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INDEPENDENT AUDITORS' REPORT

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Scotia Group Jamaica Limited ("the Company") comprising the separate financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 11 to 98, which comprise the Group's and Company's statements of financial position as at October 31, 2021, 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 significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at October 31, 2021, 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 (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Expected credit losses

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Loans, net of allowance for expected credit losses, represent 36% or \$209 billion of the Group's total assets and financial investments subject to credit losses represent 27% or \$156 billion of the Group's total assets. Allowance for credit losses on loans of \$6 billion and a charge of \$3 billion have been recognised by the Group.</p> <p>The Group applies a three-stage approach to measure the allowance for credit losses, using an Expected Credit Loss (ECL) approach as required under IFRS 9 <i>Financial Instruments</i>. The Group's allowance for credit losses are outputs of complex models and there is a high degree of measurement uncertainty due to significant judgements inherent in the Group's methodology such as judgements about forward-looking information, including the impact of the COVID-19 pandemic. These judgements impact certain inputs, assumptions, qualitative adjustments or overlays, and the determination of when there has been a significant increase in credit risk.</p> <p><i>[see notes 2(o), 3 and 23 of the financial statements]</i></p>	<p>Our procedures in this area included the following:</p> <ul style="list-style-type: none"> • Testing the Group's controls related to data flows between source systems and the ECL models with the assistance of our Information Technology Specialists. • With the assistance of our Financial Risk Management Specialists: <ul style="list-style-type: none"> - Testing model validation and/or performance monitoring controls to ensure key parameters [Probability of default (PD); Loss Given Default (LGD); Exposure at Default (EAD) and Significant Increase in Credit Risk (SIR)] used in the models are appropriate and reasonable. - Testing management's control over the selection of macro-economic variables and assessing the reasonableness of these variables. - Recalculating a sample of ECL calculations for each model.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

1. Expected credit losses (continued)

<i>The key audit matter (continued)</i>	<i>How the matter was addressed in our audit (continued)</i>
	<p>Our procedures in this area included the following (continued):</p> <ul style="list-style-type: none">• With the assistance of our Financial Risk Management Specialists (continued):<ul style="list-style-type: none">- Reviewing, assessing and evaluating limitations of the models used.- Assessing the appropriateness of inclusion and the methodology to calculate management's qualitative adjustment overlay.- Testing controls over management's evaluation of actual ECL results.• Assessing whether disclosures in the financial statements are adequate in respect of the Group's exposure to credit risk and measurement of allowance for credit losses.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

2. Fair value of investments

<i>The key audit matter (continued)</i>	<i>How the matter was addressed in our audit (continued)</i>
<p>Investment securities measured at fair value represent 27% of total assets of the Group. The valuation of the Group's investments requires significant estimation, as quoted prices are not available for some of these instruments. Valuation of these investments, although based on observable inputs, involves the exercise of judgement and the use of assumptions.</p> <p>Management used valuation techniques which require inputs such as market yields obtained from established yield curves.</p> <p>The COVID-19 pandemic has resulted in volatility of prices in various markets, the uncertainty of which has increased estimation risk for prices used in determining fair values. This could result in estimated fair values that are materially different from actual transaction values.</p> <p><i>[see notes 2(i), 3(ii), 20, 24 and 47 of the financial statements]</i></p>	<p>Our procedures in this area included the following:</p> <ul style="list-style-type: none">• Assessing and testing the design and operating effectiveness of the Group's controls over the determination and computation of fair values.• Challenging the reasonableness of the Group's yield curve by comparing yields/prices to independent third-party pricing sources.• Involving our own Financial Risk Management Specialists to determine/obtain yields/prices of specific securities and comparing these to management's estimates.• Assessing the adequacy of the disclosures, including the degree of estimation involved in determining fair values.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

3. Valuation of policyholders' liabilities

<i>The key audit matter (continued)</i>	<i>How the matter was addressed in our audit (continued)</i>
<p>Policyholders' liabilities represent 10% or \$46 billion of the Group's total liabilities.</p> <p>Determining the settlement value of long-term policyholders' liabilities is an area that requires significant judgment. It involves the use of economic assumptions such as investment returns and discount rates, morbidity and mortality assumptions, maintenance expenses, lapse and withdrawals as key inputs in estimating these actuarially determined liabilities.</p> <p>The combination of assumptions and judgements increases the risk that management's estimate could be materially misstated.</p> <p><i>[see notes 2(j), 3(iii), 37, and 46(e), of the financial statements]</i></p>	<p>Our procedures in this area included the following:</p> <ul style="list-style-type: none"> • Assessing and testing the design and operating effectiveness of the Group's controls over the initiation of insurance products and disbursements. • Involving our own Information Risk Management Specialists to assess and test the controls related to the data file provided by management to the actuarial expert. • Selecting a sample of contracts and agreeing the terms to the data file provided by management to the actuarial expert. • Assessing the objectivity, qualification, and experience of management's actuarial expert. • Involving our own Actuarial Specialist to assess whether the liabilities as determined by management's actuarial expert, fall within a reasonable range of our expectations, the assumptions are appropriate, changes to the product features are confirmed and the actuarial valuation has been performed in accordance with accepted and commonly used actuarial systems, methodologies and practices. • Assessing whether disclosures in the financial statements are adequate in respect of the Group's exposure to insurance risk.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

4. Valuation of retirement benefits asset and obligations

<i>The key audit matter (continued)</i>	<i>How the matter was addressed in our audit (continued)</i>
<p>The Group operates a defined benefit retirement scheme and provides other unfunded retirement benefits. Significant estimates are made in valuing the Group's retirement benefits asset and obligations.</p> <p>The valuations are considered to be a significant risk, as given the size of the asset and liabilities, small changes in the assumptions can have a material financial impact on the Group's financial statements. The key assumptions involved in calculating retirement benefit asset and liabilities are discount rates, inflation and future increases in salaries and pensions.</p> <p>The use of significant assumptions increases the risk that management's estimate can be materially misstated.</p> <p><i>[see notes 2(u), 3(iv) and 29 of the financial statements]</i></p>	<p>Our procedures in this area included the following:</p> <ul style="list-style-type: none"> • Comparing the discount and the inflation rates used to independent sources. • Recomputing interest income and costs associated with retirement benefits. • Testing the fair value computation of a sample of the scheme's assets. • Testing a sample of employee data provided by management to the actuarial expert. • Assessing the objectivity, qualification, and experience of management's actuarial expert. • Involving our own Actuarial Specialist to review assumptions used by management's actuarial expert. • Assessing whether disclosures in the financial statements are appropriate in respect of the Group's retirement benefit arrangements.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 9-10, forms part of our auditors' report.

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.

The engagement partner on the audit resulting in this independent auditors' report is Rochelle Stephenson.

A handwritten signature of the KPMG firm in blue ink, written in a cursive style.

Chartered Accountants
Kingston, Jamaica

December 20, 2021



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Appendix to the Independent Auditors' Report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Appendix to the Independent Auditors' Report (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

SCOTIA GROUP JAMAICA LIMITED**Consolidated Statement of Revenue and Expenses****Year ended October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2021	2020
Net interest income and other revenue			
Net interest income, calculated using the effective interest method			
Interest from loans and deposits with banks		20,652,590	23,248,331
Interest from securities		<u>3,915,234</u>	<u>3,980,530</u>
Total interest income	6	24,567,824	27,228,861
Interest expense	6	<u>(1,856,335)</u>	<u>(2,371,257)</u>
Net interest income		22,711,489	24,857,604
Expected credit losses		<u>(2,809,239)</u>	<u>(5,845,181)</u>
Net interest income after expected credit losses		<u>19,902,250</u>	<u>19,012,423</u>
Other revenue			
Fee and commission income	7	15,612,562	15,555,610
Fee and commission expense	7	<u>(9,524,242)</u>	<u>(8,397,042)</u>
		6,088,320	7,158,568
Net gains on foreign currency activities	8(a)	7,556,774	6,845,381
Net gains on financial assets	8(b)	604,430	940,873
Insurance revenue	9	2,633,082	3,009,412
Other revenue	10	<u>1,023,004</u>	<u>1,230,755</u>
Total other revenue		<u>17,905,610</u>	<u>19,184,989</u>
		<u>37,807,860</u>	<u>38,197,412</u>
Expenses			
Salaries, pensions and other staff benefits	11	9,475,842	10,625,082
Property expenses, including depreciation		2,331,915	2,411,229
Amortisation of intangible assets	28	97,672	117,562
Asset tax		1,217,783	1,197,510
Other operating expenses		<u>12,015,469</u>	<u>10,448,941</u>
	12	<u>25,138,681</u>	<u>24,800,324</u>
Profit before taxation	13	12,669,179	13,397,088
Taxation	14	<u>(4,258,935)</u>	<u>(4,345,041)</u>
Profit for the year attributable to stockholders of the Company		<u>8,410,244</u>	<u>9,052,047</u>
EARNINGS PER STOCK UNIT (expressed in \$)			
attributable to stockholders of the Company	15	<u>2.70</u>	<u>2.91</u>

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

SCOTIA GROUP JAMAICA LIMITED**Consolidated Statement of Comprehensive Income
Year ended October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2021	2020
Profit for the year		<u>8,410,244</u>	<u>9,052,047</u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefits plan asset and obligations	29(c)	1,042,798	(16,843,301)
Taxation	36(a)	<u>(347,600)</u>	<u>5,614,435</u>
		<u>695,198</u>	<u>(11,228,866)</u>
Items that are or may be reclassified to profit or loss:			
Unrealised (losses)/gains on investment securities		(2,058,859)	761,775
Realised losses/(gains) on investment securities		41,377	(778,361)
Foreign operations – foreign currency translation		32,091	11,698
Expected credit losses on investment securities		<u>4,811</u>	<u>(56,784)</u>
		(1,980,580)	(61,672)
Taxation	36(a)	<u>545,523</u>	<u>14,177</u>
		<u>(1,435,057)</u>	<u>(47,495)</u>
Other comprehensive loss, net of tax		<u>(739,859)</u>	<u>(11,276,361)</u>
Total comprehensive income/(loss) attributable to stockholders of the Company		<u>7,670,385</u>	<u>(2,224,314)</u>

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

SCOTIA GROUP JAMAICA LIMITED**Consolidated Statement of Financial Position
October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2021	2020 Restated*	2019 Restated*
ASSETS				
Cash resources				
Cash and balances at Bank of Jamaica	16	101,249,141	68,539,905	70,052,340
Government and bank notes other than Jamaican	19	2,416,012	1,634,969	1,431,305
Due from other banks	17	35,342,911	43,513,493	37,072,701
Accounts with parent and fellow subsidiaries	18	<u>29,667,548</u>	<u>27,568,399</u>	<u>26,442,800</u>
	19	<u>168,675,612</u>	<u>141,256,766</u>	<u>134,999,146</u>
Financial assets at fair value through profit or loss	20	<u>3,703,002</u>	<u>3,685,340</u>	<u>3,261,577</u>
Pledged assets	21	<u>15,639,678</u>	<u>17,179,792</u>	<u>15,670,497</u>
Loans, net of allowance for credit losses	22	<u>208,523,054</u>	<u>220,726,834</u>	<u>205,625,384</u>
Investment securities	24	<u>141,625,200</u>	<u>116,397,816</u>	<u>119,465,785</u>
Government securities purchased under resale agreements	25	<u>-</u>	<u>1,100,871</u>	<u>600,518</u>
Other assets				
Taxation recoverable		2,262,233	2,675,632	2,932,659
Other assets	26	4,036,354	2,597,940	2,516,305
Property, plant and equipment	27	8,851,961	8,558,323	5,827,844
Goodwill and intangible assets	28	570,421	668,093	785,655
Retirement benefits asset	29(a)	31,254,250	28,242,497	43,704,650
Deferred tax assets	36(b)	<u>302,506</u>	<u>149,744</u>	<u>117,518</u>
		<u>47,277,725</u>	<u>42,892,229</u>	<u>55,884,631</u>
		<u>585,444,271</u>	<u>543,239,648</u>	<u>535,507,538</u>

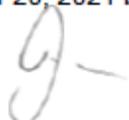
*See note 54

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

SCOTIA GROUP JAMAICA LIMITED**Consolidated Statement of Financial Position (Continued)**
October 31, 2021*(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2021	2020 Restated*	2019 Restated*
LIABILITIES				
Deposits by the public	30	378,473,110	336,660,438	312,968,147
Due to other banks and financial institutions	31	1,283,410	3,567,722	7,127,995
Due to ultimate parent company	32	311,274	881,034	2,014,202
Due to fellow subsidiaries	33	<u>363,132</u>	<u>264,384</u>	<u>334,678</u>
		<u>380,430,926</u>	<u>341,373,578</u>	<u>322,445,022</u>
Other liabilities				
Cheques and other instruments in transit	19	3,155,909	2,957,038	3,542,628
Capital management and government securities funds	34	18,808,108	19,157,775	20,291,757
Other liabilities	35	10,135,723	11,406,127	6,951,979
Taxation payable		445,460	710,833	1,293,182
Deferred tax liabilities	36(b)	7,761,915	7,037,160	13,082,092
Retirement benefits obligations	29(b)(i)	<u>5,237,873</u>	<u>4,541,887</u>	<u>4,646,759</u>
		<u>45,544,988</u>	<u>45,810,820</u>	<u>49,808,397</u>
Policyholders' liabilities	37	<u>45,865,307</u>	<u>45,299,616</u>	<u>45,140,043</u>
EQUITY				
Share capital	38	6,569,810	6,569,810	6,569,810
Reserve fund	39	3,249,976	3,249,976	3,249,976
Retained earnings reserve	40	45,891,770	45,891,770	45,891,770
Capital reserve	41	11,340	11,340	11,340
Cumulative remeasurement result from investment securities	42	(609,675)	857,473	916,666
Loan loss reserve	43	334,797	220,791	2,304,057
Other reserves	44	9,964	9,964	9,964
Translation reserve		38,705	6,614	(5,084)
Unappropriated profits		<u>58,106,363</u>	<u>53,937,896</u>	<u>59,165,577</u>
Total equity		<u>113,603,050</u>	<u>110,755,634</u>	<u>118,114,076</u>
Total liabilities and equity		<u>585,444,271</u>	<u>543,239,648</u>	<u>535,507,538</u>

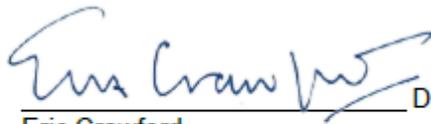
The financial statements on pages 11 to 98 were approved for issue by the Board of Directors and signed on its behalf on December 20, 2021 by:



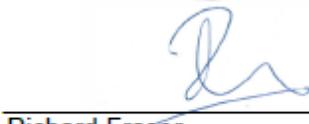
Jeffrey Hall Director



Audrey Tugwell Henry Director



Eric Crawford Director



Richard Fraser Secretary

*See note 54

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

SCOTIA GROUP JAMAICA LIMITED

Consolidated Statement of Changes in Stockholders' Equity

Year ended October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

Attributable to equity holders of the Company										
Notes	Share capital	Reserve fund	Retained earnings reserve	Capital reserve	Cumulative remeasurement result from investment securities	Loan loss reserve	Other reserves	Translation reserve	Unappropriated profits	Total
Balances at October 31, 2019	<u>6,569,810</u>	<u>3,249,976</u>	<u>45,891,770</u>	<u>11,340</u>	<u>916,666</u>	<u>2,304,057</u>	<u>9,964</u>	<u>(5,084)</u>	<u>59,165,577</u>	<u>118,114,076</u>
Profit for the year	-	-	-	-	-	-	-	-	<u>9,052,047</u>	<u>9,052,047</u>
Other comprehensive income:										
Remeasurement of retirement benefit plan/obligations	-	-	-	-	-	-	-	-	(11,228,866)	(11,228,866)
Foreign currency translation	-	-	-	-	-	-	-	11,698	-	11,698
Unrealised gains on investment securities, net of taxes and provisions	-	-	-	-	483,758	-	-	-	-	483,758
Realised gains on investment securities, net of taxes	-	-	-	-	(542,951)	-	-	-	-	(542,951)
Total other comprehensive income	-	-	-	-	(59,193)	-	-	11,698	(11,228,866)	(11,276,361)
Total comprehensive income	-	-	-	-	(59,193)	-	-	11,698	(2,176,819)	(2,224,314)
Transfer from loan loss reserve	-	-	-	-	-	(2,083,266)	-	-	2,083,266	-
Transaction with owners of the Company:										
Dividends paid	52	-	-	-	-	-	-	-	(5,134,128)	(5,134,128)
Net movement for the year	-	-	-	-	-	(2,083,266)	-	-	(3,050,862)	(5,134,128)
Balances at October 31, 2020	<u>6,569,810</u>	<u>3,249,976</u>	<u>45,891,770</u>	<u>11,340</u>	<u>857,473</u>	<u>220,791</u>	<u>9,964</u>	<u>6,614</u>	<u>53,937,896</u>	<u>110,755,634</u>
Profit for the year	-	-	-	-	-	-	-	-	8,410,244	8,410,244
Other comprehensive income:										
Remeasurement of retirement benefit plan/obligations	-	-	-	-	-	-	-	-	695,198	695,198
Foreign currency translation	-	-	-	-	-	-	-	32,091	-	32,091
Unrealised losses on investment securities, net of taxes and provisions	-	-	-	-	(1,494,525)	-	-	-	-	(1,494,525)
Realised losses on investment securities, net of taxes	-	-	-	-	27,377	-	-	-	-	27,377
Total other comprehensive income	-	-	-	-	(1,467,148)	-	-	32,091	695,198	(739,859)
Total comprehensive income	-	-	-	-	(1,467,148)	-	-	32,091	9,105,442	7,670,385
Transfer to loan loss reserve	-	-	-	-	-	114,006	-	-	(114,006)	-
Transaction with owners of the Company:										
Dividends paid	52	-	-	-	-	-	-	-	(4,822,969)	(4,822,969)
Net movement for the year	-	-	-	-	-	114,006	-	-	(4,936,975)	(4,822,969)
Balances at October 31, 2021	<u>6,569,810</u>	<u>3,249,976</u>	<u>45,891,770</u>	<u>11,340</u>	<u>(609,675)</u>	<u>334,797</u>	<u>9,964</u>	<u>38,705</u>	<u>58,106,363</u>	<u>113,603,050</u>

SCOTIA GROUP JAMAICA LIMITED**Consolidated Statement of Cash Flows**
Year ended October 31, 2021*(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2021	2020
Cash flows from operating activities			
Profit for the year		8,410,244	9,052,047
Adjustments for:			
Taxation charge	14	4,258,935	4,345,041
Depreciation	27	744,455	766,328
Amortisation of right of use assets	27	185,691	186,187
Amortisation of intangible assets	28	97,672	117,562
Expected credit losses		3,649,249	6,470,352
Gain on sale of property, plant and equipment	10	(6,505)	(3,083)
Write-off of property, plant, equipment and intangibles	27	18,163	-
Increase in retirement benefits asset/obligations, net		(1,149,800)	(1,378,799)
Gain on extinguishment of liability	10	<u>(953,779)</u>	<u>(1,177,215)</u>
		15,254,325	18,378,420
Interest income	6	(24,567,824)	(27,228,861)
Interest expense	6	<u>1,856,335</u>	<u>2,371,257</u>
		(7,457,164)	(6,479,184)
Changes in operating assets and liabilities:			
Loans		7,814,096	(20,314,491)
Deposits by the public		41,475,091	22,588,918
Policyholders' liabilities		565,692	159,573
Sundry assets, net		(1,436,644)	(81,723)
Other liabilities, net		(613,770)	3,196,615
Due to parent company and fellow subsidiaries		(464,335)	(1,189,153)
Accounts with parent and fellow subsidiaries		(5,626,507)	(2,537,403)
Financial assets at fair value through profit or loss		(7,515)	(417,745)
Taxation recoverable		1,084,571	257,028
Retirement benefits asset/obligations		(123,170)	(107,221)
Amounts due to other banks and financial institutions		(1,336,613)	(2,376,061)
Statutory reserves at Bank of Jamaica		<u>(2,960,183)</u>	<u>3,250,342</u>
		30,913,549	(4,050,505)
Interest received		25,126,271	25,790,330
Interest paid		(1,842,890)	(2,394,409)
Taxation paid		<u>(4,421,284)</u>	<u>(5,371,086)</u>
Net cash provided by operating activities (carried forward to page 17)		<u>49,775,646</u>	<u>13,974,330</u>

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

SCOTIA GROUP JAMAICA LIMITED**Consolidated Statement of Cash Flows (Continued)****Year ended October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2021	2020
Cash flows from operating activities (brought forward from page 16)		<u>49,775,646</u>	<u>13,974,330</u>
Cash flows from investing activities			
Investment securities		(26,983,500)	3,170,429
Pledged assets		834,634	(961,140)
Proceeds from disposal of property, plant and equipment		6,505	3,455
Lease payments right of use assets	35(ii)(d)	(204,821)	(200,109)
Purchase of property, plant and equipment	27	<u>(1,744,815)</u>	<u>(2,241,280)</u>
Net cash used in investing activities		<u>(28,091,997)</u>	<u>(228,645)</u>
Cash flows from financing activity			
Dividends paid to stockholders, being net cash used in financing activity	52	<u>(4,822,969)</u>	<u>(5,134,128)</u>
Effect of exchange rate changes on cash and cash equivalents		<u>5,057,398</u>	<u>3,432,427</u>
Net increase in cash and cash equivalents		21,918,078	12,043,984
Cash and cash equivalents at beginning of year		<u>105,494,541</u>	<u>93,450,557</u>
Cash and cash equivalents at end of year	19	<u>127,412,619</u>	<u>105,494,541</u>

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

SCOTIA GROUP JAMAICA LIMITED**Statement of Comprehensive Income
Year ended October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2021	2020
Net interest income calculated using the effective interest method			
Interest from deposit with banks	6	<u>4,567</u>	<u>99,267</u>
Net gains on foreign currency activities		670,273	417,083
Dividend income	45	<u>3,937,494</u>	<u>3,751,910</u>
		<u>4,607,767</u>	<u>4,168,993</u>
Total income		<u>4,612,334</u>	<u>4,268,260</u>
Expenses			
Other operating expenses		<u>40,635</u>	<u>116,211</u>
	12	<u>40,635</u>	<u>116,211</u>
Profit before taxation	13	4,571,699	4,152,049
Taxation	14	<u>(9,219)</u>	<u>(10,775)</u>
Profit for the year		<u>4,562,480</u>	<u>4,141,274</u>

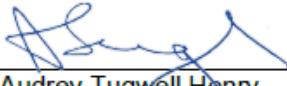
The accompanying notes form an integral part of the financial statements.

