2022 ANNUAL REPORT

SCOTIA GROUP JAMAICA LIMITED

Scotiabank

WHAT'S INSIDE

SCOTIABANK HAS BEEN IN JAMAICA SINCE 1889 AND IS THE PREMIER FINANCIAL INSTITUTION IN THE COUNTRY

Scotia Group Jamaica Limited (SGJL) is a subsidiary of Scotiabank (Canada) and offers a diverse range of products and services including personal, commercial, and small business banking, wealth management, insurance, and mortgages. SGJL has $595.6 billion in assets (as at October 31, 2022).

Our expert team of Scotiabankers are committed to assisting our customers to achieve their financial goals. SGJL is an award winning institution having been named on numerous occasions as the Bank of the Year and Best Bank in Jamaica by international financial publications – the Banker, Latin Finance, Euromoney, and Global Finance magazines.

CORPORATE DATA

SECRETARY

Maia Wilson
Vice President,
Senior Legal Counsel &
Corporate Secretary

AUDITORS

KPMG
6 Duke Street
Kingston, Jamaica

Tel.: (876) 922.6640
Fax: (876) 922.4500
(876) 922.7198

firmmail@kpmg.com.jm

REGISTERED OFFICE

Scotiabank Centre
Corner Duke &
Port Royal Streets
P.O. Box 709
Kingston, Jamaica

Tel.: (876) 922.1000
Fax: (876) 922.6548

www. jm.scotiabank.com

Telex: 2297
SWIFT Bic Code: NOSCJMKN

REGISTRAR

PwC Corporate Services
(Jamaica) Limited
Scotiabank Centre
Corner Duke &
Port Royal Streets
Kingston, Jamaica

Tel.: (876) 922.6230
Fax: (876) 967.9467

http://www.pwc.com/jm

2022 HIGHLIGHTS

Mobile App RANKED #1 in the market

433,533 customers enrolled in online and mobile banking

Strong **Capital** Position

Credit quality remains strong

Non accrual loans as a percentage of gross loans - lower than industry average

up 14%

Loans $237.8 BILLION

The Banker
Bank of the Year 2022
JAMAICA

BEST DIGITAL BANK AWARD 2022
GLOBAL FINANCE

Consolidated Balance Sheet	2022	2021		2020	
Balance Sheet Data - $000		(Restated)		(Restated)	
Total Assets^	**595,598,223**	585,583,209	+	543,326,016	+
Performing Loans	**233,769,944**	202,493,442		215,961,142	
Non-Performing Loans	**4,016,110**	6,029,612		4,765,692	
Investments & Other Earning Assets^	**253,958,380**	270,990,941		224,970,252	
Deposits by the Public	**397,176,483**	378,473,110		336,660,438	
Securities Sold Under Repurchase Agreement	**—**	—		—	
Stockholders' Equity	**110,850,773**	113,995,173	+	110,919,149	+
Profits and Dividends - $000					
Profit Before Tax	**17,204,064**	12,669,179		13,397,088	
Net Profit After Tax Attributable to Stockholders	**11,679,898**	8,638,852	+	9,215,562	+
Dividends Paid And Proposed	**4,356,237**	4,511,810		4,822,969	
Number of Stock Units at Year End	**3,111,573**	3,111,573		3,111,573	
Financial Ratios					
Earnings Per Stock Unit	**3.75**	2.78	+	2.96	+
Price Earnings Ratio	**9.80**	12.76	+	15.16	+
Dividends Per Stock Unit	**1.40**	1.45		1.55	
Dividend Yield	**3.89%**	3.49%		3.11%	
Dividend Payout Ratio	**37.30%**	52.23%	+	52.34%	+
Return on Average Equity	**10.43%**	7.47%	+	8.13%	+
Return on Assets at Year End^	**1.96%**	1.48%	+	1.70%	+
Other Data					
Tier 1 Capital (Bank Only) (1) $000	**47,932,451**	47,958,609		47,954,917	
Risk Based Capital Adequacy Ratio (Bank Only) (1)	**14.15%**	16.28%		15.58%	
Stock Price at Year End	**36.75**	35.48		44.88	
Price Change from Last Year	**3.58%**	(20.95%)		(18.33%)	
Change In JSE Index from Last Year	**(13.94%)**	7.62%		(24.20%)	
Number of Staff	**1,449**	1,490		1,611	
US Exchange Rate $1.00 = J$	**153.1594**	154.6673		145.1010	
Inflation Rate Year Over Year	**9.83%**	8.51%		5.00%	

(1) Risk Based Capital Adequacy ratio and Tier 1 Capital are calculated per Bank of Jamaica Regulations.
* Effective November 1, 2014 the Group adopted IFRIC 21, Levies. These amounts were restated due to the change in accounting policy.
** Includes special dividends of $2.68 paid in 2019.
^ Effective 1 November 2020, Total Assets, Investments & Other Earning Assets for the years 2012 to 2020 were restated given the derecognition of Guarantees and Letters of Credit. Consequently, the Group's return on assets were also restated.
+ Based on the Group's review of the applicable tax treatment, Total Assets, Net Profit Attributable to Shareholders' and Shareholders' Equity were restated to account for deferred taxes associated with the premiums/discounts on the investment portfolio. Consequently, the financial ratios affected were also restated.

2019	2018	2017	2016	2015	2014	2013
535,507,538	508,629,891	478,654,013	466,919,326	422,238,030	399,399,298	382,086,891
201,902,111	178,919,287	161,979,917	162,446,895	149,997,313	140,829,220	130,332,373
3,723,273	3,687,971	4,513,674	4,379,885	4,502,060	4,902,782	4,491,383
221,439,836	230,860,468	229,671,461	239,330,388	218,909,608	209,116,786	200,497,215
312,968,147	287,948,379	260,559,467	248,416,381	209,461,602	190,726,667	183,369,415
—	31,152	20,666,065	31,634,237	39,832,452	47,840,197	42,588,792
118,114,076	115,647,730	102,431,566	91,855,773	85,257,232	76,484,253 *	69,775,527 *
18,482,724	18,292,628	18,201,458	16,640,943	14,244,136	14,357,886 *	14,631,285 *
13,190,054	12,770,916	12,174,742	11,300,599	9,921,429	10,457,709 *	11,980,842 *
14,811,171	6,067,607	5,694,214	5,320,815	5,040,748	4,978,516	4,978,516
3,111,573	3,111,573	3,111,573	3,111,573	3,111,573	3,111,573	3,111,573
4.24	4.10	3.91	3.63	3.19	3.36 *	3.85 *
12.96	13.09	13.10	8.67	8.43	5.72 *	5.19 *
4.76 **	1.95	1.83	1.71	1.62	1.60	1.60
8.61% **	3.66%	4.28%	5.53%	7.01%	8.08%	7.64%
112.29% **	47.51%	46.77%	47.08%	50.81%	47.61% *	41.55% *
11.25%	11.54%	12.58%	12.65%	12.32%	14.23% *	15.64% *
2.46%	2.51%	2.54%	2.42%	2.35%	2.62% *	3.14% *
47,931,662	39,909,535	33,900,498	27,391,052	23,332,290	19,401,181	17,623,522
16.04%	16.91%	15.28%	12.88%	11.50%	12.08%	11.23%
54.95	53.72	51.25	31.48	26.87	19.23	19.97
2.29%	4.82%	62.83%	17.16%	39.74%	(3.73%)	(5.91%)
35.62%	24.66%	75.64%	27.02%	83.05%	(12.36%)	(8.89%)
1,650	1,727	1,876	2,021	2,144	2,311	2,326
138.9420	127.9971	126.6851	128.7033	119.5755	112.4939	104.6866
3.26%	4.72%	4.68%	1.78%	2.03%	8.09%	9.40%

NOTICE OF ANNUAL GENERAL MEETING

SCOTIA GROUP
JAMAICA LIMITED

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **SCOTIA GROUP JAMAICA LIMITED** (the "Company") will be held on Friday, March 10, 2023 at 10:00 a.m. at the AC Hotel by Marriott, 38–42 Lady Musgrave Rd, Kingston 5, Jamaica **in a hybrid format. Further information to join the meeting will be available on the following website:** https://jm.scotiabank.com/about-scotiabank/investor-relations.html to consider, and if thought fit, pass the following

1. **Resolution No. 1 – Audited Accounts**
   That the Directors' Report, the Auditors' Report and the Financial Statements of the Company for the year ended October 31, 2022 previously circulated be and are hereby received.

2. **Resolution No. 2 – Election of Directors**
   That each of the following persons shall be elected a Director of the Company for the term from the date of his or her election until the close of the next Annual General Meeting of the Company following election, subject always to earlier termination under the By-laws of the Company:

   A. **Aileen Corrigan**
   B. **Eric Crawford**
   C. **Vernon Douglas**
   D. **Angela Fowler**
   E. **A. Mark Hart**
   F. **James McPhedran**
   G. **W. David McConnell**
   H. **Audrey Richards**
   I. **Anya Schnoor**
   J. **Evelyn Smith**
   K. **Dr. William Warren Smith**
   L. **Audrey Tugwell Henry**

3. **Resolution No. 3 – Appointment of Auditors**
   That KPMG, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.

4. **Resolution No. 4 – Directors' Remuneration**
   That the Directors be and are hereby authorised to fix their remuneration for the ensuing year.

BY ORDER OF THE BOARD

Maia A. Wilson
Company Secretary
December 9, 2022

REGISTERED OFFICE
Scotiabank Centre
Cnr. Duke & Port Royal Streets
Kingston

A Member entitled to attend and vote at this meeting may appoint a Proxy to attend and vote in his/her stead. A Proxy need not also be a Member of the Company. Enclosed is a Proxy Form for your convenience, which must be lodged at the Company's Registered Office at least 48 hours before the time appointed for holding a meeting. The Proxy Form shall bear the stamp duty of $100.00 before being signed. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person executing the Proxy.

DIRECTORS' REPORT

SCOTIA GROUP
JAMAICA LIMITED

The Directors submit herewith the Statement of Consolidated Revenue, Expenses, Unappropriated Profits, Assets and Liabilities of the Group for the year ended October 31, 2022.

The Consolidated Statement of Revenue and Expenses reports pre-tax profit for the year of $17.20 billion from which there has been provided $5.52 billion for corporate income tax, leaving a balance of $11.68 billion.

The appropriation of earnings detailed in the financial statements includes:

A final dividend of 35 cents per stock unit payable to stockholders on record as at December 29, 2022 payable on January 20, 2023. This brings the total distribution for the year to $1.40 per stock unit compared with $1.45 per stock unit for the previous year.

Jeffrey Hall retired from the Board of Directors as Chair on December 9, 2022. The Board expressed its sincere gratitude to Jeffrey for his vision, stewardship and commitment to excellence and wished him every success in his future endeavours.

The Board of Directors appointed Anya Schnoor to succeed Jeffrey as the Chair of Scotia Group effective December 10, 2022.

The following directors were appointed to the Board effective December 14, 2022: Aileen Corrigan, Vernon Douglas and Dr. William Warren Smith.

Richard Fraser resigned as Company Secretary effective July 14, 2022 and Maia Wilson has been appointed with effect from October 1, 2022.

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

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

ON BEHALF OF THE BOARD

Anya Schnoor
Chair
Kingston, Jamaica
December 10, 2022

Anya Schnoor
Chair of the
Board of Directors

Dear Shareholders,

I was extremely proud to be elected as Chair of the Scotia Group in December and I look forward to continuing to work with the management team to drive our business forward. The Scotia Group remains an extremely formidable organisation – consistently delivering value to shareholders. In 2022, the business delivered a strong year's performance by providing excellent financial solutions and making it simpler and easier for customers to do business with us.

STRATEGIC FOCUS

One of our core strategic imperatives is to advance a Customer First culture in our organization. To that end, we have significantly expanded our Customer Experience Unit to address present customers' concerns, and at the same time, reimagine our customer journeys and transform the end-to-end experience across customer touch points. This has resulted in significant improvement in our customer feedback scores over the past year. We will continue to invest in this area as we strive to be the leading Bank in the region.

Our expertise and strong financial solutions remain the hallmark of our organization. During 2022, we launched several new financial solutions across the Group to help our customers to achieve their financial goals despite the uncertainties and challenges in the wider macro-economic environment.

Scotia Investments launched the Scotia Premium Short Term Indexed Funds to give customers new alternatives for their investments. In our Life Insurance business, we launched two new products – Scotia Elevate and Solace. Both are very affordable, high-value products to assist with sound financial planning and protection. In our Corporate and Commercial Banking segment, we introduced the eCom+ suite of e-commerce solutions for all sized businesses to enable them to capitalize on their customers' growing interest in transacting online.

During the year further improvements were also made to our award-winning digital platforms. As our customers continue to opt for the convenience of these channels, it is critical that we refine our platforms to increase functionality, improve security and enhance the overall user experience to maintain our competitive advantage in this area.

GOVERNANCE

As we continue to operate in a challenging global environment filled with many uncertainties, our Board continues to ensure best practices are applied to our governance so we can effectively manage the interests of all stakeholders. We are guided by our strong core values and adherence to the strictest ethical standards in the management of the business.

I would like to thank our former Chair, Mr. Jeffrey Hall for his excellent stewardship of the business during his tenure. He was instrumental in promoting a strong corporate governance and risk culture throughout the Group and was an advocate for supporting its customers and communities, especially during the last two years as the country faced the challenging effects of the global pandemic. On behalf of the Board of Directors, management and staff of Scotiabank, I wish to express our sincere gratitude to Jeffrey for his vision and leadership.

We continue to place significant emphasis on the diversity and strength of our Board, and at the end of the year, we were truly pleased to welcome three new directors to the Scotia Group; Ms. Aileen Corrigan, Mr. Vernon Douglas and Dr. William Warren Smith. We have no doubt that the expertise and business acumen they bring to the Board will only serve to enhance its effectiveness.

OUTLOOK

I would like to thank all our shareholders and customers for their unwavering loyalty and support. I would also like to thank my fellow Board members for their commitment and contribution to our success in 2022. A special thank you to our staff and leadership team for their dedication and excellence in delivering such strong results for 2022.

As we look forward to 2023, I am optimistic about the year ahead and the future of the Group. I believe we have the right strategy and the best team to deliver for our customers and our shareholders, and to be the best bank for every future.

Anya Schnoor

Audrey Tugwell Henry
President and Chief Executive Officer

Dear Shareholders,

I am very proud to report that Scotia Group delivered a very strong year's performance for the financial year ending in October 2022. This is a testament to the hard work of our dedicated team of Scotiabankers as well as the diligent execution of our strategy. We are committed to delivering value to our customers and all our other stakeholders, and to supporting the growth and development of our communities and the country.

While we welcomed the start of 2022 with hopes of returning to normalcy, new challenges emerged that would affect the global economy. Though Jamaica showed signs of increasing resilience to mounting external headwinds, the year was characterised by high inflation, tightening monetary policy and the looming threat of a global recession. Despite the challenges, we viewed the year with cautious optimism and looked for the opportunities that would inevitably emerge. As a financial institution, we believe it is our responsibility to stay close to our customers and to help them to navigate the uncertainties of the market. One of the strengths of Scotiabank, which has helped us to endure over 133 years, is our expertise and we leveraged that by ensuring that we offered high-value solutions and advice to our clients.

Throughout the year, we embraced our role as a financial partner supporting our customers to aid their recovery and return to growth. Our business results are a testament to our customers' trust and confidence in us to help them manage their financial affairs. These results in conjunction with continuous enhancements in customer service delivery have resulted in the Bank being named Bank of the Year for 2022 by renowned international publication, The Banker.

GROUP BUSINESS PERFORMANCE HIGHLIGHTS

Financial performance was strong with all entities providing relevant solutions to meet our customers' financial needs. Total loans increased by 14% over prior year due to the hard work of our retail and corporate banking teams. The Corporate and Commercial banking segment had a particularly strong fourth quarter resulting in a year over year increase of 7%. During the quarter we also launched our eCom+ suite of e-commerce solutions which has been well received by both small and large enterprises as more companies enhance their online channels to satisfy customer demand.

Our flagship Scotia Plan Loan portfolio grew by 17% over last year. This was driven by our strong service delivery including increased product fulfillment via our digital channels, as well as our attractive product offerings, and a renewed demand for our retail loan products. We continue to help thousands of Jamaicans to own their own homes, which resulted in significant growth in our mortgage portfolio. At the end of the fiscal year, our mortgage business recorded 28% growth over the prior year.

Scotia Insurance continues to assist our customers with high-value protection solutions. Gross written premiums were up 8% year over year driven by heightened creditor protection and insurance planning advice and solutions. During the year we launched our new universal life product, ScotiaELEVATE. ELEVATE boasts the highest coverage available in the market without the need for a medical examination. In October, we also piloted Solace, an affordable final expense plan for persons aged 18 – 70 with no medical exam required. We believe these products are well needed in the market and will help many more customers to access life insurance which remains undersubscribed in the market, and an important area of focus for us.

Scotia Investments Jamaica Limited (SIJL) also made strong contributions to the Group's performance throughout the year. The Scotia Premium Short-Term Income Funds – available in USD and JMD currency – provide the potential for higher returns on short-term fixed income investments when compared to traditional money market solutions. In March, SIJL also lowered the minimum opening balance requirement for mutual funds and unit trusts to $250,000. This move will allow more of our customers to add investment products to their overall financial portfolio. Our Investment Banking Team continues to support clients' needs for financing options with tailored capital solutions including a $1 billion debt restructuring for T Geddes Grant in September. We remain very focused on assisting customers to navigate through the present complexities of the market, and enabling them to maximize their investments.

STRATEGY

The Group's strategy is focused on cultivating a Winning Team culture to deliver a Customer First focus and being the leading bank in our region. Guided by our core purpose – for every future – we strive every day to assist our customers to achieve their financial goals.

Several initiatives were introduced to assist customers to make everyday transactions more convenient and to help them meet their financial objectives. We have continued to show our strength in digital offerings by delivering products and services via our world-class Mobile Banking App. Our retail banking customers have demonstrated preference for our Mobile App, not only to complete day to day transactions but also to access our retail products. Usage of our Mobile and Online Banking channels continue to outpace all other channels.

Our investment and performance in digital banking have garnered international recognition with Scotiabank being named Best Consumer Digital Bank 2022 by Global Finance magazine.

In January we were very proud to launch the Scotiabank Women Initiative (SWI). SWI is aimed at advancing women-led and women-owned businesses in Jamaica. It is a three-pronged programme which provides access to capital, business education and business advisory services and mentorship to female business leaders and entrepreneurs. The programme was launched with a loan fund valued at $3 billion dollars, made available to provide financing to eligible women-led and owned businesses with loans up to $100 million dollars at preferential rates along with waivers on some applicable fees.

In February, the Group onboarded our first ever brand ambassador, gold medal Olympic Champion, Shericka Jackson. Shericka is a great asset to our team and featured prominently in more of our public education initiatives and advertising campaigns throughout the year.

In furtherance of our Winning Team strategy, we implemented several initiatives to support and develop our team. We returned to face-to-face education and training sessions during the year with a renewed emphasis on customer experience and communication. We formally introduced permanent hybrid working arrangements for employees, giving our staff the flexibility to work both from home or the office based on job function and personal preferences. We believe this will go a long way in creating a better work life balance for our employees. In March, we implemented enhanced parental leave polices for all staff across the Group. Paid maternity leave was extended to 14 weeks, and fathers and adoptive parents will now receive four fully paid weeks of parental leave. This is an important move to help us support our employees to build a strong foundation for their families.

SOCIAL IMPACT

Throughout our proud history, social impact has been a hallmark of the Scotiabank brand. We were very pleased to be able to reignite our volunteer corps through various community initiatives during the year. Donations were made in the areas of Education, Environment and Community Development to partners, United Way of Jamaica, Food for the Poor, and the Council for Voluntary Social Services. Additionally, the Scotia Jamaica Foundation coordinated projects in conjunction with several schools for Read Across Jamaica Day and back-to-school preparations.

2023 OUTLOOK

Throughout the year, there were signs that Jamaica was rapidly recovering from the COVID-19 induced downturn. This included early indications that the country would experience a tourism-led rebound, with data revealing marked expansions in the Hotels and Restaurants Sector. Growth impetus was also noted within the Goods Industry amid higher output in all sectors except Mining and Quarrying. Despite the improvement, there were also signs of rising external uncertainty as geopolitical tensions in Europe spilled over into the global economy. As global food and fuel prices rose, domestic price pressures became compounded, spurring persistent monthly increases in producer prices. As a result, inflation surged, prompting a more aggressive monetary policy stance from the central bank.

The Jamaican economy remained buoyant despite the headwinds with labour market conditions improving and unemployment falling to 6.6% in July. Furthermore, growth from the tourism sector is expected to provide additional tailwinds, as tourist arrivals increase. These supportive growth factors are projected to continue into early 2023, with tourism activity forecast to exceed pre-pandemic levels.

We are optimistic about the performance of the economy and to economic growth returning to pre-pandemic levels. Scotiabank is uniquely well positioned to support this growth as we partner with our clients to expand their operations. Our bank is well capitalized with strong liquidity to support the new opportunities we are sure will emerge in the coming months.

ACKNOWLEDGEMENTS

I would like to say a huge thank you to the outstanding team of Scotiabankers whom I have the privilege to lead. I would like to express my gratitude to our esteemed Board of Directors for their guidance throughout the year especially our outgoing Chair, Jeffrey Hall, who retired at the end of the year. Thank you to our loyal customers for choosing Scotia Group as your financial partner and to our shareholders for your continued confidence.

Audrey Tugwell Henry

CORPORATE GOVERNANCE

GROUP CORPORATE STRUCTURE

Scotia Group Jamaica Limited (Scotia Group) is a publicly listed holding company trading on the Jamaica Stock Exchange.

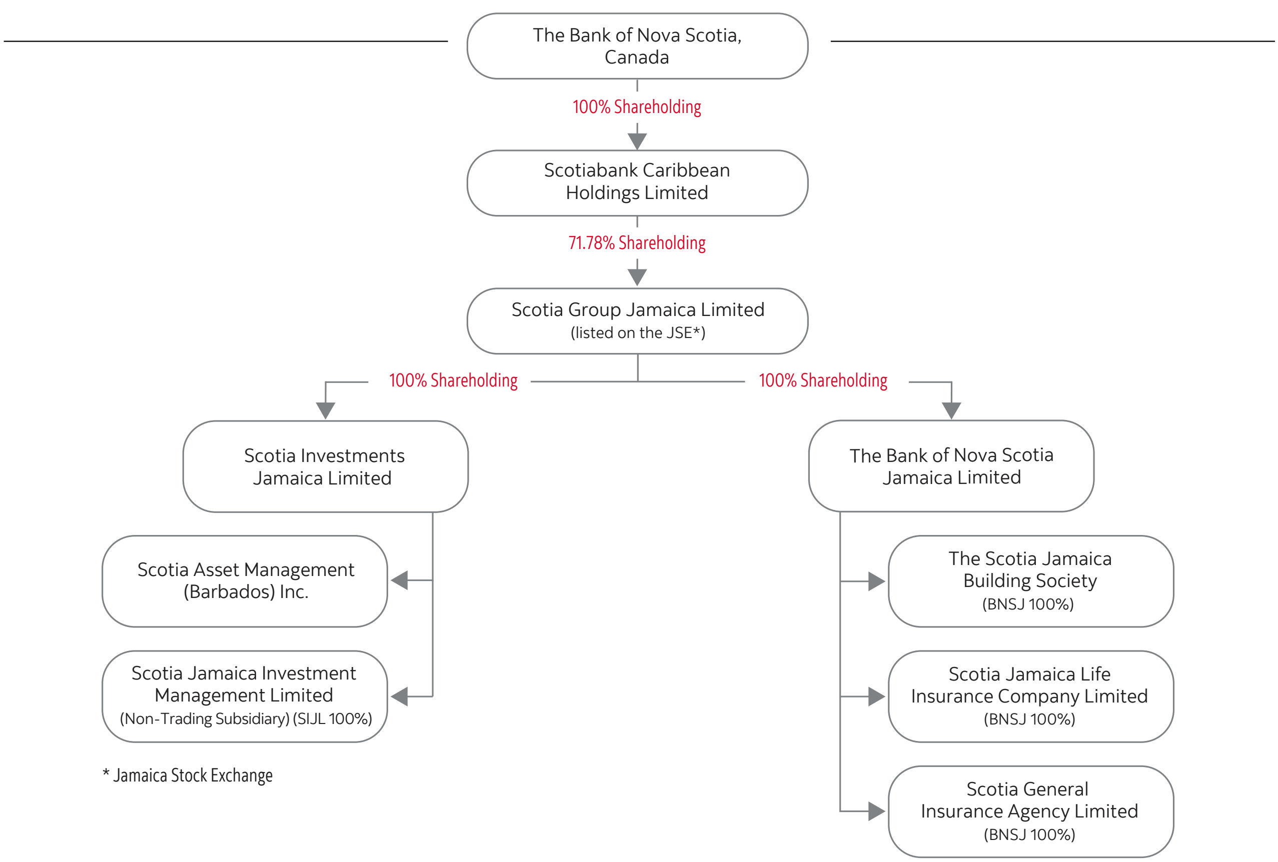
Scotia Group is the financial holding company for several entities operating within the financial sector. The Bank of Nova Scotia Jamaica Limited (BNSJ), which is its wholly owned subsidiary, is a duly licensed commercial bank and has three active subsidiaries: The Scotia Jamaica Building Society (SJBS), Scotia Jamaica Life Insurance Company Limited (SJLIC) and Scotia General Insurance Agency Limited (SGIA).

Scotia Group also wholly owns Scotia Investments Jamaica Limited (SIJL), which is licensed as a Member Dealer by the Jamaica Stock Exchange and a Securities Dealer by the Financial Services Commission.

Our Board of Directors recognises that a robust corporate governance structure is critical to sustaining value and preserving the long-term financial viability of Scotia Group for the benefit of all stakeholders.

Good corporate governance fosters integrity which goes hand in hand with the core values of Scotia Group.

Scotia Group is proud of our track record of being a leader of good corporate governance in action and are honoured to be recipients of two awards at the Jamaica Stock Exchange 18th Best Practice Awards held in December 2022, namely: 2nd Runner Up for the Corporate Disclosure & Investor Relations Award – Main Market, and 1st Runner Up for the PSOJ/JSE Corporate Governance Award - Main Market.



THE ROLE AND RESPONSIBILITY OF THE BOARD OF DIRECTORS

The role of the Board of Directors is to supervise and monitor management's performance against the Board approved parameters and compliance with applicable legal and regulatory requirements. Additionally, the Directors provide advice and counsel to management to ensure that the key strategic objectives of the business are achieved. While management undertakes the day-to-day functions of the Group's operations, it is the Board of Directors who remain ultimately accountable to the Company's stakeholders for the Company's performance and adherence to applicable laws and sound business practices.

The Board, in accordance with its approved Board mandate, is responsible for the following key duties and functions:

- Develop the Group's approach to corporate governance principles and guidelines
- Oversee and approve the Group's strategic direction, the organisational structure and succession planning of senior management
- Evaluate the actual operating and financial results of the Group against the Group's business objectives, business strategy and plans
- Identify the principal business risks, review and approve key risk management policies and practices and oversee the implementation of appropriate systems to enable compliance with such policies
- Oversee the integrity of the Group's internal controls and management information systems
- Identify, evaluate and select candidates for the Board of the Company and that of its subsidiaries
- Establish committees of the Group and subsidiary Boards with appropriate responsibilities, appoint Chairs for these Committees and approve the Terms of Reference for each Board Committee

At all times, our Directors are expected to exercise sound, independent, business judgment in the best interest of the Company and to balance the interests of various stakeholders. They may rely on the expertise of the Company's senior management, external advisors and auditors.

Below is the definition of an Independent Director extracted from the Corporate Governance Policy. A Director is not considered independent if:

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

The Corporate Governance Policy, which is a Board approved Policy, is reviewed on an annual basis by the Board to ensure that its provisions remain relevant and in accord with local and international best practices, laws, regulations, and regulatory guidance.

A copy of our Corporate Governance Policy is available for review on our website at **www.jm.scotiabank.com**

BOARD COMPOSITION

As at October 31, 2022, the Board comprised of eleven Directors chaired by Mr. Jeffrey Hall, an Independent Chair.

Our Directors have diverse skill sets, experience and backgrounds which include local and international experience in banking, business, strategic management, manufacturing, tourism, accounting, education and law, and they are recognized as strong leaders in their respective fields of work and experience.

Board Expertise	Independent (I)/Non-Independent (NI)	Leadership	Strategic Formation	Governance	Risk Management	Financial Services	Human Resources & Compensation	Legal/Compliance & Regulatory Skills
Barbara Alexander	I	☒		☒		☒	☒	☒
Aileen Corrigan	I	☒	☒			☒	☒	
Eric Crawford	I	☒	☒			☒		
Vernon Douglas	I	☒	☒		☒	☒		
Angela Fowler	I	☒		☒			☒	☒
A. Mark Hart	I	☒	☒	☒			☒	
W. David McConnell	I	☒	☒	☒			☒	
James McPhedran	I	☒	☒	☒	☒	☒	☒	☒
Audrey Richards	I	☒	☒	☒		☒		☒
Anya Schnoor	NI	☒	☒	☒	☒	☒	☒	☒
Evelyn Smith	I	☒	☒	☒	☒		☒	☒
William Warren Smith	I	☒	☒		☒	☒	☒	
Audrey Tugwell Henry	NI	☒	☒	☒	☒	☒		

Eleven of our thirteen Directors are independent of the Company, its parent, subsidiaries and affiliates; and twelve Directors of the Board are Non-Executive Directors.

All Directors have access to and are encouraged to meet with the Chair, the President and CEO and senior management. Time is reserved at the end of every Board and Committee meeting for discussions independent of management, among the Directors. This allows the Chair and other Directors to independently identify any issues for discussion with management and the Board.

COMMITTEES OF THE GROUP AND SUBSIDIARY BOARDS

During the year the Board amended it's Committees and Charters. The Board has delegated certain responsibilities to its Audit & Conduct Review Committee,the Risk Committee and the Human Resources & Governance Committee.

