 7,109) | ( 135,243) | (2,822,352) | (2,840,541) |
| Interest incurred on repurchase agreements | ( 156,331) | ( 125) | ( 2,758) | ( 159,214) | ( 189,649) |
| Capital management account & government securities funds (CMA & GSF) | - | ( 87,019) | - | ( 87,019) | ( 87,920) |
| Interest incurred on CMA & GSF | - | ( 96) | - | ( 96) | - |
| Due from banks and other financial institutions | 2,847,907 | - | - | 2,847,907 | 1,096,618 |
| Interest earned from banks and other financial institutions | 1,413 | - | - | 1,413 | 1,392 |
| Deposits with financial institutions | 8,068,455 | - | - | 8,068,455 | 6,555,408 |
| Interest earned on deposits with financial institutions | 194,912 | - | - | 194,912 | 155,758 |
| Other investments | - | - | - | - | 1,185,887 |
| Interest earned on other investments | - | - | - | - | 50,020 |
| Management fees paid to parent company | ( 130,330) | - | - | ( 130,330) | ( 108,650) |
| Pension and ESOP fees received from parent company | 185,480 | - | - | 185,480 | 134,644 |
| Other operating expenses | ( 5,392) | - | - | ( 5,392) | ( 5,772) |

(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

## 41. Related party transactions and balances (continued)

| | The Company | | | | |
|---|---|---|---|---|---|
| | Parent and fellow subsidiaries | Directors and key management personnel | Connected companies | Total 2016 | Total 2015 |
| **Other** | | | | | |
| Fees and commission earned | 6,000 | - | - | 6,000 | 6,637 |
| Securities sold under repurchase agreements | (3,300,981) | ( 7,109) | (135,243) | (3,443,333) | (3,246,472) |
| Interest paid on repurchase agreements | ( 157,524) | ( 125) | ( 2,758) | ( 160,407) | ( 192,908) |
| Capital management account & government securities funds (CMA & GSF) | - | (87,019) | - | ( 87,019) | ( 87,920) |
| Interest paid on CMA & GSF | - | ( 96) | - | ( 96) | ( 150) |
| Due from banks and other financial institutions | 2,592,438 | - | - | 2,592,438 | 1,057,727 |
| Interest earned from banks and other financial institutions | 1,413 | - | - | 1,413 | 1,392 |
| Deposits with financial institutions | 8,068,455 | - | - | 8,068,455 | 6,555,408 |
| Interest earned on deposits with financial institutions | 194,912 | - | - | 194,912 | 155,758 |
| Other investments | - | - | - | - | 1,185,887 |
| Interest earned on other investments | - | - | - | - | 50,020 |
| Management fees paid to parent company | ( 95,110) | - | - | ( 95,110) | ( 87,619) |
| Pension and ESOP fees received from parent company | 185,480 | - | - | 185,480 | 134,644 |
| Dividend income | 326,361 | - | - | 326,361 | 550,289 |
| Other operating expenses | ( 17,175) | - | - | ( 17,175) | ( 17,555) |

| | The Group and Company 2016 | The Group and Company 2015 |
|---|---|---|
| Key management compensation: | | |
| Salaries and other short term benefits | 149,562 | 148,068 |

## 42. Litigation and contingent liabilities

The Group is subject to various claims, disputes and legal proceedings, in the normal course of business. Provision is made for such matters when, in the opinion of management and its legal counsel, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both the financial position and financial performance.

# notes

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**Scotia Investments**

BNSJ Branches with Scotia Investments Advisors:

KINGSTON - New Kingston, Liguanea, UWI, Cross Roads, Oxford Road, King Street, Hagley Park, Premier Plaza, Scotia Centre, Half Way Tree, Constant Spring

ST. ANN - St. Ann's Bay, Brown's Town, Ocho Rios

ST. MARY - Port Maria

PORTLAND - Port Antonio

MANCHESTER - Mandeville, Christiana

ST. ELIZABETH - Santa Cruz, Junction, Black River

ST. JAMES - Sam Sharpe Square, Fairview Financial Centre, Ironshore

TRELAWNY - Falmouth

HANOVER - Lucea

ST. CATHERINE - Spanish Town, Old Harbour, Linstead, Portmore

CLARENDON - May Pen

WESTMORELAND - Savanna-la-Mar, Negril

ST. THOMAS - Morant Bay