SCOTIA GROUP JAMAICA LIMITED**Statement of Financial Position****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

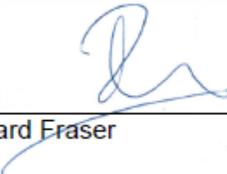
	Notes	2021	2020
ASSETS			
Cash resources			
Accounts with subsidiaries	18	<u>9,891,092</u>	<u>11,484,292</u>
Investment in subsidiaries, at cost			
		<u>13,029,908</u>	<u>13,029,908</u>
Other assets			
Taxation recoverable		<u>106,363</u>	<u>177,014</u>
		<u>23,027,363</u>	<u>24,691,214</u>
LIABILITIES			
Accrued expenses and other liabilities			
		15,135	1,399,217
Taxation payable			
		-	19,286
Deferred tax liabilities			
	36	<u>53</u>	<u>47</u>
		<u>15,188</u>	<u>1,418,550</u>
EQUITY			
Share capital			
	38	6,569,810	6,569,810
Unappropriated profits			
		<u>16,442,365</u>	<u>16,702,854</u>
Total stockholders' equity			
		<u>23,012,175</u>	<u>23,272,664</u>
Total liabilities and equity			
		<u>23,027,363</u>	<u>24,691,214</u>

The financial statements on pages 11 to 98 were approved for issue by the Board of Directors and signed on its behalf on December 20, 2021 by:


 _____ Director
 Jeffrey Hall


 _____ Director
 Audrey Tugwell Henry


 _____ Director
 Eric Crawford


 _____ Secretary
 Richard Fraser

SCOTIA GROUP JAMAICA LIMITED**Statement of Changes in Stockholders' Equity
Year ended October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	<u>Notes</u>	<u>Share capital</u>	<u>Unappropriated profits</u>	<u>Total</u>
Balances at October 31, 2019		6,569,810	17,695,708	24,265,518
Profit for the year, being total comprehensive income		-	4,141,274	4,141,274
Transaction with owners:				
Dividends paid	52	<u>-</u>	<u>(5,134,128)</u>	<u>(5,134,128)</u>
Balances at October 31, 2020		6,569,810	16,702,854	23,272,664
Profit for the year, being total comprehensive income		-	4,562,480	4,562,480
Transactions with owners:				
Dividends paid	52	<u>-</u>	<u>(4,822,969)</u>	<u>(4,822,969)</u>
Balances at October 31, 2021		<u>6,569,810</u>	<u>16,442,365</u>	<u>23,012,175</u>

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

SCOTIA GROUP JAMAICA LIMITED**Statement of Cash Flows****Year ended October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2021	2020
Cash flows from operating activities			
Profit for the year		4,562,480	4,141,274
Adjustments for:			
Interest income	6	(4,567)	(99,267)
Taxation	14	<u>9,219</u>	<u>10,775</u>
		4,567,132	4,052,782
Changes in operating assets and liabilities			
Other assets, net		70,650	61,134
Accounts with fellow subsidiaries		(569,109)	895,028
Other liabilities		<u>(1,384,083)</u>	<u>1,386,997</u>
		2,684,590	6,395,941
Interest received		4,542	133,312
Taxation paid		<u>(28,499)</u>	<u>(61,140)</u>
Net cash provided by operating activities		2,660,633	6,468,113
Cash flows from financing activity			
Dividends paid, being cash used in financing activity	52	<u>(4,822,969)</u>	<u>(5,134,128)</u>
Net (decrease)/ increase in cash and cash equivalents		<u>(2,162,336)</u>	1,333,985
Cash and cash equivalents at beginning of year		<u>2,921,881</u>	<u>1,587,896</u>
Cash and cash equivalents at end of year	19	<u>759,545</u>	<u>2,921,881</u>

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

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***1. Identification, Regulation and Licence**

Scotia Group Jamaica Limited (“the Company”) is incorporated and domiciled in Jamaica. It is a 71.78% subsidiary of Scotiabank Caribbean Holdings Limited, which is incorporated and domiciled in Barbados. The Bank of Nova Scotia, which is incorporated and domiciled in Canada is the Company’s ultimate parent. The registered office of the Company is located at Scotiabank Centre, Corner of Duke and Port Royal Streets, Kingston, Jamaica. The Company is listed on the Jamaica Stock Exchange.

The Company is the parent of The Bank of Nova Scotia Jamaica Limited, (“the Bank”) which is licensed under the Banking Services Act, 2014 and Scotia Investments Jamaica Limited (“SIJL”), which is licensed under the Securities Act.

The Company’s subsidiaries, which together with the Company are referred to as “the Group”, are as follows:

Subsidiaries	Principal Activities	Holding by		Financial Year-End
		Company	Subsidiary	
The Bank of Nova Scotia Jamaica Limited and its subsidiaries:	Banking	100%		October 31
The Scotia Jamaica Building Society	Mortgage Financing		100%	October 31
Scotia Jamaica Life Insurance Company Limited	Life Insurance		100%	December 31*
Scotia Investments Jamaica Limited and its subsidiaries:	Investment Banking	100%		October 31
Scotia Asset Management (St. Lucia) Inc.	Fund Management		100%	October 31
Scotia Asset Management Jamaica Limited	Non-trading		100%	October 31
Scotia Jamaica Investment Management Limited	Non-trading		100%	October 31

All subsidiaries are incorporated in Jamaica, except for Scotia Asset Management (St. Lucia) Inc.

*The statements included in the consolidation are audited financial statements as at and for the year ended October 31, 2021.

2. Summary of significant accounting policies**(a) Basis of preparation**

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 (“the Act”).

Amended standards that became effective during the year:

Certain new and amended standards came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements:

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Amended standards that became effective during the year (continued):

(i) Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

The main change relates to how and when assets and liabilities are recognised and derecognised in the financial statements.

- New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
- A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
- A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

(ii) Amendments to IFRS 3 *Business Combinations*, applicable to businesses acquired in annual reporting periods beginning on or after January 1, 2020, provides more guidance on the definition of a business. The amendments include:

- a) An election to use a concentration test by way of an assessment that results in an asset acquisition, if substantially all of the fair value of the gross asset is concentrated in single identifiable asset or a group of similar identifiable assets.
- b) Otherwise, the assessment focuses on the existence of a substantive process. A business consists of inputs and processes applied to those inputs to create outputs.

(iii) Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides a definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

(iv) Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*, effective for annual accounting periods beginning on or after January 1, 2020, address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The first phase amendments apply to all hedging relationships directly affected by uncertainties related to IBOR reform. The entity is required to:

- Assume that the interest rate benchmark on which hedged cash flows are based is not altered as a result of IBOR reform when assessing whether the future cash flows are highly probable.
- Assess whether the economic relationship between the hedged item and the hedging instrument exists based on the assumptions that the interest rate benchmark is not altered as a result of IBOR reform.
- Not discontinue a hedging relationship during the period of uncertainty arising from IBOR reform solely because the actual results of the hedge are outside the range of 80-125 per cent.
- Apply the separately identifiable requirement only at the inception of the hedging relationship.

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Amended standards that became effective during the year (continued):

(iv) Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* (continued)

- Prospectively cease applying the exceptions at the earlier of:

(a) when the uncertainty regarding the timing and the amount of interest rate benchmark based cash flows is no longer present; and

(b) the discontinuation of the hedging relationship (or reclassification of all amounts from the cash flow hedge reserve).

(v) Amendments to IFRS 4 *Insurance Contracts* provides further extension of the temporary exemption from applying IFRS 9 for qualified entities. The revised insurance contracts standard (IFRS 17) has been issued with a new effective date of January 1, 2023. The temporary exemption to applying IFRS 9 has been aligned to the same date. The extension is applicable for periods beginning on or after January 1, 2020.

The amendments to IFRS 4 provide two optional solutions to reduce the impact of the differing effective dates of IFRS 9 and IFRS 17 as follows:

(a) Temporary exemption from IFRS 9:

- Rather than having to implement IFRS 9 in 2018, some companies will be permitted to continue to apply IAS 39 *Financial Instruments: Recognition and Measurement*.

- To qualify, a reporting company's activities need to be predominantly connected with insurance. Entities applying the temporary exemption will need to disclose fair value information separately for financial assets that meet the exemption criteria and for all other financial assets.

(b) Overlay approach:

For designated financial assets, a company is permitted to reclassify between profit or loss and other comprehensive income (OCI), the difference between the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39.

(vi) Amendments to IFRS 16 *Leases* is effective for annual periods beginning on or after June 1, 2020, with early application permitted. It provides guidance for COVID-19 related rent concessions.

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease.

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Amended standards that became effective during the year (continued):

(vi) Amendments to IFRS 16 *Leases* (continued)

Lessees applying the practical expedient are required to disclose:

- that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- the amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

These amendments did not have a significant impact on the Group's financial statements.

New and amended standards and interpretations that are not yet effective:

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued which were not effective for the current year and which the Group has not early-adopted. The Group has assessed them with respect to its operations and has determined that the following are relevant:

(i) Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance contracts* and IFRS 16 *Leases*, is effective for annual accounting periods beginning on or after January 1, 2021 and address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The second phase amendments apply to all hedging relationships directly affected by IBOR reform. The amendments principally address practical expedient for modifications. A practical expedient has been introduced where changes will be accounted for by updating the effective interest rate if the change results directly from IBOR reform and occurs on an 'economically equivalent' basis. A similar practical expedient will apply under IFRS 16 *Leases* for lessees when accounting for lease modifications required by IBOR reform. In these instances, a revised discount rate that reflects the change in interest rate will be used in remeasuring the lease liability.

The amendments also address specific relief from discontinuing hedging relationships as well as new disclosure requirements.

The Group does not expect the amendments to have a significant impact on its 2022 financial statements.

(ii) Amendments to IAS 37 *Provision, Contingent Liabilities and Contingent Assets* is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

The Group does not expect the amendments to have a significant impact on its 2023 financial statements.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(a) Basis of preparation (continued)****New and amended standards and interpretations that are not yet effective (continued):**

(iii) Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, IAS 41 *Agriculture*, and are effective for annual periods beginning on or after January 1, 2022.

a) IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

b) IFRS 16 *Leases* amendment removes the illustration of payments from the lessor relating to leasehold improvements.

The Group does not expect the amendments to have a significant impact on its 2023 financial statements.

(iv) IFRS 17 *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2023 replaces IFRS 4 *Insurance Contracts* and provides three models to apply to all insurance contracts: the general model, the variable fee approach and the premium allocation approach.

The key principles in IFRS 17 are that an entity:

- Identifies insurance contract as those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future (the insured event) adversely affects the policyholder.

- Separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts.

- Recognises and measures groups of insurance contracts at:

- a) a risk - adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset); and

- b) an amount representing the unearned profit in the group of contracts (the contractual service margin).

- Recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group contract is or becomes loss making, an entity recognises the loss immediately.

- Presents separately insurance revenue (that excludes the receipt of repayment of any investment components) and insurance finance income or expenses;

- Includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts where the coverage period is less than a year or where there are no significant expected changes in estimates before the claims are incurred.

Many of the disclosures of IFRS 4 are kept in IFRS 17. The general model requires disclosure and reconciliation of the expected present value of future cash flows, risk adjustment and contractual service margin. No reconciliation is required under the variable fee approach.

The Group is assessing the impact that the standard will have on its 2024 financial statements.

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

New and amended standards and interpretations that are not yet effective (continued):

(v) Amendments to IFRS 17 *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2023 and provides for the following amendments to the standard:

- Most companies that issue credit cards and similar products that provide insurance coverage will be able to continue with their existing accounting, unless the insurance coverage is a contractual feature, easing implementation for non-insurers.
- For loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract, companies that issue such loans have an option to apply IFRS 9 or IFRS 17, reducing the impact of IFRS 17 for non-insurers.
- In measuring the contractual service margin; companies will choose to apply either a 'period-to-period' or 'year-to-date' approach, allowing greater opportunity for consistency with current practice and for subsidiaries to align reporting with their parent, revenue and profit emergence will better reflect performance of the wide range of insurance products and the services they provide to customers' allocating insurance acquisition cash flows to future renewal groups reduces the risk of groups becoming onerous solely from acquisition expenses paid relating to future renewals, the allocation is revised at each reporting period to reflect any changes in assumptions that determine the inputs to the method of allocation used, until all contracts have been added to the group and companies now need to assess each period the recoverability of insurance acquisition cash flow assets usually on a more granular level than applied today.
- Upon transition, companies may be able to account for acquired contracts before the transition date as liabilities for incurred claims. In many cases, companies will be required to identify and recognise an asset for insurance acquisition cash flows incurred prior to transition. Companies are not required to perform a recoverability assessment for periods prior to transition.
- In accounting for direct participating contracts risk mitigation option expanded to non-derivative assets at FVTPL and reinsurance contracts held and extended to provide relief prospectively from the transition date. If a company meets the risk mitigation option criteria before transition, it can now apply the fair value approach to the related contracts at transition. Companies applying both OCI and risk mitigation options together will be able to achieve better matching in the income statement.
- For reinsurance contracts, companies will be able to offset losses on initial recognition of direct insurance contracts based on a prescribed formula if they are covered by reinsurance contracts held, reducing accounting mismatches.
- There is relief for companies to present (re)insurance contract assets and liabilities at a portfolio level, instead of group level in the statement of financial position and income taxes specifically charged to policyholders may now be included in fulfilment cash flows, better reflecting local practice in certain jurisdictions.

The Group is assessing the impact that the amendments will have on its 2024 financial statements.

(vi) Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after 1 January 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(a) Basis of preparation (continued)****New and amended standards and interpretations that are not yet effective (continued):**(vi) Amendments to IAS 1 *Presentation of Financial Statements* (continued)

With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

The Group does not expect the amendments to have a significant impact on its 2024 financial statements.

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

Subsidiaries are those entities controlled by the Company. The Company 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.

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 consolidated statement of revenue and expenses.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in 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. All transactions between business segments are conducted on an arms-length basis, with inter-segment revenue and costs eliminated on consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

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 of foreign currency monetary assets and liabilities are recognised in the statement of revenue and expenses.

(e) Revenue recognition

Interest income

Interest income is recognised in the statement of revenue and expenses 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 instruments to its gross carrying amount.

When calculating the effective interest rate for financial instruments, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not Expected Credit Losses (ECL).

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the transaction. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset.

The 'amortised cost' of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

The effective interest rate of a financial asset is calculated on initial recognition. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) and is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset, net of ECL allowance. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Fee and commission income

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

Fee and commission income which includes account service, portfolio management and management advisory fees are recognised as the related services are performed.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(e) Revenue recognition (continued)***Fee and commission income (continued)*

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Performance obligations and revenue recognition policies:

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

<i>Type of service</i>	<i>Nature and timing of satisfaction of performance obligations, including significant payment terms.</i>	<i>Revenue recognition under IFRS 15</i>
Investment banking services	The Group provides investment banking related services, including execution of customers' transactions and maintenance of customers' investments records. Fees are charged when the transactions take place and are based on fixed rates or a fixed percentage of the assets value.	Revenue from investment banking related services is recognised at the point in time when the service is provided.
Portfolio and asset management services	The Group provides portfolio and asset management services to customers. Fees are calculated based on a fixed percentage of the value of the assets and are charged at various time intervals based on the investment agreement but at no time period exceeding twelve months.	Revenue from portfolio and asset management services is recognised over time as the service is provided.

Premium income

Gross premiums are recognised as revenue when due. The related actuarial liabilities are computed when premiums are recognised, resulting in benefits and expenses being matched with revenue. Unearned premiums are those proportions of premiums written in the current year that relate to periods of risk after the reporting date.

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) Insurance contracts*Classification*

The Group issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Group defines insurance risk as significant if an insured event could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transactions.

As a general guideline, the Group defines as significant insurance risk, the possibility of having to pay benefits, at the occurrence of an insured event, that are at least 10% more than the benefits payable if the insured event did not occur.

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(g) Insurance contracts (continued)

Recognition and measurement

These contracts insure human life events (for example death or permanent disability) over a long duration. The accounting treatment differs according to whether the contract bears investment options or not. Under contracts that do not bear investment options, premiums are recognised as income when they become payable by the contract holder and benefits are recorded as an expense when they are incurred.

Under contracts that bear an investment option, the investment portion of insurance premiums received are initially recognised directly as liabilities. These liabilities are increased by interest credited and are decreased by policy administration fees, mortality charges and any withdrawals or surrenders; the resulting liability is the policyholders' fund.

Income consists of fees deducted for mortality, policy administration, withdrawals and surrenders. Interest credited to the policy and benefit claims in excess of the account balances incurred in the period are recorded as expenses in the statement of revenue and expenses.

Insurance contract liabilities are determined by an independent actuary using the Policy Premium Method of valuation as summarised in note 2(j). These liabilities are adjusted through profit or loss to reflect any changes in the valuation of the liabilities.

(h) Claims

Death and disability claims net of reinsurance recoveries, are recorded in profit or loss.

(i) Reinsurance contracts held

The Group enters into contracts with reinsurers under which it is compensated for losses on contracts it issues and which meet the classification requirements for insurance contracts. Reinsurance does not relieve the Group of its liability and reinsurance recoveries are recorded when collection is reasonably assured.

(j) Policyholders' liabilities

The policyholders' liabilities have been calculated using the Policy Premium Method (PPM) of valuation. Under this method, explicit allowance is made for all future benefits and expenses under the policies. The premiums, benefits and expenses for each policy are projected and the resultant cash flows are discounted to the valuation date to determine the reserves.

Annuities are immediate payouts of fixed and variable amounts for a guaranteed period and recognised on the date that they originate. Benefits are recognised as liabilities until the end of the guarantee period. These liabilities are increased by interest credited and are decreased by policy administration fees, period payment charges and any withdrawals. Income consists mainly of fees deducted for fund administration and interest credited is treated as an expense in the statement of revenue and expenses. The annuity fund is included as a part of policyholders' liabilities [note 37(a)].

(k) 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 the statement of revenue and expenses, except where they relate to a business combination or items recognised in other comprehensive income.

Current income tax

Current income 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 that have been enacted at the reporting date.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(k) Taxation (continued)***Deferred income tax*

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their 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.

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 in other comprehensive income.

Current and deferred tax assets and liabilities are offset when the legal right of set-off exists, 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.

(l) Financial assets and liabilities

Financial assets comprise cash resources, financial assets at fair value through profit or loss, securities purchased under resale agreements, pledged assets, loans, investment securities and certain other assets. Financial liabilities comprise deposits, securities sold under repurchase agreements, capital management and government securities funds, assets held in trust on behalf of participants, certain other liabilities and policyholders' liabilities.