AUDIT AND CONDUCT REVIEW COMMITTEE

The Group's Audit and Conduct Review Committee has oversight responsibility for the Group and its subsidiaries in relation to the following areas:

- The integrity of the financial reporting and system of internal controls
- Ensuring compliance with legal and regulatory requirements
- The performance of the internal auditors and external auditors
- The identification and resolution of conflicts of interest which may arise from transactions conducted by the Group and its subsidiaries

Prior to the adjournment of Committee meetings, time is reserved for the Independent Committee Members to meet separately with the Internal and External Auditors to discuss any areas of concern.

RISK COMMITTEE

The Group's Risk Committee has oversight responsibility for the Group and its subsidiaries in relation to the following areas:

- Cyber Risk & Cyber Awareness
- Enterprise and Operational Risk Management
- Market Risk Analysis
- Review of Policies for Implementation

Prior to the adjournment of Committee meetings, time is reserved for the Independent Committee Members to meet separately with the Internal Auditor and/or the Chief Risk Officer to discuss any areas of concern.

HUMAN RESOURCES AND GOVERNANCE COMMITTEE

The Human Resources and Governance Committee has oversight responsibility for the following governance, staff welfare and compensation matters:

- Review of Board nominees prior to appointment
- Review of the Corporate Governance Policy
- Review of Board performance
- Staff compensation, including incentive programmes
- Review of Director's Continuing Education and Training
- Review of Board Succession Plan
- Senior level organisational structure and staffing needs
- Mandates for the negotiation of collective bargaining agreements

- Performance of the Executive Team and Board appointed officers
- Pension Plan design and Investment policies
- Monitoring Pension Plan Fund performance against its policies, objectives and strategies
- Appointment and/or removal of the Sponsor Trustees of the Pension Fund
- Review of actuarial reports, audited financial statements of the Fund and proposed changes to the Pension Plan rules and benefits

DIRECTORS' ORIENTATION AND TRAINING OPPORTUNITIES

The Board of Directors is exposed to continuous training and education about the Group, the business line segments, products, legal and regulatory changes impacting operations. Training and education sessions are multimodal being comprised of quarterly Board Presentations from senior management, web based training on a variety of governance, compliance and risk based areas of concentration, and internal and external seminars on industry related matters. In addition each year the Board is engaged by senior management on strategic industry initiatives. To further cement the importance of Board education this year the Board approved a Guideline on Director Orientation & Continuous Education.

Attendance Record for Directors	Annual General Meeting	Board of Directors' Meeting	Audit & Conduct Review Committee	Risk Committee	Human Resources & Governance Committee
Number of Meetings	**1**	**7**	**4**	**4**	**4**
Jeffrey Hall	1	7	4	4	
Barbara Alexander	1	7	4		4
Eric Crawford	1	6	4		
Angela Fowler*	1	7	4		1
A. Mark Hart		7		4	
W. David McConnell	1	7		4	
James McPhedran**	1	5		3	
Audrey Richards	1	7	4		
Anya Schnoor	1	7		4	
Evelyn Smith	1	7			4
Audrey Tugwell Henry	1	7		4	4

*Angela Fowler resigned from the Human Resources & Governance Committee in February 2022.
**James McPhedran joined the Board on June 8, 2022.

BOARD TRAINING & PRESENTATIONS

This year the Board received presentations and training on the following topical issues:

- Scotiabank Code of Conduct
- Global Mandatory AML & Compliance Training:
  - Tactical Compliance
  - Risk Culture
  - AML/ATF
  - Privacy, Digital & Cyber Security
- Cyber Security Awareness
- Board Succession Planning & Skills Matrix
- International Financial Reporting Standards IFRS 17
- Diversity & Inclusion Education
- Media Enquiries & Scotia Environmental & Social Governance Strategy & Corporate Governance Developments

APPOINTMENT, TERM, ELECTION AND RETIREMENT OF DIRECTORS

All Directors automatically retire from the Board at each Annual General Meeting (AGM) and are elected or re-elected (as the case may be) by the shareholders of the Company on the recommendation of the Board.

In keeping with international best practices, effective November 1, 2021 Directors appointed to the Board may serve on the Board until the expiry of 12 years from the date of their first appointment, or in exceptional circumstances for such longer term as may be approved by the Board of Directors. A Director appointed prior to November 1, 2021 may also serve on the Board until expiry of 12 years from the date of their first appointment, save that any such Director who at the date of this policy, shall have exceeded 12 years of service, may continue to serve on the Board until the next AGM immediately following the date of the 15 year anniversary of their initial appointment to the Board.

The date of first appointment for Directors appointed prior to November 1, 2021, shall be the date on which the Director was first appointed to the Board of Scotia Group Jamaica Limited.

Upon the recommendation of the Human Resources & Governance Committee or any subcommittee of the Board charged with corporate governance, the Board may:

(a) in extenuating circumstances, consider and approve the extension of a Director's term beyond the stipulated period as is considered appropriate.

(b) reserve the right not to recommend a Director with an unexpired term to the shareholders for re-election at the Annual General Meeting.

A Director shall resign from the Board of Directors upon the expiration of the respective term (including any variation of the term recommended by the Human Resources & Governance Committee) no later than 6 weeks prior to the date of the Annual General Meeting of the year in which the term expires.

DIRECTORS' COMPENSATION

Directors' Compensation is paid on the basis of an Annual Retainer Fee which covers Directors' attendance and participation at Board and Committee Meetings throughout the course of each year.

The Compensation Structure for Directors includes an annual retainer fee and annual meeting fees as reflected in the Table of Fees below:

Fee Structure	Annual Retainer	Annual Meeting Fee			Annual Retainer	Annual Meeting Fee
		Board	Audit & Conduct Review	Risk		Human Resources & Governance
Expressed in JMD		**SGJL**			**BNSJ**	
Board Chair	$2,700,000				$250,000	
Deputy Board Chair	$2,400,000				$187,500	
Committee Chair (other than Audit Chair)	$1,500,000				$125,000	
Audit Committee Chair	$1,800,000				$125,000	
Audit Committee Members	$1,200,000				$125,000	
All Directors	$1,020,000				$125,000	
Other Directors		$360,000	$288,000	$216,000		$216,000

SCOTIABANK CODE OF CONDUCT

The Board of Directors, the management and all employees of the Group, its subsidiaries and affiliates are required to observe the Group's Code of Conduct and in this regard, annual certification of due compliance is required.

The Code of Conduct outlines the Group's rules and expectations regarding proper business conduct and ethical behaviour of directors, officers and employees of the subsidiaries, including:

- Following the law wherever the Group and its subsidiaries do business
- Avoiding putting themselves or any of the subsidiaries in a conflict of interest position
- Conducting themselves honestly and with integrity
- Keeping the subsidiaries' transactions, communications and information accurate, confidential and secure, and all customers' assets safe
- Treating everyone fairly and equitably – whether customers, suppliers, employees or others who deal with the Group and its subsidiaries
- Honouring our commitments to the communities in which we operate

In keeping with the established Code of Conduct, Board members and senior management of the Group's subsidiaries are subject to the Insider Trading Policy in respect of trading in the securities of the Company, its subsidiaries and affiliates.

BOARD ANNUAL SELF-EVALUATION

The Group's Board and the Boards of its subsidiaries conduct an annual self-evaluation of performance during the year. Directors are required to complete a questionnaire which tests a wide range of issues regarding the effectiveness of the Board's governance.

The issues include the quality of the information provided by management, the effectiveness of the operation of any committee and a performance assessment of the Board and Chair during the year.

Additionally, the Chair of the Board conducts one-on-one interviews with each Independent Director to solicit feedback on the performance of the Board and Management.

The results of the questionnaire are reviewed by the Human Resources & Governance Committee and appropriate action taken to remedy any areas of concern. The process has been invaluable to the continuous improvement of the governance process.

Scotia Group remains committed to good corporate governance practices and continues to comply with the applicable laws and regulations, international best practices and guidance from the Jamaica Stock Exchange, the Bank of Jamaica, the Financial Services Commission, and other regulators.

POLICIES IMPLEMENTED DURING THE YEAR

Some of the key policies implemented this year include the following:

- Cybersecurity Policy
- Enterprise AML/ATF Policy
- Enterprise Wide Risk Management Framework
- Environmental Risk Policy
- Information Security Governance Framework
- Liquidity Risk and Collateral Management Policy
- Stress Testing Policy

CUSTOMER EXPERIENCE COUNCIL

As part of our Customer First Strategy the Board approved the establishment of a Customer Experience Council. The Council is appointed to assist management in monitoring and ensuring the consistency and reliability of service quality delivery; and to provide strategic direction in devising and executing customer experience strategies and programmes. The Council has oversight for internal and external service delivery within the Bank, subsidiaries and external support units across Scotia Group Jamaica. The Council is overseen by a Steering Committee which will include two External Directors.

DIVERSITY & INCLUSION EDUCATION PROGRAMME FOR DIRECTORS

This Programme focuses on how the business is addressing critical social issues through our Diversity & Inclusion (D&I) approach, the imperative to do so, and the expectations on all directors and employees to uphold Scotiabank values.

This D&I Education Programme highlights aspects of our Inclusive Society pillar and how we are taking action on this in our operations. The Bank has developed a D&I strategy designed to meet our commitment to becoming the bank of choice for the diverse communities we serve. Scotiabank is investing significantly in creating an inclusive culture where every employee has a sense of belonging and is empowered to reach their fullest potential.

WHISTLEBLOWER POLICY

The Bank has established channels through which employees can Raise a Concern to ensure that matters are reported and addressed. The Whistleblower Policy, (the Policy), as part of the larger Raise a Concern framework, enables employees to raise Concerns through a confidential and anonymous channel and provides the framework for how the independent and objective Whistleblower Programme will receive, assess, investigate and resolve Concerns, particularly when those concerns constitute wrongdoing. The Whistleblower Programme is designed as a control to safeguard the integrity of the Bank, and its subsidiaries, financial reporting, its business dealings and to support adherence to the Scotiabank Code of Conduct (the Code) and its regulatory obligations.

The Policy governs the operations of the Bank's Whistleblower Programme that enables individuals to raise anonymous and confidential Concerns and wrongdoing that may otherwise not be known to management and ensure appropriate investigation is undertaken. The Policy applies to all individuals in the Bank to whom the Scotiabank Code of Conduct applies, inclusive of employees, officers, directors, and contingent workers.

SCOTIABANK' S ENVIRONMENTAL, SOCIAL AND GOVERNANCE APPROACH

Scotiabank's approach to Environmental, Social, and Governance (ESG) focuses on four pillars — Environmental Action, Economic Resilience, Inclusive Society and Leadership & Governance. We develop, implement and invest in initiatives across these pillars in order to maximize our positive impact.

Our impact in these areas is greatest when we take action at three different levels — In our Operations, With our Customers, and in our communities.

We have the most controls and ability to drive positive change in our operations. We also support and enable positive ESG outcomes with our customers through our core business: delivering important financial products, services and advice that help them achieve their goals and we affect progress in the world around us by using our partnerships and influence to address global concerns that affect everyone.

Our diversified geographic footprint, varied business lines, and large customer and employee base give us a responsibility and an opportunity: we can help address important social, environmental, and economic challenges while positioning our Bank for success. By working with stakeholders at all levels across our entire value chain, we are best positioned to build a better future.

In Jamaica we have rolled out the Environmental Risk Management Framework which forms part of a customer's risk rating as well as undertaken various Diversity & Inclusion initiatives with all staff and Directors.

Our parent bank produces an annual ESG Report which highlights all the initiatives of the bank and most recently released its Net Zero Pathways Report which shows how the bank plans to reach its goal of being a Net Zero bank by 2050.

See link to the latest ESG Report here: https://www.scotiabank.com/content/dam/scotiabank/corporate/Documents/Scotiabank_2021_ESG_Report_Final.pdf

Further details on the social, community and environmental initiatives are set out in the Scotiabank Community section of this Annual Report.

BOARD OF DIRECTORS

1. Anya Schnoor

Anya Schnoor was appointed Chair of Scotia Group Jamaica Limited effective December 10, 2022. She has been the Executive Vice President, Caribbean, Central America & Uruguay for International Banking since October 2020. In this role, Anya leads the development of the overall strategic direction for the Bank's personal, commercial, corporate, wealth, and insurance operations in the regions.

Anya joined Scotiabank in Jamaica in 2006, and has held progressively senior roles across the bank, including her most recent role as the Executive Vice President, Retail Products in Canadian Banking. Her experience in the financial services sector in the Caribbean spans more than 30 years in the areas of wealth management, insurance and banking.

She is widely-recognized as a strong business leader in the Caribbean region, receiving the Caribbean Luminary Award in 2019 by the American Foundation for The University of the West Indies for her contributions in the business community. She is also a member of the International Women's Forum (IWF), an organization dedicated to supporting the next generation of women leaders.

Ms. Schnoor holds a Master of Business Administration from Barry University and a Bachelor of Business Administration in Finance and International Business from Florida International University.

Scotiabank Board Details:

- Chair: Scotia Group Jamaica Limited and The Bank of Nova Scotia Jamaica Limited since December 10, 2022.
- Director: Scotia Group Jamaica Limited (SGJ) since November 1, 2020. The Bank of Nova Scotia Jamaica Limited (BNSJ) since November 1, 2020
- Member: BNSJ & SGJ Risk Committee

2

3

4

2. Barbara A. Alexander

Barbara A. Alexander is a practicing Attorney-at-Law since 1976. She is a Consultant of the law firm, Myers, Fletcher & Gordon. Her experience includes Banking and Finance, Project Finance, Real Estate and Commercial Law.

Barbara chairs the Board of the Arts Foundation of the Edna Manley College and is the Immediate Past President of the Jamaica Forum of the International Women's Forum.

She is a member of the Jamaica Bar Association and the Law Society of England, United Kingdom.

A graduate of The University of the West Indies, Ms. Alexander holds a Bachelor of Science Honours degree in Accounting.

Scotiabank Board Details:

- Chair: The Scotia Jamaica Building Society; BNSJ, Human Resource & Governance Committee; SIJL, Human Resource & Governance Committee
- Director: Scotia Group Jamaica Limited (SGJ) since November 26, 2007; The Bank of Nova Scotia Jamaica Limited (BNSJ) since November 26, 2007; Scotia Investments Jamaica Limited (SIJL) since December 14, 2006
- Member: BNSJ & SGJ Audit & Conduct Review Committee and SIJL Audit & Conduct Review Committee

3. Aileen Corrigan

Aileen Corrigan has served as the Group Transformation Officer at Digicel Group from 2021 having worked with Digicel in various senior roles across the Group since 2008. This included launching the digital operator strategy for the company as Chief Digital Officer and serving as the CEO of Trend Media, the first fully digital media house in the Caribbean that publishes Loop News. In 2021, Aileen was awarded as one of the Top 150 Business Transformation (BT150) Leaders in 2020-21 by Constellation Research and nominated as one of the top speakers in the Caribbean in 2021 by TeleSamana group. Prior to joining Digicel, Aileen worked for O2 Ireland and Motorola.

Aileen has more than 25 years of international experience in the telecommunications and digital sectors, specializing in digital transformation, media, executive management, marketing and business development. Aileen studied Industrial relations at McGill University, Canada, holds a Graduateship from The Marketing Institute and Masters in Digital Marketing from the Digital Marketing Institute, Ireland. Aileen is the current Social Chair of the Canadian Women's Club, Kingston, a member of the iCreate Academic Advisory Board, a board advisor to the Reggae Marathon and a former president of the Jamdammers Running Club of Kingston.

Scotiabank Board Details:

- Director: Scotia Group Jamaica Limited (SGJ) since December 14, 2022; The Bank of Nova Scotia Jamaica Limited (BNSJ) since December 14, 2022; Scotia Investments Jamaica Limited (SIJL) since January 1, 2023

4. Eric Crawford

Eric Crawford concluded a thirty-five-year career with PricewaterhouseCoopers (PwC) Jamaica in June of 2015, twenty-six of which he had partner responsibility for the delivery of Taxation services to the firm's clientele.

His professional career with PricewaterhouseCoopers included a tour of duty with the Toronto office, leadership of the Caribbean Region Taxation practice, and a one-year secondment to act as Chief Financial Officer of Jamaica National Investment Company Limited (now Development Bank of Jamaica). Before joining PricewaterhouseCoopers, he served as Chief Internal Auditor of the National Housing Trust (NHT). He was also a Director and Chair of the Finance Committee of the Trust between 1996 and 2000.

He is presently a Commissioner and chairs the Audit, Finance and Technology Committee of the Integrity Commission.

Eric is a Life Fellow of the Institute of Chartered Accountants of Jamaica (ICAJ), of which he served as President between 1995 and 1997, as well as a member of the UK Chartered Association of Certified Accountants where he was Jamaica's Representative on its International Assembly in 1997/98.

Scotiabank Board Details:

- Chair: BNSJ Audit & Conduct Review Committee since March 7, 2018; Scotia Investments Jamaica Limited (SIJL) Audit & Conduct Review Committee since January 1, 2023
- Director: Scotia Group Jamaica Limited (SGJ) since June 8, 2017; The Bank of Nova Scotia Jamaica Limited (BNSJ) since June 8, 2017; Scotia Investments Jamaica Limited (SIJL) since January 1, 2023

5

6

7

5. Vernon Douglas

Vernon Douglas is a purpose driven leader and trusted business partner, who is passionate about transformation at the individual, community and national levels. He has over 20 years of experience in financial leadership, business development, process implementation and improvement in several countries across the Caribbean, Central America, and Europe.

Skilled in tackling a diverse array of business opportunities, Vernon has worked in Telecoms, Energy, Retail and Fast-Moving Consumer Goods (FMCGs) sectors. In his current role as CFO at JPS, Jamaica's leading energy company, he has immediate responsibility for Corporate Finance, Corporate Accounting, Logistics & Inventory Management, and Regulatory & Strategy Administration. His career has spanned roles with; the Digicel Group as CFO- Mergers and Acquisitions (Caribbean and Central America). He also held executive, senior positions with Celebration Brands Ltd, Red Stripe Diageo (Jamaica), and Richer Sounds PLC (UK).

Vernon has a consistent record of delivering results in financial control, operational performance excellence and profitability improvement, having helped companies to deliver corporate and operational growth via both organic and inorganic means. His areas of expertise include: Competitive Strategy, Business Optimization & Transformation, M&A evaluations, Risk Management, and Investor Relations.

He is a chartered accountant (FCCA) with Executive Education from Wharton Business School, and MIT Sloan Institute of Management.

Scotiabank Board Details:

- Director: Scotia Group Jamaica Limited (SGJ) since December 14, 2022; The Bank of Nova Scotia Jamaica Limited (BNSJ) since December 14, 2022

6. Angela Fowler

Angela Fowler is a practicing Attorney-at-Law since 1975 and formerly the Senior Partner of the law firm, Livingston, Alexander & Levy est. 1911. She practices in the areas of commercial law, estate and corporate tax planning, pensions and employee benefits schemes.

Mrs. Fowler is a graduate of the University of the West Indies. She is a member of the Jamaican Bar Association, Private Sector Organization of Jamaica and the International Pension and Employee Benefits Lawyers' Association.

Scotiabank Board Details:

- Director: Scotia Investments Jamaica Limited (SIJL) since July 25, 2007; Scotia Group Jamaica Limited (SGJ) and The Bank of Nova Scotia Jamaica Limited (BNSJ) since May 4, 2018
- Member: SIJL, Audit & Conduct Review Committee
- BNSJ & SGJ, Audit & Conduct Review Committee

7. Antony Mark Hart

Mark Hart is a founder, Executive Chair and largest shareholder of Caribbean Producers (Jamaica) Limited, a leading, fast growing food/service distributor listed on the main market of the Jamaica Stock Exchange. He is Chair of Airports Authority of Jamaica and the Montego Bay Freezone. He is a Director of the Port Authority of Jamaica and serves on the Boards We Care of Cornwall Regional Hospital and Itel-BPO Solutions.

He holds a Bachelor of Science degree in History and Motion Picture Film Production, from the University of Miami and participated in Executive Education at Columbia University, USA. Among his most recent accomplishments is the documentary film, Rise Up.

Scotiabank Board Details:

- Director, Scotia Group Jamaica Limited (SGJ) since August 5, 2016; The Bank of Nova Scotia Jamaica Limited (BNSJ) since August 5, 2016
- Member BNSJ & SGJ Risk Committee

8

9

10

8. William David McConnell

David McConnell is co-managing Director and co-founder of Select Brands Limited a leading Wines and Spirits Company in Jamaica. Prior to the establishment of his business he held the position of Managing Director of Sales and Marketing for J. Wray and Nephew Limited with key responsibility for increasing profitability and developing brand positioning for the company's products both locally and internationally. Mr. McConnell sits on the Board of the Supreme Ventures Limited, a member of the Jamaica Stock Exchange and Ironrock Insurance Company, a member of the Junior Market of the Jamaica Stock Exchange. He is also a Governor on the Board of Directors of Hillel Academy.

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

Scotiabank Board Details:

- Director: Scotia Investments Jamaica Limited since August 2, 2016; Scotia Group Jamaica Limited and The Bank of Nova Scotia Jamaica Limited since May 4, 2018
- Member: BNSJ & SGJ Risk Committee; SIJL HR & Governance Committee

9. James McPhedran

James McPhedran is a senior executive with a wide range of experience spanning over 30 years in financial services. He is a Supervisory Board Director, Maduro & Curiel's Bank (Dutch Caribbean) where he is Chair of the Risk and Compliance Committee and also sits on the Board of Governors for CI Financial in Toronto. James is also Chair of the Board of Directors for UNICEF Canada and serves on the Board of St. Michael's Hospital Foundation in Toronto.

James is a Senior Advisor to McKinsey and Company where he consults on Customer Experience, Retail Banking and Wealth Management engagements in North America, Europe and Australia.

He holds a Bachelors Degree in Economics and Political Studies from Queen's University in Kingston, Ontario and has completed the Institute of Corporate Directors Program at the University of Toronto. James has also completed the Senior Executive Programme at the London Business School in London UK.

Scotiabank Board Details:

- Chair: BNSJ & SGJ Risk Committee since June 8, 2022
- Director: Scotia Group Jamaica Limited and The Bank of Nova Scotia Jamaica Limited since June 8, 2022

10. Audrey Richards

Audrey Richards is a Consultant with the Development Bank of Jamaica, overseeing the bank's pivotal roles as anchor investor in private capital funds and ecosystem development catalyst, aimed at expanding access to private equity, venture capital, and other alternative finance, from local, regional, and global funders, for Jamaican businesses.

She has held executive leadership positions in the Jamaican capital markets and has consulted for both private and public sector institutions, including the Inter-American Development Bank, Bank of Jamaica, Jamaica Stock Exchange, and the Financial Services Commission. Mrs. Richards sits on the Boards of British Caribbean Insurance Company Limited, St. Andrew High School Foundation, and the Board of Governors of the St. Andrew High School.

She holds an MBA (Finance) from the De Groote Graduate School of Business, McMaster University, Canada, and a BSc. (Special Chemistry) from the University of the West Indies, Mona, and is a Certified Project Manager.

Scotiabank Board Details:

- Chair: Scotia Investments Jamaica Limited (SIJL) since December 9, 2022; Scotia Jamaica Life Insurance Company Limited (SJLIC) since August 16, 2018; SJLIC, Investment, Loan & Risk Committee since May 9, 2018
- Director: Scotia Jamaica Life Insurance Company Limited (since) May 9, 2018
- Member: BNSJ & SGJ Audit & Conduct Review Committee; SJLIC, Audit Committee and Conduct Review Committee; SIJL Risk Committee; SIJL, Audit & Conduct Review Committee since April 5, 2017

11. Dr. William Warren Smith

Dr. William Smith is an economist and development professional with over 40 years of experience working in the Caribbean. Former President of the Caribbean Development Bank who has previously held executive leadership positions in other organisations in the banking, finance and aviation industries. Established track record of leading financial and

11

12

13

economic sustainability initiatives, conducting multi-stakeholder negotiations, improving business efficiency, and strategic planning.

Dr. Smith served for 10 years in the position of President of the Caribbean Development Bank (CDB) until he demitted office in 2021. At the time of his first election, Dr. Smith was acting in the capacity of Vice-President (Operations) at CDB. His substantive position on taking up that acting appointment from August 16, 2010, was Director, Finance and Corporate Planning. Dr. Smith first joined CDB in 1985 and was seconded by the Bank in 1987 to set up the corporate planning function at the regional airline, LIAT (1974) Limited. He subsequently served as Chief Executive Officer of LIAT, before returning to CDB in 1998. He has also held high-level positions at a number of other institutions in the Region including Director of the Economics and Planning Division at the Petroleum Corporation of Jamaica.

Scotiabank Board Details:

- Director: Scotia Group Jamaica Limited (SGJ) since December 14, 2022; The Bank of Nova Scotia Jamaica Limited (BNSJ) since December 14, 2022

12. Evelyn Smith

Evelyn Smith manages the Tensing Pen Hotel in Negril, one of Jamaica's leading character hotels. She serves on the Board of the Caribbean Hotel and Tourist Association (CHTA) and has served on the Boards of Jamaica Tourist Board (JTB), Jamaica Vacations (Jamvac), Tourism Enhancement Fund (TEF), Advisory Council of the Passport Immigration and Citizen Agency (PICA), and Negril Chamber of Commerce.

Evelyn has been actively involved in the tourism industry since the late 1980's, and is Past President of Jamaica Hotel and Tourist Association (JHTA). She was the recipient of the JHTA Hotelier of the Year Award in 2008 and awarded the Prime Minister's Medal of Appreciation for Service to Tourism in 2013.

A graduate of the prestigious Wellesley College in Massachusetts, Mrs. Smith holds a Bachelor's degree with majors in French and Spanish, and an MBA with Honours from Nova Southeastern University, USA.

Scotiabank Board Details:

- Director: The Bank of Nova Scotia Jamaica Limited (BNSJ) since December 15, 2015
- Member: BNSJ Human Resource & Governance Committee

13. Audrey Tugwell Henry

Audrey Tugwell Henry is the President & CEO, Scotia Group Jamaica Limited since January 1, 2021. Mrs. Tugwell Henry has been employed to Scotiabank for a collective period of 12 years in executive positions. She joined Scotiabank in May 2000 to May 2008 and again in September 2017 as the Executive Vice President, Retail and Small Business Banking, Caribbean North & Central.

Mrs. Tugwell Henry has a combined 34 years of experience in banking with 20 years at the executive level and a proven track record leading businesses within the Financial Services Industry.

Mrs. Tugwell Henry is passionate about women empowerment, diversity and inclusion. She spearheaded the launch of the Scotiabank Women Initiative in Jamaica, a program supporting women-led and women-owned businesses. She is a member of the Scotiabank International Banking Inclusion Council and under her leadership, the Caribbean Inclusion Council was established with representatives from acorss the Caribbean. Additionally, she places much of her focus on the development of talent and provides guidance and coaching through the Scotiabank Caribbean Network's Mentorship Program, as well as direct coaching. She is also a member of the International Women's Forum (IWF), an organization dedicated to supporting the next generation of women leaders.

She has a Diploma in Education from Church Teachers' College, Mandeville, a Bachelor of Science degree in Management Studies from the University of the West Indies and a Master of Business Administration degree from the Mona School of Business.

Scotiabank Board Details:

- Director: Scotia Group Jamaica Limited (SGJ) since December 5, 2020, The Bank of Nova Scotia Jamaica Limited (BNSJ) since December 9, 2020, Scotia Investments Jamaica Limited (SIJL) since December 7, 2020; Scotia Jamaica Life Insurance Company Limited (SJLIC) since December 31, 2020, The Scotia Jamaica Building Society since June 25, 2018
- Member: BNSJ & SGJ Risk Committee and BNSJ Human Resource & Governance Committee; SJLIC Conduct Review Committee and Investment, Loan & Risk Committee; SIJL Human Resource & Governance Committee

Jeffrey Hall

15 YEARS OF LEADERSHIP, DEDICATION AND PASSION

After fifteen years of distinguished service to its Board of Directors, including six years as Chair, the Scotia Group pays tribute to Jeffrey Hall who retired from the board on December 9, 2022.

During his tenure on the Board, Jeffrey brought significant insight and expertise to the role while providing the management team guidance and support as the bank navigated the changing economic environment locally.

He was instrumental in promoting a strong corporate governance and risk culture throughout the Bank and was an advocate for the Bank's role in supporting its customers and communities, especially during the last two years as the country faced the challenging effects of the global pandemic.

The Board of Directors, management and staff of Scotiabank wish to express our sincere gratitude to Jeffrey for his vision, stewardship and commitment to excellence and wish him well in his future endeavours.

Audrey Tugwell Henry
President and
Chief Executive Officer

Tricia Davies
Vice President,
Business Support

Yanique Forbes-Patrick
Vice President,
Public Affairs and Communications

Perrin Gayle
Executive Vice President,
Retail & Small Business,
Caribbean North & Central

Debra Lopez-Spence
President,
Scotia Jamaica Life Insurance

Marcette McLeggon
Chief Risk Officer

Morris Nelson
Senior Vice President,
Corporate and Commercial Banking

Gabrielle O'Connor
Chief Financial Officer

Adrian Reynolds
Vice President,
Treasury

Tonya Russell
Head of Marketing

Gary-Vaughn White
Senior Vice President,
Collateral Protection

Naadia White
Vice President,
Compliance

Shelee Wilkie Channer
Chief Auditor

Maia Wilson
Vice President,
Senior Legal Counsel
& Company Secretary

Scotiabank Jamaica is Bank of the Year 2022

Scotiabank Jamaica has been named **Bank of the Year 2022** by internationally renowned publication **The Banker**.

Thank you to our customers for your support and to our Scotiabankers for your unwavering commitment to go above and beyond the call of duty every day.

The Banker is the world's longest-running international banking magazine, providing economic and financial intelligence for the world's financial sector. The Banker selects one winning bank for each of the 120 countries judged and ranks them on their ability to deliver results, improve strategic positioning and enhance service to customers. Over 1,000 applications are collected each year and judges select winners based on which bank they believe has made the most progress over the past 12 months.