Recognition

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

Classification and measurement, derecognition, and impairment of financial instruments.**Classification and measurement***Classification and measurement of financial assets*

Financial assets are classified into one of the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVTPL);
- Elected at fair value through other comprehensive income (Equities only); or
- Designated at FVTPL.

Financial assets include both debt and equity instruments.

Debt instruments

Debt instruments, including loans and debt securities, are classified into one of the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVTPL); or
- Designated at FVTPL.

Classification of debt instruments is determined based on:

- (i) The business model under which the asset is held; and
- (ii) The contractual cash flow characteristics of the instrument.

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(I) Financial assets and liabilities (continued)

Business model assessment

Business model assessment involves determining how financial assets are managed in order to generate cash flows. The Group's business model assessment is based on the following categories:

- Held to collect: The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model.
- Held to collect and for sale: Both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- Other business model: The business model is neither held-to-collect nor held-to-collect and for sale. The Group assesses business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective. For the assessment of a business model, the Group takes into consideration the following factors:
 - How the performance of assets in a portfolio is evaluated and reported to Group heads and other key decision makers within the Group's business lines;
 - How compensation is determined for the Group's business lines' management that manages the assets;
 - Whether the assets are held for trading purposes i.e., assets that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking;
 - The risks that affect the performance of assets held within a business model and how those risks are managed; and
 - The frequency and volume of sales in prior periods and expectations about future sales activity.

Contractual cash flow characteristics assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instrument due to repayments or amortization of premium/discount.

Interest is defined as the consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), and a profit margin.

If the Group identifies any contractual features that could significantly modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Debt instruments measured at amortised cost

Debt instruments are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income on these instruments is recognised in interest income using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortised cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the financial transaction.

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(I) Financial assets and liabilities (continued)

Debt instruments measured at amortised cost (continued)

Impairment on debt instruments measured at amortised cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortised cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealised gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI), unless the instrument is designated in a fair value hedge relationship. When designated in a fair value hedge relationship, any changes in fair value due to changes in the hedged risk are recognised in non-interest income in the consolidated statement of revenue and expenses. Upon derecognition, realised gains and losses are reclassified from OCI and recorded in non-interest income in the consolidated statement of revenue and expenses on an average cost basis. Foreign exchange gains and losses that relate to the amortised cost of the debt instrument are recognised in the consolidated statement of revenue and expenses. Premiums, discounts and related transaction costs are amortised over the expected life of the instrument to Interest income in the consolidated statement of revenue and expenses using the effective interest rate method.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the statement of financial position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge for credit losses in the consolidated statement of revenue and expenses. The accumulated allowance recognised in OCI is recycled to the consolidated statement of revenue and expenses upon derecognition of the debt instrument.

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:

- (i) Are held for trading purposes;
- (ii) Are held as part of a portfolio managed on a fair value basis; or
- (iii) Whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the consolidated statement of financial position, with transaction costs recognised immediately as part of non-interest income. Realised and unrealised gains and losses are recognised as part of non-interest income in the consolidated statement of revenue and expenses.

Debt instruments designated at FVTPL

Financial assets classified in this category are those that have been designated by the Group upon initial recognition, and once designated, the designation is irrevocable. The FVTPL designation is available only for those financial assets for which a reliable estimate of fair value can be obtained. Financial assets are designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial assets designated at FVTPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recognised in non-interest income in the consolidated statement of revenue and expenses.

Equity instruments

Equity instruments are classified into one of the following measurement categories:

- Fair value through profit or loss (FVTPL); or
- Elected at fair value through other comprehensive income (FVOCI).

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(I) Financial assets and liabilities (continued)***Equity instruments measured at FVTPL*

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognised immediately in the consolidated statement of revenue and expenses as part of non-interest income. Subsequent to initial recognition the changes in fair value are recognised as part of non-interest income in the consolidated statement of revenue and expenses.

Equity instruments measured at FVOCI

At initial recognition, there is an irrevocable option for the Group to classify non-trading equity instruments at FVOCI. This election is used for certain equity investments for strategic or longer term investment purposes. This election is made on an instrument-by-instrument basis and is not available for equity instruments that are held for trading purposes.

Gains and losses on these instruments including when derecognised/sold are recorded in OCI and are not subsequently reclassified to the consolidated statement of revenue and expenses. As such, there is no specific impairment requirement. Dividends received are recorded in interest income in the consolidated statement of revenue and expenses. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to the consolidated statement of revenue and expenses on sale of the security.

Classification and measurement of financial liabilities

Financial liabilities are classified into one of the following measurement categories:

- Fair value through profit or loss (FVTPL)
- Amortised cost; or
- Designated at FVTPL.

Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL are held principally for the purpose of repurchasing in the near term, or form 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. Financial liabilities are recognised on a trade date basis and are accounted for at fair value, with changes in fair value and any gains or losses recognised in the consolidated statement of revenue and expenses as part of the non-interest income. Transaction costs are expensed as incurred.

Financial liabilities measured at amortised cost

Deposits, subordinated notes and debentures are accounted for at amortised cost. Interest on deposits, calculated using the effective interest method, is recognised as interest expense. Interest on subordinated notes and debentures, including capitalised transaction costs, is recognised using the effective interest method as interest expense.

Financial liabilities designated at FVTPL

Financial liabilities classified in this category are those that have been designated by the Group upon initial recognition, and once designated, the designation is irrevocable. The FVTPL designation is available only for those financial liabilities for which a reliable estimate of fair value can be obtained.

Financial liabilities are designated at FVTPL when one of the following criteria is met:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- A group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(I) Financial assets and liabilities (continued)***Financial liabilities designated at FVTPL (continued)*

Financial liabilities designated at FVTPL are recorded in the consolidated statement of financial position at fair value. Any changes in fair value are recognised in non-interest income in the consolidated statement of revenue and expenses, except for changes in fair value arising from changes in the Group's own credit risk which are recognised in the OCI. Changes in fair value due to changes in the Group's own credit risk are not subsequently reclassified to the statement of revenue and expenses upon derecognition/extinguishment of the liabilities.

Determination of fair value

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

The Group values instruments carried at fair value using quoted market prices, where available. Unadjusted quoted market prices for identical instruments represent a Level 1 valuation. When quoted market prices are not available, the Group maximises the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

Inception gains and losses are only recognised where the valuation is dependent only on observable market data. Otherwise, they are deferred and amortised over the life of the related contract or until the valuation inputs become observable.

IFRS 13 permits a measurement exception that allows an entity to determine the fair value of a group of financial assets and liabilities with offsetting risks based on the sale or transfer of its net exposure to a particular risk (or risks). The Group has adopted this exception through an accounting policy choice. Consequently, the fair values of certain portfolios of financial instruments are determined based on the net exposure of those instruments to particular market, credit or funding risk.

In determining fair value for certain instruments or portfolios of instruments, valuation adjustments or reserves may be required to arrive at a more accurate representation of fair value. These adjustments include those made for credit risk, bid-offer spreads, unobservable parameters, constraints on prices in inactive or illiquid markets and when applicable funding costs.

Derecognition of financial assets and liabilities*Derecognition of financial assets*

The derecognition criteria are applied to the transfer of part of an asset, rather than the asset as a whole, only if such part comprises specifically identified cash flows from the asset, a fully proportionate share of the cash flows from the asset, or a fully proportionate share of specifically identified cash flows from the asset.

A financial asset is derecognised when the contractual rights to the cash flows from the asset has expired; or the Group transfers the contractual rights to receive the cash flows from the financial asset; or has assumed an obligation to pay those cash flows to an independent third-party; or the Group has transferred substantially all the risks and rewards of ownership of that asset to an independent third-party. Management determines whether substantially all the risk and rewards of ownership have been transferred by quantitatively comparing the variability in cash flows before and after the transfer. If the variability in cash flows remains significantly similar subsequent to the transfer, the Group has retained substantially all of the risks and rewards of ownership.

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

Derecognition of financial assets and liabilities (continued)

Derecognition of financial assets (continued)

Where substantially all the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Group derecognises the transferred asset only if it has lost control over that asset. Control over the asset is represented by the practical ability to sell the transferred asset. If the Group retains control over the asset, it will continue to recognise the asset to the extent of its continuing involvement. At times such continuing involvement may be in the form of investment in senior or subordinated tranches of notes issued by non-consolidated structured entities.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the consolidated statement of revenue and expenses.

Transfers of financial assets that do not qualify for derecognition are reported as secured financings in the consolidated statement of financial position.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, canceled or expires. If an existing financial liability is replaced by another from the same counterparty on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability at fair value. The difference in the respective carrying amount of the existing liability and the new liability is recognised as a gain/loss in the consolidated statement of revenue and expenses.

(m) 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 an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- 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.

(n) 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 other banks, 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.

(o) Allowance for expected credit losses

The Group applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9, for the following categories of financial instruments that are not measured at fair value through profit or loss:

- Amortised cost financial assets;
- Debt securities classified as at FVOCI;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts.

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(o) Allowance for expected credit losses (continued)

Expected credit loss impairment model

The Group's allowance for credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Each expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

This impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there has not been a significant increase in credit risk (SIR) since initial recognition of a financial instrument. The expected credit loss is computed using the probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, the probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SIR subsequent to origination but is not considered to be in default. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

Measurement of expected credit loss

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

Details of these statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognised and is still in the portfolio.
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Forward-looking information

The estimation of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information may require significant judgment.

Macroeconomic factors

In its models, the Group relies on a broad range of forward-looking economic information as inputs, such as: GDP growth, unemployment rates, central-bank interest rates, and house-price indices. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment.

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(o) Allowance for expected credit losses (continued)

Multiple forward-looking scenarios

The Group determines its allowance for credit losses using three probability-weighted forward-looking scenarios. The Group considers both internal and external sources of information and data in order to achieve unbiased projections and forecasts. The Group prepares the scenarios using forecasts generated by Scotiabank Economics (SE). The forecasts are created using internal and external models which are modified by SE as necessary to formulate a 'base case' view of the most probable future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The process involves the development of two additional economic scenarios and consideration of the relative probabilities of each outcome.

The 'base case' represents the most likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables, credit risk, and credit losses.

Assessment of significant increase in credit risk (SIR)

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

The common assessments for SIR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward-looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments, the borrower and the geographical region. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. Examples of situations include changes in adjudication criteria for a particular group of borrowers; changes in portfolio composition; and natural disasters impacting certain portfolios. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

Retail portfolio – For retail exposures, a significant increase in credit risk cannot be assessed using forward looking information at an individual account level. Therefore, the assessment must be done at the segment level. Segment migration thresholds exist for each PD model by product which considers the proportionate change in PD as well as the absolute change in PD. The thresholds used for PD migration are reviewed and assessed at least annually, unless there is a significant change in credit risk management practices, in which case the review is brought forward.

Non-retail portfolio – The Group uses a risk rating scale (IG codes) for its non-retail exposures. All non-retail exposures have an IG code assigned that reflects the probability of default of the borrower. Both borrower specific and non-borrower specific (i.e. macroeconomic) forward looking information is considered and reflected in the IG rating. Significant increase in credit risk is evaluated based on the migration of the exposures among IG codes.

Expected life

When measuring expected credit losses, the Group considers the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, and extension and rollover options. For certain revolving credit facilities, such as credit cards, the expected life is estimated based on the period over which the Group is exposed to credit risk and how the credit losses are mitigated by management actions.

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(o) Allowance for expected credit losses (continued)

Presentation of allowance for credit losses in the statement of financial position

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the financial assets;
- Debt instruments measured at fair value through other comprehensive income: no allowance is recognised in the statement of financial position because the carrying value of these assets is their fair value. However, the allowance determined is presented in the accumulated other comprehensive income;
- Off-balance sheet credit risks include undrawn lending commitments, letters of credit and letters of guarantee: as a provision in other liabilities.

Modified financial assets

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one, an assessment is made to determine if the existing financial asset should be derecognised. Where a modification does not result in derecognition, the date of origination continues to be used to determine SIR. Where a modification results in derecognition, the new financial asset is recognised at its fair value on the modification date. The modification date is also the date of origination for this new asset.

The Group may modify the contractual terms of loans for either commercial or credit reasons. The terms of a loan in good standing may be modified for commercial reasons to provide competitive pricing to borrowers. Loans are also modified for credit reasons where the contractual terms are modified to grant a concession to a borrower that may be experiencing financial difficulty.

For all financial assets, modifications of the contractual terms may result in derecognition of the original asset when the changes to the terms of the loans are considered substantial. These terms include interest rate, authorised amount, term, or type of underlying collateral. The original loan is derecognised and the new loan is recognised at its fair value. The difference between the carrying value of the derecognised asset and the fair value of the new asset is recognised in the statement of revenue and expenses.

For all loans, performing and credit-impaired, where the modification of terms did not result in the derecognition of the loan, the gross carrying amount of the modified loan is recalculated based on the present value of the modified cash flows discounted at the original effective interest rate and any gain or loss from the modification is recorded in the allowance for expected credit losses line in the income statement.

Definition of default

The Group considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- significant financial difficulty of the borrower;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganisation;
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan.

The Group considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due, unless reasonable and supportable information demonstrates that a more lagging default criterion is appropriate.

Write-off policy

The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. Credit card receivables 90 days past due are written-off. In subsequent periods, any recoveries of amounts previously written off are credited to the allowance for expected credit losses in the consolidated statement of revenue and expenses.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(o) Allowance for expected credit losses (continued)***Purchased loans*

All purchased loans are initially measured at fair value on the date of acquisition. As a result no allowance for credit losses would be recorded in the consolidated statement of financial position on the date of acquisition. Purchased loans may fit into either of the two categories: Performing loans or Purchased Credit Impaired (PCI) loans.

Purchased performing loans follow the same accounting as originated performing loans and are reflected in Stage 1 on the date of the acquisition. They will be subject to a 12-month allowance for credit losses.

The fair value adjustment set up for these loans on the date of acquisition is amortised into interest income over the life of these loans.

PCI loans are reflected in Stage 3 and are always subject to lifetime allowance for credit losses. Any changes in the expected cash flows since the date of acquisition are recorded as a charge/recovery for credit losses in the consolidated statement of revenue and expenses at the end of all reporting periods subsequent to the date of acquisition.

(p) Repurchase and reverse repurchase agreements

Securities sold under an agreement to repurchase the asset at a fixed price on a future date (repurchase agreements) and securities purchased under an agreement 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 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.

(q) Acceptances and guarantees

A financial guarantee is a contract that contingently requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor failed to make payment when due in accordance with the terms of a debt instrument. Guarantees include standby letters of credit, letters of guarantee, indemnifications or other similar contracts.

Financial guarantees are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 [note 2(o)]. and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. Management has determined that the amounts initially recognised is immaterial to the financial statements. The Group's commitments under acceptances, guarantees and letters of credit as at October 31, 2021 total \$ 16,820,638 (2020: \$13,140,840). In the event of a call on these commitments, the Group has equal and offsetting claims against its customers.

(r) Property, plant and equipment

Land is measured at historical cost. All other property, plant and equipment are measured 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 is recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the expenditure 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 an expense in 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 over their expected useful lives, as follows:

Buildings	40 Years
Furniture, fixtures and equipment	10 Years
Computer equipment	4 Years
Motor vehicles	5 Years
Leasehold improvements	Period of lease

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(r) Property, plant and equipment (continued)

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

Property, plant and equipment are reviewed periodically 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.

(s) Investment in subsidiaries

Investments by the Group in subsidiaries are measured at cost less impairment losses in the separate financial statements.

(t) Goodwill and intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on the straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at each reporting date, with the effect of any changes in estimate being accounted for prospectively.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of intangible assets and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity 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.

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(t) Goodwill and intangible assets (continued)

Goodwill (continued)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Acquired customer relationships

This asset represents the present value of the benefit to the Group from customer lists, contracts, or customer relationships that can be identified separately and measured reliably. Acquired customer relationships include those of SIJL, and stockbroking customer relationships with an estimated useful life of 15 years.

Contract-based intangible assets

Contract-based intangible assets represent the Group's right to benefit from SIJL's unit trust management contracts. This asset has an indefinite useful life and is therefore tested for impairment annually and whenever there is an indication that the asset may be impaired.

Licences

The asset represents the value of SIJL's Jamaica Stock Exchange licence to trade shares, which has an indefinite useful life. The asset is tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Computer software

Costs associated with developing or maintaining computer software programs are recognised as incurred. Costs that are directly associated with acquiring 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.

(u) 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 services are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as an expense. Post-employment benefits, termination benefits and equity compensation benefits are accounted for as described below. Other long-term benefits are not considered material and are expensed when incurred.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(u) Employee benefits (continued)***Pension obligations*

The Group operates both a defined benefit and a defined contribution pension plan. The assets of the plans are held in separate trustee-administered funds. The pension plans are funded by contributions from employees and by the relevant Group companies for the Bank and the investment subsidiaries, respectively, taking into account the recommendations of qualified actuaries and based on the rules of the plans. Contributions for the investment subsidiary are charged to the statement of revenue and expenses in the period to which it relates.

The asset or liability in respect of the defined benefit plan is the difference between the present value of the defined benefit obligation and the fair value of plan assets at the reporting date. Where a pension asset arises, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan.

The pension costs are assessed using the Projected Unit Credit Method. Under this method, the cost of providing pensions is charged as an expense in such a manner as to spread the regular cost over the service lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plan every year in accordance with IAS 19. Remeasurements comprising actuarial gains and losses and changes in the effect of asset ceiling are reported in other comprehensive income. The pension obligation is measured as the present value of the estimated future benefits of employees and pensioners, in return for service in the current and prior periods, using estimated discount rates based on market yields on Government securities which have terms to maturity approximating the terms of the related liability.

The Group determines the net interest income on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit asset at the beginning of the year to the net defined benefit asset for the year, taking into account any changes in the asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses on post-retirement obligations are recognised in profit or loss.

When the benefits of the plan are changed or if the plan were to be curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Contributions to the defined contribution plan are charged to the statement of revenue and expenses in the period to which they relate.

Termination benefits

Termination benefits are payable whenever an employee's service is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the services of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the financial year end are discounted to present value.

Other post-retirement obligations

The Group also provides supplementary health care and life insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the completion of a minimum service period and the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by qualified independent actuaries.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(u) Employee benefits (continued)***Equity compensation benefits*

The Group has one Employee Share Ownership Plan (ESOP) for eligible employees, through which it provides a fixed benefit to each participant, which is linked to the number of years of service. This benefit is recorded in salaries and staff benefits in profit or loss.

The amount contributed to the ESOP trust (note 53) by the Group for acquiring shares and allocating them to employees is recognised as an employee expense at the time of making the contribution, as the effect of recognising it over the two-year period in which the employees become unconditionally entitled to the shares, is not considered material. Further, the effect of forfeitures is not considered material.

The special purpose entity that operates the Plan has not been consolidated as the effect of doing so is not considered material.

Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the year end.

Defined contribution plan

The Group operates a defined contribution pension plan, the assets of which are held in a trustee administered fund. The pension plan is funded by contributions from employees and the subsidiary, made on the basis provided for in the rules. Contributions are charged to the statement of revenue and expenses in the period to which it relates.

(v) Borrowings

Borrowings are recognised initially at fair value of consideration received net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the statement of revenue and expenses immediately, as they are not considered material for deferral.

(w) Share capital*Classification*

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

Preference share capital is classified as equity, except where it is redeemable on a specific or determinable date or at the option of the shareholders and/or if dividend payments are not discretionary, in which case it is classified as a liability.

Share issue costs

Incremental costs directly attributable to the issue of new shares or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

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

Dividend payments on preference shares classified as a liability are recognised in the statement of revenue and expenses as interest expense.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(x) Leases**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise,
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in other liabilities in the statement of financial position.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(x) Leases (continued)****(ii) As a lessor**

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of a sub-lease entered into during the current reporting period that resulted in a finance lease classification.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(y) Impairment of non-financial assets

The carrying amounts of the Group's non-financial asset, 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.

(z) 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.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***3. Critical accounting estimates, and judgements made in applying accounting policies**

The Group makes estimates, assumptions and judgements 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 judgements may be different from actual outcomes and these differences may be reported in the financial statements of the next financial year. Estimates and judgements 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.

*Estimates**i. Expected credit losses (ECL)*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI) is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in notes 23 and 46(b), which also set out key sensitivities of the ECL to changes in these elements.

ii. Valuation of financial instruments

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For 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.

iii. Future payments and premiums arising from long-term insurance contracts

The liabilities under long-term insurance contracts have been determined using the Policy Premium Method of valuation, which is outlined in note 2(j).

The process of calculating policy liabilities necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provisions for adverse deviations from the estimates. Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

These estimates are more fully described in note 37.

iv. Pension and other post-employment benefits

The cost of these benefits and the present value of the pension and the other post-employment liabilities depend on a number of factors that are determined on an actuarial basis using assumptions. The assumptions used in determining the net periodic cost/(income) for pension and other post-employment benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost/(income) recorded for pension and post-employment benefits and may affect planned funding of the pension plan.

The Group determines the appropriate discount rate at the end of each year; such rate represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-retirement benefit obligations. In determining the appropriate discount rate, the Group considers interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liabilities.

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

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

iv. Pension and other post-employment benefits (continued)

The expected rate of increase of medical costs has been determined by comparing the historical relationship of the actual medical cost increases with the rate of inflation. Past experience has shown that the actual medical costs have increased on average by the rate of inflation. Other key assumptions for the pension and other post-employment benefit cost and credit are based, in part, on current market conditions.

v. *Recognition and measurement of intangible assets*

The recognition and measurement of intangible assets, other than goodwill, in a business combination, involve the utilisation of valuation techniques. These intangibles may be market related, consumer related, contract based or technology based.

For significant amounts of intangibles arising from a business combination, the Group has utilised independent professional advisors to assist management in determining the recognition and measurement of these assets.

Judgements

i. *Expected credit losses (ECL)*

A number of significant judgements are required in applying the accounting requirements for measuring expected credit loss, such as:

- Determining criteria for significant increases in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

ii. *Valuation of financial instruments*

Considerable judgment 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.

iii. *Income taxes*

Judgements are required in determining the provision for income taxes. The tax liability or asset arising from certain transactions or events may be uncertain in 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.

4. Responsibilities of the appointed actuary and external auditors

The Board of Directors, pursuant to the Insurance Act, appoints the Actuary, whose responsibility is to carry out an annual valuation of the Group's insurance policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and stockholders. In performing the valuation using the policy premium method, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Group and the insurance policies in force. An actuarial valuation is prepared annually.

The stockholders, pursuant to the Companies 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. In carrying out their audit, the auditors make use of the work of the appointed Actuary and his report on the policyholders' liabilities.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***5. Segmental financial information**

The Group is organised into six main business segments:

- (a) Retail Banking – this incorporates personal banking services, personal deposit accounts, credit and debit cards, consumer loans and mortgages.
- (b) Corporate and Commercial Banking – this incorporates non-personal direct debit facilities, current accounts, deposits, overdrafts, loans and other credit facilities;
- (c) Treasury – this incorporates the Group's liquidity and investment management function, management of correspondent bank relationships, as well as foreign currency trading activities;
- (d) Investment Management Services – this incorporates investments, unit trusts, pension and other fund management, brokerage and advisory services, and the administration of trust accounts;
- (e) Insurance Services – this incorporates the provision of life and medical insurance, individual pension administration and annuities;
- (f) Other operations of the Group – this comprises the parent company and non-trading subsidiaries.

Transactions between the business segments are on normal commercial terms and conditions.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of items on the statement of financial position, but exclude items such as taxation, retirement benefits asset and obligation and borrowings. Eliminations comprise intercompany transactions and balances.

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental financial information (continued)

	The Group							
	2021							
	Banking			Investment Management Services	Insurance Services	Other	Eliminations	Group
	Retail	Corporate and Commercial	Treasury					
Net external revenues	17,887,713	10,704,665	3,841,712	3,333,458	4,174,709	674,842	-	40,617,099
Revenue from other segments	<u>279,052</u>	<u>954,682</u>	<u>(1,393,830)</u>	<u>211,423</u>	<u>(14,782)</u>	<u>-</u>	<u>(36,545)</u>	<u>-</u>
Total revenues	18,166,765	11,659,347	2,447,882	3,544,881	4,159,927	674,842	(36,545)	40,617,099
Total expenses and credit losses	<u>(17,128,047)</u>	<u>(7,144,839)</u>	<u>(670,674)</u>	<u>(1,554,083)</u>	<u>(1,395,798)</u>	<u>(40,637)</u>	<u>(13,842)</u>	<u>(27,947,920)</u>
Profit before tax	<u>1,038,718</u>	<u>4,514,508</u>	<u>1,777,208</u>	<u>1,990,798</u>	<u>2,764,129</u>	<u>634,205</u>	<u>(50,387)</u>	12,669,179
Taxation								<u>(4,258,935)</u>
Profit for the year								<u>8,410,244</u>
Segment assets	<u>140,983,282</u>	<u>92,342,024</u>	<u>227,235,904</u>	<u>30,560,080</u>	<u>59,605,328</u>	<u>23,027,363</u>	<u>(23,365,363)</u>	550,388,618
Unallocated assets								<u>35,055,653</u>
Total assets								<u>585,444,271</u>
Segment liabilities	<u>210,149,858</u>	<u>184,034,764</u>	<u>-</u>	<u>20,447,632</u>	<u>46,314,506</u>	<u>15,188</u>	<u>(10,418,794)</u>	450,543,154
Unallocated liabilities								<u>21,298,067</u>
Total liabilities								<u>471,841,221</u>
Other segment items:								
Capital expenditure	1,098,196	637,741	-	8,878	-	-	-	1,744,815
Expected credit losses	2,927,698	(145,416)	20,578	4,406	1,973	-	-	2,809,239
Depreciation and amortisation	<u>585,312</u>	<u>297,305</u>	<u>6,020</u>	<u>131,396</u>	<u>7,785</u>	<u>-</u>	<u>-</u>	<u>1,027,818</u>

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental financial information (continued)

	The Group							
	2020							
	Banking			Investment Management Services	Insurance Services	Other	Eliminations	Group
	Retail	Corporate and Commercial	Treasury					
Net external revenues	20,435,822	11,316,211	4,389,971	2,872,033	4,512,206	516,350	-	44,042,593
Revenue from other segments	(25,415)	846,654	(932,591)	371,354	(112,389)	-	(147,613)	-
Total revenues	20,410,407	12,162,865	3,457,380	3,243,387	4,399,817	516,350	(147,613)	44,042,593
Total expenses and credit losses	(19,762,209)	(7,641,909)	(558,078)	(1,372,911)	(1,244,290)	(116,210)	50,102	(30,645,505)
Profit before tax	<u>648,198</u>	<u>4,520,956</u>	<u>2,899,302</u>	<u>1,870,476</u>	<u>3,155,527</u>	<u>400,140</u>	(97,511)	13,397,088
Taxation								(4,345,041)
Profit for the year								<u>9,052,047</u>
Segment assets	<u>140,076,126</u>	<u>97,042,487</u>	<u>180,801,164</u>	<u>39,044,158</u>	<u>59,212,736</u>	<u>24,691,214</u>	(28,142,178)	512,725,707
Unallocated assets								30,513,941
Total assets								<u>543,239,648</u>
Segment liabilities	<u>188,565,747</u>	<u>162,640,808</u>	<u>-</u>	<u>29,251,277</u>	<u>45,963,939</u>	<u>1,418,550</u>	(15,245,993)	412,594,328
Unallocated liabilities								19,889,686
Total liabilities								<u>432,484,014</u>
Other segment items:								
Capital expenditure	922,263	1,307,058	-	8,386	3,573	-	-	2,241,280
Expected credit losses	5,832,486	103,920	(39,632)	(20,957)	(30,636)	-	-	5,845,181
Depreciation and amortisation	<u>607,860</u>	<u>308,883</u>	<u>5,558</u>	<u>133,501</u>	<u>14,275</u>	<u>-</u>	<u>-</u>	<u>1,070,077</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)**
October 31, 2021*(Expressed in thousands of Jamaican dollars unless otherwise stated)***6. Net interest income**

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interest income calculated using the effective interest method:				
Deposits with banks and other financial institutions	331,068	506,176	4,567	99,267
Investment securities	3,889,300	3,927,829	-	-
Financial assets at fair value through profit or loss	-	38,489	-	-
Reverse repurchase agreements	25,933	14,211	-	-
Loans and advances	<u>20,321,523</u>	<u>22,742,156</u>	-	-
	<u>24,567,824</u>	<u>27,228,861</u>	<u>4,567</u>	<u>99,267</u>
Interest expense measured on the effective interest method:				
Banks and customers	634,022	1,101,569	-	-
Repurchase agreements	701	1,110	-	-
Policyholders' liabilities	1,172,454	1,220,394	-	-
Other	<u>49,158</u>	<u>48,184</u>	-	-
	<u>1,856,335</u>	<u>2,371,257</u>	-	-
Net interest income	<u>22,711,489</u>	<u>24,857,604</u>	<u>4,567</u>	<u>99,267</u>

7. Net fee and commission income

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Fee and commission income		
Retail banking fees	6,387,406	6,458,734
Credit related fees	865,019	1,126,016
Commercial and depository fees	6,042,588	5,388,193
Insurance related fees	287,149	269,667
Other fees	-	412,805
Trust and other fiduciary fees	45,538	35,787
Asset management and related fees	<u>1,984,862</u>	<u>1,864,408</u>
	15,612,562	15,555,610
Fee and commission expense	<u>(9,524,242)</u>	<u>(8,397,042)</u>
	<u>6,088,320</u>	<u>7,158,568</u>

8. Net gains on foreign currency activities and financial assets

(a) Net gains on foreign currency activities include primarily gains and losses arising from foreign currency trading activities.

(b) Net gains on financial assets:

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Gains on securities held for trading	464,871	878,908
Gains on securities at FVOCI	<u>139,559</u>	<u>61,965</u>
	<u>604,430</u>	<u>940,873</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***9. Insurance revenue**

	The Group	
	<u>2021</u>	<u>2020</u>
Gross premiums		
Individual life	1,146,452	1,101,624
Group life	<u>971,122</u>	<u>1,237,122</u>
	2,117,574	2,338,746
Reinsurance ceded	(53)	(301)
	2,117,521	2,338,445
Changes in actuarial reserves	<u>515,561</u>	<u>670,967</u>
	<u>2,633,082</u>	<u>3,009,412</u>

10. Other revenue

	The Group	
	<u>2021</u>	<u>2020</u>
Gain on sale of property, plant and equipment	6,505	3,083
Gain on extinguishment of liability	953,779	1,177,215
Dividend and other income	<u>62,720</u>	<u>50,457</u>
	<u>1,023,004</u>	<u>1,230,755</u>

As at October 31, 2020, the Bank entered into an agreement for the settlement of outstanding liabilities totaling \$1,609,054 (Group: \$3,373,691) with another financial institution. This transaction was closed during the year ended October 31, 2021, when all obligations were met.

11. Salaries, pensions and other staff benefits

	The Group	
	<u>2021</u>	<u>2020</u>
Wages and salaries	8,545,648	9,575,490
Statutory payroll contributions	754,473	878,948
Other staff benefits	<u>1,325,521</u>	<u>1,549,443</u>
	<u>10,625,642</u>	<u>12,003,881</u>
Post-employment benefits:		
Credit on defined benefit plan [note 29(a)(v)]	(1,701,664)	(1,841,420)
Other post-retirement benefits [note 29(b)(ii)]	<u>551,864</u>	<u>462,621</u>
	(1,149,800)	(1,378,799)
Total (note 12)	<u>9,475,842</u>	<u>10,625,082</u>

12. Expenses by nature

	The Group		The Company	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Salaries, pension contributions and other staff benefits (note 11)	9,475,842	10,625,082	-	-
Property expenses, including depreciation	2,331,915	2,411,229	-	-
Amortisation and impairment of intangible assets (note 28)	97,672	117,562	-	-
Systems related expenses	2,320,942	1,933,650	-	-
Insurance claims and benefits	315,993	252,443	-	-
Transportation and communication	1,283,054	969,919	3,000	3,119
Marketing and advertising	319,198	509,325	-	-
Professional, legal and consultancy fees	362,210	443,575	42,164	45,773
Technical and support services	5,066,899	4,211,605	-	-
Deposit insurance	534,226	498,213	-	-
Stationery	411,437	460,148	2,035	939
Asset tax	1,217,783	1,197,510	-	-
Licensing and other regulatory fees	427,847	276,445	-	-
Other operating expenses	<u>973,663</u>	<u>893,618</u>	(6,564)	<u>66,380</u>
	<u>25,138,681</u>	<u>24,800,324</u>	<u>40,635</u>	<u>116,211</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***13. Profit before taxation**

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Auditors' remuneration	72,109	60,251	9,394	7,900
Depreciation of property, plant and equipment	744,455	766,328	-	-
Amortisation of right-of-use-assets	185,691	186,187	-	-
Amortisation and impairment of intangible assets	97,672	117,562	-	-
Directors' emoluments:				
Fees	30,482	29,147	16,428	16,428
Management remuneration	<u>54,883</u>	<u>58,654</u>	<u>-</u>	<u>-</u>

14. Taxation**(a) Taxation charge**

Income tax is computed on the profit for the year as adjusted for tax purposes; other taxes are computed at rates and on items shown below:

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current income tax:				
Income tax at 33 $\frac{1}{3}$ %	2,056,513	3,245,090	-	-
Income tax at 30%	630,854	672,242	-	-
Income tax 25%	702,475	869,255	-	19,287
Other tax rates (1% to 5.5%)	5,702	2,150	-	-
Adjustment for under-provision of prior year's charge	89,194	-	9,213	-
Deferred income tax [note 36(a)]	<u>774,197</u>	<u>(443,696)</u>	<u>6</u>	<u>(8,512)</u>
	<u>4,258,935</u>	<u>4,345,041</u>	<u>9,219</u>	<u>10,775</u>

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Profit before taxation	<u>12,669,179</u>	<u>13,397,088</u>	<u>4,571,699</u>	<u>4,152,049</u>
Tax calculated at 33 $\frac{1}{3}$ %	2,871,681	3,002,177	-	-
Tax calculated at 30%	513,073	642,972	-	-
Tax calculated at 25%	862,686	901,992	1,142,925	1,038,012
Other tax rates (1% to 5.5%)	5,702	2,150	-	-
Income not subject to tax	(270,257)	(155,191)	(984,374)	(937,978)
Expenses not deductible for tax purposes	437,394	458,283	7,191	15,015
Prior period under provision	89,194	-	9,213	-
Other charges and allowances	<u>(250,538)</u>	<u>(507,342)</u>	<u>(165,736)</u>	<u>(104,274)</u>
	<u>4,258,935</u>	<u>4,345,041</u>	<u>9,219</u>	<u>10,775</u>
Effective tax rate	<u>33.62%</u>	<u>32.43%</u>	<u>0.20%</u>	<u>0.26%</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***15. Earnings per stock unit**

Earnings per stock unit is calculated by dividing the consolidated profit for the year attributable to stockholders of the Company by the weighted average number of ordinary stock units in issue during the year.

	<u>2021</u>	<u>2020</u>
Consolidated profit for the year attributable to stockholders of the Company	8,410,244	9,052,047
Weighted average number of ordinary stock units in issue ('000)	3,111,573	3,111,573
Earnings per stock unit (expressed in \$)	<u>2.70</u>	<u>2.91</u>

16. Cash and balances at Bank of Jamaica

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Statutory reserves – non-interest bearing (note 19)	31,639,786	28,679,603
Cash in hand and other balances at Bank of Jamaica	<u>69,609,355</u>	<u>39,860,302</u>
	<u>101,249,141</u>	<u>68,539,905</u>

At the reporting date, statutory reserves with Bank of Jamaica represent the required primary reserve ratios.

<u>Relevant legislation</u>	<u>Entity</u>	<u>Reserve percentage</u>			
		<u>Jamaican</u>		<u>Foreign currency</u>	
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Banking Services Act, Section 14(i)	BNSJ	5%	5%	13%	13%
Building Society Regulations, Section 31	SJBS	<u>1%</u>	<u>1%</u>	<u>1%</u>	<u>1%</u>

These balances are not available for investment, lending or other use by the Group.

17. Due from other banks

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Items in course of collection from other banks	441,963	232,735
Placements with other banks	<u>34,900,948</u>	<u>43,280,758</u>
	<u>35,342,911</u>	<u>43,513,493</u>

18. Accounts with parent and fellow subsidiaries

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

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)**
October 31, 2021*(Expressed in thousands of Jamaican dollars unless otherwise stated)***19. Cash and cash equivalents**

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Cash resources	168,675,612	141,256,766	9,891,092	11,484,292
Less amounts not considered cash and cash equivalents:				
Statutory reserves (note 16)	(31,639,786)	(28,679,603)	-	-
Cheques and other instruments in transit	(3,155,909)	(2,957,038)	-	-
Accounts with parent and fellow subsidiaries greater than ninety days	(9,131,331)	(8,562,221)	(9,131,331)	(8,562,221)
Expected credit losses	1,991	2,272	-	-
Accrued interest	(20,629)	(4,255)	(216)	(190)
	<u>124,729,948</u>	<u>101,055,921</u>	<u>759,545</u>	<u>2,921,881</u>
Add other cash equivalent balances:				
Reverse repurchase agreements less than ninety days (note 25)	-	1,100,000	-	-
Pledged assets less than ninety days (note 21)	<u>2,682,671</u>	<u>3,338,620</u>	<u>-</u>	<u>-</u>
	<u>127,412,619</u>	<u>105,494,541</u>	<u>759,545</u>	<u>2,921,881</u>

Cash and cash equivalents is comprised of:

Cash and balances with Bank of Jamaica other than statutory reserves	69,611,000	39,861,149	-	-
Government and bank notes other than Jamaican	2,416,012	1,634,969	-	-
Amounts due from other banks	35,343,257	43,514,918	-	-
Accounts with parent and fellow subsidiaries	20,536,217	19,006,178	759,761	2,922,071
Reverse repurchase agreements	-	1,100,000	-	-
Pledged assets (note 21)	2,682,671	3,338,620	-	-
Accrued interest	(20,629)	(4,255)	(216)	(190)
	<u>130,568,528</u>	<u>108,451,579</u>	<u>759,545</u>	<u>2,921,881</u>
Cheques and other instruments in transit	(3,155,909)	(2,957,038)	-	-
	<u>127,412,619</u>	<u>105,494,541</u>	<u>759,545</u>	<u>2,921,881</u>

20. Financial assets at fair value through profit or loss

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Government of Jamaica securities	3,339,807	3,366,796
Unit trusts	<u>329,873</u>	<u>295,369</u>
	3,669,680	3,662,165
Accrued interest	<u>33,322</u>	<u>23,175</u>
	<u>3,703,002</u>	<u>3,685,340</u>

21. Pledged assets

Assets are pledged to regulators, the clearing house and other financial institutions, and as collateral under repurchase agreements with customers and financial institutions. All repurchase agreements mature within twelve months and are contracted under terms that are customary for these transactions.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***21. Pledged assets (continued)**

	The Group	
	<u>2021</u>	<u>2020</u>
Capital management and government securities funds	13,810,407	15,349,421
Securities with regulators, clearing houses and other financial institutions	<u>1,829,271</u>	<u>1,830,371</u>
	<u>15,639,678</u>	<u>17,179,792</u>

Included in pledged assets are the following categories of assets:

	The Group	
	<u>2021</u>	<u>2020</u>
Deposits with financial institutions	2,476,189	7,260,848
Government issued securities:		
Fair value through OCI	9,982,255	6,754,847
Amortised cost	281,676	281,845
Loans	749,863	889,095
Unitised funds:		
Fair value through profit or loss	<u>2,149,695</u>	<u>1,993,157</u>
	<u>15,639,678</u>	<u>17,179,792</u>

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	
	<u>2021</u>	<u>2020</u>
Debt securities and other investments with an original maturity of less than ninety days (note 19)	<u>2,682,671</u>	<u>3,338,620</u>

22. Loans, net of allowance for credit losses

	The Group	
	<u>2021</u>	<u>2020</u>
Business and Government	88,199,603	100,596,111
Personal and credit cards	76,653,883	83,064,221
Residential mortgages	48,351,793	42,598,196
Interest receivable	<u>1,555,100</u>	<u>2,444,589</u>
	214,760,379	228,703,117
Less: Allowance for expected credit losses (note 23)	<u>(6,237,325)</u>	<u>(7,976,283)</u>
	<u>208,523,054</u>	<u>220,726,834</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***22. Loans, net of allowance for credit losses (continued)**

(i) The aging of the loans at the reporting date was:

	The Group	
	<u>2021</u>	<u>2020</u>
Neither past due nor impaired	<u>188,508,316</u>	<u>178,527,387</u>
Past due but not impaired		
Past due 1-30 days	15,799,813	19,922,756
Past due 31-60 days	1,722,442	20,147,122
Past due 61-90 days	<u>1,145,096</u>	<u>2,895,571</u>
	<u>18,667,351</u>	<u>42,965,449</u>
Impaired:		
Past due more than 90 days	<u>6,029,612</u>	<u>4,765,692</u>
Interest receivable	<u>1,555,100</u>	<u>2,444,589</u>
Gross loan portfolio	214,760,379	228,703,117
Less: allowance for credit loss	<u>(6,237,325)</u>	<u>(7,976,283)</u>
Loans, net of allowance for credit losses	<u>208,523,054</u>	<u>220,726,834</u>

(ii) Repossessed collateral

In the normal course of business, the security documentation to secure a loan 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 the outstanding indebtedness. Repossessed collateral is not recognised on the Group's statement of financial position.