Scotiabank.

INTRODUCTION

Scotia Group Jamaica Limited (Scotia Group), established in 1889 and headquartered in Kingston is one of the largest banking and financial service organizations in Jamaica, with assets in excess of $595 billion. We provide a diversified range of financial services through our subsidiaries to a wide base of personal, commercial, corporate and government clients across all sectors within the Jamaican economy, supported by a network of 28 branches, 285 ATMs and a best-in-class online and mobile banking platform.

Subsidiaries	Services
The Bank of Nova Scotia Jamaica Limited	Deposits, Lending, Foreign Exchange and Payments
Scotia Jamaica Life Insurance Company Limited	Credit and Life Insurance, Retirement Accumulation and Payout
Scotia General Insurance Agency	General Insurance Services
Scotia Investments Jamaica Limited	Investments, Structured Financing
The Scotia Jamaica Building Society	Mortgage Lending, Deposits

Today, Scotia Group continues to stay focused on evolving with Jamaica by building on 133 years of unbroken service to our customers in Jamaica as we continue to leverage our strength, experience and resilience while executing our strategic plans to support our customers and build a bank for every future.

OUR OPERATING ENVIRONMENT

MACROECONOMIC ENVIRONMENT

Scotia Group's operating environment for financial year 2022 was characterized by persistent high inflation, a necessary shift to quantitative tightening of the monetary policy stance by the Bank of Jamaica (BOJ), geo-political conflicts caused by the war in Ukraine, the continued looming threat of a global recession and the lingering effects of the global pandemic. Despite these challenges, the Group showed resilience and delivered a very solid performance while achieving its objectives for the year. Price pressures were persistent and widespread encompassing not just the goods category, but also services, influencing prices and have led to elevated inflation expectations. Point-to-point (P-T-P) inflation trended above the upper limit of the BOJ's targeted range of 4% - 6% throughout the financial year. Annual P-T-P inflation outturn was 9.9% as at October 2022, due largely to inflationary pressures from the 'Food and Non-Alcoholic Beverages' (10.1%), 'Housing, Water, Electricity, Gas and Other Fuels' (12.7%) and 'Restaurants and Accommodations Services' (20.6%) divisions, underpinned by rising global commodity prices due to the on-going geo-political war in Ukraine. According to the BOJ, inflation is anticipated to decline to single digits in early 2023 and return to the target range by December 2023. In October 2022, Standard & Poor (S&P) affirmed the Government of Jamaica's (GOJ) Long-Term Foreign and Local Currency Issuer Default Rating (IDR) at 'B+' with the outlook remaining stable, citing that Jamaica's economy will continue to recover and that Jamaica will remain committed to macroeconomic and fiscal discipline with a continued downward trajectory of the debt burden.

Gross Domestic Product (GDP) for the quarter ended June 2022 recorded an expansion of 4.8% compared to the 14.2% recorded for the same period last year. This increase was attributed to an increase of 7.2% in value added in the services industry. The outlook for real GDP is 2.5% - 4.5% for FY2022/23 given improvements in the economies of Jamaica's major trading partners, and will continue to be driven by the services industry, particularly tourism, which has been recovering at a rapid pace. Unemployment rate as at July 2022 was 6.6% and was lower by 1.9% when compared to 8.5% for the same period last year.

Business and consumer confidence indices improved as at September 2022, reflecting the reopening of the economy and the general optimism shared by consumers and businesses regarding economic recovery. Business confidence spiked, due to the positive macro-economic variables and the rebound of the tourism industry, while consumers sentiments were based on the expectation that their household income will improve, resulting in an improvement in their standard of living. The increase in business confidence is expected to spill over in the equities market and should counterbalance the higher interest rate environment brought on by higher inflationary impulses.

FINANCIAL SECTOR PERFORMANCE

Inflation levels continue to breach the BOJ's target range throughout the year forcing the BOJ to be aggressive in its monetary policy stance to mitigate risks and to facilitate a return of the inflation rate to the target range in the shortest possible time. As such, the Central Bank implemented measures aimed at moderating inflation expectations. One such measure was the tightening of the monetary policy rate which sets the tone for market interest rates including the cost for government securities. The Central Bank increased the policy interest rate to 7.0% as at November 2022. This decision has resulted in an increase of 650bps cumulatively since October 2021. With a full twelve months in the tightening cycle the Bank has decided to halt further policy rate increases in an effort to observe the passthrough effect on deposit and loan rates. The pause is conditional to observe more pass-through of international commodity price reductions to domestic prices.

As at June 2022 the overall growth in loans in the Financial Sector declined and was 8.6% compared to 11.3% for the comparative period in 2021, reflecting the lagged effect of the pandemic and the effect of higher interest rates on credit demand. Deposit growth also declined to 9.8% from 17.0% in 2021. Total assets expanded 6.6% compared to 15.0% last year. Additionally, as at June 2022, commercial banking sector loans to the private sector increased by 9.1% or $78.5 billion (2021: 8.6% or $68.6 billion), due mainly to growth in the Distribution, Manufacturing and Professional & Other Services sectors. Credit quality for the sector improved marginally, with non-performing loans representing 2.8% of total loans as at June 2022, relative to 3.0% for the comparative period in 2021.

The Collective Investment Scheme industry (unit trusts and mutual funds) declined by 5.0% to US$2.3 billion for the year ended October 31, 2022, due to a downturn in both the equity and fixed income markets driven by fears of a possible recession, coupled with inflation concerns and the Central Bank's interest rate policy stance to curb the high inflation environment. Of note, gross life insurance premiums sold in the industry as at August 2022, were higher by $2.7 billion or 9.1% year over year.

OVERVIEW OF FINANCIAL RESULTS

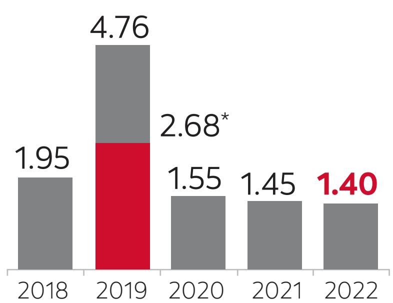
TOTAL REVENUE

As at October 31, 2022, Scotia Group delivered a very solid performance with net profit attributable to common shareholders of $11.7 billion, representing an increase of $3.0 billion or 35.2% year over year, despite the ongoing economic volatility.

This strong performance translated to earnings per share of $3.75, an increase over the prior year earnings of $2.78 and return on equity of 10.4% up from 7.5% in 2021. The dividend per share was $1.40, representing a dividend payout ratio of 37.3%.

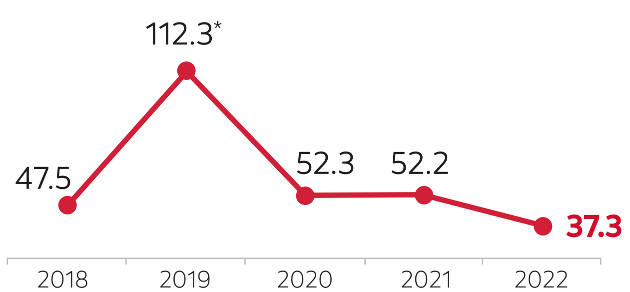
Our diversified business lines demonstrated resilience despite the economic uncertainties experienced during the year, and seized opportunities as they became available, while exercising prudent risk management which allowed us to achieve this strong performance. As the economy rebounds, we remain customer-focused and continue to bring value to our customers through our dynamic product offerings and solutions designed to

Dividends per Share ($)



* Special dividends of $2.68 paid in 2019

Dividend Payout Ratio (%)



* Dividend Payout ratio excluding special dividends: 49.07%

assist them in achieving their financial goals. We continue to reap the rewards from our investments in our assets, people, technology, and distribution. Our core business remains strong and continues to perform well. Strong growth of 14% was reflected in our loan portfolio over last year, driven by a robust growth of 28% in our mortgage portfolio and 17% growth in our flagship product, Scotia Plan Loans. We continue to fulfil the dreams of Jamaicans to own their own homes and accomplish other personal goals. Additionally, our insurance business line continues to provide our customers with high-value protection solutions. Gross written premiums were up 8% year over year driven by heightened creditor protection and insurance planning advice and solutions.

Scotia Group is one of the largest banking and financial services organizations in Jamaica, with assets of $595.6 billion, and customer deposits of $397.2 billion as at October 31, 2022. The growth in our asset base was achieved through client acquisition and deepening relationships across all customer segments; corporate and commercial, consumer, as well as small and medium sized enterprises. The quality of our loan portfolio improved, with non-accrual loans as a percentage of gross loans decreasing from 2.8% last year to 1.7%. The reduction noted is attributable to the Bank's strong management of risks.

.

Financial Highlights	31-Oct-22 $millions	31-Oct-21 $millions
Total Assets	**595,598**	585,583
Investments	**168,232**	160,968
Loans (net of expected credit losses)	**237,786**	208,523
Deposits by the Public	**397,176**	378,473
Liabilities under repurchase agreements and other client obligations	**14,128**	18,808
Policyholders' Fund	**46,284**	45,865
Shareholders' Equity	**110,851**	113,995
Profit after Tax	**11,680**	8,639
Total Comprehensive Income	**1,212**	7,899
Return on Average Equity	**10.43%**	7.47%
Productivity Ratio	**55.8%**	61.9%
Operating Leverage	**11.1%**	-9.1%
Earnings per share (cents)	**375**	278
Dividend per share (cents)	**140**	145

We continue to assist customers to choose the best investment solutions for their financial needs through our various product offerings from Scotia Investments. The total value of Funds under administration amounted to $284.5 billion up $37.3 billion or 15% over prior year.

Our capital base remains strong, and the bank remains well capitalized to support its strategic growth plans and to maximize returns to shareholders. We continue to exceed regulatory capital requirements in all our business lines. Our strong capital position enables us to effectively manage future increased capital adequacy requirements and take advantage of growth opportunities. This solidifies the resilience of our business and our ability to withstand market volatility, and further provide our valued customers and shareholders with confidence, that we are well positioned for continued success while building for every future.

OUR STRATEGY

Our strategic priorities continue to be the roadmap for our success, which consist of three pillars, deeply focused on our customers, and built on a strong risk culture. These priorities have shaped the direction of the organization by balancing key growth opportunities and structural transformation while delivering best- in-class service to our customers. We continue to execute well on our strategic priorities, as these are the mainstays, we believe will have the greatest impact and will drive long-term value creation for all stakeholders.

2023 STRATEGIC FOCUS

Winning Team: We are committed to creating and maintaining an inclusive environment, demonstrated through our people and our practices that allow us to become the best place to work for the diverse communities that we serve.

We are aware that our employees' well-being is a critical component of a productive and healthy work environment, as such, we remain committed to provide our valued employees with the necessary support and care for their physical and mental health. We continue to build a world-class, high-performing, supportive, and inclusive team that is focused on prioritizing customers and improving sustainable business performance, further strengthening team-focused engagement. Developing and nurturing our talented employees is a high priority for Scotia Group. Our robust recruitment practices are designed to attract a diverse pool of high-potential team members who are highly tuned in with the needs of our customers and who have the required knowledge and skills which are honed through our strong onboarding programmes. We remain committed to strengthening our leadership capability by grooming and growing talent from within to ensure the Group has the right people to drive superior performance. We are increasing our focus on performance management by enhancing our learning and development, coaching and performance measurement processes so that employees can reach their full potential. We consistently reinforce our culture of openness, collaboration, accountability and always doing the right thing, to maintain strong engagement and ensure that the Group continues to deliver a winning value proposition to all stakeholders.

Customers First: We will continue to delight our customers with professional, friendly, and efficient service by deepening our primary relationships with them and providing relevant and personalized product offerings to fulfill their financial needs.

We continue to accelerate data & analytics, technology, and digital capabilities to support salesforce enablement, customer self-serve and assisted experiences, as well as insight-driven reporting and decision-making. We continue to operate at the highest standard with a winning mindset in all that we do. We have heightened our efforts to accelerate digital and mobile banking as well as other innovative solutions to continuously improve outcomes for our valued customers. We will continue to provide differentiated focus, service, and advice to deepen our customer relationships, loyalty, and engagement. We continue to make substantial investments in our people, processes, and technology to ensure our customers have a great experience, the right tools and advice to succeed and become financially better off. We remain committed to delivering a best-in-class customer experience through our enhanced distribution channels, which are specifically geared towards serving all our client segments while meeting and exceeding their evolving customer needs. The Pulse, our customer feedback system continues to yield positive results and has indicated our customers' growing preference for the convenience of our digital channels which offer a simple and more cost-effective way of conducting transactions. Scotia Group remains focused on being the most trusted bank wherever we operate and as such, maintaining the trust and confidence of our customers is paramount in everything we do.

Portfolio Growth: We will continue to accelerate new business origination across all our business lines to grow our portfolios and become the leading Financial Services Group in Jamaica.

We will focus our resources on the acceleration of new business origination across all our business lines. We will maintain a client-focused approach to create a 'one-stop-shop' for our customers by offering them relevant and useful products to suit their financial needs.

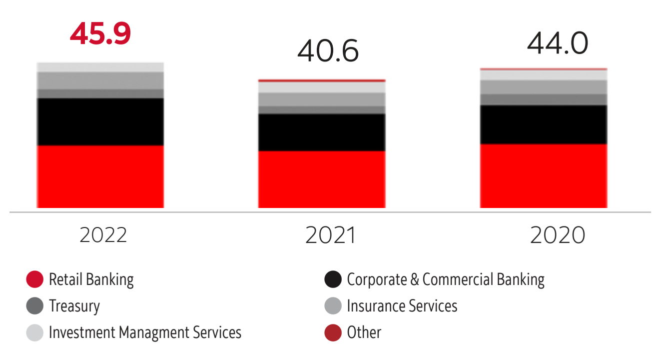
GROUP FINANCIAL PERFORMANCE

TOTAL REVENUE

Total revenue excluding expected credit losses was $45.9 billion in 2022, up $5.3 billion or 12.9% compared to $40.6 billion for 2021. We achieved revenue growth in our Retail, Commercial, Insurance and Treasury business lines.

Revenues by Business Line

(excluding expected credit losses) $ Billions



- **Retail (+10%):** Loan growth was led by residential mortgages which grew $13.3 billion or 28% over prior year, and personal and credit cards which were up $9.6 billion or 13%. Overall, our total retail loans amounted to $147.9 billion reflecting solid growth of $22.9 billion or 18% over last year. The increase in revenues was driven by higher interest income due to higher loan balances and higher yields, as well as our strong service delivery including increased product fulfillment via our digital channels.

- **Commercial (+26%):** Loan balances grew $6.3 billion or 7% over prior year, higher fees and commission income driven by increased transaction volumes, coupled with higher yields arising from the higher interest rate environment in 2022.
- **Insurance Services (+25%):** Growth in revenues for this business line was mainly due to heightened creditor protection and insurance planning advice and solutions and an increase in premium income earned due to increased transaction volumes.
- **Treasury (+22%):** Higher interest income resulting from the increase in the central bank's policy rate was the main driver behind the year over year increase in Treasury revenues, as well as our management strategy to invest in higher yielding securities.
- **Investment Management (-15%):** We continued to pursue our strategy to grow our Asset Management segment and reduce exposure to the inherent risks in an on-balance sheet business model. Revenues from our investment management portfolio declined year over year driven by lower gains on financial instruments due to the rising interest rate environment. The reductions noted were partly offset by higher net interest income which increased by 28% year over year.

NET INTEREST INCOME

Loan volumes increased across our business lines year over year. We recorded net interest income before expected credit losses of $28.6 billion, an increase of $5.9 billion or 26% when compared to prior year. The Group's average earning assets increased by 4.8%, while the net interest margin (net interest income as a percentage of average earning assets) increased relative to the previous year by 91 basis points. Average yields on earning assets were higher by 87 basis points as a result of the higher interest rate environment throughout the year. The year over year growth in volumes contributed a positive $1.1 billion to net interest income for the year and a positive impact from increasing asset yields of $4.8 billion.

OTHER INCOME

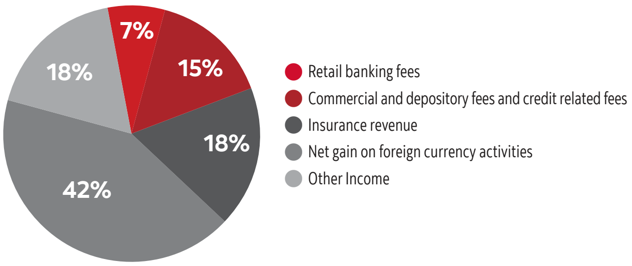
Other income, defined as all income other than interest income, was $17.2 billion for fiscal year 2022, down $0.7 billion or 4% from prior year.

- **Net fees and commissions** were up $0.09 billion or 1.5% compared to last year and totaled $6.2 billion. The increase in net fees noted was primarily due to an increase in transaction volumes, resulting from increased economic activities coupled with our customer first strategy as the economy re-opened. Throughout the year, the Group continued its drive to educate customers on our alternative and convenient digital channels.
- **Insurance other income** was higher by 15% and amounted to $3.0 billion compared to $2.6 billion for 2021, due to higher premium income given higher transaction volumes.
- **Foreign exchange revenues** amounted to $7.2 billion compared to $7.6 billion for 2021. The reduction of $346.3 million or 5% noted was due to lower trading volumes during the year.
- **Net losses on financial assets** amounted to $141.3 million, a year over year reduction of 745.7 million or 123% due to a reduction in investment sales volumes in line with the strategic objective of the Group.
- **Other revenue** amounted $951 million compared to $1.0 billion last year, a reduction of $72 million or 7%. The reduction noted was due primarily to lower gains realized on the extinguishment of debt arrangements.

Net Interest Income

Net Interest Margin Analysis ($'000)	2022	2021
Rate Variance	**4,843,438**	(3,456,155)
Volume Variance	**1,064,410**	1,310,040
Net Interest Income	**5,907,848**	(2,146,115)

Sources of Non-Interest Revenues (%)



Other Income

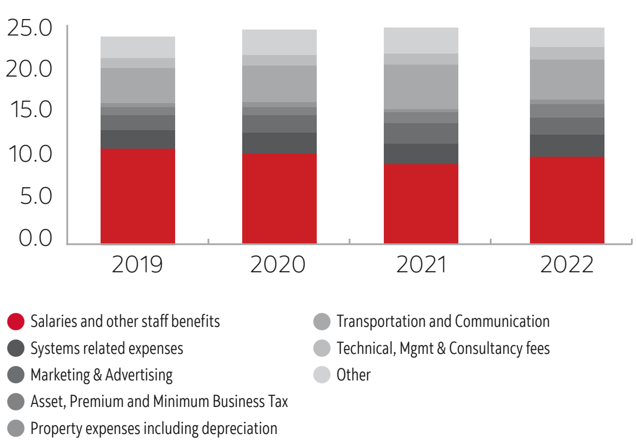
$ Billions

Non-Interest Expenses Non-Interest expenses for the year totaled $25.6 billion, up $451.5 million or 2% year over year. The increase noted in expenses was due mainly to increases in salaries of $831 million or 8.8% due to annual salary increases, higher incentives based on improved business performance, as well as increases in general expenses to support business growth. These increases were partially offset by the reduction in technical & support service costs, down 7% and system related expenses down 16%. The Group continues to execute on its prudent expense management strategy.

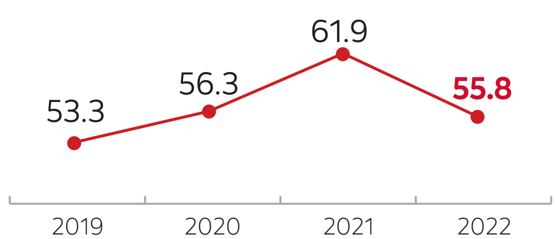
Our productivity ratio, which is calculated as total expenses as a percentage of total revenue (excluding expected credit losses), improved to 55.8% from 61.9% in 2021, due to an increase in our revenues coupled with our expense management initiatives.

Non-Interest Expenses

$ Billions



Productivity Ratio (%)



TAXES

Our Income tax expense was $5.5 billion, up $1.5 billion or 37% from last year as our pre-tax profit grew by $4.5 billion or 36%. Our effective tax rate increased to 32.1% from 31.8% due to the growth in taxable income. When asset tax of $1.3 billion is added, the tax expense for the year amounted to 36.9% of our pre-tax income.

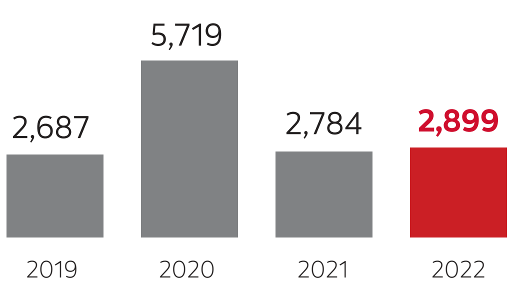
Taxation Charge ($'000)	2022	2021	2020
Profit Before Taxes	**17,204,064**	**12,669,179**	**13,397,088**
Current Income Tax:			
Income tax calculated at 33⅓%	4,209,712	2,056,513	3,245,090
Income tax calculated at 30%	433,008	630,854	672,242
Income tax calculated at 25%	995,144	702,475	869,255
Other tax rates 1% to 5%	7,983	5,702	2,150
Adjustment for (over)/under provision of prior year's charge	(8,487)	89,194	–
	5,637,360	**3,484,738**	**4,788,737**
Deferred Income Tax	(113,194)	545,589	(607,211)
Taxation Charge	**5,524,166**	**4,030,327**	**4,181,526**
Effective Tax Rate	**32.1%**	**31.8%**	**31.2%**

CREDIT QUALITY

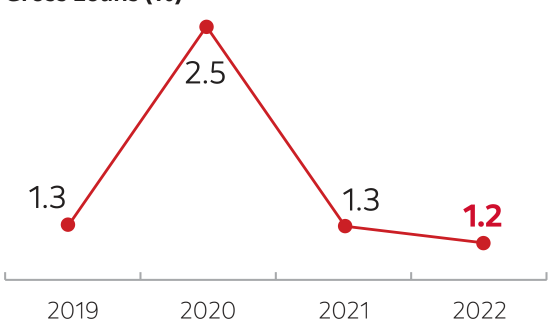
Expected credit losses on loans amounted to $2.9 billion and were up $115 million or 4% year over year due to growth in the loan portfolio and lower provision releases. Non-accrual loans (NALs) as at October 31, 2022, was $4.0 billion, down $2.0 billion or 33% compared to prior year. NALs currently represent 1.7% of gross loans and 0.7% of total assets as at year end October 31, 2022. The Group's NALs as a percentage of gross loans remain below the industry average of 2.7% reported as at June 2022.

Expected Credit Losses

$ Millions

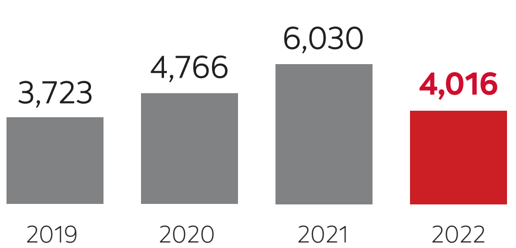


Expected Credit Losses (Profit & Loss) to Gross Loans (%)

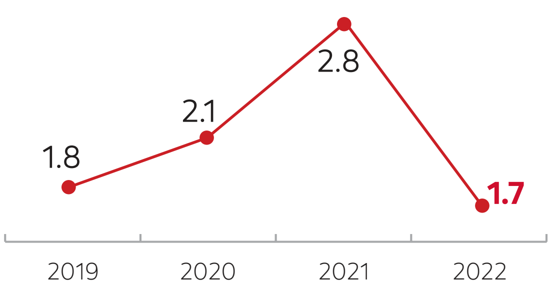


Non-Accrual Loans

$ Millions



Non-Accrual Loans to Gross Loans (%)



Credit Quality *(continued)*

The total expected credit losses reflect lower levels of IFRS provisions. Provisions which meet the regulatory requirements but exceed the IFRS standards are credited to a non-distributable loan loss reserve. The table below shows the IFRS and regulatory provisions for the last three financial years.

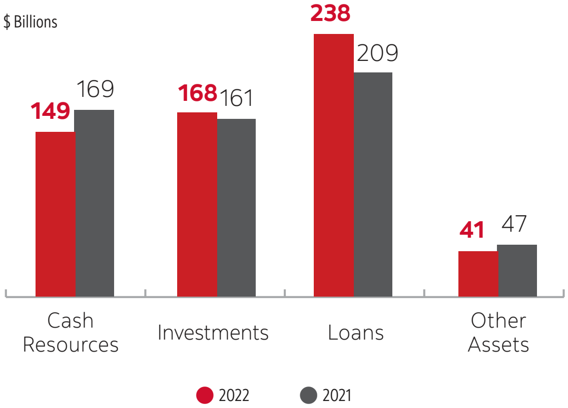
Loan Loss Provision Analysis ($'000)	2022	2021	2020
Gross Loans	**243,684,170**	214,760,379	228,703,117
Non Accrual Loans	**4,016,110**	6,029,612	4,765,692
Expected Credit Losses (IFRS 9)	**5,898,116**	6,237,325	7,976,283
Loan Loss Reserve	**361,367**	334,797	220,791
Total Regulatory Expected Credit Losses	**6,259,483**	6,572,122	8,197,074
IFRS Expected Credit Losses as a % of Gross Loans	**2.4%**	2.9%	3.5%
IFRS Expected Credit Losses as a % of Non Accrual Loans	**146.9%**	103.4%	167.4%
Total Regulatory Expected Credit Losses as a % of Gross Loans	**2.6%**	3.1%	3.6%
Total Regulatory Expected Credit Losses as a % of Non Accrual Loans	**155.9%**	109.0%	172.0%
Total Assets	**595,598,223**	585,583,209	543,326,016
Net Loans (after expected credit losses)	**237,786,054**	208,523,054	220,726,834
NAL : Gross Loans	**1.7%**	2.8%	2.1%
NAL : Net Loans	**1.7%**	2.9%	2.2%
NAL : Total Assets	**0.7%**	1.0%	0.9%

GROUP FINANCIAL CONDITION

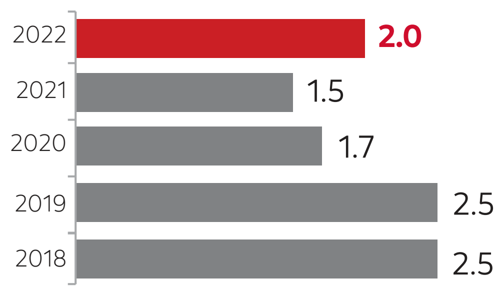
ASSETS

Total assets amounted to 595.6 billion an increase of $10.0 billion or 2.0% as at October 31, 2022. The increase noted in our asset base was driven by a $29.3 billion or 14% growth in our loan portfolio, and our investment portfolio of $7.3 billion or 4.5%, due to increased deposits driven by the continued confidence of our customers in the Group. These increases were partially offset by a reduction in cash resources of $19.7 billion or 11.7% and other assets of $6.8 billion or 14.4%.

Asset Mix



Return on Assets (%)



GROUP GOVERNMENT SECURITIES WITH INVESTMENTS

CASH RESOURCES

Our cash resources held to meet statutory reserves and the Group's prudential liquidity targets stood at $149 billion as at October 31, 2022, down $19.7 billion or 11.7% from $168.7 billion last year. Cash resources held were used to fund our growing loan portfolio and reinvested in higher yielding securities. We continue to maintain adequate liquidity levels to enable us to respond effectively to changes in cash flow requirements.

INVESTMENTS

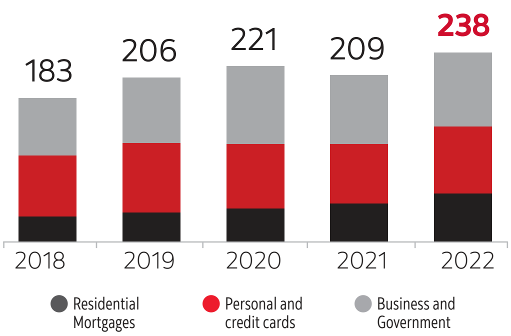
Total investment securities amounted to $168.2 billion, up $7.3 billion or 5% year over year arising from the purchase of additional investment securities with inflows from incoming deposits as well as proceeds from sales and maturities.

LOANS

Our loan portfolio increased by $29.3 billion or 14.0% as at October 31, 2022. After allowance for expected credit losses the loan portfolio stood at $237.8 billion. Our loan book performed extremely well, with residential mortgages increasing by $13.3 billion or 28% over last year, Personal and credit cards up $9.6 billion or 13% and Business and Government up $6.3 billion or 7%.

Loan Portfolio (net of expected credit losses)

$ Billions



LIABILITIES

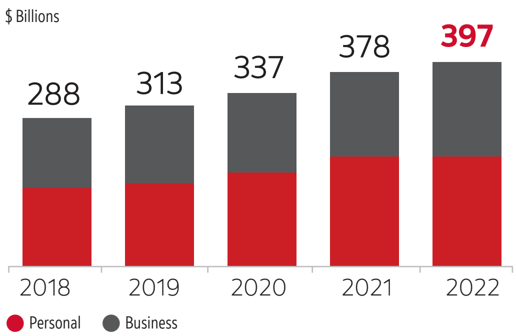
Total liabilities as at October 31, 2022, were $484.7 billion, an increase of $13.2 billion or 2.8%. The increase noted was driven mainly by the growth in customer deposits which were partially offset by lower capital management fund balances and other liabilities.

DEPOSITS

Deposits by the public increased to $397.2 billion, up from $378.5 billion in the prior year. This represents an increase of $18.7 billion or 4.9% growth in core deposits which was reflected in higher inflows from our retail and commercial portfolios, signaling our customers' continued confidence in the strength of the Group.

Deposit Portfolio

$ Billions

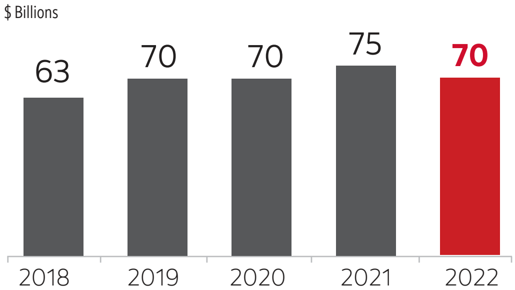


Obligations related to repurchase agreements, capital management and government securities funds

This mainly represents placements by clients of Scotia Investments in addition to other wholesale funding. Our strategic focus is to grow our mutual funds and unit trusts business lines. As at October 31, 2022, the net of these obligations, reflected a year over reduction of $4.7 billion or 24.9%. Of note, our assets under administration including the company's custody book grew by $37.3 billion or 15% year over year to $284.5 billion. As at the end of the financial year, our funds under management continue to be impacted by the fall off in the fair value of fixed rate instruments given the higher interest rate environment.

Funds Under Management Unit Trusts & Mutual Funds

$ Billions

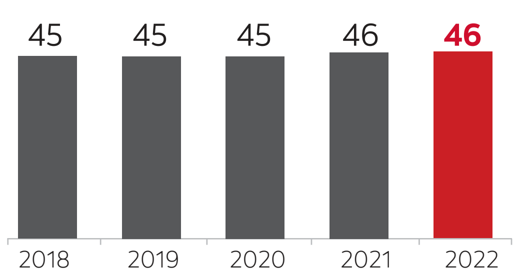


POLICYHOLDERS' FUND

The Policyholders' Fund reflects the insurance contract liabilities held at Scotia Insurance for our ScotiaMINT flagship product. As at October 31, 2022, the Fund stood at $46.3 billion, compared to $45.9 billion last year.

Policyholders' Fund

$ Billions



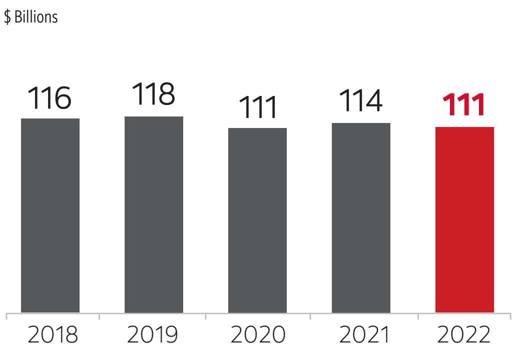
SHAREHOLDERS' EQUITY

Total shareholders' equity totaled $110.9 billion and reflected a reduction of $3.1 billion or 2.8% year over year driven mainly by the re-measurement of the defined benefit pension plan assets, reduction in the fair value of the investment portfolio, and dividends paid which was partially offset by internally generated profits.

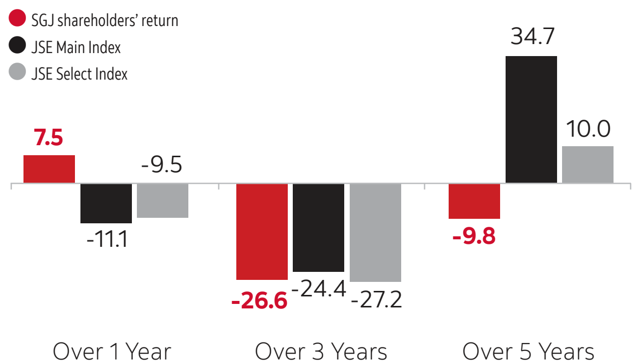
SHAREHOLDERS' RETURN

We remain focused on achieving sustainable long-term earnings growth and returning a high return on equity for our shareholders. Shareholders continue to benefit from consistent quarterly dividends, which totaled $1.40 per share for the year. Shareholders' return increased to 7.5% (including both dividends and change in the price of the Group's common shares). Scotia Group's closing share price increased by 3.6% to close the year at $36.75 per share. The downturn in economic activities caused by the COVID-19 global pandemic impacted the JSE Indices and curtailed shareholders' return in the Over 3 Years category. The Over 5 years category was impacted by the special dividend payment in 2019. Our consistent dividend policy continues to be a key component of shareholders' return.

Shareholders' Equity



Shareholders' Return (%)



Shareholders' Return – For the years ended	2022	2021	2020
Closing Market Price ($)	**36.75**	**35.48**	44.88
Dividends Paid ($)	**1.40**	**1.45**	1.55
Dividend Yield	**3.89%**	**3.49%**	3.11%
Change in Share Price	**3.58%**	**-20.95%**	-18.33%
Total Annual Shareholder Return	**7.47%**	**-17.46%**	-15.22%

CAPITAL

The entities in the Group continue to exceed regulatory capital requirements, and our strong capital position also enables us to manage increased capital adequacy requirements that may arise in the future and take advantage of growth opportunities. Our regulatory and capital adequacy levels versus the minimum requirement is shown below.

CAPITAL MANAGEMENT

Scotia Group is committed to retaining a strong capital base to support the risks associated with its business lines, ensuring the safety of customers' funds and fostering investor confidence. This policy also allows the Group to take advantage of growth opportunities as they arise and invest further in our core businesses to enhance shareholders' return.

The Group's capital management framework includes a capital adequacy assessment process to ensure that the Group is able to meet current and future risks, and also achieve its strategic objectives.

REGULATORY CAPITAL

Capital ratios are means to monitor the capital adequacy and the financial strength of financial institutions. Capital adequacy standards for Jamaican financial institutions are regulated by the Bank of Jamaica for Deposit-taking Institutions and the Financial Services Commission for Securities Dealers and Insurance Companies. These standards are largely guided by international criteria set by the Basel Committee on Banking Supervision (BCBS).

Capital Adequacy	2022 Capital Adequacy Ratio	2021 Capital Adequacy Ratio	Regulatory Requirement	Excess over Regulatory Requirement
Banking and Building Society	15.3%	17.4%	10.0%	5.3%
Investment Management	49.9%	43.6%	10.0%	39.9%
Life Insurance	606.3%	383.1%	150.0%	456.3%

We continue to exceed regulatory capital requirements in all our business lines.

BUSINESS OUTLOOK

The Jamaican economy continues to show resilience with strong recovery from the COVID-19 pandemic and other external shocks in a year that was characterized by high inflation, tightening monetary policy and the looming threat of a global recession. The BOJ monetary policy measures were geared toward addressing the rising inflation concerns. Despite signs of improvement in economic activities, the Government of Jamaica (GOJ) continues to be focused on recovery activities and inflation returning to the Bank of Jamaica's (BOJ's) target range of 4% to 6% by the end of 2023. Global risks remain high due to new COVID-19 variants which could lead to disruption of the Tourism sector recovery particularly as vaccination levels remain low, the war in Ukraine which may continue to push international commodity prices higher and further tightening of global financial conditions impacting remittances.

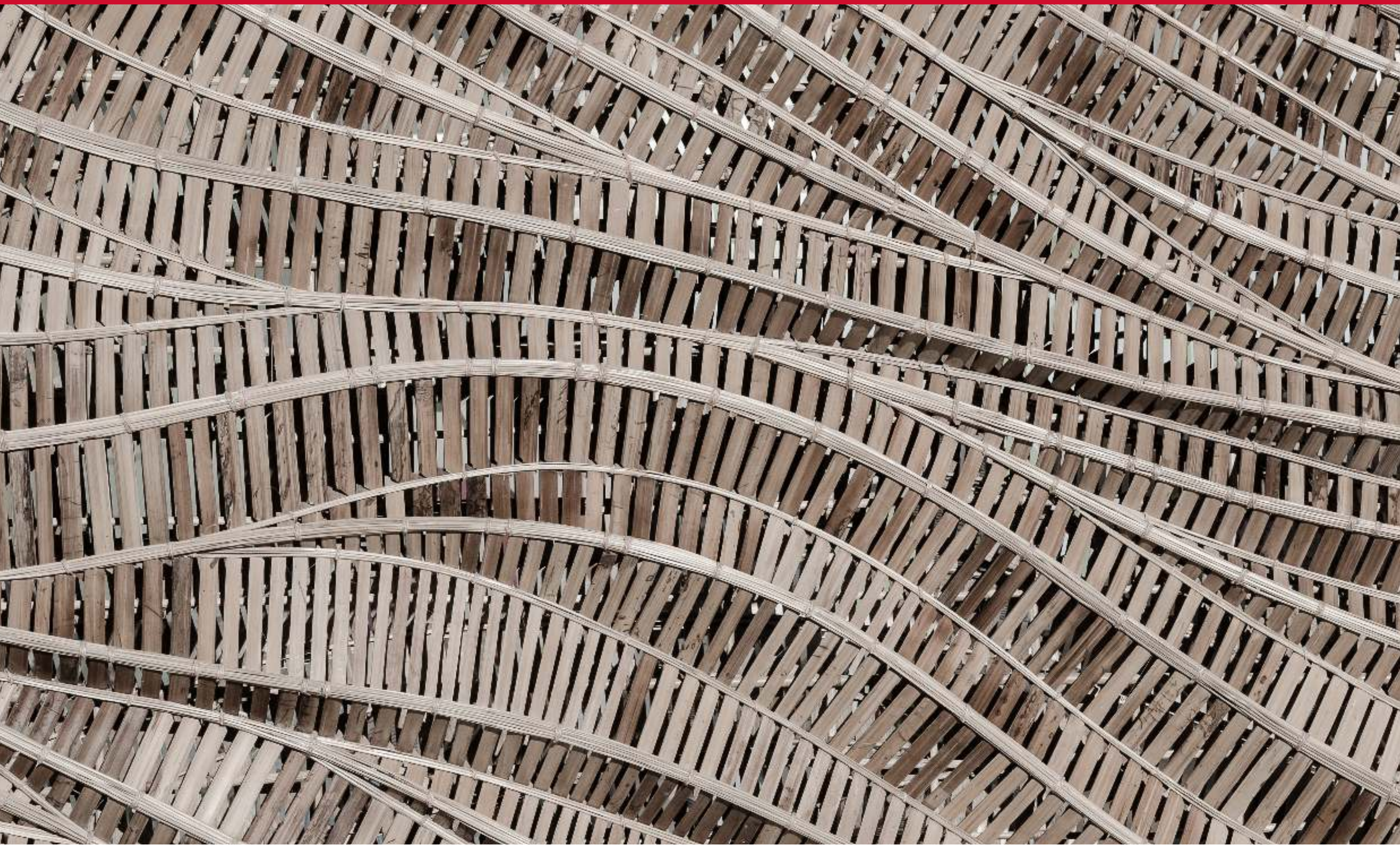
The GOJ is expected to continue building on its reform agenda to support economic recovery and ensure sustainable economic growth. According to the International Monetary Fund (IMF), in December 2022, a team met with the Jamaican authorities to discuss their request for access under the *Precautionary and Liquidity Line (PLL) and the Resilience and Sustainability Facility (RSF)*. An agreement was established under the PLL with access for 190 percent of quota (SDR 727.51 million, approximately US$ 967 million). They also reached an agreement to access financial resources under the RSF in the amount of 150 percent of quota (SDR 574.35 million, approximately US$ 763 million). Of note The PLL will provide valuable insurance to the country against downside risks—including those that arise from extreme weather events, while the RSF will help support Jamaica's ambitious agenda to increase resilience to the effects of climate change, transition to a zero-carbon economy, and catalyze official and private climate-related financing. Standard and Poor's Global Ratings affirming the GOJ's Long-Term Foreign and Local Currency Issuer Default Rating (IDR) at 'B+' with the outlook remaining Stable and the GOJ signaling its commitment to uphold the fiscal responsibility will help shore up investors' confidence in the medium-to-long term outlook for the country.

Consequently, business and consumer confidence were up as at October 2022, signaling optimism relating to economic condition which bodes well for customers and growth across all business lines within Scotia Group. As market competition heightens and customer demands and expectations increase, the Group understands that bridging the gap between our strategies and serving our customers will be fundamental to having a competitive advantage. In response to these continuous changing market needs, we will continue to deepen our relationships with our customers by firmly establishing our brand in the marketplace as the preferred financial services provider, and continue to have a strong foothold in local and international markets. We have heightened our focus on our digital and alternate banking platforms and we will continue to enhance our customers' experience through these convenient channels. Leveraging digital technology underpins our Customer First Strategy and we have made continuous investments in this area as our customers have signaled their preference for online and electronic channels. We are proud of our investments as we have seen a significant reduction in branch transactions. We remain committed to providing best-in-class, convenient and affordable options to our customers to conduct their self-service banking transactions. We will continue to enrich the experience of our customers by offering them greater speed and convenience in our service delivery, as we continue to improve our operational efficiency. Our Retail, Corporate & Commercial and Small Business customers are encouraged to continue to grow their operations as they seek to benefit from the Government's ongoing initiatives implemented to support and strengthen their businesses. We will capitalize on opportunities as they arise and continue to support our customers by assisting them to meet their financial objectives.

Notably, growth impediments such as high incidence of crime and an unskilled labour force will continue to impact the pace of growth and expansion in the economy. Additionally, heightened inflation and the Central bank's aggressive monetary policy stance have caused an increase in uncertainty in the financial markets.

Our people continue to be the dominant force behind our operational activities. We will continue to improve our workforce transformation by integrating our people, processes and technology to improve operational efficiency and better serve our customers. We will continue our thrust to remain the financial partner of choice, leveraging our growing global footprint as well as our team of expert professionals, to offer a wide range of tangible solutions to our customers while delivering superior customer experience for the benefit of all our stakeholders "for every future".

RISK MANAGEMENT



Effective risk management is fundamental to the success and resilience of the Bank and is recognized as key in the Bank's overall approach to strategy management. Scotiabank has a strong, disciplined risk culture where managing risk is a responsibility shared by all the Bank's employees.

The Group's risk management activities are designed to safeguard the balance between risk and reward and ensuring that the results of risk-taking activities are consistent with the Group's strategies and risk appetite.

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are consistent with the Bank's strategies and risk appetite, and that there is an appropriate balance between risk and reward to maximize shareholder value. Scotiabank's Enterprise-Wide Risk Management Framework articulates the foundation for achieving these goals.

RISK MANAGEMENT FRAMEWORK

This Framework is subject to constant evaluation in order for it to meet the challenges and requirements of the market in which the Group operates, including regulatory standards and industry best practices. The risk management program is designed to identify, assess, and mitigate threats and vulnerabilities to which the Group is exposed and serve to enhance its overall resilience.

The Group's risk management framework is applied on an enterprise-wide basis and consists of five key elements:

RISK GOVERNANCE

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

RISK APPETITE

The Group's Risk Appetite Framework (RAF) expresses the amounts and types of risk the Group is willing to take to meet its strategic objectives. The RAF consists of the identification of risk capacity, a risk appetite statement and risk appetite measures. Together, these components help to ensure the Group stays within its risk boundaries, finds an optimal balance between risk and return and assists in nurturing a healthy risk culture.

RISK MANAGEMENT TOOLS

Effective risk management includes tools that are guided by the Group's Risk Appetite Framework, which is integrated within the Group's strategies and business planning processes. Risk management tools are revised regularly and refreshed to ensure consistency with risk-taking activities and relevance to the business and financial strategies of the Group.

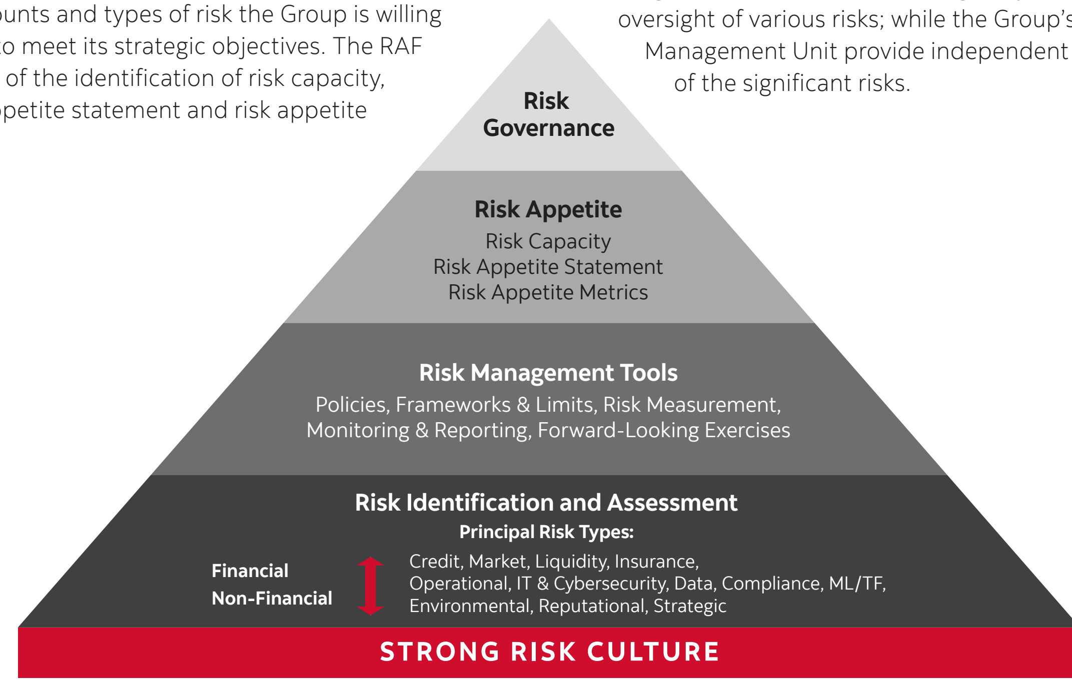
RISK IDENTIFICATION & ASSESSMENT

Effective risk management requires a comprehensive process to identify risks and assess their materiality. The Group's principal risk types are reviewed regularly to ensure they adequately reflect the Group's risk profile.

RISK CULTURE

The Group's risk culture is influenced by several factors including the interdependent relationship amongst the Group's risk governance structure, risk management frameworks, policies and organizational culture. Risks are managed as per the frameworks, policies and limits approved by the Board of Directors.

The Board receives quarterly reports on risk exposures and performances against approved limits. Senior management committees meet regularly and provide oversight of various risks; while the Group's Risk Management Unit provide independent oversight of the significant risks.



RISK MANAGEMENT PRINCIPLES

Risk-taking and risk management activities across the enterprise are guided by the following principles:

- **Balancing Risk and Reward** – business and risk decisions are consistent with strategies and risk appetite.
- **Understand the Risks** – all material risks to which the Group is exposed, including both financial and non-financial, are identified and managed.
- **Forward Thinking** – emerging risks and potential vulnerabilities are proactively identified and managed.
- **Shared Accountability** – every employee is responsible for managing risk.
- **Customer Focus** – understanding our customers and their needs is essential to all business and risk decision-making.
- **Protect our Brand** – all risk-taking activities must be in line with the Group's risk appetite, Scotiabank Code of Conduct, values and policy principles.
- **Controls** – maintaining a robust and resilient control environment to protect our stakeholders.
- **Resilience** – being prepared operationally and financially to respond to adverse events.
- **Compensation** – performance and compensation structures reinforce the Group 's values and promote sound risk-taking behaviour considering the compensation-related regulatory environment.

RISK GOVERNANCE

Effective risk management begins with effective risk governance.

The Group has a well-established risk governance structure, with an active and engaged Board of Directors supported by an experienced executive management team. Decision-making is highly centralized through several executive and senior risk management committees.

THREE LINES OF DEFENCE MODEL

The Group's risk management framework is predicated on the three lines of defence model. Within this model

- **The First Line of Defence** (typically comprised of the business lines and most corporate functions)
  - Incurs and owns the risks
  - Designs and executes internal controls
  - Ensures that the risks generated are identified, assessed, managed, monitored, reported on, within risk appetite, and are in compliance with relevant policies, guidelines and limits
- **The Second Line of Defence** (typically comprised of control functions such as Risk Management, Compliance and Finance)
  - Provides independent oversight and effective challenge of the First Line of Defence
  - Establishes risk appetite, risk limits, policies, and frameworks, in accordance with best practice and regulatory requirements
  - Measures, monitors, controls and reports on risks taken in relation to risk appetite, and on emerging risks

THREE LINES OF DEFENCE

1A. Risk Owners	1B. Risk Owners' Support	2. Risk Owners' Oversight	3. Independent Assurance
• Own the risks • Design and exercise controls • Identify and manage risks within risk appetite and limits	• Assist Risk Owners • Assist in establishing risk governance, controls and reporting frameworks	• Establish risk appetite, limits and policies • Measure, control and report on risks and on emerging risks • Independent of the first line	• Internal Audit • Provide reasonable assurance that the first and second lines of defence are effectively managing and controlling risks

- **The Third Line of Defence** (Audit Department) provides enterprise-wide independent, objective assurance over the design and operation of the Bank's internal control, risk management and governance processes

All employees are, for some of their activities, risk owners, as all employees are capable of generating reputational and operational risks in their day-to-day activities and are held accountable for owning and managing these risks

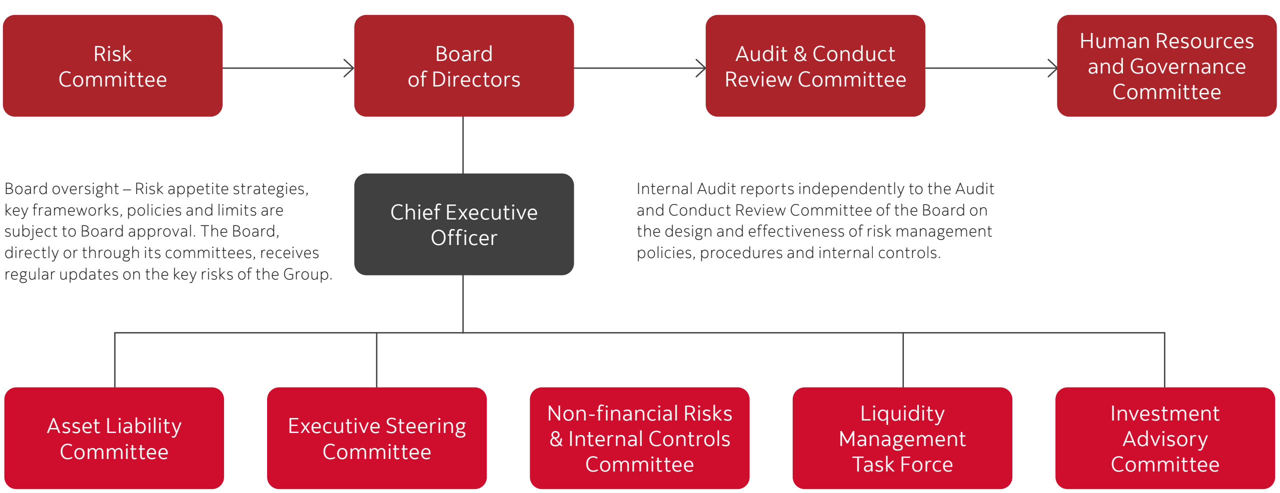
GOVERNANCE STRUCTURE

The Bank's Board of Directors and its Committees provide oversight and governance over the Bank's Risk Management program which is supported by the President and Chief Executive Officer and Chief Risk Officer.

The Board of Directors: as the top of the Group's risk management governance structure, provides oversight, either directly or through its committees, to satisfy itself that decision making is aligned with the Group's strategies and risk appetite. The Board receives regular updates on the key risks of the Group– including a quarterly comprehensive summary of the Group's risk profile and performance of the portfolio against defined limits – and approves key risk policies, frameworks, and limits.

The Risk Committee of the Board (RC): assists the Board in fulfilling its responsibilities for identifying and monitoring key financial and non-financial risks. The Committee assists the Board by providing oversight to the risk management and anti-money laundering/anti-terrorist finance functions of the Group. This includes periodically reviewing and approving the Group's key risk management policies, frameworks and limits and satisfying itself that management is operating within the Group's Enterprise Risk Appetite Framework. The Committee also oversees the independence of each of these control functions, including the effectiveness of the heads of these functions, as well as the functions themselves.

Audit and Conduct Review Committee of the Board: assists the Board by providing oversight on the effectiveness of the Group's system of internal controls. The Committee oversees the integrity of the Group's consolidated financial statements and related quarterly results. This includes oversight of the Group's financial reporting as well as the external auditor's qualifications, independence and performance. This Committee assists the Board in fulfilling its oversight responsibilities for setting standards of conduct and ethical behaviour, and the oversight of conduct and conduct risk management. The Committee also oversees the Group's compliance with legal and regulatory requirements, and oversees the



Board oversight – Risk appetite strategies, key frameworks, policies and limits are subject to Board approval. The Board, directly or through its committees, receives regular updates on the key risks of the Group.

Internal Audit reports independently to the Audit and Conduct Review Committee of the Board on the design and effectiveness of risk management policies, procedures and internal controls.

Business units are responsible and accountable for managing risks within their portfolio, and are allocated capital in line with their risk profiles.

Senior management committee structure is designed to ensure alignment of business objectives, risk appetite and resources.

Finance, Compliance and Audit functions at the Bank. The Committee also oversees the independence of each of these control functions, including the effectiveness of the heads of these functions, as well as the functions themselves.

Human Resources and Governance Committee of the Board: in conjunction with the Risk Committee of the Board, satisfies itself that adequate procedures are in place to identify, assess and manage the risks (including conduct risk) associated with the Group's material compensation programs and that such procedures are consistent with the Group's risk management programs. The Committee has further responsibilities relating to leadership, succession planning and total rewards.

President and Chief Executive Officer (CEO): reports directly to the Board and is responsible for defining, communicating and implementing the strategic direction, goals and core values for the Group that maximize long term shareholder value. The CEO oversees the establishment of the Group's risk appetite, in collaboration with the Chief Risk Officer and Chief Financial Officer, which is consistent with the Group's short and long term strategy, business and capital plans, as well as compensation programs.

Chief Risk Officer (CRO): reports to the CEO and the Risk Committee of the Board and is responsible for the overall management of Risk Management and works closely with key stakeholders who are responsible for Compliance and AML Risk. The CRO and the Director of Audit and Director of Compliance and AML Risk also have unfettered access to certain Committees of the Board to ensure their independence. As a senior member of the Group's executive management team, the CRO participates in strategic decisions related to where and how the Group will deploy its various sources of capital to meet the performance targets of the business lines.

RISK APPETITE

Effective risk management requires clear articulation of the Bank's risk appetite and how the Bank's risk profile will be managed in relation to that appetite.

The Group's Enterprise Risk Appetite Framework (ERAF) articulates the amount and types of risk the Group is willing to take to achieve its strategic and financial objectives. The Enterprise RAF consists of the risk capacity, risk appetite statement, risk appetite metrics, and roles and responsibilities of those overseeing the implementation and monitoring of the ERAF. Together, the application of these components helps to ensure the Group stays within the appropriate risk boundaries, finds an optimal balance between risk and return, and supports a strong risk culture.

RISK APPETITE STATEMENT

The Group's Risk Appetite Statement articulates the aggregate level and types of risk the Group is willing to accept, or to avoid, to achieve its business objectives. It includes qualitative statements as well as quantitative measures and considers all the Group's Principal Risks.

RISK APPETITE METRICS

Risk appetite metrics provide clear risk limits, which are critical in implementing an effective risk management framework. Risk appetite metrics are supported by management level limit structures and controls, as applicable.

RISK MANAGEMENT TOOLS

Effective risk management includes tools that are guided by the Group's Enterprise Risk Appetite Framework and integrated with the Group's strategies and business planning processes.

The framework is supported by a variety of risk management tools that are used individually and/or jointly to manage enterprise-wide risks. Risk management tools are regularly reviewed and updated to ensure consistency with risk-taking activities, and relevance to the business and financial strategies of the Group.

FRAMEWORKS, POLICIES AND LIMITS

FRAMEWORKS AND POLICIES

The Group develops and implements its key risk frameworks and policies in consultation with the Board. Such frameworks and policies are also subject to the requirements and guidelines of the Bank of Jamaica (BOJ), the Banking Services Act and in consideration of industry best practices. Frameworks and policies apply to specific types of risk or to the activities that are used to measure and control risk exposure. They are developed in consultation with various stakeholders across risk management and other control and corporate functions, business lines and the Audit Department. Their development and implementation are guided by the Group's risk appetite, governance standards and set the limits and controls within which the Group and its subsidiaries can operate.

Key risk frameworks and policies may be supported by standards, procedures, guidelines and manuals.

LIMITS

Limits govern and control risk-taking activities within the appetite and tolerances established by the Board and executive management. Limits also establish accountability for key tasks in the risk-taking process and establish the level or conditions under which transactions may be approved or executed.

RISK MEASUREMENT

The Group's measurement of risk is a key component of its risk management framework. The measurement methodologies may apply to a group of risks or a single risk type and are supported by an assessment of qualitative risk factors to ensure the level of risks are within the Group's risk appetite. The Group utilizes various risk techniques such as: models; stress testing; scenario and sensitivity analysis; and back testing using data with forward-looking projections based on plausible and worst case economic and financial market events; to support its risk measurement activities.

MODELS

The use of quantitative risk methodologies and models is subject to effective oversight and a strong governance framework which includes the application of sound and experienced judgment. The development, design, independent review and testing, and approval of models are subject to the Model Risk Management Policy.

MONITORING AND REPORTING

The Group continuously monitors its risk exposures to ensure business activities are operating within approved risk appetite limits, thresholds or guidelines. Risk owners are responsible for identifying and reporting breaches of early warning thresholds and risk appetite limits or any other deteriorating trends in risk profile, as well as highlighting evolving external risk factors, to senior management and/or the Board, as appropriate.

Regular ongoing risk reporting to senior management and the Board of Directors, aggregate measures of risk for all products and business lines and are used to ensure compliance with risk appetite, policies, limits, and guidelines. They also provide a clear statement on the types, amounts, and sensitivities of the various risks in the portfolio. Senior management and the Board use this information to understand the Group's risk profile and the performance of the portfolios. A comprehensive summary of the Bank's risk profile and performance of the portfolios are presented to the Board of Directors on a quarterly basis.

RISK IDENTIFICATION AND ASSESSMENT

Effective risk management requires a comprehensive process to identify risks and assess their materiality.