23. Expected credit losses on loans

The Group's allowance calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs.

Some of the key drivers include the following:

- Changes in risk ratings of the borrower or instrument reflecting changes in their credit quality;
- Changes in the volumes of transactions;
- Changes in the forward-looking macroeconomic environment reflected in the variables used in the models such as GDP growth, unemployment rates, commodity prices, and house price indices, which are most closely related with credit losses in the relevant portfolio;
- Changes in macroeconomic scenarios and the probability weights assigned to each scenario; and
- Borrower migration among the three stages which can result from changes to any of the above inputs and assumptions.

As a result of COVID-19, management considered the application of an overlay in respect of the computation of the ECL to take into account the potential impact of the pandemic on the macroeconomic indicators. In order to inform the forward-looking component of the ECL, macroeconomic variables, which are statistically significant and most correlated with the Group's Non-Performing Loans (NPLs) and investment default rates, were selected. For the loan portfolio these include: unemployment, GDP Growth and Inflation Rate and for the investment securities the macro factors applied were: interest rates, real GDP growth rate and the inflation rate. The weighting for each variable was applied based on its ability to reflect the projected economic changes resulting from the pandemic.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***23. Expected credit losses on loans (continued)**

	The Group			
	2021			
	Stage 1	Stage 2	Stage 3	Total
Allowance at beginning of year	3,521,638	2,256,866	2,197,779	7,976,283
Provided during the year	(2,282,844)	(192,939)	6,099,629	3,623,846
Bad debts written off	-	-	(5,374,790)	(5,374,790)
Foreign exchange movement	(147,505)	347,228	(187,737)	11,986
Transfer to/(from) stages				
Stage 1	631,289	(439,490)	(191,799)	-
Stage 2	(363,511)	560,951	(197,440)	-
Stage 3	(28,430)	(831,956)	860,386	-
Allowance at end of year (note 22)	<u>1,330,637</u>	<u>1,700,660</u>	<u>3,206,028</u>	<u>6,237,325</u>
The charge for expected credit losses recognised for the year comprises:				
Provided during the year	(2,282,844)	(192,939)	6,099,629	3,623,846
Recoveries of bad debts	-	-	(840,010)	(840,010)
Expected credit losses reported in profit for the year	<u>(2,282,844)</u>	<u>(192,939)</u>	<u>5,259,619</u>	<u>2,783,836</u>
	2020			
	Stage 1	Stage 2	Stage 3	Total
Allowance at beginning of year	1,382,194	1,311,516	1,456,230	4,149,940
Provided during the year	2,064,423	1,650,328	2,630,452	6,345,203
Bad debts written off	-	-	(2,529,884)	(2,529,884)
Foreign exchange movement	(784,252)	229,649	565,627	11,024
Transfer to/(from) stages				
Stage 1	1,241,811	(1,051,942)	(189,869)	-
Stage 2	(363,033)	769,770	(406,737)	-
Stage 3	(19,505)	(652,455)	671,960	-
Allowance at end of year (note 22)	<u>3,521,638</u>	<u>2,256,866</u>	<u>2,197,779</u>	<u>7,976,283</u>
The charge for expected credit losses recognised for the year comprises:				
Provided during the year	2,064,423	1,650,328	2,630,452	6,345,203
Recoveries of bad debts	-	-	(626,648)	(626,648)
Expected credit losses reported in profit for the year	<u>2,064,423</u>	<u>1,650,328</u>	<u>2,003,804</u>	<u>5,718,555</u>

Uncollected interest not accrued on loans in default is estimated at \$1,344,810 (2020: \$1,138,340) for the Group.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***23. Expected credit losses on loans (continued)**

The allowance for expected credit losses on transition to IFRS 9 was as follows:

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Allowance based on IFRS	6,237,325	7,976,283
Additional allowance based on BOJ regulations	<u>334,797</u>	<u>220,791</u>
	<u>6,572,122</u>	<u>8,197,074</u>

24. Investment securities

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Fair value through other comprehensive income:		
Unquoted shares	5,105	5,105
Government securities	130,398,436	103,838,353
Bank of Jamaica securities	7,733,602	7,671,817
Treasury bills	1,264,054	2,835,496
Corporate bonds	1,198,763	1,254,328
Interest receivable	<u>1,025,240</u>	<u>792,717</u>
	<u>141,625,200</u>	<u>116,397,816</u>

Included in investment securities are Government of Jamaica Benchmark Investment Notes with a book value of \$90,000 (2020: \$90,000) which have been deposited by one of the Group's subsidiaries, Scotia Jamaica Life Insurance Company Limited, with the insurance regulator, Financial Services Commission, pursuant to Section 8(1)(a) of the Insurance Regulations 2001.

25. Government securities purchased under resale agreements

The Group entered into reverse repurchase agreements collateralised by Government of Jamaica securities.

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Reverse repurchase agreements with an original maturity of less than 90 days (note 19)	-	1,100,000
Interest receivable	<u>-</u>	<u>871</u>
	<u>-</u>	<u>1,100,871</u>

The fair value of collateral held pursuant to reverse repurchase agreements is \$Nil (2020: \$1,187,678).

26. Other assets

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Accounts receivable and prepayments	1,701,357	426,580
Deferred charges	1,309,435	1,123,640
Other	<u>1,025,562</u>	<u>1,047,720</u>
	<u>4,036,354</u>	<u>2,597,940</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***27. Property, plant and equipment**

	The Group					
	Right-of-use on leasehold properties	Freehold land and buildings	Leasehold improvements	Furniture, fixtures, motor vehicles & equipment	Capital work-in- progress	Total
Cost:						
October 31, 2019	-	4,460,135	549,082	7,575,976	810,034	13,395,227
Impact of first time application of IFRS 16	1,374,120	-	-	-	-	1,374,120
Additions	46,939	21,824	4,160	81,705	2,133,591	2,288,219
Disposals	(5,543)	-	-	(60,159)	-	(65,702)
Transfers	-	652,359	63,818	454,823	(1,171,000)	-
Translation adjustment	<u>24,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,558</u>
October 31, 2020	1,440,074	5,134,318	617,060	8,052,345	1,772,625	17,016,422
Additions	178,323	1,065,137	137,095	148,374	394,209	1,923,138
Disposals	(161,331)	-	-	(21,958)	-	(183,289)
Transfers	-	106,088	58,936	897,362	(1,062,386)	-
Translation adjustment	37,189	-	-	-	-	37,189
Write-offs/reversals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(637,198)</u>	<u>(637,198)</u>
October 31, 2021	<u>1,494,255</u>	<u>6,305,543</u>	<u>813,091</u>	<u>9,076,123</u>	<u>467,250</u>	<u>18,156,262</u>
Depreciation:						
October 31, 2019	-	1,031,705	510,110	6,025,568	-	7,567,383
Charge for the year	186,187	111,019	32,129	623,180	-	952,515
Eliminated on disposals	(2,827)	-	-	(59,788)	-	(62,615)
Translation adjustment	<u>816</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>816</u>
October 31, 2020	184,176	1,142,724	542,239	6,588,960	-	8,458,099
Charge for the year	185,691	140,985	65,000	538,470	-	930,146
Eliminated on disposals	(67,507)	-	-	(21,466)	-	(88,973)
Translation adjustment	<u>5,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,029</u>
October 31, 2021	<u>307,389</u>	<u>1,283,709</u>	<u>607,239</u>	<u>7,105,964</u>	<u>-</u>	<u>9,304,301</u>
Net book values:						
October 31, 2021	<u>1,186,866</u>	<u>5,021,834</u>	<u>205,852</u>	<u>1,970,159</u>	<u>467,250</u>	<u>8,851,961</u>
October 31, 2020	<u>1,255,898</u>	<u>3,991,594</u>	<u>74,821</u>	<u>1,463,385</u>	<u>1,772,625</u>	<u>8,558,323</u>
October 31, 2019	<u>-</u>	<u>3,428,430</u>	<u>38,972</u>	<u>1,550,408</u>	<u>810,034</u>	<u>5,827,844</u>

28. Goodwill and intangible assets

	The Group					Total
	Customer relationships	Contract- based intangibles	License	Goodwill	Computer software	
Cost:						
October 31, 2019, 2020 and 2021	<u>1,382,582</u>	<u>348,987</u>	<u>49,470</u>	<u>136,892</u>	<u>476,574</u>	<u>2,394,505</u>
Amortisation:						
October 31, 2019	1,114,175	71,574	5,333	61,724	356,044	1,608,850
Amortisation for the year	<u>88,492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,070</u>	<u>117,562</u>
October 31, 2020	1,202,667	71,574	5,333	61,724	385,114	1,726,412
Amortisation for the year	<u>88,492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,180</u>	<u>97,672</u>
October 31, 2021	<u>1,291,159</u>	<u>71,574</u>	<u>5,333</u>	<u>61,724</u>	<u>394,294</u>	<u>1,824,084</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***28. Goodwill and intangible assets (continued)**

	The Group					Total
	Customer relationships	Contract-based intangibles	License	Goodwill	Computer software	
Net book values:						
October 31, 2021	<u>91,423</u>	<u>277,413</u>	<u>44,137</u>	<u>75,168</u>	<u>82,280</u>	<u>570,421</u>
October 31, 2020	<u>179,915</u>	<u>277,413</u>	<u>44,137</u>	<u>75,168</u>	<u>91,460</u>	<u>668,093</u>
October 31, 2019	<u>268,407</u>	<u>277,413</u>	<u>44,137</u>	<u>75,168</u>	<u>120,530</u>	<u>785,655</u>

29. Retirement benefits asset/obligations

The Group has established a defined benefit pension plan covering all permanent employees of The Bank of Nova Scotia Jamaica Limited, its subsidiaries and fellow subsidiaries. The assets of the plan are held independently of the Group's assets in a separate trustee-administered fund. The fund established under the plan is valued by independent actuaries annually using the Projected Unit Credit Method.

In addition to pension benefits, the Bank offers post-employment medical and group life insurance benefits to retirees and their beneficiaries. The method of accounting and frequency of valuations are similar to those used for the defined benefit pension plan. Amounts recognised in the statement of financial position are as follows:

	The Group	
	2021	2020
Defined benefit pension plan (a)	31,254,250	28,242,497
Other post-retirement benefits (b)	(5,237,873)	(4,541,887)
	<u>26,016,377</u>	<u>23,700,610</u>

(a) Defined benefit pension plan

(i) The amounts recognised in the statement of financial position are determined as follows:

	The Group	
	2021	2020
Present value of funded obligations (iii)	(38,963,167)	(33,924,123)
Fair value of plan assets (iv)	<u>80,326,884</u>	<u>76,713,352</u>
	41,363,717	42,789,229
Limitation of economic benefits	(10,109,467)	(14,546,732)
Asset in the statement of financial position	<u>31,254,250</u>	<u>28,242,497</u>

(ii) Movement in the amount recognised in the statement of financial position:

	The Group	
	2021	2020
Balance at beginning of year	28,242,497	43,704,650
Contributions paid	500	500
Pension income recognised in profit or loss (v)	1,701,664	1,841,420
Remeasurement recognised in other comprehensive income (vi)	<u>1,309,589</u>	<u>(17,304,073)</u>
Balance at end of year	<u>31,254,250</u>	<u>28,242,497</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***29. Retirement benefits asset/obligations (continued)****(a) Defined benefit pension plan (continued)**

(iii) Movement in the present value of obligation:

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Balance at beginning of year	(33,924,123)	(38,055,078)
Current service costs	(671,631)	(846,097)
Interest cost	(2,987,998)	(2,429,646)
Employees' contribution	(581,804)	(632,992)
Benefits paid	1,921,594	1,463,616
Actuarial gains arising from:		
Experience adjustments	55,693	992,819
Changes in financial assumptions	(2,774,898)	5,583,255
Balance at end of year	<u>(38,963,167)</u>	<u>(33,924,123)</u>

(iv) Movement in fair value of pension plan assets:

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Fair value of plan assets at beginning of year	76,713,352	81,759,728
Contributions	582,304	633,492
Benefits paid	(1,921,594)	(1,463,616)
Interest income on plan assets	6,858,560	5,284,030
Administrative fees	(164,062)	(179,106)
Remeasurement gain on plan assets included in other comprehensive income	(1,741,676)	(9,321,176)
Fair value of plan assets at end of year	<u>80,326,884</u>	<u>76,713,352</u>

Plan assets consist of the following:

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Government stocks and bonds	47,878,994	45,663,057
Quoted equities	24,238,953	23,149,701
Reverse repurchase agreements	1,051,141	929,498
Certificates of deposit	2,448,521	2,239,667
Real estate	3,907,868	3,764,059
Net current assets	<u>801,407</u>	<u>967,370</u>
	<u>80,326,884</u>	<u>76,713,352</u>

(v) Components of defined benefit credit recognised in statement of revenue and expenses:

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Current service costs	671,631	846,097
Interest cost on obligation	2,987,998	2,429,646
Interest income on plan assets	(6,858,560)	(5,284,030)
Interest on effect of asset celling	1,309,206	-
Administrative fees	<u>188,061</u>	<u>166,867</u>
	<u>(1,701,664)</u>	<u>(1,841,420)</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)**
October 31, 2021*(Expressed in thousands of Jamaican dollars unless otherwise stated)***29. Retirement benefits asset/obligations (continued)****(a) Defined benefit pension plan (continued)**

(vi) Components of defined benefit (credit)/charge recognised in other comprehensive income:

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Remeasurement of defined benefit obligations	2,719,205	(6,576,074)
Remeasurement of plan assets	1,717,677	9,333,415
Change in effect on asset ceiling	<u>(5,746,471)</u>	<u>14,546,732</u>
	<u>(1,309,589)</u>	<u>17,304,073</u>

(vii) Sensitivity analysis:

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarises how the defined benefit obligation measured at the end of the reporting date would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analyses for each assumption, all others were held constant. The economic assumptions are somewhat linked as they are all related to inflation. Hence, for example, a 1% reduction in the long-term discount rate would cause some reduction in the medical trend rate.

	<u>The Group</u>			
	<u>2021</u>		<u>2020</u>	
	<u>1%</u> <u>Increase</u>	<u>1%</u> <u>Decrease</u>	<u>1%</u> <u>Increase</u>	<u>1%</u> <u>Decrease</u>
Discount rate	(4,965,000)	6,277,000	(4,242,000)	5,343,000
Future pension increases	4,352,000	(3,620,000)	3,566,000	(2,982,000)
Future salary increases	<u>1,190,000</u>	<u>(1,072,000)</u>	<u>1,119,000</u>	<u>(1,006,000)</u>

(viii) Liability duration

The average liability duration is as follows:

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Active members and all participants (years)	<u>15.6</u>	<u>15.2</u>

(ix) The estimated pension contributions to be paid into the defined benefit and contribution plans during the next financial year is \$500.

(x) The principal actuarial assumptions used were as follows:

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Discount rate	9.00%	9.00%
Future salary increases	7.00%	7.00%
Future pension increases	<u>4.50%</u>	<u>3.75%</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***29. Retirement benefits asset/obligations (continued)****(b) Medical and group life obligations recognised in the statement of financial position**

(i) Movement in the present value of unfunded obligations:

	The Group	
	<u>2021</u>	<u>2020</u>
Balance at beginning of year	(4,541,887)	(4,646,759)
Current service costs	(149,295)	(164,583)
Interest cost	(402,569)	(298,038)
Benefits paid	122,669	106,721
Actuarial gains arising from:		
Experience adjustments	126,739	29,489
Changes in financial assumptions	(731,003)	497,859
Changes in demographic assumptions	<u>337,473</u>	<u>(66,576)</u>
Balance at end of year	<u>(5,237,873)</u>	<u>(4,541,887)</u>

(ii) Components of benefit costs recognised in the statement of revenue and expenses:

	The Group	
	<u>2021</u>	<u>2020</u>
Current service costs	149,295	164,583
Interest on obligation	<u>402,569</u>	<u>298,038</u>
	<u>551,864</u>	<u>462,621</u>

(iii) Charge/(credit) recognised in other comprehensive income:

	The Group	
	<u>2021</u>	<u>2020</u>
Experience adjustments	(126,739)	(29,489)
Changes in financial and demographic assumptions	<u>393,530</u>	<u>(431,283)</u>
	<u>266,791</u>	<u>(460,772)</u>

(iv) Principal actuarial assumptions:

In addition to the assumptions used for the pension plan that are applicable to the group health plan, the estimate assumes a long-term increase in health costs of 7.5% (2020: 6.5%) per year.

(v) Sensitivity analysis on projected benefits obligation

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarises how the projected benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analyses for each assumption, all others were held constant. The economic assumptions are somewhat linked as they are all related to inflation. Hence, for example, a 1% reduction in the long-term discount rate, would cause some reduction in the medical trend rate.

	The Group			
	<u>2021</u>		<u>2020</u>	
	1% <u>Increase</u>	1% <u>Decrease</u>	1% <u>Increase</u>	1% <u>Decrease</u>
Discount rate	(775,000)	995,000	(639,000)	814,000
Future pension increases	923,000	(731,000)	752,000	(601,000)
Future salary increases	<u>10,000</u>	<u>(9,000)</u>	<u>11,000</u>	<u>(10,000)</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***29. Retirement benefits asset/obligations (continued)****(b) Medical and group life obligations recognised in the statement of financial position (continued)**

(vi) Liability duration

The average liability duration is as follows:

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Active members and all participants (years)	<u>18.2</u>	<u>17.2</u>

(c) (Credit)/charge recognised in other comprehensive income:

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Retirement benefit pension plan [note 29(a)(vi)]	(1,309,589)	17,304,073
Medical and group life obligation [note 29(b)(iii)]	<u>266,791</u>	<u>(460,772)</u>
	<u>(1,042,798)</u>	<u>16,843,301</u>

30. Deposits by the public

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Personal	207,540,110	181,987,046
Business	170,906,425	154,634,525
Interest payable	<u>26,575</u>	<u>38,867</u>
	<u>378,473,110</u>	<u>336,660,438</u>

Deposits include \$1,436,224 (2020: \$800,325) held as collateral for irrevocable commitments under letters of credit.

31. Due to other banks and financial institutions

This represents deposits by other banks and financial institutions, as well as funds for on-lending to eligible customers.

32. Due to ultimate parent company

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
The Bank of Nova Scotia Loan Facility	304,694	857,547
Interest payable	<u>3,878</u>	<u>10,630</u>
	308,572	868,177
Deposits held with Bank	<u>2,702</u>	<u>12,857</u>
	<u>311,274</u>	<u>881,034</u>

The Facility is a USD denominated fourteen (14) year non-revolving loan from the ultimate parent company, for on-lending. The repayment of the principal commenced May 2012, after a four year moratorium period, to be completed by February 2022 and is subject to a fixed interest rate of 5.95%.

The above loan facility is insured by the Multilateral Investment Guarantee Agency.

33. Due to fellow subsidiaries

These represent accounts held by fellow subsidiaries in the normal course of business.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***34. 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 funds at each valuation date are based on the net accretion in value of the underlying investments.

35. Other liabilities

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u> Restated*
Accrued staff benefits	2,309,843	2,176,998
Prepaid letters of credit	-	117,901
Provisions [note 35(i)]	803,458	1,092,232
Other payables	386,989	275,377
Expected credit losses on guarantees and letters of credit	54,593	99,140*
Lease liabilities [note 35(ii)(b)]	1,210,369	1,271,906
Accrued liabilities	<u>5,370,471</u>	<u>6,372,573</u>
	<u>10,135,723</u>	<u>11,406,127</u>

*Prior year adjustment for change in customers' acceptances and guarantee (note 54)

(i) Provisions

The following table sets out the movement in provisions:

	<u>The Group</u>		
	<u>Restructuring</u>	<u>Other</u>	<u>Total</u>
Balance at 1 November 2020	1,068,732	23,500	1,092,232
Provisions made during the year	547,859	232,099	779,958
Provisions used during the year	(660,277)	-	(660,277)
Provisions reversed during the year	<u>(408,455)</u>	<u>-</u>	<u>(408,455)</u>
Balance at 31 October 2021	<u>547,859</u>	<u>255,599</u>	<u>803,458</u>
Current	<u>547,859</u>	<u>255,599</u>	<u>803,458</u>

Restructuring

In accordance with the plans announced by the Group in October 2021, the Group will be consolidating one branch and transitioning three branches to a digital operating model in order to optimise efficiency, and improve the overall service to customers. This transition is expected to be completed in the year ending October 31, 2022.

Other provisions

Other provisions relate to associated transition costs, which is also expected to be completed during the year ending October 31, 2022.

(ii) Leases**Leases as lessee**

The Group leases properties. The leases for the Group typically run for periods of 3 years with an option to renew the lease after that date. Lease payments are renegotiated at the time of lease renewal to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. Previously, these leases were classified as operating leases under IAS 17.

The Group have elected not to recognise right-of-use assets and lease liabilities for leases that are short-term and/or leases of low-value items.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***35. Other liabilities (continued)****(ii) Leases (continued)**

Leases as lessee (continued)

Information about leases for which the Group is the lessee, is presented below.

(a) Right-of-use assets

Right of use on leasehold properties are presented in property, plant and equipment (note 27).

	The Group	
	<u>2021</u>	<u>2020</u>
(b) Lease liabilities		
Lease liabilities included in the statements of financial position	<u>1,210,369</u>	<u>1,271,906</u>
Lease liabilities are classified as follows:		
Current	136,450	154,623
Non-current	<u>1,073,919</u>	<u>1,117,283</u>
	<u>1,210,369</u>	<u>1,271,906</u>
Maturity analysis of contractual undiscounted cash flows:		
Less than one year	159,566	179,986
One to five years	560,478	627,077
Over five years	<u>626,470</u>	<u>612,355</u>
	<u>1,346,514</u>	<u>1,419,418</u>
(c) Amounts recognised in profit or loss:		
	The Group	
	<u>2021</u>	<u>2020</u>
Interest expense on lease liabilities	26,203	28,762
Depreciation on right-of-use assets (note 27)	185,691	186,187
Expenses related to short-term leases	<u>31,953</u>	<u>44,605</u>
(d) Amounts recognised in statement of cash flows:		
(e)	The Group	
	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	<u>204,821</u>	<u>200,109</u>

(e) Extension options

Some property leases contain extension options exercisable by the Group up to March 5, 2043. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liabilities of \$371,794 (2020: \$401,044).

The Company did not have any leases with extension options.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***36. 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 Group Jamaica Limited at 25%;
- The Bank of Nova Scotia Jamaica Limited at 33 $\frac{1}{3}$ %;
- Scotia Investments Jamaica Limited at 33 $\frac{1}{3}$ %;
- The Scotia Jamaica Building Society at 30%;
- Scotia Jamaica Life Insurance Company Limited at 25% and;
- Other unregulated subsidiaries at 25%.

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
At beginning of year	(6,887,416)	(12,964,574)	(47)	(8,559)
Exchange rate adjustment	4,281	4,850	-	-
Recognised in the profit for the year [note 14(a)]	(774,197)	443,696	(6)	8,512
Recognised in other comprehensive income:				
Remeasurement of retirement benefits asset/obligations	(347,600)	5,614,435	-	-
Fair value through OCI:				
- fair value remeasurement	546,431	(75,575)	-	-
- transfer to profit	(908)	89,752	-	-
	<u>545,523</u>	<u>14,177</u>	<u>-</u>	<u>-</u>
	<u>197,923</u>	<u>5,628,612</u>	<u>-</u>	<u>-</u>
At end of year	<u>(7,459,409)</u>	<u>(6,887,416)</u>	<u>(53)</u>	<u>(47)</u>

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Pension benefits	(10,418,083)	(9,414,166)	-	-
Other post-retirement benefits	1,745,958	1,513,948	-	-
Investment securities	5,416	(397,370)	-	-
Vacation accrued	185,453	167,395	-	-
Accelerated tax depreciation	26,121	59,027	-	-
Allowances for expected credit losses	1,091,300	1,455,499	-	-
Interest receivable	(183,789)	(158,221)	(53)	(47)
Unrealised foreign exchange gains	(59,685)	(93,401)	-	-
Unrealised premiums/ discounts on investment securities	193,735	120,540	-	-
Other	(45,835)	(140,667)	-	-
Net deferred income tax liability	<u>(7,459,409)</u>	<u>(6,887,416)</u>	<u>(53)</u>	<u>(47)</u>

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
This is comprised of:				
Deferred income tax asset	302,506	149,744	-	-
Deferred income tax liability	<u>(7,761,915)</u>	<u>(7,037,160)</u>	<u>(53)</u>	<u>(47)</u>
	<u>(7,459,409)</u>	<u>(6,887,416)</u>	<u>(53)</u>	<u>(47)</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***36. Deferred tax assets and liabilities (continued)**

(c) The deferred tax charge/(credit) recognised in profit for the year relates to the following temporary differences:

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Accelerated tax depreciation	32,906	(47,443)	-	-
Pensions and other post retirement benefits	424,307	493,960	-	-
Allowances for expected credit losses	368,476	(973,935)	-	-
Vacation accrued	(18,058)	(16,774)	-	-
Interest receivable	25,567	(2,411)	6	(8,512)
Trading assets	22,898	29,176	-	-
Unrealised foreign exchange gains	(56,318)	116,003	-	-
Unrealised premiums/ discounts on investment securities	(73,195)	(44,617)	-	-
Other	<u>47,614</u>	<u>2,345</u>	<u>-</u>	<u>-</u>
	<u>774,197</u>	<u>(443,696)</u>	<u>6</u>	<u>(8,512)</u>

37. Policyholders' liabilities

(a) Composition of policyholders' liabilities:

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Policyholders' fund	53,308,449	52,384,076
Benefits and claims payable	337,664	333,220
Unprocessed premiums	38,267	18,798
Annuity fund	880,799	745,074
Insurance risk reserve - Individual life	(10,030,838)	(9,528,836)
- Individual accident and sickness	624,671	513,096
- Whole life	184,606	106,014
- Group life	<u>521,689</u>	<u>728,174</u>
	<u>45,865,307</u>	<u>45,299,616</u>

(b) Movement in policyholders' liabilities:

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Policyholders' fund:		
At beginning of year	52,384,076	51,802,107
Gross premium	5,129,716	4,886,323
Disbursements	(5,377,797)	(5,524,748)
Interest credited	<u>1,172,454</u>	<u>1,220,394</u>
At end of year	<u>53,308,449</u>	<u>52,384,076</u>
	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Benefits and claims payable:		
At beginning of year	333,220	233,934
New claims and benefits made during the year	318,096	351,729
Benefits and claims paid	(313,652)	(252,443)
At end of year	<u>337,664</u>	<u>333,220</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***37. Policyholders' liabilities (continued)**

(b) Movement in policyholders' liabilities (continued):

	The Group		
	2021	2020	
Unprocessed premiums:			
At beginning of year	18,798	21,506	
Premiums received	7,414,168	7,854,752	
Premiums applied	(7,394,699)	(7,857,460)	
At end of year	<u>38,267</u>	<u>18,798</u>	
	The Group		
Annuity fund:			
At beginning of year	745,074	592,815	
Issue of new annuities	175,840	178,599	
Payments	(63,071)	(45,758)	
Interest credited	22,956	19,418	
At end of year	<u>880,799</u>	<u>745,074</u>	
	The Group		
	2021		
	Individual life	Group life	Total
Insurance risk reserve:			
At beginning of year	(8,909,726)	728,174	(8,181,552)
Changes in assumptions	(12,108)	612	(11,496)
Normal changes	(299,727)	(207,097)	(506,824)
At end of year	<u>(9,221,561)</u>	<u>521,689</u>	<u>(8,699,872)</u>
	2020		
	Individual life	Group life	Total
Insurance risk reserve:			
At beginning of year	(8,354,865)	844,546	(7,510,319)
Changes in assumptions	(493,837)	1,097	(492,740)
Changes to tax regime	-	44,734	44,734
Normal changes	(61,024)	(162,203)	(223,227)
At end of year	<u>(8,909,726)</u>	<u>728,174</u>	<u>(8,181,552)</u>

38. Share capital

	Number of Units ('000)		Carrying value	
	2021	2020	2021	2020
Authorised:				
Ordinary stock units of no par value	<u>10,000,000</u>	<u>10,000,000</u>	<u>-</u>	<u>-</u>
Issued and fully paid:				
Ordinary stock units	<u>3,111,573</u>	<u>3,111,573</u>	<u>6,569,810</u>	<u>6,569,810</u>

Under the provisions of the Companies Act 2004 (the Act), the stock units 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 stock unit at meetings of the Company.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***39. Reserve fund**

In accordance with the Banking Services Act, 2014 and regulations under which it operates, the Bank is required to make transfers of a minimum of 15% net profit, until the amount in the fund is equal to 50% of the paid-up capital of the Bank and thereafter, 10% of net profits until the reserve fund is equal to its paid-up capital.

The Building Society is required to make transfers of a minimum of 10% of net profit, until the amount at the credit of the reserve fund is equal to the total amount paid up on its capital shares and the amount of its deferred shares.

40. Retained earnings reserve

The Banking Services Act, 2014 permits transfers from the Bank's net profit to retained earnings reserve, which constitutes a part of the capital base. Transfers to the retained earnings reserve are made at the discretion of the Board of Directors. Such transfers must be notified to Bank of Jamaica and any reversal must be approved by Bank of Jamaica.

41. Capital reserve

Capital reserve arose on the liquidation of Scotia Jamaica General Insurance Brokers Limited.

42. Cumulative remeasurement result from investment securities

This represents the unrealised surplus or deficit on the revaluation of investment securities.

43. Loan loss reserve

This is a non-distributable loan loss reserve which represents the excess of the regulatory loan loss provision over the expected credit losses determined under IFRS requirements (note 23).

44. Other reserves

This represents reserves arising on consolidation of subsidiaries.

45. Related party transactions and balances

The Group is a 71.78% subsidiary of Scotiabank Caribbean Holdings Limited, which is incorporated and domiciled in Barbados. The Bank of Nova Scotia, which is incorporated and domiciled in Canada is the ultimate parent company. The remaining 28.22% of the stock units are widely held.

Parties are considered to be related if one party has the ability to control or exercise significant influence over, or be controlled or significantly influenced by the other party, or both parties are subject to common control or significant influence.

A number of banking transactions are entered into with related parties, including companies connected by virtue of common directorships in the normal course of business. These include loans, deposits, investment management services and foreign currency transactions.

Related party transactions with the parent company include the payment of dividends. Related party transactions with the ultimate parent company comprise the payment of dividends, management fees, guarantee fees, centralised computing and other service fees. There was no balance due to the ultimate parent company, other than the loans payable as set out in note 32.

Pursuant to Sections 58(3) and 57(1) of the Banking Services Act, 2014, connected companies include companies that have directors in common with the Bank and/or its subsidiaries. Related party credit facilities in excess of the limits set out in Sections 58(3) and 57(1), subject to the maximum of the limits in Section 59(1) of the Banking Services Act, 2014, are supported by guarantees issued by the parent company.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***45. Related party transactions and balances (continued)**

The amounts of related party transactions, outstanding balances at the year end, and related income and expenses for the year are as follows:

	The Group					Total	
	Ultimate parent	Fellow subsidiaries	Directors and key management personnel	Connected companies	2021	2020	2020
Loans							
Balance at October 31	-	-	1,296,737	6,831,683	8,128,420		8,306,990
Interest income earned	-	-	63,104	420,544	483,648		676,868
Deposit liabilities							
Balance at October 31	(311,274)	(363,132)	(1,042,852)	(3,978,723)	(5,695,981)		(7,157,982)
Interest expense on deposits	(33,716)	(259)	(1,010)	(6,029)	(41,014)		(89,734)
Investments/repurchase agreements							
Other investments	-	329,873	(123,450)	(10,419)	196,004		173,806
Interest earned/(paid) on other investments	-	61,157	(17)	(5)	61,135		61,147
Deposits with banks							
Due from banks and other financial institutions	2,018,422	27,649,126	-	-	29,667,548		27,567,398
Interest earned from banks and other financial institutions	-	9,514	-	-	9,514		245,301
Other							
Fees and commission, net	-	-	(84,876)	-	(84,876)		(55,368)
Insurance products	-	-	31,876	-	31,876		15,292
Technical fees paid, net	(2,542,414)	-	-	-	(2,542,414)		(1,938,882)
Other operating expenses, net	(1,364,827)	(1,776,348)	-	-	(3,141,175)		(2,567,762)

	The Group	
	2021	2020
Key management compensation		
Salaries and other short term benefits	849,829	826,281
Post-employment benefits	204,572	(47,801)
	<u>1,054,401</u>	<u>778,480</u>

Transactions/balances with the Company

As at October 31, 2021, the Company held deposits in the normal course of business with a subsidiary of \$9,131,546 (2020: \$8,562,411) and a fellow subsidiary of \$759,546 (2020: \$2,921,880), (note 18). Interest earned on the deposits with a fellow subsidiary is \$4,567 (2020: \$99,267). Other transactions include dividend income from subsidiaries of \$3,937,494 (2020: \$3,751,910) and directors' emoluments paid of \$16,428 (2020: \$16,428) (note 13).

46. Financial risk management**(a) Overview and risk management framework**

The Group's principal business activities result in significant financial instruments, which involves analysis, evaluation and management of some degree of risk or combination of risks. The principal financial risks that arise from financial instruments include credit risk, market risk and liquidity risk. The Group's framework to monitor, evaluate and manage these risks includes the following:

- extensive risk management policies define the Group's risk appetite, set the limits and controls within which the Group operates, and reflect the requirements of regulatory authorities. These policies are approved by the Group's Board of Directors, either directly or through the Executive and Enterprise Risk Committee.
- guidelines are developed to clarify risk limits and conditions under which the Group's risk policies are implemented.

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(a) Overview and risk management framework (continued)

- processes are implemented to identify, evaluate, document, report and control risk.
- compliance with risk policies, limits and guidelines is measured, monitored and reported to ensure consistency against desired goals.

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.

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

(i) Board Audit Committee

The Board Audit Committee is comprised of independent directors. This committee oversees the integrity of the Group's financial reporting, compliance with legal and regulatory requirements, the performance of the Group's internal audit function and external auditors, as well as the system of internal controls over financial reporting. The Audit Committee reviews the quarterly and annual financial statements, examining significant issues regarding the financial results, accounting principles and policies, as well as management estimates and assumptions, for recommendation to the Board for approval. This committee is assisted in its oversight role by the Internal Audit Department, which undertakes reviews of risk management controls and procedures.

(ii) Executive and Enterprise Risk Committee

The Executive and Enterprise Risk Committee reviews and recommends to the Board for approval, the risk management policies, limits, procedures and standards. This involves review of the quarterly reports on the Group's enterprise-wide risk profile, including credit, market, operational and liquidity risks. This Committee also oversees the corporate strategy and profit plans for the Group, as well as develops and makes recommendations for improvement of the corporate governance policies and procedures.

(iii) Asset and Liability Committee

The Asset and Liability Committee (ALCO), a management committee, 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. The Committee reviews investment, loan and funding activities, and ensures that the existing policies comprehensively deal with the management and diversification of the Group's investment and loan portfolios and that appropriate limits are being adhered to.

The Investment Advisory Committee performs a similar role to ALCO for Scotia Jamaica Life Insurance, where it provides a specialised focus due to the nature of the insurance business.

The most important types of risk for the Group are credit risk, liquidity risk, market risk, insurance risk and operational risk. Market risk includes currency risk, interest rate risk and other price risk.

(b) Credit risk

(i) Credit Risk Management

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. Credit risk limits are approved by the Board of Directors. 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.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***46. Financial risk management (continued)****(b) Credit risk (continued)****(i) Credit Risk Management (continued)**

Operationally, exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal 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 seeks additional collateral from a counterparty as soon as a significant increase in credit risk observed for the relevant individual loan.

The Group's policy requires the review of individual financial assets that are above materiality thresholds annually or more regularly when individual circumstances require. Allowances for expected credit losses are consistent with the policies outlined in note 2(o).

(ii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to customers as required. Guarantees and standby letters of credit, 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. Commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to issue drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. 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

The Group's credit risk rating systems are designed to support the determination of key credit risk parameter estimates which measures credit and transaction risks.

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. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Internal grades (IG) are used to differentiate the risk of default of the borrower. The following table cross references the Bank's internal borrower grades with equivalent rating category used by Standard and Poor's.:

IG Code rating

Investment grade
Non-investment grade
Watch list
Default

External rating: Standard & Poor's equivalent.

AAA to BBB-
BB+ to B-
CCC+ to CC
Default

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***46. Financial risk management (continued)****(b) Credit risk (continued)**

(iii) Credit quality (continued)

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:

- Very low
- Low
- Medium
- High
- Very high
- Default

Retail Loans including all credit card segments:

The Group					
2021					
Category of PD Grade	PD Range	Stage 1	Stage 2	Stage 3	Total
Very Low	<0.2%	18,590,139	7,478	-	18,597,617
Low	0.2% to <1%	33,185,258	58,447	-	33,243,705
Medium	1% to <3%	42,409,846	1,900,986	-	44,310,832
High	3% to <20%	16,352,599	3,031,003	-	19,383,602
Very High	20% to <99.9%	<u>61,209</u>	<u>3,100,188</u>	<u>1,207</u>	<u>3,162,604</u>
Subtotal: PD Grades (Advanced Models)		<u>110,599,051</u>	<u>8,098,102</u>	<u>1,207</u>	<u>118,698,360</u>
Loans not graded (Intermediate or simplified or gross-up)		3,450,336	216,484	-	3,666,820
Default		<u>-</u>	<u>-</u>	<u>5,375,912</u>	<u>5,375,912</u>
Total		114,049,387	8,314,586	5,377,119	127,741,092
Expected credit loss allowance		<u>(1,236,888)</u>	<u>(1,537,609)</u>	<u>(3,109,480)</u>	<u>(5,883,977)</u>
Carrying Amounts		<u>112,812,499</u>	<u>6,776,977</u>	<u>2,267,639</u>	<u>121,857,115</u>
2020					
Category of PD Grade	PD Range	Stage 1	Stage 2	Stage 3	Total
Very Low	<0.2%	22,186,228	33,267	-	22,219,495
Low	0.2% to <1%	28,745,716	75,459	-	28,821,175
Medium	1% to <3%	41,788,654	1,788,120	-	43,576,774
High	3% to <20%	20,975,692	3,359,484	-	24,335,176
Very High	20% to <99.9%	<u>219,016</u>	<u>3,900,251</u>	<u>7,389</u>	<u>4,126,656</u>
Subtotal: PD Grades (Advanced Models)		<u>113,915,306</u>	<u>9,156,581</u>	<u>7,389</u>	<u>123,079,276</u>
Loans not graded (Intermediate or simplified or gross-up)		269,610	(58,751)	-	210,859
Default		<u>-</u>	<u>-</u>	<u>4,013,629</u>	<u>4,013,629</u>
Total		114,184,916	9,097,830	4,021,018	127,303,764
Expected credit loss allowance		<u>(3,204,237)</u>	<u>(2,094,976)</u>	<u>(2,043,052)</u>	<u>(7,342,265)</u>
Carrying Amounts		<u>110,980,679</u>	<u>7,002,854</u>	<u>1,977,966</u>	<u>119,961,499</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***46. Financial risk management (continued)****(b) Credit risk (continued)**

(iii) Credit quality (continued)

Commercial Loans excluding all credit card segments:

The Group						
2021						
Internal Grade	IG Code	S&P	Stage 1	Stage 2	Stage 3	Total
Investment grade	99-98	AAA to AA+	78,955	835,801	-	914,756
	95	AA to A+	-	281,893	-	281,893
	90	A to A-	-	1,253,306	-	1,253,306
	87	BBB+	6,688	7,830	-	14,518
	85	BBB	621,772	2,220,065	-	2,841,837
	83	BBB-	2,228,938	3,089,711	-	5,318,649
Non-investment	80	BB+	8,580,879	2,416,869	-	10,997,748
	77	BB	12,006,065	400,292	-	12,406,357
	75	BB-	20,747,117	1,053,397	-	21,800,514
	73	B+	16,326,030	696,519	-	17,022,549
	70	B to B-	10,969,709	1,061,300	-	12,031,009
Watch	65	CCC+	-	433,015	-	433,015
	60	CCC	-	733,130	-	733,130
	30		-	317,513	-	317,513
Default			-	-	652,493	652,493
Total			71,566,153	14,800,641	652,493	87,019,287
Expected credit loss allowance			(93,750)	(163,050)	(96,548)	(353,348)
Carrying amount			71,472,403	14,637,591	555,945	86,665,939
2020						
Internal Grade	IG Code	S&P	Stage 1	Stage 2	Stage 3	Total
Investment grade	99-98	AAA to AA+	-	909,296	-	909,296
	95	AA to A+	-	221,805	-	221,805
	90	A to A-	-	1,112,473	-	1,112,473
	87	BBB+	-	65,055	-	65,055
	85	BBB	8,803,706	2,004,231	-	10,807,937
	83	BBB-	1,572,683	3,599,742	-	5,172,425
Non-investment	80	BB+	3,858,836	3,255,146	-	7,113,982
	77	BB	14,656,894	584,957	-	15,241,851
	75	BB-	32,674,795	3,075,402	-	35,750,197
	73	B+	21,353,012	227,063	-	21,580,075
	70	B to B-	713,800	1,163,981	-	1,877,781
Watch	65	CCC+	-	274,141	-	274,141
	60	CCC	-	474,243	-	474,243
	30		-	53,418	-	53,418
Default			-	-	744,674	744,674
Total			83,633,726	17,020,953	744,674	101,399,353
Expected credit loss allowance			(317,401)	(161,890)	(154,727)	(634,018)
Carrying amount			83,316,325	16,859,063	589,947	100,765,335

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)**
October 31, 2021*(Expressed in thousands of Jamaican dollars unless otherwise stated)***46. Financial risk management (continued)****(b) Credit risk (continued)**

(iii) Credit quality (continued)

Debt securities: Internal grades are used to differentiate the risk of default of a borrower. The following table cross references the Group's internal grades with external rating agency designation of debt and similar securities, other than loans, based on Standard & Poor's ratings or their equivalent:

Debt securities:

	The Group			
	2021		2020	
	Stage 1	Total	Stage 1	Total
AAA to AA+	28,592,987	28,592,987	12,400,383	12,400,383
AA to A+	17,510,196	17,510,196	15,239,866	15,239,866
A to A-	4,848,230	4,848,230	-	-
BBB+ TO BB+	1,937,522	1,937,522	-	-
BB to B-	105,486,117	105,486,117	101,220,585	101,220,585
Unrated	<u>4,364,772</u>	<u>4,364,772</u>	<u>4,242,477</u>	<u>4,242,477</u>
	<u>162,739,824</u>	<u>162,739,824</u>	<u>133,103,311</u>	<u>133,103,311</u>

Classified as follows:

	The Group	
	2021	2020
Amortised cost	7,482,669	6,283,936
Fair value through OCI	141,620,095	116,392,711
Fair value through profit or loss	3,373,129	3,389,972
Pledged Assets:		
Amortised cost	281,676	281,845
Fair value through OCI	<u>9,982,255</u>	<u>6,754,847</u>
	<u>162,739,824</u>	<u>133,103,311</u>

(iv) Maximum exposure to credit risk

The maximum exposure to credit risk is the amount before taking account of any collateral held or other credit enhancements. For financial assets, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that would have to be paid if the guarantees were called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

Collateral and other credit enhancements held against loans

It is the Group's practice to lend on the basis of the customer'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 amount 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 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 \$164,767,272 (2020: \$157,485,194) for the Group.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***46. Financial risk management (continued)****(b) Credit risk (continued)****(v) Concentration of exposure to credit risk**

The following table summarises credit exposure for loans at their carrying amounts, as categorised by the industry sectors. These credit facilities are well diversified across industry sectors, and are primarily extended to customers within Jamaica.