We define Risk as the potential impact of deviations from expected outcomes on the Bank's earnings, capital, liquidity, reputation and resilience caused by internal and external vulnerabilities.

Risk identification and assessment is performed on an ongoing basis through the following:

- **Transactions** – risks, including credit and market exposures, are assessed by the business lines as risk owners with Risk Management providing review and effective challenge, as applicable
- **Monitoring** – risks are identified by constantly monitoring and reporting current trends and analysis, top and emerging risks and internal and external significant adverse events impacting the Bank
- **New Products and Services** – new or significant change to products, services and/or supporting technology are assessed for potential risks through the New Initiatives Risk Assessment Program
- **Self Assessments** – operational risks through people, processes and systems are periodically self-assessed by the risk owners with the responsible second line of defense providing effective challenge

On an annual basis, the Bank undergoes a Bank-wide risk assessment that identifies the material risks faced by the Bank for the Internal Capital Adequacy Assessment Process (ICAAP) and the determination of internal capital. This process evaluates the risks and determines the pervasiveness of the risk across business lines, the significance of the risk to a specific business line, the likelihood and potential impact of the risk and whether the risk may cause unexpected losses in income and therefore would be mitigated by internal capital. The process also reviews other evolving and emerging risks and includes qualitative considerations such as strategic, economic and Environmental Social Governance risk factors.

PRINCIPAL RISK TYPES

The Group's Principal Risk types are reviewed annually as part of the Assessment of Risks process to determine that they adequately reflect the Group's risk profile. Principal Risks are defined as:

Those risks which management considers of primary importance: i) having a significant impact or influence on the Group's primary business and revenue generating activities (Financial Risks) or ii) inherent in the Bank's business and can have significant negative strategic, business, financial and/or reputational consequences (Non-Financial Risks).

Principal Risks are assessed on an annual basis considering, amongst other things, the following factors:

- Potential impact (direct or indirect) on the Group's financial results, operations, and strategy
- Effect on the Group's long-term prospects and ongoing viability
- Regulatory focus and/or social concern
- Short to mid-term macroeconomic and market environment
- Financial and human resources required to manage and monitor the risk
- Establishment of key risk indicators, performance indicators or management limits to monitor and control the risk
- Peer identification and global best practices
- Regular monitoring and reporting to the Board on the risk is warranted

Once a Principal Risk has been identified, governance structures and mechanisms must be in place for that risk:

- Committee governance structures have been established to manage the risk
- Dedicated 2nd line resources are in place providing effective challenge
- Frameworks and supporting policies, procedures and guidelines have been developed and implemented to manage the risk as appropriate risk appetite limits have been established supported by management limits, early warning thresholds and key risk indicators as appropriate for the risk

- Adequate and effective monitoring and reporting has been established to the Board, executive and senior management, including from subsidiaries
- Board and executive management have clear roles and responsibilities in relation to risk identification, assessment, measurement, monitoring and reporting to support effective governance and oversight

Principal Risks are categorized into two main groups:

FINANCIAL RISKS:

Credit, Liquidity, Market

These are risks that are directly associated with the Group's primary business and revenue generating activities. The Group understands these risks well and takes them on to generate sustainable, consistent and predictable earnings. Financial risks are generally quantifiable and are relatively predictable. The Group has a higher risk appetite for financial risks which are a fundamental part of doing business; but only when they are well understood, within established limits, and meet the desired risk and return profile.

NON-FINANCIAL RISKS

Compliance, Cyber Security & Information Technology (IT), Data, Environmental, Social & Governance (ESG), Model, Money Laundering /Terrorist Financing and Sanctions, Operational, Reputational, Strategic

These are risks that are inherent in our business and can have significant negative strategic, business, financial and/or reputational consequences if not managed properly. In comparison to financial risks, non-financial risks are less predictable and more difficult to define and measure. The Group has low risk appetite for non-financial risks and mitigates these accordingly.

PRINCIPAL RISK TYPES

FINANCIAL RISK

CREDIT RISK

Credit risk is the possibility of a loss resulting from a counterparty's failure to repay a loan or meet contractual obligations. Traditionally, it refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection. Credit risk arises in the Group's direct lending operations and in its funding, investment and trading activities where counterparties have repayment or other obligations to the Group. The Group's Risk Management Units develop the credit risk management Programme and credit risk policies that detail among other things; the credit risk rating systems and associated parameters, the delegation of authority for granting credit, the calculation of the allowance for credit losses, and the authorization of write-offs. The Board reviews and approves the Group's Credit Risk Policy and key credit risk related documents and limits. The Group's counterparty credit risk-taking activities include Securities Financing Transactions (SFTs), such as repurchase/reverse repurchase transactions for Treasury's liquidity management purposes and securities borrowing/lending. These types of risk-taking activities give rise to counterparty credit risk. The Counterparty Credit Risk Management Framework and Credit Risk Policy describe the approach taken to manage counterparty credit risk.

MARKET RISK

Market risk is the risk of loss from changes in market prices and rates (including interest rates, credit spreads, equity prices, and foreign exchange rates), the correlations among them and their levels of volatility. Market risk exposures primarily come from the Group's investment and funding activities with exposures managed through the Group's asset-liability management processes. This is also supplemented by the Group's stress testing program designed and managed in accordance with the Bank's Stress Testing Framework; and Stress Testing Policy.

Exposures also come from the Group's trading activities; however, there are policies, processes and controls designed to achieve a balance between pursuing profitable trading opportunities and managing earnings volatility. These activities are primarily customer-focused but include a proprietary component. In its trading activities, the Group primarily buys and sells currencies, equities and bonds for its customers.

The key exposures arising from these activities are:

INTEREST RATE RISK

The Group actively manages its interest rate exposures, the objective being to enhance net interest income within established risk tolerances. Interest rate risks are managed through sensitivity analysis (including economic value of equity and net interest income), stress testing and mitigated through portfolio diversification and other strategies. Interest rate exposures in individual currencies are also controlled by gap limits. Interest rate risk exposure is generally based on the earlier of contractual re-pricing or maturity of the Group's assets and liabilities. Further details on the interest rate risk exposure for the Group are summarized in Note 46 (c) (i) of the Financial Statements.

FOREIGN CURRENCY RISK

This arises from foreign currency operations and is typically mitigated by financing foreign currency assets with borrowings in the same currencies. Risk is managed through maximum net trading position, sensitivity, stress testing and VaR limits and mitigated through hedges using foreign exchange positions. The foreign currency risk exposure for the Group is summarized in Note 46 (c) (ii) of the Financial Statements.

CREDIT SPREAD RISK

This emerges from investment portfolios that the Group holds to meet liquidity and statutory reserve requirements and investment purposes. Debt investments primarily consist of government and corporate bonds. Most of these securities are fair valued using prices/yields obtained from external sources.

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 (systemic risk). The goal is to earn dividend income and realize capital gains to offset the interest foregone in holding such long-term positions. The risk is managed through sensitivity analysis, stress testing and VaR limits. The equity price risk exposure for the Group is summarized in Note 46 (c) (iii) of the Financial Statements.

LIQUIDITY RISK

Liquidity risk is the risk that the Group is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to depositors, settlement of securities borrowing, repurchase transactions, lending and investment commitments. Liquidity risk also arises due to mismatches in the amount and maturity of the Bank's financial assets and liabilities. The ability of the bank to meet its financial obligations is managed under both normal and stressed conditions. Effective liquidity risk management is essential to maintain the confidence of depositors and counterparties, and to enable the core businesses to continue to generate revenue, even under adverse circumstances. The key elements of the liquidity risk framework are:

- **Measurement and modeling** – the Group measures and forecasts cash inflows and outflows, including off-balance sheet cash flows by currency daily; and runs regular stress tests to assess the sufficiency of their stock of liquid asset resources under stressed conditions.
- **Contingency planning** – the Group maintains a Liquidity Monitoring and Contingency Plan that specifies an approach for analyzing and responding to actual and potential liquidity events. The plan outlines the governance structure for the management and monitoring of liquidity events, processes for effective internal and external communication and identifies potential counter measures to be considered at various stages of an event.
- **Funding diversification** – the Group actively manages the diversification of its deposit liabilities by source, type of depositor, instrument and term. Funding source concentrations are regularly monitored and analyzed against established limits. The principal sources of funding are capital, core deposits from retail and commercial clients through the branch network and wholesale funding.
- **Core liquidity** – the Group maintains a pool of highly liquid, unencumbered assets that can be readily sold, or pledged to secure borrowings under stressed market conditions or due to company specific events.

NON-FINANCIAL RISK

Non-financial risks directly or indirectly affect the Group's primary business and revenue- generating activities. They are inherent to the Group's businesses and if not managed properly, could have significant operational, strategic, business and/or reputational consequences. Unlike financial risks, these core risks are unpredictable and difficult to define and measure. The Bank mitigates these core risks through robust internal controls and processes, while ensuring alignment with its low risk appetite for this risk type.

OPERATIONAL RISK

The risk of loss resulting from ineffective or failed internal processes, people, systems, or external events that can disrupt the flow of business operations. Operational risk exists in some form within each of the Group's business and support activities and can result in financial loss, regulatory sanctions and damage to the Group's reputation. These losses can be catastrophic and as such require close monitoring. To this end, the Group has frameworks, policies, processes and assessment methodologies to ensure that operational risks are identified, managed and supported by robust controls. The Operational Risk function within the Group's risk management unit oversees the identification, assessment, monitoring and analysis of operational risks and reports loss events. Oversight of the Group's non- financial risks is reinforced by a Non-Financial Risk and Internal Controls Committee chaired by the Group's Chief Risk Officer.

TECHNOLOGY, INFORMATION AND CYBER SECURITY RISK

Information Technology (IT) risk is the likelihood of failures or deficiencies related to the IT environment that may result in loss or other negative impact to the Group. Cybersecurity refers to the protection of information assets by addressing threats to information processed, stored and transported by internet-based information systems. The continued increase in Technology, Information and Cyber Security Risks impacts financial institutions and other businesses in Jamaica and globally. The continuous evolution of, and access to various technologies have facilitated the increase in volumes and the sophistication level of the ever-lurking threats. The era of digitization has led to the development and deployment of mobile and internet banking platforms. These changes simplify transactions for the Group's customers and facilitate the receipt of leading applications, processes and services from third parties. However, they can be sources of attacks, breaches or points of compromise. Incidences like these can result in disruption to operations, misappropriation or unauthorized release of personally identifiable information (PII), fines, sanctions and reputational damage. In order to protect key systems and critical assets, the Group proactively monitors and manages these potential risks and constantly reviews and refines Programmes as new threats emerge. The Group also trains and sensitizes employees and customers about the increasing levels of security threats faced daily. Our employees complete mandatory annual training around cyber security. These trainings are facilitated through various channels such as internal and external workshops, online lectures and presentations. Awareness Programmes for our customers are delivered through bulletins, print media and appropriate digital channels. These Programmes are geared towards educating our customers about best practices, DOs and DON'Ts. The Bank continues to advance our efforts to reduce cyber security risks. The necessary measures have been taken to have protection guidelines for our ABMs and vestibules.

DATA RISK

The risk, whether direct or indirect, to data that is used to support the Group's ability to make informed decisions and develop accurate reporting and analytics for the Group, including the Board, senior management and regulators, or for customer facing and/or marketing purposes. These risks include data management, data taxonomy, metadata breaches or data that is incomplete, inaccurate, invalid, untimely and/or inaccessible. To ensure robust governance and oversight, the Group has a Data Governance Framework and policy which ensures that the outcomes of the data management activities fulfill all regulatory requirements, align to industry best practices, and enable the Group to manage the key components of data governance used to support decision-making.

ENVIRONMENTAL RISK

Refers to the possibility that environmental concerns involving Scotiabank, or its stakeholders (including customers) could negatively impact the performance or reputation of the Group. Concerns that tend to be captured under Environmental Risk include, but are not limited to, the loss of, or damage to the natural environment and biodiversity, such as land, water, the atmosphere, plants, animals, natural resources, habitats, and ecosystems. The Group's Environmental Risk Management Framework outlines key principles that the Group uses when managing matters relating to potential or emerging environmental risks and considerations. The Environmental Risk framework instructs lending practices, supplier agreements, the management of real estate holdings and external reporting practices. Environmental risks associated with the business operations of each borrower and any real property offered as security are considered in the Group's credit evaluation procedures. This includes an environmental risk assessment where applicable, as well an assessment of the potential impact of climate change (including physical and transition risks) on the borrower. In the area of project finance, the Equator Principles have been integrated into the Group's internal processes and procedures since 2006. The Equator Principles help financial institutions determine, assess, manage and report environmental and social risk for projects where capital costs are US$10 million, or more.

INSURANCE RISK

Insurance Risk is the risk of potential financial loss due to actual experience being different from that assumed in the pricing process of insurance products. Scotia Jamaica Life Insurance Company (SJLIC), the Group's insurance subsidiary, engages in insurance underwriting activity. These activities are guided by an Insurance Risk Policy and Insurance Risk Management Framework, which influences and guides SJLIC in its governance and risk management practices. SJLIC's Board of Directors provide oversight and approval of the SJLIC's insurance risk policies and risk appetite statement.

REPUTATIONAL RISK

The risk that negative publicity regarding the Group's conduct, business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures. The Group's Reputational Risk Policy, and applicable procedures are used to manage suitability risk, reputational and legal risk specific to structured finance transactions. Throughout the enterprise, reputational risks are managed and controlled using codes of conduct, governance practices, risk management Programmes, policies, procedures and training. All directors, officers and employees have a responsibility to conduct their activities in accordance with the Group's Code of Conduct and in a manner, which minimizes reputational risk. The activities of the Legal, Corporate Secretary, Public, Corporate Affairs and Compliance departments are geared towards the management of reputational risk.

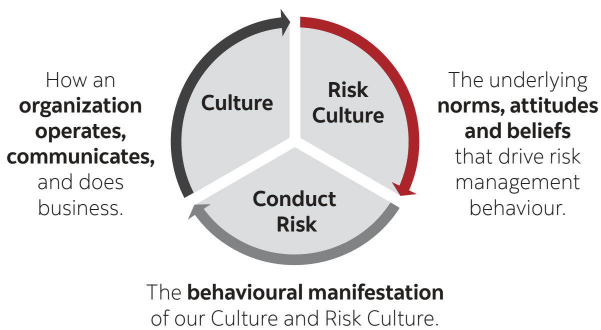
STRATEGIC RISK

The risk that the enterprise, business lines or corporate functions will make strategic choices that are poorly executed and/or ineffective, or insufficiently resilient to changes in the business environment. The ultimate responsibility for the oversight of strategic risks lies with the Board of Directors. On an annual basis, the Group engages in its robust strategic planning and approval process to formulate its strategic objectives. On an ongoing basis, Heads of Business Lines and Control Functions identify, manage and assess the internal and external risks which could impede the achievement or progress of strategic imperatives. The executive management team meets regularly to evaluate the effectiveness of the Group's strategic plan and where necessary, make amendments.

RISK CULTURE

Effective risk management requires a strong, robust, and pervasive risk management culture where every Group employee is a risk manager and is responsible for managing risks.

KEEPING THE BANK SAFE



The Group's risk culture is influenced by numerous factors including the interdependent relationship amongst the Group's risk governance structure, risk appetite, strategy, organizational culture, and risk management tools.

A strong risk culture is a key driver of conduct. It promotes behaviours that align to the Group's values, and enables employees to identify risk taking activities that are beyond the established risk appetite.

The Group's Risk Culture Program is based on four indicators of a strong risk culture:

- **Tone from the Top** – Leading by example including clear and consistent communication on risk behavior expectations, the importance of the Group's values, and fostering an environment where everyone has ownership and responsibility for "doing the right thing".
- **Accountability** – All employees are accountable for risk management. There is an environment of open communication where employees feel safe to speak-up and raise concerns without fear of retaliation and consequences for not adhering to the desired behaviours.
- **Risk Management** – Risk taking activities are consistent with the Group's strategies and risk appetite. Risk appetite considerations are embedded in key decision making processes.
- **People Management** – Performance and compensation structures encourage desired behaviors and reinforce the Group's risk culture.

Other elements that influence and support the Group's risk culture:

- **Scotiabank Code of Conduct:** describes standards of conduct to which all directors, officers, and employees of the Group must adhere. This includes an annual acknowledgement that they have read the Scotiabank Code of Conduct and agree to adhere to it.
- **Values:** Value Every Voice; Integrity – Act With Honour; Accountability – Make It Happen; Passion – Be Your Best
- **Communication:** the Group actively communicates risk appetite, and how it relates to Scotiabankers, to promote a sound risk culture
- **Compensation:** programs are structured to comply with compensation-related principles and regulations and discourage behaviours that are not aligned with the Group's values and Scotiabank Code of Conduct and ensure that such behaviours are not rewarded
- **Training:** risk culture is continually reinforced by providing effective and informative mandatory and non-mandatory training modules for all employees on a variety of risk management topics
- **Decision-making on risk issues is highly centralized:** The flow of information and transactions to senior and executive committees keeps management well informed of the risks the Bank faces and ensures that transactions and risks are aligned with the Group's risk appetite
- **Executive Mandates:** all Executives across the Group have risk management responsibilities within their mandates

SHAREHOLDINGS

Scotia Group Jamaica Limited – As at 31 October 2022

TOP TEN LARGEST SHAREHOLDERS*

Rank	SHAREHOLDER	Holdings (Units)*
1	SCOTIABANK CARIBBEAN HOLDINGS LIMITED	2,233,403,384
2	SAGICOR POOLED EQUITY FUND	63,241,902
3	NATIONAL INSURANCE FUND	57,924,069
4	SJIML A/C 3119	55,725,439
5	RESOURCE IN MOTION LIMITED (R.I.M)	31,133,609
6	NCB INSURANCE AGENCY AND FUND MANAGERS LTD WT109	24,291,176
7	GRACEKENNEDY PENSION FUND CUSTODIAN LTD	23,080,094
8	ATL GROUP PENSION FUND TRUSTEE NOMINEE LIMITED	15,728,432
9	SIJL A/C 560-03	15,052,567
10	SAGICOR SELECT FUNDS LIMITED - (CLASS B' SHARES) FINANCIAL	12,578,986

*As at 31 October 2022

SHAREHOLDINGS OF DIRECTORS, SENIOR MANAGERS AND CONNECTED PARTIES*

DIRECTORS	Holdings (Units)*
ALEXANDER, BARBARA ANN	108,000
CRAWFORD, ERIC	53,638
FOWLER, ANGELA	47,760
HALL, JEFFREY MCGOWAN	40,000
HART, ANTONY MARK	24,960
MCCONNELL, WILLIAM DAVID	0
MCPHEDRAN, JAMES	0
RICHARDS, AUDREY	12,000
SCHNOOR, ANYA	264,213
SMITH, EVELYN	0
TUGWELL HENRY, AUDREY	29,996
SENIOR MANAGERS	
ANDERSON, YVETT	83,886
BENNETT-EASY, MAKEBA	0
BUCKNOR, DAYNE	21,632
DAVIES, TRICIA	523
FORBES-PATRICK, YANIQUE	2,000
GAYLE, PERRIN	73,118
HEYWOOD, NADINE	69,502
MAIR, HORACE CRAIG	114,022
MCLEGGON, MARCETTE	327,666
NELSON, MORRIS	43,087
O'CONNOR, GABRIELLE	0
REYNOLDS, ADRIAN	91,245
RUSSELL, TONYA	0
SPENCE, DEBRA	0
WHITE, GARY-VAUGHN	205,556
WHITE, NAADIA	9,814
WILKIE-CHANNER, SHELEE NADINE	231,878
WILSON, MAIA	0
WRIGHT, MICHELLE	128,972

*As at 31 October 2022

SUPPORTING OUR COMMUNITIES

Scotia Group continues to support the community and uphold our commitment to the advancement of Jamaica's youth. Over the past year, the Group, through the Scotiabank Jamaica Foundation (Scotia Foundation) embarked on several educational, environmental and community outreach initiatives that have helped to cement our pledge and to promote economic resilience within our communities.

We continued our adoption of Scotiabank's global philanthropic focus, ScotiaRISE, which is aimed at providing funding to address societal issues that limit the abilities of vulnerable groups to have access to opportunities that enable them to become economically resilient. Through this initiative, we supported opportunities to help students complete their secondary education and removed barriers for disadvantaged groups.

Over the past year, following a 2-year hiatus due to the pandemic, the Scotia Group volunteer corps returned to our communities assisting those in need. Approximately 200 volunteers across the Group donated their time to support meaningful initiatives that assisted the various members of society.

COMMUNITY OUTREACH

Spreading the Joy of Christmas

Kickstarting the festive season, Scotia Group continued our longstanding support of the Salvation Army's Christmas Kettle Appeal, and donated J$1.5 million to support over 9,500 individuals and families. A separate partnership with the United Way of Jamaica, saw a further donation of J$2.2 million to provide gifts and food items for 231 wards of the state living in privately run homes in Jamaica, during the Yuletide season. Four additional homes – Blessed Assurance Home, New Vision Children's Home, Annie Dawson Home for Girls and Sunbeam's Boy's Home, also benefited from donations of commercial appliances and furniture.

Under the "Love, S" campaign – the Christmas-themed philanthropic initiative coordinated by Scotiabank – we partnered with the Food for the Poor organization to support families facing various socio-economic challenges through the gifting of food, household items and appliances. A total investment of J$1.5 million was contributed to the completion of the project that brought holiday cheer to vulnerable families.

Nadiesha Cunningham (centre) smiles as she accepts the gift from Scotiabank's Avril Leonce (left), Head of the Sales Support Unit. With them is Food for the Poor's Marsha Burrell-Rose.

Treat for healthcare workers

Continuing the festivities of the season, the Scotia Foundation feted over 1,600 health-care workers at the Cornwall Regional Hospital in St. James as a 'thank you' to the workers for their consistent fight against the pandemic. The luncheon, which was held at the hospital provided a welcome respite for the healthcare heroes from the challenges they encounter daily.

Healthcare workers line up to collect their meals from Scotia volunteers during the Christmas Luncheon held at the Cornwall Regional Hospital.

Working together to develop our communities

In commemoration of Labour Day, Scotia Group pumped J$2.4 million into renovation efforts at three educational facilities in St Catherine and St James. Partnering with Food for the Poor Jamaica and the United Way of Jamaica, the contribution facilitated the painting and clean-up efforts completed at the Port Henderson Primary School in St. Catherine, while work was also done at the Montego Bay Learning Centre in St. James, and the Victorious Basic School in Gordon Pen, St. Catherine. Staff volunteers were out in their numbers to support the beautification and renovation projects.

Paint brushes in hand, a team of Scotia volunteers are ready to tackle work at the Port Henderson High School in St. Catherine on Labour Day. Scotiabank volunteers were integrally involved in the beautification projects aimed at improving the physical environment of the school for each student.

Investing in our communities to transform lives

The Scotia Group also contributed J$10 million in support of the social transformation and renewal programme instituted by the Private Sector Organisation of Jamaica and the Council of Voluntary Social Services. Dubbed Project STAR (Social Transformation and Renewal), the initiative will benefit residents of 20 communities island wide over the next five years with the aim of assisting at-risk youth in the communities and ultimately curbing the surge in violence.

EDUCATION

Bridging the digital divide

In commemoration of Scotiabank's 132nd anniversary, the Scotia Foundation gifted 132 tablets to students from low-income families as they navigated the transition to virtual learning. Contributing J$3.9 million to the United Way of Jamaica, Scotia Group, provided internet enabled devices to students enrolled in 13 rural high schools, namely: The Jamaica School For the Blind, Carron Hall High School, Sydney Pagon Agricultural High School, Llandilo School of Special Education, Port Antonio High School, Buff Bay High School, Herbert Morrison Technical High School, Montego Bay High School, Seaforth High School, Ocho Rios High School, York Castle High School, the Women's Centre Foundation of Jamaica, and the Anchovy High School.

Audrey Tugwell Henry (second right), President and CEO, Scotia Group Jamaica is pictured with Stephannie Coy (left), CEO, United Way of Jamaica and students Audre-Ann Edwards (second left), 5th form student at the Seaforth High School, and Attean Williams, head boy at Jamaica School for the Blind at the presentation of 132 tablets which were donated to support the United Way of Jamaica's Digital Divide 2021 project and will benefit 13 schools across the island. Scotiabank's donation is a celebration of the organisation's 132nd anniversary.

Removing barriers to education

Through a contribution of J$ 3.1 million, Scotia Group supported the education of 15 tertiary students completing studies at the University of the West Indies, under the Scotiabank/UWI Toronto Gala scholarship programme. An additional J$800,000 was disbursed to finance the academic careers of four high school students, as part of the Scotia Foundation's Shining Star Scholarship programme.

The Scotia Foundation invested J$1.2 million to celebrate Read Across Jamaica Day with primary and early childhood schools. Galvanizing the support from the volunteer corps, the Foundation coordinated a day of reading with the students and the donation of book vouchers valued at up to J$100,000 to the administration of over 20 schools across the island to outfit the schools' libraries with books and to encourage literacy in those institutions.

Scotiabank volunteer Claudine Murray is animated as she reads a book to engage students at the Jessie Ripoll Primary School in Kingston on Read Across Jamaica Day (May 3). The Foundation visited several schools across the island to promote reading among youth on the nationally celebrated day.

To assist parents as they prepared their children for the new academic year, the Scotia Foundation invested over $8 million to provide back-to-school supplies for grade six students enrolled at eight schools islandwide. Over 1,000 students received book vouchers valued at $5,000 each, backpacks, water bottles and personal hygiene products.

Scores of grade 6 students from the McAuley Primary School in Spanish Town, St. Catherine show off their branded backpacks, filled with supplies, gifted by the Scotia Foundation. Each student received a $5,000 book voucher, stationery, and other supplies during a back-to-school treat.

ENVIRONMENT

Deposits for the future

In commemoration of Earth Day, the Scotia Foundation donated J$700,000 to support the United Way of Jamaica's Trees for Life initiative aimed at involving school children in an islandwide tree planting exercise to plant 1,000 trees in schools. The project forms part of the national climate change and reforestation efforts to plant three million trees in three years. Since its launch in April, several Scotiabank volunteers participated in various tree planting exercises across the island.

Taza Elliot (right), Scotia Foundation volunteer and customer service officer with the Scotiabank Junction branch, plants a tree at the Epping Forrest Primary School in St Elizabeth with students and Ann-Marie Bromfield from the Forestry Department on National Tree Planting Day.

The Scotia Group is committed to investing in our people through initiatives that will see to the advancement of our communities and ultimately our country. We remain steadfast in our actions to support Jamaicans and enable their ability to become economically resilient.

WINNING TEAM 2022

BEST OF THE BEST 2021 ON TVJ

During Q1, Scotiabank's annual Best of the Best initiative, which celebrates our top performing employees across the Group, was successfully broadcast on Television Jamaica. While observing COVID-19 protocols, team members huddled and watched together in branches and units as well as from home. We received fantastic feedback from team members and external stakeholders on this important recognition initiative.

GREAT PLACE TO WORK!

Scotia Group Jamaica was again certified as a Great Place to Work by the Great Place to Work Institute. The survey confirmed that team members across Scotia Group continue to possess strong organizational pride and commitment to the brand.

TOWNHALLS

Quarterly all-staff townhalls were held throughout the year to ensure that our team was engaged and clear on strategic priorities. These sessions were held with some team members face to face and others joining virtually. Townhalls were held on location at the Scotiabank Centre, the Jamaica Contact Centre and Mandeville Branch. The high energy meetings typically featured a business update from the CEO, a question & answer segment and a staff recognition segment.

EXECUTIVE ROADSHOW

During June and July 2022, members of the Executive Team visited approximately 40 locations to connect and engage with staff members in our 2022 Executive Roadshow themed 'Let's Rise to Win Together'. The senior leadership team shared updates on business and team initiatives and facilitated robust interaction through question & answer sessions with staff across the Group. The feedback regarding the Roadshow has been very positive and feasible recommendations from team members have been reviewed and are being implemented.

KEEPING OUR FINGER ON THE PULSE

This year, we continued our Keeping Our Finger on the Pulse communication series with our President & CEO which served to motivate and inform staff through punchy video messages. The videos were posted on our internal engagement platform and received good engagement from team members.

CUSTOMER FIRST INITIATIVES

Putting our customers first is a key strategic priority of the Group, and the expansion of the Customer Experience unit in 2022 indicated our commitment to delivering a best-in-class and satisfying experience across all of our channels.

We understand that our customers expect and demand that financial institutions deliver the best service, quick turnaround, convenient options and ease of doing business and we do recognize that they have a choice of financial partners.

At Scotiabank, we're embedding in our culture a higher degree of accountability at all levels of the organization built on listening to our customers' feedback, examining the root causes of their concerns and identifying the appropriate solutions to address their issues. We also encourage and empower our employees across our subsidiaries, branches and support teams to demonstrate ownership for our customers' experiences.

As we work to achieve our main priorities of strengthening our service recovery process and our response to customer concerns, we are ensuring that the team is equipped with the knowledge, training and tools necessary to assist our customers. We have simplified and streamlined our complaint handling and dispute resolution process in the past year and are already seeing some significant improvements in this area. There has been a marked reduction in overall resolution times for cases reported. On average, 90% of reported customer complaints are now satisfactorily addressed within targeted timeframes and we expect that this timeframe will be further reduced, as we continue to refine our capabilities.

HIGHLIGHTS:

- Piloted a new fraud dispute handling process which will be launched early in the next financial year.
- Focused on process improvement initiatives to enhance the branch experience and reduce wait time, we developed and launched Express Service to create a more satisfying experience for simple transactions and get customers in and out of the branch faster.
- Implemented several initiatives via our Contact Centre to empower Advisors to deliver more resolutions on the first call resulting in increases in resolution rate and customer satisfaction.
- Launched a 2-month radio series to empower our customers with valuable information to address frequently occurring pain points and challenges especially around digital banking and security.
- Worked with branch teams to significantly improve Net Promoter Score results across the network

As our employees deepen their commitment to our Customer First mandate, we continue to reinforce outstanding achievements and exceptional service behaviours through our robust reward and recognition programme. These commendations have become strong motivators for our frontline teams and a driving force to continue raising the bar on service and deliver exceptional experiences.

We will be undertaking more intensive training in the coming year of our frontline and support teams to ensure that the focus on customers is integrated and aligned throughout the entire organization and that exceptional service becomes embedded in our culture.

DIGITAL TRANSFORMATION HIGHLIGHTS

Leveraging digital technology underpins our Customer First Strategy and we have made continuous investments in this area as our customers have signaled their preference for online and electronic channels. Online transactions increased by 50% year over year with digital transactions now representing the largest category and accounting for 39% of total transactions. Our advancements in digital transformation were acknowledged by Global Finance Magazine which named Scotiabank Jamaica as the Best Consumer Digital Bank for 2022. We are extremely proud of our achievements, and we are committed to continuous improvements in our business as we strive to become the bank for every future.

DIGITAL BANKING UPGRADES

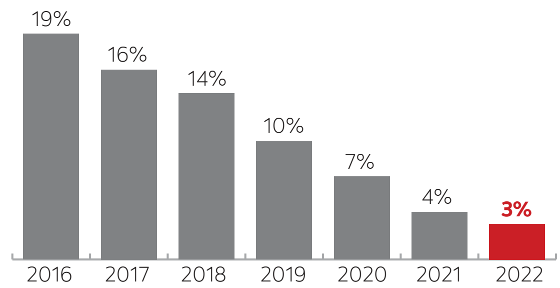
In September, we launched our new online banking platform which offers increased fraud monitoring and protection for retail banking customers. Other enhancements include:

- e-statements for loans
- Redesign of customer flow for mobile top-up transactions on the mobile app
- Onboarding screens to introduce customers to new features after each mobile app upgrade

DIGITAL TRANSFORMATION TRENDS

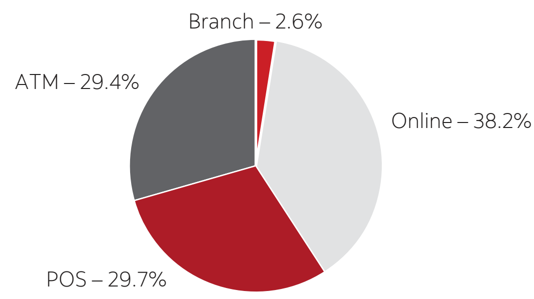
Branch Transaction Trend

In-branch transactions have declined from 19% of total transactions in 2016 to less than 4% at the end of 2022.



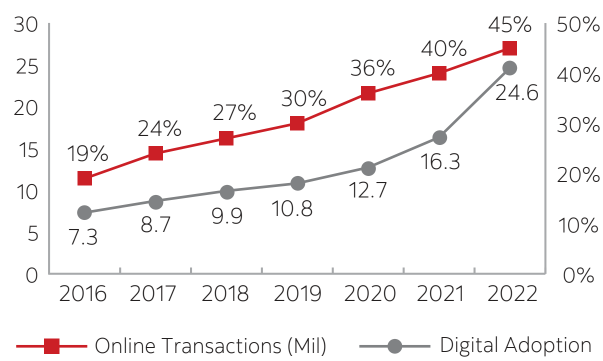
Transaction Mix

Customer preference has shifted to Point of Sale (POS) and Online as the preferred channels.



Online Transaction/Digital Adoption

Between 2016 and 2022 the percentage of customers using online/mobile banking has increased from 19% to 45%.



CONSOLIDATED FINANCIAL STATEMENTS

of Scotia Group Jamaica Limited

CONTENTS

KPMG
Chartered Accountants
P.O. Box 436
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

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 77 to 161, which comprise the Group's and Company's statements of financial position as at October 31, 2022, 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, 2022, 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.

KPMG

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

The key audit matter	*How the matter was addressed in our audit*
Loans, net of allowance for expected credit losses, represent 40% or $238 billion of the Group's total assets and financial investments subject to credit losses represent 27% or $162 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. 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 *Financial Instruments*. 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. These judgements impact certain inputs, assumptions, qualitative adjustments or overlays, and the determination of when there has been a significant increase in credit risk. *[see notes 2(o), 3(i) and 23 of the financial statements]*	Our procedures in this area included the following: • 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: - 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.

KPMG

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)

The key audit matter (continued)	*How the matter was addressed in our audit (continued)*
	Our procedures in this area included the following (continued): • With the assistance of our Financial Risk Management Specialists (continued): - Reviewing, assessing and evaluating limitations of the models used. - Assessing the appropriateness of inclusion of 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 expected credit losses.

KPMG

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

The key audit matter	*How the matter was addressed in our audit*
Investment securities measured at fair value represent 28% 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. Management used valuation techniques which require inputs such as market yields obtained from established yield curves. *[see notes 2(l), 3(ii), 20, 24 and 47 of the financial statements]*	Our procedures in this area included the following: • 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 or obtain yields or 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

The key audit matter	*How the matter was addressed in our audit*
Policyholders' liabilities represent 10% or $46 billion of the Group's total liabilities. 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. The combination of assumptions and judgements increases the risk that management's estimate could be materially misstated. *[see notes 2(j), 3(iii), 37, and 46(e), of the financial statements]*	Our procedures in this area included the following: • 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. • 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

The key audit matter	*How the matter was addressed in our audit*
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. 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. The use of significant assumptions increases the risk that management's estimate can be materially misstated. *[see notes 2(u), 3(iv) and 29 of the financial statements]*	Our procedures in this area included the following: • 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.

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.

KPMG

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 75-76, 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 Cynthia Lawrence.

KPMG

Chartered Accountants
Kingston, Jamaica

December 20, 2022

KPMG

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.

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, 2022
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2022	2021 Restated*
Net interest income and other revenue			
Net interest income calculated using the effective interest method			
Interest from loans and deposits with banks		24,041,563	20,652,591
Interest from securities		6,114,361	3,643,598
		30,155,924	24,296,189
Interest income on securities at fair value through profit and loss		242,885	271,635
Total interest income		30,398,809	24,567,824
Interest expense	6	(1,779,472)	(1,856,335)
Net interest income	6	28,619,337	22,711,489
Expected credit losses		(3,057,324)	(2,809,239)
Net interest income after expected credit losses		25,562,013	19,902,250
Other revenue			
Fee and commission income	7	19,509,388	15,612,562
Fee and commission expense	7	(13,333,060)	(9,524,242)
	7	6,176,328	6,088,320
Net gains on foreign currency activities	8(a)	7,210,517	7,556,774
Net (losses)/gains on financial assets	8(b)	(141,278)	604,430
Insurance revenue	9	3,035,990	2,633,082
Other revenue	10	950,666	1,023,004
Total other revenue		17,232,223	17,905,610
		42,794,236	37,807,860
Expenses			
Salaries, pensions and other staff benefits	11	10,307,104	9,475,842
Property expenses, including depreciation		2,510,371	2,331,915
Amortisation of intangible assets	28	119,654	97,672
Asset tax		1,316,085	1,217,783
Other operating expenses		11,336,958	12,015,469
	12	25,590,172	25,138,681
Profit before taxation	13	17,204,064	12,669,179
Taxation	14	(5,524,166)	(4,030,327)
Profit for the year attributable to stockholders of the Company		11,679,898	8,638,852
EARNINGS PER STOCK UNIT (expressed in $) **attributable to stockholders of the Company**	15	3.75	2.78

*See note 54
The accompanying notes form an integral part of the financial statements.

SCOTIA GROUP JAMAICA LIMITED

Consolidated Statement of Comprehensive Income
Year ended October 31, 2022
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2022	2021 Restated*
Profit for the year		11,679,898	8,638,852
Other comprehensive loss:			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefits plan asset and obligations	29(c)	(8,463,456)	1,042,798
Taxation	36(a)	2,821,152	(347,600)
		(5,642,304)	695,198
Items that are or will be reclassified subsequently to profit or loss:			
Unrealised losses on investment securities		(7,013,781)	(2,058,859)
Realised gains on investment securities		86,101	41,377
Foreign operations – foreign currency translation		(3,770)	32,091
Expected credit losses on investment securities		30,685	4,811
		(6,900,765)	(1,980,580)
Taxation	36(a)	2,075,001	545,523
		(4,825,764)	(1,435,057)
Other comprehensive loss, net of tax		(10,468,068)	(739,859)
Total comprehensive income attributable to stockholders of the Company		1,211,830	7,898,993

*See note 54
The accompanying notes form an integral part of the financial statements.

SCOTIA GROUP JAMAICA LIMITED

Consolidated Statement of Financial Position
October 31, 2022
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2022	2021 Restated*	2020 Restated*
ASSETS				
Cash resources				
Cash and balances at Bank of Jamaica	16	84,652,650	101,249,141	68,539,905
Government and bank notes other than Jamaican	19	7,126,960	2,416,012	1,634,969
Due from other banks	17	21,049,363	35,342,911	43,513,493
Accounts with parent and fellow subsidiaries	18	36,163,211	29,667,548	27,568,399
	19	148,992,184	168,675,612	141,256,766
Financial assets at fair value through profit or loss	20	3,035,413	3,703,002	3,685,340
Pledged assets	21	15,598,720	15,639,678	17,179,792
Loans, net of allowance for credit losses	22	237,786,054	208,523,054	220,726,834
Investment securities	24	148,846,066	141,625,200	116,397,816
Government securities purchased under resale agreements	25	751,427	-	1,100,871
Other assets				
Taxation recoverable		2,591,341	2,262,233	2,675,632
Other assets	26	3,128,904	4,036,354	2,597,940
Property and equipment	27	9,311,741	8,851,961	8,558,323
Goodwill and intangible assets	28	552,036	570,421	668,093
Retirement benefits asset	29(a)	23,561,041	31,254,250	28,242,497
Deferred tax assets	36(b)	1,443,296	441,444	236,112
		40,588,359	47,416,663	42,978,597
		595,598,223	585,583,209	543,326,016

*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, 2022
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2022	2021 Restated*	2020 Restated*
LIABILITIES				
Deposits by the public	30	397,176,483	378,473,110	336,660,438
Due to other banks and financial institutions	31	1,047,139	1,283,410	3,567,722
Due to ultimate parent company	32	14,458	311,274	881,034
Due to fellow subsidiaries	33	499,535	363,132	264,384
		398,737,615	380,430,926	341,373,578
Other liabilities				
Cheques and other instruments in transit	19	3,546,806	3,155,909	2,957,038
Capital management and government securities funds	34	14,128,403	18,808,108	19,157,775
Other liabilities	35	11,058,328	10,135,723	11,406,127
Taxation payable		2,932,202	445,460	710,833
Deferred tax liabilities	36(b)	3,501,883	7,508,730	6,960,013
Retirement benefits obligations	29(b)(i)	4,557,782	5,237,873	4,541,887
		39,725,404	45,291,803	45,733,673
Policyholders' liabilities	37	46,284,431	45,865,307	45,299,616
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	(5,431,669)	(609,675)	857,473
Loan loss reserve	43	361,367	334,797	220,791
Other reserves	44	9,964	9,964	9,964
Translation reserve		34,935	38,705	6,614
Unappropriated profits		60,153,280	58,498,486	54,101,411
Total equity		110,850,773	113,995,173	110,919,149
Total liabilities and equity		595,598,223	585,583,209	543,326,016

The financial statements on pages 76 to 160 were approved for issue by the Board of Directors and signed on its behalf on December 20, 2022 by:

______________________ Director
Anya Schnoor

______________________ Director
Audrey Tugwell Henry

______________________ Director
Eric Crawford

______________________ Secretary
Maia Wilson

*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, 2022
(*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
Balance as at November 1, 2020, as previously reported		6,569,810	3,249,976	45,891,770	11,340	857,473	220,791	9,964	6,614	53,937,896	110,755,634
Prior year adjustment (note 54)		-	-	-	-	-	-	-	-	163,515	163,515
Balance as at November 1, 2020, as restated*		6,569,810	3,249,976	45,891,770	11,340	857,473	220,791	9,964	6,614	54,101,411	110,919,149
Profit for the year, as restated*		-	-	-	-	-	-	-	-	8,638,852	8,638,852
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	9,334,050	7,898,993
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, as restated*		6,569,810	3,249,976	45,891,770	11,340	(609,675)	334,797	9,964	38,705	58,498,486	113,995,173
Profit for the year		-	-	-	-	-	-	-	-	11,679,898	11,679,898
Other comprehensive income:											
Remeasurement of retirement benefit plan/obligations		-	-	-	-	-	-	-	-	(5,642,304)	(5,642,304)
Foreign currency translation		-	-	-	-	-	-	-	(3,770)	-	(3,770)
Unrealised losses on investment securities, net of taxes and provisions		-	-	-	-	(4,879,394)	-	-	-	-	(4,879,394)
Realised losses on investment securities, net of taxes		-	-	-	-	57,400	-	-	-	-	57,400
Total other comprehensive income		-	-	-	-	(4,821,994)	-	-	(3,770)	(5,642,304)	(10,468,068)
Total comprehensive income		-	-	-	-	(4,821,994)	-	-	(3,770)	6,037,594	1,211,830
Transfer to loan loss reserve		-	-	-	-	-	26,570	-	-	(26,570)	-
Transaction with owners of the Company:											
Dividends paid	52	-	-	-	-	-	-	-	-	(4,356,230)	(4,356,230)
Net movement for the year		-	-	-	-	-	26,570	-	-	(4,382,800)	(4,356,230)
Balances at October 31, 2022		6,569,810	3,249,976	45,891,770	11,340	(5,431,669)	361,367	9,964	34,935	60,153,280	110,850,773

*See note 54
The accompanying notes form an integral part of the financial statements.

SCOTIA GROUP JAMAICA LIMITED

Consolidated Statement of Cash Flows
Year ended October 31, 2022
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2022	2021 Restated*
Cash flows from operating activities			
Profit for the year		11,679,898	8,638,852
Adjustments for:			
Taxation	14	5,524,166	4,030,327
Depreciation	27	809,726	744,455
Amortisation of right of use assets	27	156,017	185,691
Amortisation of intangible assets	28	119,654	97,672
Expected credit losses		4,499,285	3,649,249
Gain on sale of property and equipment	10	(290,100)	(6,505)
Impairment of property and equipment	27	11,871	-
Write-off of property and equipment	27	-	18,163
Increase in retirement benefits asset/obligations, net		(1,287,628)	(1,149,800)
Gain on extinguishment of liability	10	(629,030)	(953,779)
		20,593,859	15,254,325
Interest income	6	(30,398,809)	(24,567,824)
Interest expense	6	1,779,472	1,856,335
		(8,025,478)	(7,457,164)
Changes in operating assets and liabilities:			
Loans		(33,869,877)	7,814,096
Deposits by the public		14,034,127	41,475,091
Policyholders' liabilities		419,124	565,692
Sundry assets, net		907,450	(1,436,644)
Other liabilities, net		802,476	(613,770)
Due to parent company and fellow subsidiaries		(156,460)	(464,335)
Accounts with parent and fellow subsidiaries		2,768,534	(5,626,507)
Financial assets at fair value through profit or loss		669,519	(7,515)
Taxation recoverable		(1,000,281)	1,084,571
Retirement benefits asset/obligations		(162,710)	(123,170)
Amounts due to other banks and financial institutions		392,758	(1,336,613)
Statutory reserves at Bank of Jamaica		(2,797,688)	(2,960,183)
		(26,018,506)	30,913,549
Interest received		30,167,907	25,126,271
Interest paid		(1,762,569)	(1,842,890)
Taxation paid		(2,479,445)	(4,421,284)
Net cash(used in)/provided by operating activities (carried forward to page 83)		(92,613)	49,775,646

*See note 54
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, 2022
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2022	2021 Restated*
Cash flows from operating activities			
(brought forward from page 82)		(92,613)	49,775,646
Cash flows from investing activities			
Purchase of investment securities		(85,999,490)	(63,113,398)
Proceeds from maturity/disposal of investment securities		72,070,581	36,129,898
Pledged assets		(1,798,011)	834,634
Proceeds from disposal of property and equipment		334,073	6,505
Purchase of intangible assets, net		(101,269)	-
Purchase of property and equipment	27	(1,352,599)	(1,744,815)
Net cash used in investing activities		(16,846,715)	(27,887,176)
Cash flows from financing activity			
Dividends paid to stockholders	52	(4,356,230)	(4,822,969)
Lease payments right of use assets	35(ii)(d)	(166,001)	(204,821)
Net cash used in financing activities		(4,522,231)	(5,027,790)
Effect of exchange rate changes on cash and cash equivalents		(2,114,037)	5,057,398
Net (decrease)/increase in cash and cash equivalents		(23,575,596)	21,918,078
Cash and cash equivalents at beginning of year		127,412,619	105,494,541
Cash and cash equivalents at end of year	19	103,837,023	127,412,619

*See note 54
The accompanying notes form an integral part of the financial statements.

SCOTIA GROUP JAMAICA LIMITED

Statement of Comprehensive Income
Year ended October 31, 2022
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2022	2021
Net interest income calculated using the effective interest method			
Interest from deposit with banks	6	65,790	4,567
Net (losses)/gains on foreign currency activities		(95,053)	670,273
Dividend income	45	3,677,360	3,937,494
		3,582,307	4,607,767
Total income		3,648,097	4,612,334
Expenses			
Other operating expenses	12	57,134	40,635
Profit before taxation	13	3,590,963	4,571,699
Taxation	14	(12,162)	(9,219)
Profit for the year		3,578,801	4,562,480

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

SCOTIA GROUP JAMAICA LIMITED

Statement of Financial Position
October 31, 2022
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2022	2021
ASSETS			
Cash resources			
Accounts with subsidiaries	18	9,128,131	9,891,092
Investment in subsidiaries, at cost		13,029,908	13,029,908
Other assets			
Taxation recoverable		106,363	106,363
		22,264,402	23,027,363
LIABILITES			
Accrued expenses and other liabilities		17,440	15,135
Taxation payable		7,522	-
Deferred tax liabilities	36	4,694	53
		29,656	15,188
EQUITY			
Share capital	38	6,569,810	6,569,810
Unappropriated profits		15,664,936	16,442,365
Total stockholders' equity		22,234,746	23,012,175
Total liabilities and equity		22,264,402	23,027,363

The financial statements on pages 77 to 161 were approved for issue by the Board of Directors and signed on its behalf on December 20, 2022 by:

_________________________ Director
Anya Schnoor

_________________________ Director
Audrey Tugwell Henry

_________________________ Director
Eric Crawford

_________________________ Secretary
Maia Wilson

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

SCOTIA GROUP JAMAICA LIMITED

Statement of Changes in Stockholders' Equity
Year ended October 31, 2022
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	Share capital	Unappropriated profits	Total
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
Transaction with owners:				
Dividends paid	52	-	(4,822,969)	(4,822,969)
Balances at October 31, 2021		6,569,810	16,442,365	23,012,175
Profit for the year, being total comprehensive income		-	3,578,801	3,578,801
Transaction with owners:				
Dividends paid	52	-	(4,356,230)	(4,356,230)
Balances at October 31, 2022		6,569,810	15,664,936	22,234,746

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

SCOTIA GROUP JAMAICA LIMITED

Statement of Cash Flows
Year ended October 31, 2022
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2022	2021
Cash flows from operating activities			
Profit for the year		3,578,801	4,562,480
Adjustments for:			
Interest income	6	(65,790)	(4,567)
Dividend Income		(3,677,360)	(3,937,494)
Taxation	14	12,162	9,219
		(152,187)	629,638
Changes in operating assets and liabilities			
Other assets, net		-	70,650
Accounts with fellow subsidiaries		654,496	(569,109)
Other liabilities		2,308	(1,384,083)
		504,617	(1,252,904)
Interest received		47,229	4,542
Taxation paid		-	(28,499)
Net cash provided by/ (used in) operating activities		551,846	(1,276,861)
Cash flows from investing activity			
Dividend received, being cash provided by investing activity	47	3,677,360	3,937,494
Cash flows from financing activity			
Dividends paid, being cash used in financing activity	52	(4,356,230)	(4,822,969)
Net decrease in cash and cash equivalents		(127,024)	(2,162,336)
Cash and cash equivalents at beginning of year		759,545	2,921,881
Cash and cash equivalents at end of year	19	632,521	759,545

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

(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 Company	Holding by Subsidiary	Financial Year-End
The Bank of Nova Scotia Jamaica Limited 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 General Insurance Agency	General Insurance		100%	October 31**
Scotia Investments Jamaica Limited and its subsidiaries:	Investment Banking	100%		October 31
Scotia Asset Management (Barbados) 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 (Barbados) Inc. which is incorporated in Barbados.

*The statements included in the consolidation are financial statements as at and for the year ended October 31, 2022.

**Scotia General Insurance Agency was incorporated on December 30, 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:

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

(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 expedients 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.

(ii) Amendments to IFRS 16 *Leases* are effective for annual periods beginning on or after April 1, 2021, early adoption is permitted. The amendments extend the practical expedient by 12 months – i.e. allowing lessees to apply it to rent concessions for which any reduction in lease payments affect only payments originally due on or before 30 June 2022.

The 2021 amendments are applied retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings. The disclosure requirements of paragraph 28(f) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* do not apply on initial application.

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 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 a 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.

(ii) 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.

> (i) 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.
>
> (ii) 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.

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) IFRS 17 *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2023 replaces IFRS 4 *Insurance Contracts* and provides a comprehensive principle-based framework for recognition, measurement, presentation and disclosure of insurance contracts. The standard provides three models to apply to all insurance contracts: the general measurement model, the variable fee approach and the premium allocation approach.

The key principles in IFRS 17 are that an entity:

- Identifies insurance contracts 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 event (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 of insurance contracts is or becomes loss making, an entity recognises the loss immediately.

- Presents separately insurance revenue (that excludes the receipt or repayment of any investment component) 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 measurement 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 project has an established governance structure led by the Executive Steering and Project Operations Committees assisted by a Project Management Office. The committees are comprised of representatives from Finance, Insurance Actuarial Services, Technology and the Insurance Business Operations. The project involves technology implementation, policy and process changes to support the IFRS 17 processes. The Group continues to assess and formulate the actuarial and accounting policies under IFRS 17 to quantify the impact of adopting the new standard, including quantification.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

(iv) 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, thereby easing implementation for non-insurers.

- Companies that issue 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 have an option to apply IFRS 9 or IFRS 17, thus 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. Companies will also need to assess each period the recoverability of insurance acquisition cash flow assets on a more granular level than is performed 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 was expanded to non-derivative assets at FVTPL and reinsurance contracts held 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 2023 financial statements.

(v) Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 2023. The amendments promote consistency in application and clarify the requirements in 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.

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 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 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.

(vi) Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policy information rather than their significant accounting policies;
- clarifying that accounting policy information related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policy information that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are consistent with the refined definition of material:

"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

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

(vii) Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates, unless they result from the correction of prior period errors.

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

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

(viii) Amendments to IAS 12 *Income Taxes* are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other component of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented.

The Group is assessing the impact that the amendment will have 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 when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. 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.

2. Summary of significant accounting policies (continued)

(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.

(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 instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or financial liability.

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.

2. Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

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.

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:

Type of service	*Nature and timing of satisfaction of performance obligations, including significant payment terms.*	*Revenue recognition under IFRS 15*
Banking services	The Group provides banking related services, including execution of customers' transactions and maintenance of customers' investment 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 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.

2. Summary of significant accounting policies (continued)

(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.

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.

2. Summary of significant accounting policies (continued)

(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 profit or loss. 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.

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.

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 and initial measurement

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 are initially recognised on the trade date. A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

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.

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 the business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective. When assessing the 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.

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

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 the 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.

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 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 the 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.

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

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).

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 irrevocable and 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.

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

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 and securities sold under repurchase agreements 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.

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 the 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.

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

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.

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 the 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, cancelled 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.

2. Summary of significant accounting policies (continued)

(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.

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.

The impairment models measure 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 the 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 the 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 losses 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.

2. Summary of significant accounting policies (continued)

(o) Allowance for expected credit losses (continued)

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.

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 instrument, 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.

2. Summary of significant accounting policies (continued)

(o) Allowance for expected credit losses (continued)

Assessment of significant increase in credit risk (SIR) (continued)

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 Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, 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.

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 separately in 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 statement of revenue and expenses.

2. Summary of significant accounting policies (continued)

(o) Allowance for expected credit losses (continued)

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 re-organisation;
- 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 realisation of the 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.

(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 original or modified 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 amount initially recognised is immaterial to the financial statements. The Group’s commitments under acceptances, guarantees and letters of credit as at October 31, 2022 total $20,700,537 (2021: $16,820,638). In the event of a call on these commitments, the Group has equal and offsetting claims against its customers.

2. Summary of significant accounting policies (continued)

(r) Property and equipment

Land is measured at historical cost. All other property 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

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

Property 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 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.

2. Summary of significant accounting policies (continued)

(t) Goodwill and intangible assets (continued)

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 of impairment . 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 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.

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.

2. Summary of significant accounting policies (continued)

(t) Goodwill and intangible assets (continued)

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-employments 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 that are not considered material and are expensed when incurred.

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 *Employee Benefits*. Remeasurements comprising actuarial gains and losses and changes in the effect of the 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.

2. Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

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.

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 the statement of revenue and expenses.

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.

2. Summary of significant accounting policies (continued)

(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.

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

(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.

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 financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

2. Summary of significant accounting policies (continued)

(x) Leases (continued)

As a lessee (continued)

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 and equipment' and lease liabilities in other liabilities in the statement of financial position.

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.

2. Summary of significant accounting policies (continued)

(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.

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.

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

Estimates (continued)

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.

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 losses, 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.

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

v. *Recognition and measurement of intangible assets (continued)*

Judgements (continued)

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

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.

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.

Notes to the Financial Statements (Continued)
October 31, 2022
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

5. Segmental financial information (continued)

	The Group 2022							
	Banking							
	Retail	Corporate and Commercial	Treasury	Investment Management Services	Insurance Services	Other	Eliminations	Group
Net external revenues	18,912,028	11,270,646	7,698,272	2,806,972	5,192,903	(29,261)	-	45,851,560
Revenue from other segments	1,082,677	3,417,952	(4,713,841)	209,757	11,969	-	(8,514)	-
Total revenues	19,994,705	14,688,598	2,984,431	3,016,729	5,204,872	(29,261)	(8,514)	45,851,560
Total expenses and credit losses	(17,044,885)	(7,555,199)	(935,854)	(1,540,801)	(1,471,074)	(57,136)	(42,547)	(28,647,496)
Profit before tax	2,949,820	7,133,399	2,048,577	1,475,928	3,733,798	(86,397)	(51,061)	17,204,064
Taxation								(5,524,166)
Profit for the year								**11,679,898**
Segment assets	166,557,815	97,050,128	224,971,268	25,718,097	63,242,961	22,264,401	(31,196,966)	568,607,704
Unallocated assets								26,990,519
Total assets								**595,598,223**
Segment liabilities	217,139,551	199,138,624	1,700,279	16,108,749	46,671,066	29,655	(15,694,338)	465,093,586
Unallocated liabilities								19,653,864
Total liabilities								**484,747,450**
Other segment items:								
Net interest income	15,767,450	8,875,271	1,144,976	636,031	2,084,160	65,790	45,659	28,619,337
Capital expenditure	1,027,177	361,226	-	64,802	663	-	-	1,453,868
Expected credit losses	2,832,771	66,363	166,713	(27,366)	18,843	-	-	3,057,324
Depreciation and amortisation	630,769	320,719	7,424	121,634	4,851	-	-	1,085,397

Capital expenditure comprises additions to property and equipment excluding right-of-use assets (note 27) and intangible assets (note 28).

Notes to the Financial Statements (Continued)
October 31, 2022
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

5. Segmental financial information (continued)

	The Group 2021							
	Banking							
	Retail	Corporate and Commercial	Treasury	Investment Management Services	Insurance Services	Other	Eliminations	Group
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	279,052	954,682	(1,393,830)	211,423	(14,782)	-	(36,545)	-
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	(17,128,047)	(7,144,839)	(670,674)	(1,554,083)	(1,395,798)	(40,637)	(13,842)	(27,947,920)
Profit before tax	1,038,718	4,514,508	1,777,208	1,990,798	2,764,129	634,205	(50,387)	12,669,179
Taxation								(4,030,327)
Profit for the year								**8,638,852**
Segment assets	140,983,282	92,342,024	227,235,904	30,560,080	59,744,266	23,027,363	(23,365,363)	550,527,556
Unallocated assets								35,055,653
Total assets								**585,583,209**
Segment liabilities	210,149,858	184,034,764	-	20,447,632	46,314,506	15,188	(10,418,794)	450,543,154
Unallocated liabilities								21,044,882
Total liabilities								**471,588,036**
Other segment items:								
Net interest income	14,134,477	6,590,775	204,076	522,848	1,194,929	4,567	59,817	22,711,489
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	585,312	297,305	6,020	131,396	7,785	-	-	1,027,818

Capital expenditure comprises additions to property and equipment excluding right-of-use assets (note 27) and intangible assets (note 28).

(Expressed in thousands of Jamaican dollars unless otherwise stated)

6. Net interest income

	The Group		The Company	
	2022	2021	2022	2021
Interest income calculated using the effective interest method:				
Deposits with banks and other financial institutions	3,277,900	331,068	65,790	4,567
Investment securities	6,055,220	3,617,665	-	-
Reverse repurchase agreements	59,141	25,933	-	-
Loans and advances	20,763,663	20,321,523	-	-
	30,155,924	24,296,189	65,790	4,567
Interest income on financial assets at fair value through profit or loss	242,885	271,635	-	-
Total interest income	30,398,809	24,567,824	65,790	4,567
Interest expense measured on the effective interest method:				
Banks and customers	502,915	634,022	-	-
Repurchase agreements	342	701	-	-
Policyholders' liabilities	1,199,681	1,172,454	-	-
Other	76,534	49,158	-	-
	1,779,472	1,856,335	-	-
Net interest income	28,619,337	22,711,489	65,790	4,567

7. Net fee and commission income

	The Group	
	2022	2021
Fee and commission income:		
Retail banking fees	7,982,998	6,387,406
Credit related fees	1,277,113	865,019
Commercial and depository fees	7,981,941	6,042,588
Insurance related fees	303,431	287,149
Trust and other fiduciary fees	40,005	45,538
Asset management and related fees	1,923,900	1,984,862
	19,509,388	15,612,562
Fee and commission expense	(13,333,060)	(9,524,242)
	6,176,328	6,088,320

Total fee and commission income and expenses relate to financial assets and liabilities not measured at FVTPL.