	<u>The Group</u>	
	<u>Total</u> <u>2021</u>	<u>Total</u> <u>2020</u>
Agriculture, fishing and mining	655,687	737,213
Construction and real estate	3,582,236	3,757,966
Distribution	16,388,745	16,093,260
Financial institutions	876,072	7,584,942
Government and public entities	9,810,858	9,559,474
Manufacturing	11,354,070	14,611,096
Transportation, electricity, water and other	23,504,834	21,591,399
Personal	125,005,677	125,662,417
Professional and other services	11,641,381	12,688,417
Tourism and entertainment	10,385,719	13,972,344
Interest receivable	<u>1,555,100</u>	<u>2,444,589</u>
Total	214,760,379	228,703,117
Total allowance for credit losses	<u>(6,237,325)</u>	<u>(7,976,283)</u>
	<u>208,523,054</u>	<u>220,726,834</u>

(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 between them, and their levels of volatility. Market risk is subject to extensive risk management controls, and is managed within the framework of market risk policies and limits approved by the Board. The Executive and Enterprise Risk Committee oversee the application of the framework set by the Board, and monitor the Bank's market risk exposures and the activities that give rise to these exposures.

The Group uses various metrics and models to measure and control market risk exposures. The measurements used are selected based on an assessment of the nature of risks in a particular activity.

The principal measurement techniques are Value at Risk (VaR), stress testing, sensitivity analysis, simulation modeling and gap analysis. The Board reviews results from these metrics quarterly.

The management of the individual elements of market risk – interest rate, currency and other price risk are as follows:

(i) Interest rate risk

Interest rate risk is the risk of loss due to the following: changes in the level, slope and curvature of the yield curve; the volatility of interest rates; changes in the market price of credit; and the creditworthiness of a particular issuer. The Group actively manages its interest rate exposures with the objective of enhancing net interest income within established risk tolerances. Interest rate risk arising from the Group's funding and investment activities is managed in accordance with Board-approved policies and limits, which are designed to control the risk to net interest income and economic value of shareholders' equity. The income limit measures the effect of a specified shift in interest rates on the Group's annual net income over the next twelve months, while the economic value limit measures the impact of a specified change in interest rates on the present value of the Group's net assets. Interest rate exposures in individual currencies are also controlled by gap limits.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***46. Financial risk management (continued)****(c) Market risk (continued)****(i) Interest rate risk (continued)**

Sensitivity analysis assesses the effect of changes in interest rates on current earnings and on the economic value of assets and liabilities. Stress testing scenarios are also important for managing risk in the Group's portfolios.

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						Total
	2021						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	
Cash resources	64,866,843	32,374,042	9,189,862	-	-	62,244,865	168,675,612
Financial assets at fair value through profit or loss	-	-	-	2,520,532	819,274	363,196	3,703,002
Pledged assets	-	4,427,365	2,026,724	6,187,856	1,081,579	1,916,154	15,639,678
Loans (1)	92,045,600	22,981,647	24,103,834	53,685,660	9,998,942	5,707,371	208,523,054
Investment securities (2)	-	32,928,430	30,088,952	58,510,982	18,874,272	1,222,564	141,625,200
Other assets	-	-	-	-	-	47,277,725	47,277,725
Total assets	156,912,443	92,711,484	65,409,372	120,905,030	30,774,067	118,731,875	585,444,271
Deposits, due to banks, parent company and fellow subsidiaries (3)	364,917,369	7,895,967	6,773,274	826,206	-	18,110	380,430,926
Capital Management and Government Securities funds	18,800,854	-	-	-	-	7,254	18,808,108
Policyholders' liabilities	43,079,947	2,607,821	8,877,412	-	-	(8,699,873)	45,865,307
Other liabilities	-	-	-	-	-	26,736,880	26,736,880
Stockholders' equity	-	-	-	-	-	113,603,050	113,603,050
Total liabilities and stockholders' equity	426,798,170	10,503,788	15,650,686	826,206	-	131,665,421	585,444,271
Total interest rate sensitivity gap	(269,885,727)	82,207,696	49,758,686	120,078,824	30,774,067	(12,933,546)	-
Cumulative gap	(269,885,727)	(187,678,031)	(137,919,345)	(17,840,521)	12,933,546	-	-
	2020						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	115,042,927	124,411,427	53,821,965	122,926,870	27,314,634	99,721,825	543,239,648
Total liabilities and stockholders' equity	382,362,979	10,266,073	19,491,994	1,822,656	-	129,295,946	543,239,648
Total interest rate sensitivity gap	(267,320,052)	114,145,354	34,329,971	121,104,214	27,314,634	(29,574,121)	-
Cumulative gap	(267,320,052)	(153,174,698)	(118,844,727)	2,259,487	29,574,121	-	-

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***46. 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					
	2021					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
ASSETS						
Cash resources	1.20	1.11	0.05	-	-	0.68
Financial assets at fair value through profit or loss	-	-	-	3.18	5.45	3.37
Pledged assets	-	1.79	1.46	2.12	4.00	1.80
Loans (1)	10.30	6.82	8.87	9.79	7.08	9.18
Investment securities (2)	-	1.57	1.74	1.93	5.40	2.25
LIABILITIES						
Deposits (3)	0.15	0.52	0.45	0.57	-	0.16
Capital Management and Government Securities funds	0.18	-	-	-	-	0.18
Policyholders' liabilities	<u>2.21</u>	<u>2.31</u>	<u>2.39</u>	<u>-</u>	<u>-</u>	<u>2.24</u>
2020						
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
ASSETS						
Cash resources	0.04	0.18	0.45	-	-	0.16
Government securities purchased under resale agreements	-	4.07	-	-	-	4.07
Financial assets at fair value through profit or loss	-	-	2.85	6.18	4.62	5.58
Loans (1)	12.67	23.79	9.16	9.07	7.16	10.72
Investment securities (2)	-	1.47	1.85	3.98	4.86	2.81
Pledged assets	-	0.42	2.66	4.78	-	2.13
LIABILITIES						
Deposits (3)	0.21	0.72	1.07	3.48	-	0.26
Capital Management and Government Securities funds	0.22	-	-	-	-	0.22
Policyholders' liabilities	<u>2.21</u>	<u>2.49</u>	<u>2.40</u>	<u>-</u>	<u>-</u>	<u>2.26</u>

(1) Yields are based on book values and contractual interest rates.

(2) 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.

(3) Yields are based on contractual interest rates.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***46. Financial risk management (continued)****(c) Market risk (continued)****(i) Interest rate risk (continued)**

	The Company					
	2021					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Non-rate sensitive	Total
Cash resources	701,230	-	9,189,862	-	-	9,891,092
Investment in subsidiaries	-	-	-	-	13,029,908	13,029,908
Other assets	-	-	-	-	106,363	106,363
Total assets	701,230	-	9,189,862	-	13,136,271	23,027,363
Other liabilities	-	-	-	-	15,188	15,188
Stockholders' equity	-	-	-	-	23,012,175	23,012,175
Total liabilities and stockholders' equity	-	-	-	-	23,027,363	23,027,363
Total interest rate sensitivity gap	701,230	-	9,189,862	-	(9,891,092)	-
Cumulative gap	701,230	701,230	9,891,092	9,891,092	-	-

	2020					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Non-rate sensitive	Total
Total assets	2,922,071	-	8,562,221	-	13,206,922	24,691,214
Total liabilities and stockholders' equity	-	-	-	-	24,691,214	24,691,214
Total interest rate sensitivity gap	2,922,071	-	8,562,221	-	(11,484,292)	-
Cumulative gap	2,922,071	2,922,071	11,484,292	11,484,292	-	-

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

	The Company					
	2021					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
ASSETS						
Cash resources	0.35	-	0.05	-	-	0.07

	2020					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
ASSETS						
Cash resources	-	-	0.05	-	-	0.04

(1) Yields are based on book values and 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 same basis as for 2020.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)**
October 31, 2021*(Expressed in thousands of Jamaican dollars unless otherwise stated)***46. Financial risk management (continued)****(c) Market risk (continued)****(i) Interest rate risk (continued)****Sensitivity to interest rate movements (continued)**

	The Group			
	2021		2020	
JMD Interest rates	Increase/decrease by 140 bps		Increase/decrease by 140 bps	
USD Interest rates	by 400 bps		by 400 bps	
	The Group		The Company	
	2021	2020	2021	2020
Effect on profit or loss	3,700,969	2,809,730	143,032	230,540
Effect on stockholders' equity	<u>9,064,610</u>	<u>12,039,080</u>	<u>71,224</u>	<u>109,177</u>

(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.

The tables below summarise the Group's exposure to relevant currencies:

JMD Equivalent

	The Group						Total
	JMD	USD	CAD	GBP	EUR	Other	
ASSETS							
Cash resources	85,472,168	72,539,201	3,963,732	6,003,729	546,043	150,739	168,675,612
Financial assets at fair value through profit or loss	3,066,029	636,973	-	-	-	-	3,703,002
Pledged assets	6,001,418	9,436,375	201,885	-	-	-	15,639,678
Loans	176,976,633	31,546,123	296	2	-	-	208,523,054
Investment securities	89,543,246	50,817,900	1,264,054	-	-	-	141,625,200
Other assets	<u>45,544,031</u>	<u>1,721,653</u>	<u>9,231</u>	<u>199</u>	<u>2,611</u>	<u>-</u>	<u>47,277,725</u>
	<u>406,603,525</u>	<u>166,698,225</u>	<u>5,439,198</u>	<u>6,003,930</u>	<u>548,654</u>	<u>150,739</u>	<u>585,444,271</u>
LIABILITIES							
Deposits	227,674,532	141,550,428	5,102,970	5,520,307	581,255	1,434	380,430,926
Capital management and government securities funds	2,710,910	14,202,063	172,447	1,562,775	159,913	-	18,808,108
Other liabilities	24,535,676	2,053,492	97,674	35,141	1,936	12,961	26,736,880
Policyholders' liabilities	<u>45,865,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,865,307</u>
	<u>300,786,425</u>	<u>157,805,983</u>	<u>5,373,091</u>	<u>7,118,223</u>	<u>743,104</u>	<u>14,395</u>	<u>471,841,221</u>
NET POSITION	<u>105,817,100</u>	<u>8,892,242</u>	<u>66,107</u>	<u>(1,114,293)</u>	<u>(194,450)</u>	<u>136,344</u>	<u>113,603,050</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)**
October 31, 2021*(Expressed in thousands of Jamaican dollars unless otherwise stated)***46. Financial risk management (continued)****(c) Market risk (continued)****(ii) Currency risk (continued)**

JMD Equivalent

	The Group						Total
	2020						
	JMD	USD	CAD	GBP	EUR	Other	
ASSETS							
Cash resources	50,272,029	81,350,699	2,915,759	5,648,086	922,911	147,282	141,256,766
Financial assets at fair value through profit or loss	3,319,707	365,633	-	-	-	-	3,685,340
Pledged assets	3,900,320	12,958,754	-	320,718	-	-	17,179,792
Loans	185,487,845	35,239,767	(782)	4	-	-	220,726,834
Investment securities under repurchase agreement	82,657,531	32,355,592	1,384,693	-	-	-	116,397,816
Other assets	1,100,871	-	-	-	-	-	1,100,871
	<u>41,385,818</u>	<u>1,499,288</u>	<u>1,216</u>	<u>6,907</u>	<u>(379)</u>	<u>(621)</u>	<u>42,892,229</u>
	<u>368,124,121</u>	<u>163,769,733</u>	<u>4,300,886</u>	<u>5,975,715</u>	<u>922,532</u>	<u>146,661</u>	<u>543,239,648</u>
LIABILITIES							
Deposits	206,020,798	125,953,194	3,955,580	4,899,184	543,667	1,155	341,373,578
Capital management and government securities funds	3,221,201	14,418,662	213,098	1,168,903	135,911	-	19,157,775
Other liabilities	24,774,222	1,771,337	55,602	37,802	2,832	11,250	26,653,045
Policyholders' liabilities	45,299,616	-	-	-	-	-	45,299,616
	<u>279,315,837</u>	<u>142,143,193</u>	<u>4,224,280</u>	<u>6,105,889</u>	<u>682,410</u>	<u>12,405</u>	<u>432,484,014</u>
NET POSITION	<u>88,808,284</u>	<u>21,626,540</u>	<u>76,606</u>	<u>(130,174)</u>	<u>240,122</u>	<u>134,256</u>	<u>110,755,634</u>

The following significant exchange rates were applied during the year:

	Average rate for the period		Reporting date spot rate	
	2021	2020	2021	2020
USD	149.6036	140.2926	154.6673	145.1010
CAD	198.6900	104.7737	126.4370	110.8010
GBP	180.9999	180.7931	211.4054	188.0946
EUR	<u>123.6884</u>	<u>159.4470</u>	<u>178.6397</u>	<u>170.3776</u>

Sensitivity to foreign exchange rate movements

A weakening of the JMD against the above currencies at October 31 would have increased/(decreased) equity and profit by the amounts shown. This analysis is performed on the same basis as 2020. The strengthening of the JMD against the same currencies at October 31 would have had an equal but opposite effect on the amounts shown, assuming that all other variables remain constant.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***46. Financial risk management (continued)****(c) Market risk (continued)****(ii) Currency risk (continued)**

Sensitivity to foreign exchange movements:

	The Group	
	<u>2021</u> Increase/decrease	<u>2020</u> Increase/decrease
USD	by 6.00%	by 8.25%
CAD	by 7.25%	by 12.25%
GBP	by 8.25%	by 15.25%
EUR	<u>by 7.50%</u>	<u>by 14.00%</u>
	<u>2021</u>	<u>2020</u>
Effect on profit and stockholders' equity	<u>9,421</u>	<u>287,370</u>

(iii) Equity price risk

Equity price risk arises out of price fluctuations in equity prices. The risk arises from 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 assets. Given the potential volatility in the value of equities and the non-interest bearing characteristic of these instruments, the Group limits the amount invested in them.

The following shows the sensitivity of the unitised funds based on the 3-month price volatility of the Funds' published net asset value /share over a 5-year period within a confidence interval of 99% using historical simulation.

	The Group	
	<u>2021</u>	<u>2020</u>
Effect on profit and stockholders' equity	<u>(278,648)</u>	<u>(258,818)</u>

(d) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows. 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 Group maintains large holdings of unencumbered liquid assets to support its operations. These assets generally can also be sold or pledged to meet the Group's obligations.

The Group's liquidity management process includes:

- (i) Monitoring future cash flows and liquidity on a daily basis;
- (ii) Maintaining a portfolio of highly marketable assets that can be liquidated quickly as protection against any unforeseen interruption of cash flow;
- (iii) Monitoring the liquidity ratios of the Group against internal and regulatory requirements;
- (iv) Managing the concentration and profile of debt maturities, as well as undrawn lending commitments; and
- (v) Liquidity stress testing and contingency planning.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***46. Financial risk management (continued)****(d) Liquidity risk (continued)**

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 entities 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 and standby letters of credit 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 (both interest and principal cash flows) to settle financial liabilities based on contractual repayment obligations. However, the Group expects that many policyholders/depositors/customers will not request repayment on the earliest date the Group could be required to pay.

	The Group					Carrying amounts
	2021					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	
Financial liabilities						
Deposits, due to financial institutions, parent company and fellow subsidiaries	373,062,230	6,409,822	839,172	777,687	381,088,911	380,430,926
Capital management and government securities funds	18,808,108	-	-	-	18,808,108	18,808,108
Other liabilities	3,155,909	-	-	-	3,155,909	3,155,909
Policyholders' liabilities	<u>44,590,049</u>	<u>9,082,820</u>	<u>-</u>	<u>-</u>	<u>53,672,869</u>	<u>45,865,307</u>
Total liabilities	<u>439,616,296</u>	<u>15,492,642</u>	<u>839,172</u>	<u>777,687</u>	<u>456,725,797</u>	<u>448,260,250</u>
	2020					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amounts
Financial liabilities						
Deposits, due to financial institutions, parent company and fellow subsidiaries	328,187,107	9,481,320	2,872,162	1,770,694	342,311,283	341,373,578
Capital management and government securities funds	19,157,775	-	-	-	19,157,775	19,157,775
Other liabilities	2,957,038	-	-	-	2,957,038	2,957,038
Policyholders' liabilities	<u>43,106,094</u>	<u>9,565,295</u>	<u>-</u>	<u>-</u>	<u>52,671,389</u>	<u>45,299,616</u>
Total liabilities	<u>393,408,014</u>	<u>19,046,615</u>	<u>2,872,162</u>	<u>1,770,694</u>	<u>417,097,485</u>	<u>408,788,007</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***46. Financial risk management (continued)****(e) Insurance risk**

The Group issues long term contracts that transfer insurance risk or financial risk or both. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits is greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio.

Two key matters affecting insurance risk are discussed below:

(i) Long-term insurance contracts

Long-term contracts are typically for a minimum period of 5 years and a maximum period which is determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the insurer has to assess the cash flows which may be attributable to the contract.

The Group has developed its insurance underwriting strategy and reinsurance arrangements to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The Group's underwriting strategy includes the use of a medical questionnaire with benefits limited to reflect the health condition of applicants and retention limits on any single life insured.

Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency and severity of claims are epidemics and wide-ranging lifestyle changes such as in eating, smoking and exercise habits, resulting in earlier or more claims than expected.

The Group charges for mortality risks on a monthly basis for insurance contracts and has the right to alter these charges to a certain extent based on mortality experience and hence minimise its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect.

The tables below indicate the concentration of insured benefits across bands of insured benefits per individual and group life assured. The benefits insured are shown gross and net of reinsurance.