8. Net gains/(losses) 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 (losses)/gains on financial assets:

	The Group	
	2022	2021
(Losses)/gains on securities held for trading	(102,579)	464,871
(Losses)/gains on securities at FVOCI	(38,699)	139,559
	(141,278)	604,430

(Expressed in thousands of Jamaican dollars unless otherwise stated)

9. Insurance revenue

	The Group	
	2022	2021
Gross premiums		
Individual life	1,218,553	1,146,452
Group life	1,471,222	971,122
	2,689,775	2,117,574
Reinsurance ceded	(259)	(53)
	2,689,516	2,117,521
Changes in actuarial reserves	346,474	515,561
	3,035,990	2,633,082

10. Other revenue

	The Group		The Company	
	2022	2021	2022	2021
Gain on sale of property and equipment	290,100	6,505	-	-
Gain on extinguishment of liability*	629,030	953,779	-	-
Dividend and other income	31,536	62,720	3,677,360	3,937,494
	950,666	1,023,004	3,677,360	3,937,494

*Other revenue includes one-off gain of $629,030 (2021: $953,779) representing the settlement of outstanding liability with another financial institution.

11. Salaries, pensions and other staff benefits

	The Group	
	2022	2021
Wages and salaries	9,066,548	8,545,648
Statutory payroll contributions	789,220	754,473
Other staff benefits	1,738,964	1,325,521
	11,594,732	10,625,642
Post-employment benefits:		
Credit on defined benefit plan [note 29(a)(v)]	(1,923,757)	(1,701,664)
Other post-retirement benefits [note 29(b)(ii)]	636,129	551,864
	(1,287,628)	(1,149,800)
Total (note 12)	10,307,104	9,475,842

12. Expenses by nature

	The Group		The Company	
	2022	2021	2022	2021
Salaries, pension and other staff benefits (note 11)	10,307,104	9,475,842	-	-
Technical and support services	4,696,540	5,066,899	-	-
Property expenses, including depreciation	2,510,371	2,331,915	-	-
Systems related expenses	1,958,091	2,320,942	-	-
Transportation and communication	1,476,012	1,283,054	2,194	3,000
Asset tax	1,316,085	1,217,783	-	-
Deposit insurance	596,598	534,226	-	-
Professional, legal and consultancy fees	581,072	362,210	46,175	42,164
Marketing and advertising	482,451	319,198	-	-
Stationery	298,796	411,437	3,217	2,035
Insurance claims and benefits	275,800	315,993	-	-
Licensing and other regulatory fees	193,816	427,847	5,145	-
Amortisation of intangible assets (note 28)	119,654	97,672	-	-
Other operating expenses	777,782	973,663	403	(6,564)
	25,590,172	25,138,681	57,134	40,635

(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:

	The Group		The Company	
	2022	2021	2022	2021
Auditors' remuneration	75,156	72,109	9,159	9,394
Depreciation of property and equipment (note 27)	809,726	744,455	-	-
Amortisation of right-of-use-assets (note 27)	156,017	185,691	-	-
Amortisation of intangible assets (note 28)	119,654	97,672	-	-
Directors' emoluments:				
Fees	31,106	30,482	16,827	16,428
Management remuneration	74,911	54,883	-	-

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:

	The Group		The Company	
	2022	2021 Restated*	2022	2021
Current income tax:				
Income tax at 33⅓%	4,209,712	2,056,513	-	-
Income tax at 30%	433,008	630,854	-	-
Income tax 25%	995,144	702,475	7,521	-
Other tax rates (1% to 5.5%)	7,983	5,702	-	-
Adjustment for (over)/under-provision of prior year's charge	(8,487)	89,194	-	9,213
Deferred income tax [note 36(a)]	(113,194)	545,589	4,641	6
	5,524,166	4,030,327	12,162	9,219

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

	The Group		The Company	
	2022	2021 Restated*	2022	2021
Profit before taxation	17,204,064	12,669,179	3,590,963	4,571,699
Tax calculated at 33⅓%	4,361,974	2,871,681	-	-
Tax calculated at 30%	438,569	513,073	-	-
Tax calculated at 25%	1,831,807	2,005,611	897,741	1,142,925
Other tax rates (1% to 5.5%)	7,983	5,702	-	-
Income not subject to tax	(1,504,393)	(1,760,589)	(919,340)	(1,151,942)
Expenses not deductible for tax purposes	146,921	37,537	9,998	7,191
Asset tax expense not deductible for tax purposes	425,581	392,742	-	-
Prior period under provision	(8,487)	89,194	-	9,213
Other charges and allowances	(175,789)	(124,624)	23,763	1,832
	5,524,166	4,030,327	12,162	9,219
Effective tax rate	32.11%	31.81%	0.34%	0.20%

* See note 54

(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.

	2022	2021 Restated*
Consolidated profit for the year attributable to stockholders of the Company	11,679,898	8,638,852
Weighted average number of ordinary stock units in issue ('000)	3,111,573	3,111,573
Earnings per stock unit (expressed in $)	3.75	2.78

16. Cash and balances at Bank of Jamaica

	The Group	
	2022	2021
Statutory reserves – non-interest bearing (note 19)	34,437,473	31,639,786
Cash in hand and other balances at Bank of Jamaica	50,215,177	69,609,355
	84,652,650	101,249,141

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

Relevant legislation	Entity	Reserve percentage			
		Jamaican		Foreign currency	
		2022	2021	2022	2021
Banking Services Act, Section 14(i)	BNSJ	5%	5%	13%	13%
Building Society Regulations, Section 31	SJBS	1%	1%	1%	1%

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

17. Due from other banks

	The Group	
	2022	2021
Items in course of collection from other banks	51,201	441,963
Placements with other banks	20,998,162	34,900,948
	21,049,363	35,342,911

18. Accounts with parent and fellow subsidiaries

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

*See note 54

(Expressed in thousands of Jamaican dollars unless otherwise stated)

19. Cash and cash equivalents

	The Group 2022	The Group 2021	The Company 2022	The Company 2021
Cash resources	148,992,184	168,675,612	9,128,131	9,891,092
Less amounts not considered cash and cash equivalents:				
Statutory reserves (note 16)	(34,437,473)	(31,639,786)	-	-
Cheques and other instruments in transit	(3,546,806)	(3,155,909)	-	-
Accounts with parent and fellow subsidiaries greater than ninety days	(8,476,834)	(9,131,331)	(8,476,834)	(9,131,331)
Expected credit losses	5,673	1,991	-	-
Accrued interest	(216,621)	(20,629)	(18,776)	(216)
	102,320,123	124,729,948	632,521	759,545
Add other cash equivalent balances:				
Reverse repurchase agreements less than ninety days (note 25)	750,000	-	-	-
Pledged assets less than ninety days (note 21)	766,900	2,682,671	-	-
	103,837,023	127,412,619	632,521	759,545
Cash and cash equivalents is comprised of:				
Cash and balances with Bank of Jamaica other than statutory reserves	50,220,683	69,611,000	-	-
Government and bank notes other than Jamaican	7,126,960	2,416,012	-	-
Amounts due from other banks	21,049,530	35,343,257	-	-
Accounts with parent and fellow subsidiaries	27,686,377	20,536,217	651,297	759,761
Reverse repurchase agreements	750,000	-	-	-
Pledged assets (note 21)	766,900	2,682,671	-	-
Accrued interest	(216,621)	(20,629)	(18,776)	(216)
	107,383,829	130,568,528	632,521	759,545
Cheques and other instruments in transit	(3,546,806)	(3,155,909)	-	-
	103,837,023	127,412,619	632,521	759,545

20. Financial assets at fair value through profit or loss

	The Group 2022	The Group 2021
Government of Jamaica securities	2,668,484	3,339,807
Unit trusts	315,791	329,873
	2,984,275	3,669,680
Accrued interest	51,138	33,322
	3,035,413	3,703,002

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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

21. Pledged assets (continued)

	The Group	
	2022	2021
Capital management and government securities funds	13,710,609	13,810,407
Securities with regulators, clearing houses and other financial institutions	1,888,111	1,829,271
	15,598,720	15,639,678

Included in pledged assets are the following categories of assets:

	The Group	
	2022	2021
Deposits with financial institutions	768,107	2,476,189
Government issued securities:		
Fair value through OCI	12,279,063	9,982,255
Amortised cost	281,761	281,676
Loans	707,289	749,863
Unitised funds:		
` Fair value through profit or loss	1,562,500	2,149,695
	15,598,720	15,639,678

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	
	2022	2021
Debt securities and other investments with an original maturity of less than ninety days (note 19)	766,900	2,682,671

22. Loans, net of allowance for credit losses

	The Group	
	2022	2021
Business and Government	94,544,025	88,199,603
Personal and credit cards	86,243,095	76,653,883
Residential mortgages	61,662,749	48,351,793
Interest receivable	1,234,301	1,555,100
	243,684,170	214,760,379
Less: Allowance for expected credit losses (note 23)	(5,898,116)	(6,237,325)
	237,786,054	208,523,054

(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	
	2022	2021
Neither past due nor impaired	228,040,878	188,508,316
Past due but not impaired		
Past due 1-30 days	8,036,912	15,799,813
Past due 31-60 days	1,441,152	1,722,442
Past due 61-90 days	914,817	1,145,096
	10,392,881	18,667,351
Impaired:		
Past due more than 90 days	4,016,110	6,029,612
Interest receivable	1,234,301	1,555,100
Gross loan portfolio	243,684,170	214,760,379
Less: Allowance for credit losses	(5,898,116)	(6,237,325)
Loans, net of allowance for credit losses	237,786,054	208,523,054

(ii) Repossessed collateral

In the normal course of business, the security documentation which governs the collateral charged to secure loans 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 only recognised on the statement of financial position when all the risks and rewards are transferred to the Group.

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 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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

23. Expected credit losses on loans (continued)

	The Group 2022			
	Stage 1	Stage 2	Stage 3	Total
Allowance at beginning of year	1,330,637	1,700,660	3,206,028	6,237,325
Provided during the year	368,382	(69,476)	4,042,088	4,340,994
Bad debts written off	-	-	(4,678,915)	(4,678,915)
Foreign exchange movement	(696,904)	834,927	(139,311)	(1,288)
Transfer to/(from) stages				
Stage 1	1,002,276	(848,849)	(153,427)	-
Stage 2	(218,313)	583,521	(365,208)	-
Stage 3	(15,962)	(436,160)	452,122	-
Allowance at end of year (note 22)	1,770,116	1,764,623	2,363,377	5,898,116
The charge for expected credit losses recognised for the year comprises:				
Provided during the year	368,382	(69,476)	4,042,088	4,340,994
Recoveries of bad debts	-	-	(1,441,961)	(1,441,961)
Expected credit losses reported in profit for the year	368,382	(69,476)	2,600,127	2,899,033

	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)	1,330,637	1,700,660	3,206,028	6,237,325
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	(2,282,844)	(192,939)	5,259,619	2,783,836

Uncollected interest not accrued on loans in default is estimated at $938,914 (2021:$1,344,810) for the Group.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

23. Expected credit losses on loans (continued)

The allowance for expected credit losses is as follows:

	The Group	
	2022	2021
Allowance based on IFRS	5,898,116	6,237,325
Additional allowance based on Bank of Jamaica (BOJ) regulations	361,367	334,797
	6,259,483	6,572,122

24. Investment securities

	The Group	
	2022	2021
Fair value through other comprehensive income:		
Unquoted shares	5,105	5,105
Government securities	134,345,694	130,398,436
Bank of Jamaica securities	6,252,161	7,733,602
Treasury bills	5,684,786	1,264,054
Corporate bonds	1,328,729	1,198,763
Interest receivable	1,229,591	1,025,240
	148,846,066	141,625,200

Included in investment securities are Government of Jamaica Benchmark Investment Notes with a book value of $90,000 (2021: $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.

	The Group	
	2022	2021
Reverse repurchase agreements with an original maturity of less than 90 days (note 19)	750,000	-
Interest receivable	1,427	-
	751,427	-

The fair value of collateral held pursuant to reverse repurchase agreements is $719,404 (2021: Nil).

26. Other assets

	The Group	
	2022	2021
Accounts receivable and prepayments	427,480	1,701,357
Deferred charges	1,669,774	1,309,435
Investment property	1,016	-
Other	1,030,634	1,025,562
	3,128,904	4,036,354

(Expressed in thousands of Jamaican dollars unless otherwise stated)

27. Property 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, 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	-	-	-	-	(637,198)	(637,198)
October 31, 2021	1,494,255	6,305,543	813,091	9,076,123	467,250	18,156,262
Additions	224,015	139,942	37,849	86,149	1,088,659	1,576,614
Disposals	-	(50,812)	(534)	(173,086)	-	(224,432)
Transfers	-	404,022	124,975	564,000	(1,092,997)	-
Transfer to investment property	-	(3,146)	-	-	-	(3,146)
Translation adjustment	(7,272)	-	-	-	-	(7,272)
Write-offs/reversals	-	-	-	(926)	(88,820)	(89,746)
October 31, 2022	1,710,998	6,795,549	975,381	9,552,260	374,092	19,408,280
Depreciation:						
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	5,029	-	-	-	-	5,029
October 31, 2021	307,389	1,283,709	607,239	7,105,964	-	9,304,301
Charge for the year	156,017	152,957	85,393	571,376	-	965,743
Eliminated on disposals	-	(16,593)	(534)	(163,332)	-	(180,459)
Translation adjustment	(1,861)	-	-	-	-	(1,861)
Transfer to Investment property	-	(2,130)	-	-	-	(2,130)
Impairment	-	7,241	-	4,630	-	11,871
Write-offs	-	-	-	(926)	-	(926)
October 31, 2022	461,545	1,425,184	692,098	7,517,712	-	10,096,539
Net book values:						
October 31, 2022	1,249,453	5,370,365	283,283	2,034,548	374,092	9,311,741
October 31, 2021	1,186,866	5,021,834	205,852	1,970,159	467,250	8,851,961
October 31, 2020	1,255,898	3,991,594	74,821	1,463,385	1,772,625	8,558,323

28. Goodwill and intangible assets

	The Group					
	Customer relationships	Contract-based intangibles	License	Goodwill	Computer software	Total
Cost:						
October 31, 2020 and 2021	1,382,582	348,987	49,470	136,892	476,574	2,394,505
Addition	-	-	-	-	101,269	101,269
October 31, 2022	1,382,582	348,987	49,470	136,892	577,843	2,495,774
Amortisation/ impairment:						
October 31, 2020	1,202,667	71,574	5,333	61,724	385,114	1,726,412
Amortisation for the year	88,492	-	-	-	9,180	97,672
October 31, 2021	1,291,159	71,574	5,333	61,724	394,294	1,824,084
Amortisation for the year	88,492	-	-	-	31,162	119,654
October 31, 2022	1,379,651	71,574	5,333	61,724	425,456	1,943,738

(Expressed in thousands of Jamaican dollars unless otherwise stated)

28. Goodwill and intangible assets (continued)

	The Group					
	Customer relationships	Contract-based intangibles	License	Goodwill	Computer software	Total
Net book values:						
October 31, 2022	2,931	277,413	44,137	75,168	152,387	552,036
October 31, 2021	91,423	277,413	44,137	75,168	82,280	570,421
October 31, 2020	179,915	277,413	44,137	75,168	91,460	668,093

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	
	2022	2021
Defined benefit pension plan (a)	23,561,041	31,254,250
Other post-retirement benefits (b)	(4,557,782)	(5,237,873)

(a) Defined benefit pension plan

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

	The Group	
	2022	2021
Present value of funded obligations (iii)	(34,417,876)	(38,963,167)
Fair value of plan assets (iv)	76,762,713	80,326,884
	42,344,837	41,363,717
Limitation of economic benefits	(18,783,796)	(10,109,467)
Asset in the statement of financial position	23,561,041	31,254,250

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

	The Group	
	2022	2021
Balance at beginning of year	31,254,250	28,242,497
Contributions paid	500	500
Pension income recognised in statement of revenue and expenses (v)	1,923,757	1,701,664
Remeasurement recognised in other comprehensive income (vi)	(9,617,466)	1,309,589
Balance at end of year	23,561,041	31,254,250

(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:

	The Group	
	2022	2021
Balance at beginning of year	(38,963,167)	(33,924,123)
Current service costs	(733,491)	(671,631)
Interest cost	(3,431,346)	(2,987,998)
Employees' contribution	(647,254)	(581,804)
Benefits paid	1,832,079	1,921,594
Actuarial gains arising from:		
Experience adjustments	268,394	55,693
Changes in financial assumptions	7,256,909	(2,774,898)
Balance at end of year	(34,417,876)	(38,963,167)

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

	The Group	
	2022	2021
Fair value of plan assets at beginning of year	80,326,884	76,713,352
Contributions	647,754	582,304
Benefits paid	(1,832,079)	(1,921,594)
Interest income on plan assets	7,172,352	6,858,560
Administrative fees	(167,118)	(164,062)
Remeasurement loss on plan assets included in other comprehensive income	(9,385,080)	(1,741,676)
Fair value of plan assets at end of year	76,762,713	80,326,884

Plan assets consist of the following:

	The Group	
	2022	2021
Government stocks and bonds	43,189,692	47,878,994
Quoted equities	22,240,986	24,238,953
Reverse repurchase agreements	2,130,414	1,051,141
Certificates of deposit	3,647,155	2,448,521
Real estate	4,475,957	3,907,868
Net current assets	1,078,509	801,407
	76,762,713	80,326,884

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

	The Group	
	2022	2021
Current service costs	733,491	671,631
Interest cost on obligation	3,431,346	2,987,998
Interest income on plan assets	(7,172,352)	(6,858,560)
Interest on effect of asset celling	909,852	1,309,206
Administrative fees	173,906	188,061
	(1,923,757)	(1,701,664)

(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:

	The Group	
	2022	2021
Remeasurement of defined benefit obligations	(7,525,303)	2,719,205
Remeasurement of plan assets	9,378,292	1,717,677
Change in effect on asset ceiling	7,764,477	(5,746,471)
	9,617,466	(1,309,589)

(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.

	The Group			
	2022		2021	
	1% Increase	1 % Decrease	1 % Increase	1% Decrease
Discount rate	(3,863,000)	4,784,000	(4,965,000)	6,277,000
Future pension increases	3,262,000	(2,761,000)	4,352,000	(3,620,000)
Future salary increases	998,000	(901,000)	1,190,000	(1,072,000)

(viii) Liability duration

The average liability duration is as follows:

	The Group	
	2022	2021
Active members and all participants (years)	13.9	15.6

(ix) The estimated pension contributions to be paid into the defined benefit and contribution plans during the next financial year is $500 (2021: $500).

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

	The Group	
	2022	2021
Discount rate	11.50%	9.00%
Future salary increases	9.50%	7.00%
Future pension increases	5.25%	4.50%

(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	
	2022	2021
Balance at beginning of year	(5,237,873)	(4,541,887)
Current service costs	(171,094)	(149,295)
Interest cost	(465,035)	(402,569)
Benefits paid	162,210	122,669
Actuarial gains arising from:		
Experience adjustments	22,787	126,739
Changes in financial assumptions	1,204,021	(731,003)
Changes in demographic assumptions	(72,798)	337,473
Balance at end of year	(4,557,782)	(5,237,873)

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

	The Group	
	2022	2021
Current service costs	171,094	149,295
Interest on obligation	465,035	402,569
	636,129	551,864

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

	The Group	
	2022	2021
Experience adjustments	(22,787)	(126,739)
Changes in financial and demographic assumptions	(1,131,223)	393,530
	(1,154,010)	266,791

(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 8.50% (2021: 7.5%) 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			
	2022		2021	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	(587,000)	735,000	(775,000)	995,000
Future pension increases	696,000	(564,000)	923,000	(731,000)
Future salary increases	8,000	(7,000)	10,000	(9,000)

(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:

	The Group	
	2022	2021
Active members and all participants (years)	16.0	18.2

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

	The Group	
	2022	2021
Retirement benefit pension plan [note 29(a)(vi)]	9,617,466	(1,309,589)
Medical and group life obligation [note 29(b)(iii)]	(1,154,010)	266,791
	8,463,456	(1,042,798)

30. Deposits by the public

	The Group	
	2022	2021
Personal	215,459,672	207,540,110
Business	181,700,261	170,906,425
Interest payable	16,550	26,575
	397,176,483	378,473,110

Deposits include $2,184,976 (2021: $1,436,224) held as collateral for irrevocable commitments under letters of credit. Deposits by the public are distinguished by customer segment and include deposits payable on demand which are generally savings and chequing accounts for which we do not have the right to notice of withdrawal. Deposit balances also include amounts which mature on a specified date, and are generally call and term deposits.

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

	The Group	
	2022	2021
The Bank of Nova Scotia Loan		
Facility	-	304,694
Interest payable	-	3,878
	-	308,572
Deposits held with Bank	14,458	2,702
	14,458	311,274

The Facility is a USD denominated fourteen (14) year non-revolving loan from the ultimate parent company for on-lending. The principal was fully repaid in February 2022 and was subject to a fixed interest rate of 5.95%.

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

33. Due to fellow subsidiaries

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

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

	The Group	
	2022	2021
Accrued staff benefits	2,081,467	2,309,843
Prepaid letters of credit	597,277	-
Provisions [note 35(i)]	126,564	803,458
Other payables	291,395	386,989
Expected credit losses on guarantees and letters of credit	208,160	54,593
Lease liabilities [note 35(ii)(b)]	1,284,969	1,210,369
Accrued liabilities	6,468,496	5,370,471
	11,058,328	10,135,723

(i) Provisions

The following table sets out the movement in provisions:

	The Group		
	Restructuring	Other	Total
Balance at 1 November 2021	547,859	255,599	803,458
Provisions made during the year	-	50,955	50,955
Provisions used during the year	(472,250)	(255,599)	(727,849)
Balance at 31 October 2022	75,609	50,955	126,564
Current	75,609	50,955	126,564

Other provisions

Other provisions primarily relate to transition costs which were utilised as at 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.

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

(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 and equipment (note 27).

	The Group	
	2022	2021
(b) Lease liabilities		
Lease liabilities included in the statements of financial position	1,284,969	1,210,369
Lease liabilities are classified as follows:		
Current	148,263	136,450
Non-current	1,136,706	1,073,919
	1,284,969	1,210,369
Maturity analysis of contractual undiscounted cash flows:		
Less than one year	172,425	159,566
One to five years	628,123	560,478
Over five years	624,877	626,470
	1,425,425	1,346,514

(c) Amounts recognised in profit or loss:

	The Group	
	2022	2021
Interest expense on lease liabilities	31,727	26,203
Depreciation on right-of-use assets (note 27)	156,017	185,691
Expenses related to short-term leases	43,220	31,953

(d) Amounts recognised in statement of cash flows:

	The Group	
	2022	2021
Total cash outflow for leases	166,001	204,821

(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 the 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 $351,237 (2021: $371,794).

(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 33⅓%;
- Scotia Investments Jamaica Limited at 33⅓%;
- 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:

	The Group		The Company	
	2022	2021 Restated*	2022	2021
At beginning of year	(7,067,286)	(6,723,901)	(53)	(47)
Exchange rate adjustment	(648)	4,281	-	-
Recognised in the profit for the year [note 14(a)]	113,194	(545,589)	(4,641)	(6)
Recognised in other comprehensive income:				
Remeasurement of retirement benefits asset/obligations	2,821,152	(347,600)	-	-
Fair value through OCI:				
-fair value remeasurement	2,097,735	546,431	-	-
-transfer to profit	(22,734)	(908)	-	-
	2,075,001	545,523	-	-
	4,896,153	197,923	-	-
At end of year	(2,058,587)	(7,067,286)	(4,694)	(53)

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

	The Group		The Company	
	2022	2021 Restated*	2022	2021
Pension benefits	(7,854,015)	(10,418,083)	-	-
Other post-retirement benefits	1,519,261	1,745,958	-	-
Investment securities	2,218,731	5,416	-	-
Vacation accrued	197,075	185,453	-	-
Accelerated tax depreciation	11,551	26,121	-	-
Allowances for expected credit losses	1,276,460	1,091,300	-	-
Interest receivable	(218,839)	(183,789)	(4,694)	(53)
Unrealised foreign exchange gains	(26,395)	(59,685)	-	-
Unrealised premiums/discounts on investment securities	869,926	585,858	-	-
Unrealised trading gains on securities	(52,993)	(44,915)	-	-
Exchange rate adjustments on expected credit losses	(11,140)	-	-	-
Other	11,791	(920)	-	-
Net deferred income tax liability	(2,058,587)	(7,067,286)	(4,694)	(53)

	The Group		The Company	
	2022	2021 Restated*	2022	2021
This is comprised of:				
Deferred income tax asset	1,443,296	441,444	-	-
Deferred income tax liability	(3,501,883)	(7,508,730)	(4,694)	(53)
	(2,058,587)	(7,067,286)	(4,694)	(53)

*See note 54

(Expressed in thousands of Jamaican dollars unless otherwise stated)

36. Deferred tax assets and liabilities (continued)

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

	The Group		The Company	
	2022	2021 Restated*	2022	2021
Accelerated tax depreciation	14,570	32,906	-	-
Pensions and other post-retirement benefits	483,782	424,307	-	-
Allowances for expected credit losses	(193,939)	368,476	-	-
Vacation accrued	(11,622)	(18,058)	-	-
Interest receivable	35,051	25,567	4,641	6
Trading assets	8,046	22,898	-	-
Unrealised foreign exchange gains	(33,290)	(56,318)	-	-
Investment securities	(422,515)	(301,803)	-	-
Other	6,723	47,614	-	-
	(113,194)	545,589	4,641	6

37. Policyholders' liabilities

(a) Composition of policyholders' liabilities:

		The Group	
		2022	2021
Policyholders' fund		53,929,191	53,308,449
Benefits and claims payable		282,926	337,664
Unprocessed premiums		28,200	38,267
Annuity fund		1,091,652	880,799
Insurance risk reserve	- Individual life	(10,570,228)	(10,030,838)
	- Individual accident and sickness	794,829	624,671
	- Whole life	205,951	184,606
	- Group life	521,910	521,689
		46,284,431	45,865,307

(b) Movement in policyholders' liabilities:

	The Group	
	2022	2021
Policyholders' fund:		
At beginning of year	53,308,449	52,384,076
Gross premium	5,179,273	5,129,716
Disbursements	(5,758,213)	(5,377,797)
Interest credited	1,199,682	1,172,454
At end of year	53,929,191	53,308,449

	The Group	
	2022	2021
Benefits and claims payable:		
At beginning of year	337,664	333,220
New claims and benefits made during the year	221,061	318,096
Benefits and claims paid	(275,799)	(313,652)
At end of year	282,926	337,664

* See note 54

(Expressed in thousands of Jamaican dollars unless otherwise stated)

37. Policyholders' liabilities (continued)

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

(i) The policyholders' liabilities are calculated using the Policy Premium Method (PPM) of valuation. Under this method the premiums, benefits and expenses for each policy are projected and the resultant cash flows are discounted to the valuation date. The fair value is considered to approximate the carrying value.

	The Group	
	2022	2021
Unprocessed premiums:		
At beginning of year	38,267	18,798
Premiums received	7,964,454	7,414,168
Premiums applied	(7,974,521)	(7,394,699)
At end of year	28,200	38,267

	The Group	
Annuity fund:		
At beginning of year	880,799	745,074
Issue of new annuities	253,950	175,840
Payments	(72,101)	(63,071)
Interest credited	29,004	22,956
At end of year	1,091,652	880,799

	The Group		
	2022		
	Individual life	Group life	Total
Insurance risk reserve:			
At beginning of year	(9,221,561)	521,689	(8,699,872)
Changes in assumptions	(123,898)	(1,381)	(125,279)
Normal changes	(223,989)	1,602	(222,387)
At end of year	(9,569,448)	521,910	(9,047,538)

	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	(9,221,561)	521,689	(8,699,872)

38. Share capital

	Number of Units ('000)		Carrying value	
	2022	2021	2022	2021
Authorised:				
Ordinary stock units of no par value	10,000,000	10,000,000	-	-
Issued and fully paid:				
Ordinary stock units	3,111,573	3,111,573	6,569,810	6,569,810

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.

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% of net profits, 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 profits, until the amount in 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

This represents the gain on 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 measured at FVOCI. This amount is increased by the amount of loss allowances on debt securities measured at FVOCI.

43. Loan loss reserve

This is a non-distributable loan loss reserve which represents the excess of the regulatory loan loss provisions over the expected credit losses as 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 management fees, guarantee fees, centralised computing and other service fees. There were no other balances due to the ultimate parent company, outside of those balances set out in note 32.

(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					
	Ultimate parent	Fellow subsidiaries	Directors and key management personnel	Connected companies	Total 2022	Total 2021
Loans						
Balance at October 31	-	-	1,191,253	7,314,008	8,505,261	8,128,420
Interest income earned	-	-	79,183	336,338	415,521	483,648
Deposit liabilities						
Balance at October 31	(14,458)	(499,535)	(902,626)	(4,963,642)	(6,380,261)	(5,695,981)
Interest expense on deposits	(2,992)	(124)	(775)	(2,503)	(6,394)	(41,014)
Investments/repurchase agreements						
Other investments	766,900	315,791	(16,756)	-	1,065,935	196,004
Interest earned/(paid) on other investments	13,260	71,852	(2)	-	85,110	61,135
Deposits with banks						
Due from banks and other financial institutions	818,498	35,344,713	-	-	36,163,211	29,667,548
Interest earned from banks and other financial institutions	-	252,556	-	-	252,556	9,514
Other						
Fees and commission, net	-	-	(106,417)	-	(106,417)	(84,876)
Insurance products	-	-	32,215	-	32,215	31,876
Technical fees paid, net	(1,987,662)	-	-	-	(1,987,662)	(2,542,414)
Other operating expenses, net	(1,178,025)	(1,670,682)	-	-	(2,848,707)	(3,141,175)

	The Group 2022	The Group 2021
Key management compensation		
Salaries and other short-term benefits	966,259	849,829
Post-employment benefits	(107,930)	204,572
	858,329	1,054,401

Transactions/balances with the Company

As at October 31, 2022, the Company held deposits in the normal course of business with a subsidiary of $632,520 (2021: $759,546) and a fellow subsidiary of $8,495,611 (2021: $9,131,546), (note18). Interest earned on the deposits with a fellow subsidiary is $65,790 (2021: $4,567). Other transactions include dividend income from subsidiaries of $3,677,360 (2021: $3,937,494) and directors' emoluments paid of $16,827 (2021: $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.