	The Group			
	Total benefits assured			
	2021		2020	
	Before and after Reinsurance	%	Before and after Reinsurance	%
Individual Life				
Benefits assured per life				
0 to 250,000	4,094,592	6	4,344,472	8
250,001 to 500,000	3,078,660	5	3,151,961	5
500,001 to 750,000	6,748,109	10	5,817,142	8
750,001 to 1,000,000	3,784,771	6	3,759,905	6
1,000,001 to 1,500,000	12,332,652	18	11,881,314	19
1,500,001 to 2,000,000	7,733,277	11	7,400,363	12
Over 2,000,000	<u>29,733,266</u>	<u>44</u>	<u>27,209,760</u>	<u>42</u>
Total	<u>67,505,327</u>	<u>100</u>	<u>63,564,917</u>	<u>100</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***46. Financial risk management (continued)****(e) Insurance risk (continued)****(i) Long-term insurance contracts (continued)***Frequency and severity of claims (continued)*

	The Group			
	Total benefits assured			
	2021		2020	
	Before and after <u>Reinsurance</u>	<u>%</u>	Before and after <u>Reinsurance</u>	<u>%</u>
Group Life				
Benefits assured per life				
0 to 250,000	11,881,526	14	11,132,665	11
250,001 to 500,000	7,263,771	8	4,530,015	4
500,001 to 750,000	10,276,285	12	8,540,533	8
750,001 to 1,000,000	9,155,998	11	6,655,342	6
1,000,001 to 1,500,000	14,909,669	17	20,521,027	21
1,500,001 to 2,000,000	7,954,216	9	14,063,933	14
Over 2,000,000	<u>24,631,885</u>	<u>29</u>	<u>36,500,127</u>	<u>36</u>
Total	<u>86,073,350</u>	<u>100</u>	<u>101,943,642</u>	<u>100</u>

Insurance risk for contracts disclosed in this note is also affected by the policyholders' right to pay reduced or no future premiums and to terminate the contract completely. As a result, the amount of insurance risk is also subject to the policyholders' behaviour. The Group has factored the impact of policyholders' behaviour into the assumptions used to measure these liabilities.

Sources of uncertainty in the estimation of future benefit payments and premiums

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in policyholder behaviour.

Estimates are made of the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and international mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience.

Process used in deriving assumptions

The assumptions for long term insurance contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

For long-term contracts with fixed and guaranteed terms, estimates are made in two stages. Estimates of future deaths, voluntary terminations and partial withdrawal of policy funds, investment returns, crediting rates, inflation and administration expenses are made and form the assumptions used for calculating the liabilities at the inception of the contract. A margin for risk and uncertainty is added to these assumptions.

New estimates are made each year based on updated experience studies and economic forecasts. The valuation assumptions are altered to reflect these revised best estimates. The margins for risk and uncertainty may also be altered if the underlying level of uncertainty in the updated assumptions has changed. The financial impact of revisions to the valuation assumption or the related margins is recognised in the accounting period in which the change is made.

(ii) Reinsurance risk

Reinsurance risk is the risk that a reinsurer will default and not honour obligations arising from claims. To limit its exposure of potential loss on an insurance policy, the Group cedes certain levels of risk to a reinsurer. Reinsurance ceded does not discharge the Group's liability as primary issuer. The company also limits the probable loss in the event of a single catastrophic occurrence by reinsuring this type of risk with reinsurers.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***46. Financial risk management (continued)****(e) Insurance risk (continued)****(ii) Reinsurance risk (continued)**

The Group manages reinsurance risk by selecting reinsurers which have established capability to meet their contractual obligations and which generally have favourable credit ratings as determined by a reputable rating agency.

Retention limits represent the level of risk retained by the insurer. The retention programs used by the Group are summarised below:

Type of insurance contract	Retention
Individual, group and creditor life catastrophe	Maximum retention of \$420 for single event; Treaty limits apply
Group creditor life contracts and Individual Universal Life	Maximum retention of \$15,000 per insured

(iii) Sensitivity analysis of actuarial liabilities*Sensitivity arising from the valuation of life insurance contracts*

The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in these assumptions could have a significant effect on the valuation results.

In summary, the valuation of actuarial liabilities of life insurance contracts is sensitive to:

- the economic scenario used in the Policy Premium Method (PPM)
- the investments allocated to back the liabilities
- the underlying assumptions used, and
- the margins for adverse deviations.

Under the Policy Premium Method (PPM) methodology, the Appointed Actuary is required to test the actuarial liability under several economic scenarios. The tests have been done and the results of the valuation provide adequately for liabilities derived from the worst of these different scenarios.

The assumption for future investment yields has a significant impact on actuarial liabilities. The different scenarios tested under PPM reflect the impact of different yields.

The other assumptions which are most sensitive in determining the actuarial liabilities of the Group are, in descending order of impact:

- mortality
- lapses and withdrawals
- operating expenses and taxes
- morbidity

The following table presents the sensitivity of the liabilities to a change in assumptions:

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Interest rates increase by 1%	85,126	69,350
Interest rates decrease by 1%	(38,746)	(22,595)
Mortality increase by 10%	530,021	477,813
Mortality decrease by 10%	(552,977)	(497,621)
Expenses increase by 10%	412,530	401,696
Expenses decrease by 10%	(410,334)	(399,368)
Lapses and withdrawals increase by 10%	439,561	398,596
Lapses and withdrawals decrease by 10%	(479,280)	(432,375)
Morbidity increase by 10%	142,745	137,246
Morbidity decrease by 10%	<u>(144,364)</u>	<u>(138,633)</u>

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2021

(Expressed in thousands of Jamaican dollars unless otherwise stated)

47. 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 maximise 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 for which observable parameters do not exist, the Group uses greater management judgement for valuation purposes.

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy, which reflects 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 occurred. 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 instruments are noted below:

(i) financial instruments classified as fair value through OCI are measured at fair value by reference to quoted market prices where 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 prices or broker quotes. Investments in unit trust are measured at fair value by reference to prices quoted by the fund managers.

(ii) financial instruments classified as fair value through profit or loss: fair value is estimated by reference to quoted market prices where 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 values of liquid assets and other assets maturing within one year are 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 values of demand deposits and savings accounts with no specific maturity are considered to be the amount payable on demand at the reporting date; the fair values of fixed-term interest bearing deposits are based on discounted cash flows using interest rates for new deposits;

(v) the fair values of variable rate financial instruments are considered to approximate their carrying amounts as they are frequently repriced to current market rates;

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***47. Fair value of financial instruments (continued)****Basis of valuation (continued)**

(vi) the fair value of fixed rate loans is estimated by comparing actual interest rates on the loans to current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. 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 allowance for credit losses from both book and fair values.

(vii) the fair values of quoted equity investments are based on quoted market bid prices. Equity securities for which fair values cannot be measured reliably are recognised at asset based values. Unquoted equities are carried at cost as the fair value cannot be reliably determined. These securities are classified at level 3.

(viii) The fair values of other liabilities due to be settled within one year are considered to approximate their carrying amount.

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							
	2021							
	Carrying amount				Fair value			
Amortised cost	Fair value through OCI	Fair value through profit or loss	Total	Level 1	Level 2	Level 3	Total	
Financial assets measured at fair value								
Unquoted shares	-	5,105	-	5,105	-	-	5,105	5,105
Government securities	-	131,415,705	3,373,129	134,788,834	-	134,788,834	-	134,788,834
Bank of Jamaica securities	-	7,740,841	-	7,740,841	-	7,740,841	-	7,740,841
Treasury bills	-	1,264,054	-	1,264,054	-	1,264,054	-	1,264,054
Corporate bonds	-	1,199,495	-	1,199,495	-	1,199,495	-	1,199,495
Unitised funds	-	-	329,873	329,873	-	329,873	-	329,873
	<u>-</u>	<u>141,625,200</u>	<u>3,703,002</u>	<u>145,328,202</u>	<u>-</u>	<u>145,323,097</u>	<u>5,105</u>	<u>145,328,202</u>
Pledged assets measured at fair value								
Government securities	-	7,690,051	-	7,690,051	-	7,690,051	-	7,690,051
Bank of Jamaica securities	-	2,292,204	-	2,292,204	-	2,292,204	-	2,292,204
Unitised funds	-	-	2,149,695	2,149,695	-	2,149,695	-	2,149,695
	<u>-</u>	<u>9,982,255</u>	<u>2,149,695</u>	<u>12,131,950</u>	<u>-</u>	<u>12,131,950</u>	<u>-</u>	<u>12,131,950</u>
Financial assets not measured at fair value								
Loans and receivables	78,915,653	-	-	78,915,653	-	-	81,247,005	81,247,005
Pledged assets not measured at fair value								
Government securities	281,676	-	-	281,676	-	341,395	-	341,395
2020								
	Carrying amount				Fair value			
	Amortised cost	Fair value through OCI	Fair value through profit or loss	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Unquoted shares	-	5,105	-	5,105	-	-	5,105	5,105
Government securities	-	104,612,226	3,389,972	108,002,198	-	108,002,198	-	108,002,198
Bank of Jamaica securities	-	7,688,360	-	7,688,360	-	7,688,360	-	7,688,360
Treasury bills	-	2,835,496	-	2,835,496	-	2,835,496	-	2,835,496
Corporate bonds	-	1,256,629	-	1,256,629	-	1,256,629	-	1,256,629
Unitised funds	-	-	295,368	295,368	-	295,368	-	295,368
	<u>-</u>	<u>116,397,816</u>	<u>3,685,340</u>	<u>120,083,156</u>	<u>-</u>	<u>120,078,051</u>	<u>5,105</u>	<u>120,083,156</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)**
October 31, 2021*(Expressed in thousands of Jamaican dollars unless otherwise stated)***47. Fair value of financial instruments (continued)****Basis of valuation (continued)***Accounting classifications and fair values (continued):*

	The Group							
	2020							
	Carrying amount			Fair value				
Amortised cost	Fair value through OCI	Fair value through profit or loss	Total	Level 1	Level 2	Level 3	Total	
Pledged assets measured at fair value								
Government securities	-	6,754,847	-	6,754,847	-	6,754,847	-	6,754,847
Unitised funds	-	-	1,993,157	1,993,157	-	1,993,157	-	1,993,157
	-	6,754,847	1,993,157	8,748,004	-	8,748,004	-	8,748,004
Financial assets not measured at fair value								
Loans and receivables	62,871,520	-	-	62,871,520	-	-	65,532,073	65,532,073
Pledged assets not measured at fair value								
Government securities	281,845	-	-	281,845	-	360,182	-	360,182

Valuation technique

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

48. 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 licences.

Regulators are primarily interested in protecting the rights of depositors and policyholders and they monitor closely to ensure that the Group is satisfactorily managing its affairs for the benefit of depositors and policyholders. At the same time, the regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

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

- To comply with the capital requirements established by the regulatory authorities responsible for banking, insurance and other financial intermediaries;
- To safeguard its ability to continue as a going concern and meet future obligations to depositors, policyholders and stockholders;
- To provide adequate returns to stockholders by pricing investment, insurance and other contracts commensurate with the level of risk; and
- To maintain a strong capital base to support the future development of the Group's operations. Capital is managed in accordance with the Board-approved Capital Management Policy.

Individual banking, investment and insurance subsidiaries are directly regulated by their designated regulator, who sets and monitors capital adequacy requirements. Required capital adequacy information is filed with the regulators at least quarterly.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***48. Capital risk management (continued)****Banking, mortgage lending and investment management**

Capital adequacy is reviewed by executive management, the Audit Committee and the Board of Directors. Based on the guidelines developed by Bank of Jamaica and the Financial Services Commission, each regulated entity 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:

1. Tier 1 capital comprises share capital, reserve fund and reserves created by appropriations of retained earnings. The carrying value of goodwill is deducted in arriving at Tier 1 capital; and
2. Tier 2 capital comprises qualified subordinated loan capital, collective impairment allowances and revaluation surplus on property, plant and equipment.

Investment in subsidiaries is deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. 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, the ratios for each subsidiary and identifies the applicable regulator. During the year, the individual entities complied with all externally imposed capital requirements.

	Regulated by the BOJ ¹		Regulated by the FSC ²	
	2021	2020	2021	2020
Tier 1 Capital	53,138,609	53,134,917	9,226,596	8,803,412
Tier 2 Capital	-	-	464,162	464,162
	53,138,609	53,134,917	9,690,758	9,267,574
Less prescribed deductions	(220,000)	(220,000)	-	-
Total regulatory capital	<u>52,918,609</u>	<u>52,914,917</u>	<u>9,690,758</u>	<u>9,267,574</u>
	Regulated by the BOJ ¹		Regulated by the FSC ²	
	2021	2020	2021	2020
Risk weighted assets				
On-balance sheet	247,987,824	273,109,577	14,896,271	20,539,794
Off-balance sheet	55,928,469	43,820,655	-	863,408
Foreign exchange exposure	310,466	1,946,370	7,317,113	4,447,796
Total risk weighted assets	<u>304,226,759</u>	<u>318,876,602</u>	<u>22,213,384</u>	<u>25,850,998</u>
Actual regulatory capital to risk weighted assets	17.39%	16.59%	43.63%	35.85%
Regulatory requirement	<u>10.00%</u>	<u>10.00%</u>	<u>10.00%</u>	<u>10.00%</u>

¹ This relates to The Bank of Nova Scotia Jamaica Limited and The Scotia Jamaica Building Society.

² This relates to Scotia Investments Jamaica Limited.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***48. Capital risk management (continued)****Life insurance business**

Capital adequacy is calculated by the Appointed Actuary and reviewed by executive management, the Audit Committee and the Board of Directors. The Group seeks to maintain internal capital adequacy levels higher than the regulatory requirements. To assist in evaluating the current financial strength, the risk-based assessment measure which has been adopted is the Minimum Continuing Capital and Surplus Requirement (MCCSR) standard as defined by the Financial Services Commission and required by the Insurance Regulations 2001. Under Jamaican regulations, the minimum standard recommended for companies is a MCCSR of 150%. The MCCSR for the insurance subsidiary as of the reporting date is set out below:

	<u>2021</u>	<u>2020</u>
Regulatory capital held	7,432,724	7,218,589
Minimum regulatory capital	1,940,195	1,463,386
Minimum Continuing Capital on Surplus Requirements Ratio	<u>383%</u>	<u>493%</u>

49. Commitments

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
(a) Capital expenditure - authorised and contracted	<u>181,513</u>	<u>1,154,990</u>
(b) Commitments to extend credit:		
Originated term to maturity of more than one year	<u>41,084,066</u>	<u>43,995,656</u>

50. 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 Investments 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, 2021, the Group had assets under administration amounting to approximately \$247,158,184 (2020: \$233,394,304).

51. 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 that is immaterial to both its financial position and financial performance.

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***52. Dividends**

(a) Paid to stockholders:

	<u>The Group and Company</u>	
	<u>2021</u>	<u>2020</u>
In respect of 2021	3,422,752	-
In respect of 2020	1,400,217	3,422,752
In respect of 2019	<u>-</u>	<u>1,711,376</u>
Paid to minority interest in a subsidiary	<u>4,822,969</u>	<u>5,134,128</u>

(b) Proposed

At the Board of Directors meeting on December 9, 2021, a dividend in respect of 2021 of \$0.35 per share (2020: \$0.45 per share) amounting to \$1,089,058 (2020: \$1,400,217) 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.

53. Employee Share Ownership Plan

The Group has an Employee Share Ownership Plan ("ESOP" or "Plan"), the purpose of which is to encourage eligible employees of the Group to steadily increase their ownership of the Company's shares. Participation in the Plan is voluntary; any employee who has completed at least one year's service with any Group entity is eligible to participate.

The operation of the ESOP is facilitated by a Trust. The employer and employees make contributions to the Trust and these contributions are used to fund the acquisition of shares for the employees. Employees' contributions are determined by reference to the length of their employment and their annual basic remuneration. The employer contributions are as prescribed by the formula set out in the rules of the Plan.

The contributions are used by the trustees to acquire the Company's shares at market value. The shares purchased with the employees contributions vest immediately, although they are subject to the restriction that they may not be sold within two years of acquisition. Out of shares purchased with the Company's contributions, allocations are made to participating employees, but are held by the Trust for a two-year period, at the end of which they vest with the employees; if an employee leaves the employer within the two-year period, the right to these shares is forfeited; such shares then become available to be granted by the employer to other participants in accordance with the formula referred to previously.

The amount contributed by the Group to employee share purchase during the year, included in employee compensation, amounted to \$37,907 (2020: \$37,904).

At the reporting date, the shares acquired with the employer's contributions and held in trust pending allocation to employees and/or vesting were:

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
Number of shares	<u>1,164,450</u>	<u>1,186,470</u>
Fair value of shares \$'000	<u>41,309</u>	<u>53,243</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***54. Prior year adjustment**

During 2021, the Group determined that acceptances, guarantees and letters of credit have not met the requirement for recognition as an asset or as a liability. Consequently, total assets and total liabilities balances have been overstated. This has been corrected by restating each of the affected financial statement line items for prior periods. The expected credit losses on acceptances, guarantees and letters of credit are included in other liabilities as a provision. This prior period adjustment did not have an impact on the group's statements of revenue and expenses, comprehensive income, changes in stockholders' equity and cash flows for the year ended October 31, 2020. The following tables summarise the impact on the Group's financial statements.

Statement of financial position

	The Group		
	October 31, 2020		
	As previously Reported	Adjustments	As restated
Customers' liabilities under acceptances, guarantees and letters of credit	13,041,700	(13,041,700)	-
Others	<u>543,239,648</u>	<u>-</u>	<u>543,239,648</u>
Total assets	<u>556,281,348</u>	<u>(13,041,700)</u>	<u>543,239,648</u>
Acceptances, guarantees and letters of credit	13,140,840	(13,140,840)	-
Other liabilities	11,306,987	99,140	11,406,127
Others	<u>421,077,887</u>	<u>-</u>	<u>421,077,887</u>
Total liabilities	<u>445,525,714</u>	<u>(13,041,700)</u>	<u>432,484,014</u>
Total equity	<u>110,755,634</u>	<u>-</u>	<u>110,755,634</u>
Total liabilities and equity	<u>556,281,348</u>	<u>(13,041,700)</u>	<u>543,239,648</u>
	November 1, 2019		
	As previously Reported	Adjustments	As restated
Customers' liabilities under acceptances, guarantees and letters of credit	13,494,138	(13,494,138)	-
Others	<u>535,507,538</u>	<u>-</u>	<u>535,507,538</u>
Total assets	<u>549,001,676</u>	<u>(13,494,138)</u>	<u>535,507,538</u>
Acceptances, guarantees and letters of credit	13,606,718	(13,606,718)	-
Other liabilities	6,839,399	112,580	6,951,979
Others	<u>410,441,483</u>	<u>-</u>	<u>410,441,483</u>
Total liabilities	<u>430,887,600</u>	<u>(13,494,138)</u>	<u>417,393,462</u>
Total equity	<u>118,114,076</u>	<u>-</u>	<u>118,114,076</u>
Total liabilities and equity	<u>549,001,676</u>	<u>(13,494,138)</u>	<u>535,507,538</u>

SCOTIA GROUP JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2021***(Expressed in thousands of Jamaican dollars unless otherwise stated)***55. Impact of COVID-19**

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020 and the Government of Jamaica declared the island a disaster area on March 13, 2020. The pandemic and the measures to control its human impact have resulted in significant disruptions to economic activities, business operations and asset prices. In light of the heightened concerns and in accordance with the directives of the various governments, the Group activated its Business Continuity Plan to minimize the potential exposure to staff and clients, whilst ensuring that any disruption to the business is kept at a minimum. With the launch of the Business Continuity and Contingency Plan ("BCCP") as at March, 2020, specific work from home protocols were established and implemented to minimize the number of employees physically in office. In-Office staff are equipped with hand sanitizers, masks and face shields (where necessary), and are required to comply with the social/physical distancing rules mandated by governments in the various jurisdictions. Furthermore, the Group acquired additional equipment, including computer hardware and software, to support the increased flexible working arrangements.

The Group continues to monitor the impact of COVID-19 on its members/customers and has implemented forbearance measures inclusive of granting moratoria, which included deferral of loan payments for up to three months. The Group ensures that all its locations remain compliant with government/public health restrictions and attendant mitigating measures. Under IFRS 9, businesses are expected to include the impact of forward-looking macroeconomic indicators in their Expected Credit Loss (ECL) computation as at October 31, 2021.

Management continues to review the effect of developments arising from the pandemic on the risks faced by the Bank and the Group. Management believes the Group is in a sufficiently strong position to deal with any potential future economic downturn. The management team continues to be mindful that the prolonged duration of the pandemic and the attendant containment measures could have a material adverse effect on the Group, its customers, employees and suppliers and as such monitors these events on an ongoing basis.