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 are 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, market risk, liquidity risk, insurance risk and operational risk. Market risk includes currency risk, interest rate risk and 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.

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 categories used by Standard and Poor's:

IG Code rating	External rating: Standard & Poor's equivalent.
Investment grade	AAA to BBB-
Non-investment grade	BB+ to B-
Watch list	CCC+ to CC
Default	Default

(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			
		2022			
Category of PD Grade	PD Range	Stage 1	Stage 2	Stage 3	Total
Very Low	<0.2%	2,232,951	-	-	2,232,951
Low	0.2% to <1%	62,834,530	56,896	-	62,891,426
Medium	1% to <3%	52,215,192	269,621	-	52,484,813
High	3% to <20%	23,298,943	3,255,857	-	26,554,800
Very High	20% to <99.9%	53,099	2,707,140	-	2,760,239
Subtotal: PD Grades (Advanced Models)		140,634,715	6,289,514	-	146,924,229
Loans not graded (Intermediate or simplified or gross-up)		280,863	8,894	-	289,757
Default		-	-	3,620,095	3,620,095
Total		140,915,578	6,298,408	3,620,095	150,834,081
Expected credit loss allowance		(1,677,612)	(1,584,708)	(2,279,706)	(5,542,026)
Carrying Amounts		139,237,966	4,713,700	1,340,389	145,292,055

		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%	61,209	3,100,188	1,207	3,162,604
Subtotal: PD Grades (Advanced Models)		110,599,051	8,098,102	1,207	118,698,360
Loans not graded (Intermediate or simplified or gross-up)		3,450,336	216,484	-	3,666,820
Default		-	-	5,375,912	5,375,912
Total		114,049,387	8,314,586	5,377,119	127,741,092
Expected credit loss allowance		(1,236,888)	(1,537,609)	(3,109,480)	(5,883,977)
Carrying Amounts		112,812,499	6,776,977	2,267,639	121,857,115

(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			
			2022			
Internal Grade	IG Code	S&P	Stage 1	Stage 2	Stage 3	Total
Investment grade	99-98	AAA to AA+	3,040	1,256,018	-	1,259,058
	95	AA to A+	-	415,260	-	415,260
	90	A to A-	94,069	1,591,773	-	1,685,842
	87	BBB+	454,680	6,892	-	461,572
	85	BBB	1,463,142	2,532,909	-	3,996,051
	83	BBB-	8,213,359	3,574,431	-	11,787,790
Non-investment	80	BB+	9,540,306	2,809,381	-	12,349,687
	77	BB	20,251,318	529,399	-	20,780,717
	75	BB-	24,459,284	1,155,393	-	25,614,677
	73	B+	6,355,201	314,112	-	6,669,313
	70	B to B-	5,313,820	909,149	-	6,222,969
Watch	65	CCC+	-	297,328	-	297,328
	60	CCC	-	777,389	-	777,389
	40	CCC- to CC	-	85,917	-	85,917
	30		-	50,504	-	50,504
Default			-	-	396,015	396,015
Total			76,148,219	16,305,855	396,015	92,850,089
Expected credit loss allowance			(92,504)	(179,915)	(83,671)	(356,090)
Carrying amount			76,055,715	16,125,940	312,344	92,493,999

			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	CCC	-	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

(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			
	2022		2021	
	Stage 1	Total	Stage 1	Total
AAA to AA+	44,973,883	44,973,883	28,592,987	28,592,987
AA to A+	20,764,431	20,764,431	17,510,196	17,510,196
A to A-	-	-	4,848,230	4,848,230
BBB+ TO BB+	1,499,757	1,499,757	1,937,522	1,937,522
BB to B-	126,384,282	126,384,282	105,486,117	105,486,117
Unrated	4,457,554	4,457,554	4,364,772	4,364,772
	198,079,907	198,079,907	162,739,824	162,739,824

Classified as follows:

	The Group	
	2022	2021
Amortised cost	33,958,500	7,482,669
Fair value through OCI	148,840,961	141,620,095
Fair value through profit or loss	2,719,622	3,373,129
Pledged Assets:		
Amortised cost	281,761	281,676
Fair value through OCI	12,279,063	9,982,255
	198,079,907	162,739,824

Expected credit losses on investment securities carried at amortized cost and fair value through the profit and loss was $31,278 (2021: $4,769).

(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 $183,643,552 (2021: $164,767,272) for the Group.

(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 industry sectors. These credit facilities are well diversified across industry sectors, and are primarily extended to customers within Jamaica.

	The Group	
	Total 2022	Total 2021
Agriculture, fishing and mining	552,537	655,687
Construction and real estate	2,907,211	3,582,236
Distribution	21,058,644	16,388,745
Financial institutions	1,338,982	876,072
Government and public entities	5,090,165	9,810,858
Manufacturing	17,665,356	11,354,070
Transportation, electricity, water and other	20,939,284	23,504,834
Personal	147,905,845	125,005,677
Professional and other services	11,015,546	11,641,381
Tourism and entertainment	13,976,299	10,385,719
Interest receivable	1,234,301	1,555,100
Total	243,684,170	214,760,379
Total allowance for credit losses	(5,898,116)	(6,237,325)
	237,786,054	208,523,054

(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 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.

(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						
	2022						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	1,094,371	64,208,861	8,476,541	1,000,000	-	74,212,411	148,992,184
Securities purchased under resale agreements	-	751,427	-	-	-	-	751,427
Financial assets at fair value through profit or loss	-	-	-	2,424,674	271,626	339,113	3,035,413
Pledged assets	-	3,595,897	2,146,939	7,420,507	877,420	1,557,957	15,598,720
Loans (1)	150,533,319	14,782,320	21,014,227	38,122,399	5,636,035	7,697,754	237,786,054
Investment securities (2)	-	12,220,299	25,332,163	88,081,002	21,888,881	1,323,721	148,846,066
Other assets	-	-	-	-	-	40,588,359	40,588,359
Total assets	151,627,690	95,558,804	56,969,870	137,048,582	28,673,962	125,719,315	595,598,223
Deposits, due to banks, parent	383,996,015	7,296,985	6,656,199	781,736	-	6,680	398,737,615
Capital Management and Government Securities funds	14,121,515	-	-	-	-	6,888	14,128,403
Policyholders' liabilities	44,420,015	2,450,305	8,461,648	-	-	(9,047,537)	46,284,431
Other liabilities	-	-	-	-	-	25,597,001	25,597,001
Stockholders' equity	-	-	-	-	-	110,850,773	110,850,773
Total liabilities and stockholders' equity	442,537,545	9,747,290	15,117,847	781,736	-	127,413,805	595,598,223
Total interest rate sensitivity gap	(290,909,855)	85,811,514	41,852,023	136,266,846	28,673,962	(1,694,490)	-
Cumulative gap	(290,909,855)	(205,098,341)	(163,246,318)	(26,979,472)	1,694,490	-	-

	2021						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	156,912,443	92,711,484	65,409,372	120,905,030	30,774,067	118,870,813	585,583,209
Total liabilities and stockholders' equity	426,798,170	10,503,788	15,650,686	826,206	-	131,804,359	585,583,209
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	-	-

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

	The Group					
	2022					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
ASSETS						
Cash resources	2.87	5.01	0.05	8.95	-	2.24
Securities purchased under resale agreements	-	8.22	-	-	-	8.22
Financial assets at fair value through profit or loss	-	-	-	8.84	4.96	7.51
Pledged assets	-	4.74	3.42	8.96	11.89	6.42
Loans (1)	9.31	9.21	9.47	12.02	8.91	9.44
Investment securities (2)	-	5.80	4.58	5.93	5.54	5.58
LIABILITIES						
Deposits (3)	0.10	0.24	0.33	0.44	-	0.11
Capital Management and Government Securities funds	0.18	-	-	-	-	0.18
Policyholders' liabilities	2.21	2.31	2.39	-	-	2.24

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued).

(c) Market risk (continued)

(i) Interest rate risk (continued)

	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	2.21	2.31	2.39	-	-	2.24

(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.

	The Company					
	2022					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Non-rate sensitive	Total
Cash resources	651,590	-	8,476,541	-	-	9,128,131
Investment in securities	-	-	-	-	13,029,908	13,029,908
Other assets	-	-	-	-	106,363	106,363
Total assets	651,590	-	8,476,541	-	13,136,271	22,264,402
Other liabilities	-	-	-	-	29,656	29,656
Stockholders' equity	-	-	-	-	22,234,746	22,234,746
Total liabilities and stockholders' equity	-	-	-	-	22,264,402	22,264,402
Total interest rate sensitivity gap	651,590	-	8,476,541	-	(9,128,131)	-
Cumulative gap	651,590	651,590	9,128,131	9,128,131	-	-

	2021					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Non-rate sensitive	Total
Total assets	701,230	-	9,189,862	-	13,136,271	23,027,363
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	-	-

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

	The Company					
	2022					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Weighted average
	%	%	%	%	%	%
ASSETS						
Cash resources	0.35	-	4.43	-	-	4.14

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued).

(c) Market risk (continued)

(i) Interest rate risk (continued)

	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

(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 2021.

	The Group	
	2022	2021
	Increase/decrease	Increase/decrease
JMD Interest rates	by 450 bps	by 140 bps
USD Interest rates	by 250 bps	by 400 bps

	The Group		The Company	
	2022	2021	2022	2021
Effect on profit or loss	4,949,757	3,700,969	182,270	143,032
Effect on stockholders' equity	14,895,020	9,064,610	98,535	71,224

(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						
	2022						
	JMD	USD	CAD	GBP	EUR	Other	Total
ASSETS							
Cash resources	69,665,354	69,661,807	3,975,282	4,708,437	821,321	159,983	148,992,184
Financial assets at fair value through profit or loss	2,899,347	136,066	-	-	-	-	3,035,413
Pledged assets	6,667,277	8,753,953	177,482	3	5	-	15,598,720
Loans	207,122,200	30,663,811	(8)	51	-	-	237,786,054
Investment securities	84,001,240	63,724,598	1,120,228	-	-	-	148,846,066
Government securities under repurchase agreement	751,427	-	-	-	-	-	751,427
Other assets	39,655,373	932,645	(27)	368	-	-	40,588,359
	410,762,218	173,872,880	5,272,957	4,708,859	821,326	159,983	595,598,223
LIABILITIES							
Deposits	233,788,051	154,901,060	4,941,282	4,291,896	813,388	1,938	398,737,615
Other liabilities	22,296,444	3,244,347	76,646	19,651	(54,404)	14,317	25,597,001
Policyholder liability	46,284,431	-	-	-	-	-	46,284,431
Capital management and government securities funds	2,307,167	10,873,572	95,800	766,442	85,422	-	14,128,403
	304,676,093	169,018,979	5,113,728	5,077,989	844,406	16,255	484,747,450
NET POSITION	**106,086,125**	**4,853,901**	**159,229**	**(369,130)**	**(23,080)**	**143,728**	**110,850,773**

(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 2021						
	JMD	USD	CAD	GBP	EUR	Other	Total
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	45,682,969	1,721,653	9,231	199	2,611	-	47,416,663
	406,742,463	166,698,225	5,439,198	6,003,930	548,654	150,739	585,583,209
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	24,282,491	2,053,492	97,674	35,141	1,936	12,961	26,483,695
Policyholders' liabilities	45,865,307	-	-	-	-	-	45,865,307
	300,533,240	157,805,983	5,373,091	7,118,223	743,104	14,395	471,588,036
NET POSITION	**106,209,223**	**8,892,242**	**66,107**	**(1,114,293)**	**(194,450)**	**136,344**	**113,995,173**

The following significant exchange rates were applied during the year:

	Average rate for the period 2022	Average rate for the period 2021	Reporting date spot rate 2022	Reporting date spot rate 2021
USD	153.4334	149.6036	153.1594	154.6673
CAD	119.5382	119.3382	113.5403	126.4370
GBP	191.3854	205.7707	175.7410	211.4054
EUR	162.4488	178.2695	150.8400	178.6397

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 2021. 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.

Sensitivity to foreign exchange movements:

	The Group 2022 Increase/decrease	The Group 2021 Increase/decrease
USD	by 2.86%	by 6.00%
CAD	by 7.93%	by 7.25%
GBP	by 11.24%	by 8.25%
EUR	by 9.82%	by 7.50%

	2022	2021
Effect on profit and stockholders' equity	62,315	9,421

46. Financial risk management (continued)

(c) Market risk (continued)

(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	
	2022	2021
Effect on profit and stockholders' equity	(210,961)	(278,648)

(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.

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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(d) Liquidity risk (continued)

	The Group					
	2022					
	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	391,006,690	6,981,322	787,406	-	398,775,418	398,737,615
Capital management and government securities funds	14,128,403	-	-	-	14,128,403	14,128,403
Other liabilities	3,546,806	-	-	-	3,546,806	3,546,806
Policyholders' liabilities	47,579,221	6,603,340	-	-	54,182,561	46,284,431
Total liabilities	456,261,120	13,584,662	787,406	-	470,633,188	462,697,255

	2021					
	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	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	44,590,049	9,082,820	-	-	53,672,869	45,865,307
Total liabilities	439,616,296	15,492,642	839,172	777,687	456,725,797	448,260,250

(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 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 applications 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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(e) Insurance risk (continued)

Frequency and severity of claims (continued)

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 minimize 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			
	2022		2021	
	Before and after Reinsurance	%	Before and after Reinsurance	%
Individual Life				
Benefits assured per life				
0 to 250,000	3,823,199	6	4,094,592	6
250,001 to 500,000	3,082,779	4	3,078,660	5
500,001 to 750,000	6,962,605	10	6,748,109	10
750,001 to 1,000,000	3,670,002	5	3,784,771	6
1,000,001 to 1,500,000	12,689,172	18	12,332,652	18
1,500,001 to 2,000,000	7,829,062	11	7,733,277	11
Over 2,000,000	32,940,004	46	29,733,266	44
Total	70,996,823	100	67,505,327	100

	The Group			
	Total benefits assured			
	2022		2021	
	Before and after Reinsurance	%	Before and after Reinsurance	%
Group Life				
Benefits assured per life				
0 to 250,000	13,256,326	14	11,881,526	14
250,001 to 500,000	7,118,751	8	7,263,771	8
500,001 to 750,000	10,033,609	11	10,276,285	12
750,001 to 1,000,000	8,856,417	9	9,155,998	11
1,000,001 to 1,500,000	14,593,846	15	14,909,669	17
1,500,001 to 2,000,000	11,267,054	12	7,954,216	9
Over 2,000,000	29,757,253	31	24,631,885	29
Total	94,883,256	100	86,073,350	100

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.

46. Financial risk management (continued)

(e) Insurance risk (continued)

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.

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 Universal Life	Maximum retention of $15,000 per insured.

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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(e) Insurance risk (continued)

(ii) Reinsurance risk (continued)

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
- premium persistency

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

	The Group	
	2022	2021
Interest rates increase by 1%	53,278	85,126
Interest rates decrease by 1%	2,045	(38,746)
Mortality increase by 10%	554,648	530,021
Mortality decrease by 10%	(578,161)	(552,977)
Expenses increase by 10%	448,020	412,530
Expenses decrease by 10%	(445,611)	(410,334)
Lapses and withdrawals increase by 10%	448,347	439,561
Lapses and withdrawals decrease by 10%	(489,021)	(479,280)
Morbidity increase by 10%	153,259	142,745
Morbidity decrease by 10%	(155,150)	(144,364)

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.

47. Fair value of financial instruments (continued)

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 all significant market observable inputs other than quoted prices included within Level 1 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 significant unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has 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. These securities are classified at level 2;

(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. These securities are classified at level 2;

(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;

(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. These securities are classified at level 3.

(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:

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							
	2022							
	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	-	134,787,365	2,719,622	137,506,987	34,333,378	103,173,609	-	137,506,987
Bank of Jamaica securities	-	7,035,649	-	7,035,649	-	7,035,649	-	7,035,649
Treasury bills	-	5,684,786	-	5,684,786	5,671,130	13,656	-	5,684,786
Corporate bonds	-	1,333,161	-	1,333,161	-	1,333,161	-	1,333,161
Unitised funds	-	-	315,791	315,791	-	315,791	-	315,791
	-	148,846,066	3,035,413	151,881,479	40,004,508	111,871,866	5,105	151,881,479
Pledged assets measured at fair value								
Government securities	-	10,693,978	-	10,693,978	3,301,711	7,392,267	-	10,693,978
Bank of Jamaica securities	-	1,585,085	-	1,585,085	-	1,585,085	-	1,585,085
Unitised funds	-	-	1,562,500	1,562,500	-	1,562,500	-	1,562,500
	-	12,279,063	1,562,500	13,841,563	3,301,711	10,539,852	-	13,841,563
Financial assets not measured at fair value								
Loans and receivables	82,798,077	-	-	82,798,077	-	-	84,609,477	84,609,477
Pledged assets not measured at fair value								
Government securities	281,761	-	-	281,761	-	299,053	-	299,053

	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	18,875,809	115,913,025	-	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
	-	141,625,200	3,703,002	145,328,202	20,139,863	125,183,234	5,105	145,328,202

(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 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
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
	-	9,982,255	2,149,695	12,131,950	-	12,131,950	-	12,131,950
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

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.

(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 (BOJ) and the Financial Services Commission (FSC), 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 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]	
	2022	2021	2022	2021
Tier 1 Capital	53,112,451	53,138,609	8,951,948	9,226,596
Tier 2 Capital	-	-	464,162	464,162
	53,112,451	53,138,609	9,416,110	9,690,758
Less prescribed deductions	(2,725,000)	(220,000)	-	-
Total regulatory capital	50,387,451	52,918,609	9,416,110	9,690,758

	Regulated by the BOJ[1]		Regulated by the FSC[2]	
	2022	2021	2022	2021
Risk weighted assets				
On-balance sheet	270,213,279	247,987,824	12,706,562	14,896,271
Off-balance sheet	58,133,373	55,928,469	-	-
Foreign exchange exposure	986,040	310,466	6,170,633	7,317,113
Total risk weighted assets	329,332,692	304,226,759	18,877,195	22,213,384
Actual regulatory capital to risk weighted assets	15.30%	17.39%	49.88%	43.63%
Regulatory requirement	10.00%	10.00%	10.00%	10.00%

[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.

(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:

	2022	2021
Regulatory capital held	10,547,801	7,432,724
Minimum regulatory capital	1,739,713	1,940,195
Minimum Continuing Capital on Surplus Requirements Ratio	606%	383%

49. Commitments

	The Group	
	2022	2021
(a) Capital expenditure - authorised and contracted	187,821	181,513
(b) Commitments to extend credit: Originated term to maturity of more than one year	58,308,373	56,103,469

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, 2022, the Group had assets under administration amounting to approximately $284,500,338 (2021: $247,158,184).

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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

52. Dividends

(a) Paid to stockholders:

	The Group and Company	
	2022	2021
In respect of 2022	3,267,179	-
In respect of 2021	1,089,051	3,422,752
In respect of 2020	-	1,400,217
Paid to minority interest in a subsidiary	4,356,230	4,822,969

(b) Proposed

At the Board of Directors meeting on December 9, 2022, a dividend in respect 2022 of $0.35 (2021 of $0.35 per share) amounting to $1,089,058 (2021: $1,089,058) 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 $30,467 (2021: $37,907).

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

	The Group	
	2022	2021
Number of shares	1,226,659	1,164,450
Fair value of shares $'000	45,080	41,309

(Expressed in thousands of Jamaican dollars unless otherwise stated)

54. Prior year adjustment

Based on the Group's review of the tax treatment applicable to premiums and discounts on the investment portfolio, it was determined that these amounts constitute timing differences based on the requirements of IAS 12 Income Taxes. This has been accounted for by reflecting the associated deferred tax asset on the balance sheet and income tax expense line items for prior periods.

The following table summarizes the impact on the Group's financial statements. There was no impact on the Company's financial statements.

(i) **Statement of Financial Position**

	October 31, 2021			November 1, 2020		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Deferred tax assets	302,506	138,938	441,444	149,744	86,368	236,112
Others	585,141,765	-	585,141,765	543,089,904	-	543,089,904
Total assets	**585,444,271**	**138,938**	**585,583,209**	**543,239,648**	**86,368**	**543,326,016**
Deferred tax liabilities	7,761,915	(253,185)	7,508,730	7,037,160	(77,147)	6,960,013
Others	464,079,306	-	464,079,306	425,446,854	-	425,446,854
Total Liabilities	**471,841,221**	**(253,185)**	**471,588,036**	**432,484,014**	**(77,147)**	**432,406,867**
Others	55,496,687		55,496,687	56,817,738		56,817,738
Unappropriated profits	58,106,363	392,123	58,498,486	53,937,896	163,515	54,101,411
Total equity	113,603,050	392,123	113,995,173	110,755,634	163,515	110,919,149
Total Liabilities and Equity	**585,444,271**	**138,938**	**585,583,209**	**543,239,648**	**86,368**	**543,326,016**

(ii) **Statement of Revenue and Expenses**

	October 31, 2021		
	As previously reported	Adjustments	As restated
Net profit before tax	12,669,179	-	12,669,179
Income taxes	(4,258,935)	228,608	(4,030,327)
Net profit after tax	**8,410,244**	**228,608**	**8,638,852**
Total comprehensive income	**7,670,385**	**228,608**	**7,898,993**

(iii) There is no material impact on the Group's total operating, investing or financing cash flows for the year ended October 31, 2021.

(iv) Earnings per stock unit in the 2021 financial statements was reported as $2.70. Restated earnings per stock unit for 2020 is $2.78.

NOTES

FORM OF PROXY

SCOTIA GROUP JAMAICA LIMITED (THE "COMPANY")

SCOTIA GROUP JAMAICA LIMITED

I/We ....

of ....

in the parish of ....being a Member of the above

Company, hereby appoint the Chair of the Meeting or failing him/her

(see Note 1) ....

of ....

or failing them ....

of ....

as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the **10th** day of **March 2023** and at any adjournment thereof (the "Meeting").

Please indicate by inserting a cross in the appropriate square how you wish your votes to be cast. Unless otherwise instructed, the Proxy will vote or abstain from voting, at his/her discretion.

Ordinary Business		For	Against
Resolution 1	**Audited Accounts** That the Directors' Report, the Auditor's Report and the Statements of Account of the Company for the year ended October 31, 2022 previously circulated be and are hereby received.		

Ordinary Business		For	Against
Resolution 2	**Election of Directors** Article 107 of the Company's Articles of Incorporation provides that at each Annual General Meeting all Directors for the time being shall retire from office. The retiring Directors are: Aileen Corrigan, Eric Crawford, Vernon Douglas, Angela Fowler, Antony Mark Hart, W. David McConnell, James McPhedran, Audrey Richards, Anya Schnoor, Evelyn Smith, Dr. William Warren Smith and Audrey Tugwell Henry. The proposed resolutions for election/re-election of Directors proposed by the Board of Directors of the Company are: a) "That retiring Director Aileen Corrigan be and is hereby re-elected a Director of the Company." b) "That retiring Director Eric Crawford be and is hereby re-elected a Director of the Company." c) "That retiring Director Vernon Douglas be and is hereby re-elected a Director of the Company." d) "That retiring Director Angela Fowler be and is hereby re-elected a Director of the Company." e) "That retiring Director Antony Mark Hart be and is hereby re-elected a Director of the Company." f) "That retiring Director W. David McConnell be and is hereby re-elected a Director of the Company." g) "That retiring Director James McPhedran be and is hereby re-elected a Director of the Company." h) "That retiring Director Audrey Richards be and is hereby re-elected a Director of the Company." i) "That retiring Director Anya Schnoor be and is hereby re-elected a Director of the Company." j) "That retiring Director Evelyn Smith be and is hereby re-elected a Director of the Company." k) "That retiring Director Dr. William Warren Smith be and is hereby re-elected a Director of the Company." l) "That retiring Director Audrey Tugwell Henry be and is hereby re-elected a Director of the Company."		
Resolution 3	**Appointment of Auditors** That KPMG, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.		
Resolution 4	**Directors' Remuneration** That the Directors be and are hereby authorised to fix their remuneration for the ensuing year.		

As witness my hand this ....day of .... 2023.

....

Signature

NOTES:

1. If you wish to appoint a proxy other than the Chair of the Meeting, please insert the person's name and address and delete (initialing the deletion) "the Chair of the Meeting".
2. To be valid, this form of proxy and the power of attorney or other authority (if any) under which it is signed must be lodged at the office of the Secretary of the Company, Scotiabank Centre, Cnr. Duke & Port Royal Streets, Kingston, at least 48 hours before the time appointed for the holding of the Meeting.
3. To this form must be affixed a $100.00 stamp in payment of stamp duty.
4. In the case of joint shareholders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
5. To be effective, this form of proxy must be signed by the appointer or his/her attorney, duly authorised in writing or, if the appointer is a corporation, must be under its common seal or be signed by some officer or attorney duly authorised in that behalf.

Our core purpose, *for every future*, considers our many stakeholders including employees, customers, communities and shareholders. We are focused on building trust and opportunity for all stakeholders through our many environmental, social and governance initiatives.

We are serving customers and driving growth through our commitment to three pillars:

CUSTOMER FIRST

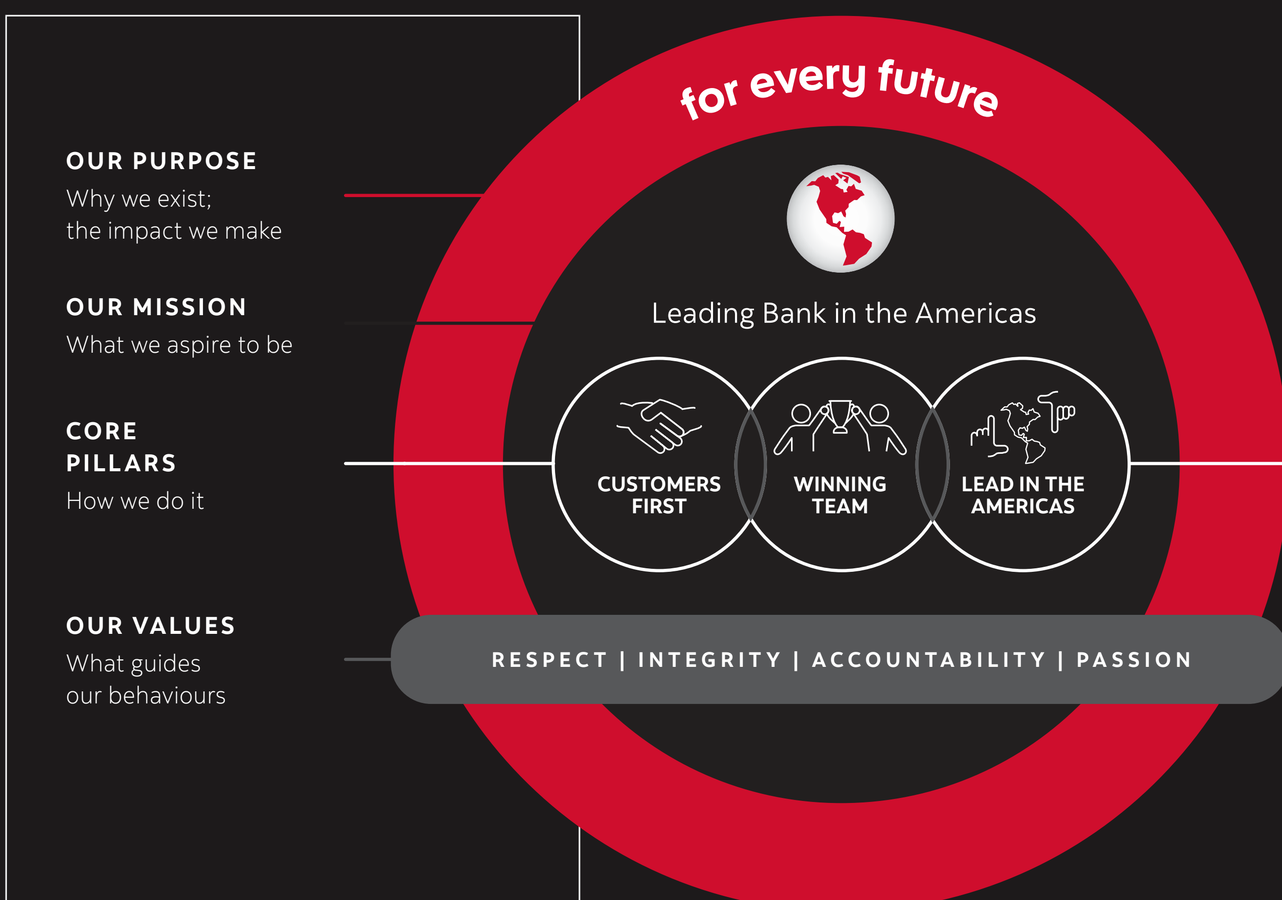
By putting our customers first, we're helping them be better off today and tomorrow.

WINNING TEAM

A purpose-driven team, committed to results in an inclusive and high-performance culture.

LEAD IN THE AMERICAS

Focused on core markets and supported by leading expertise allows us to prioritize our investment for long-term growth.



CONTACT INFORMATION

Call us at
888-4-SCOTIA

e-mail general enquiries to
customercare-jam@scotiabank.com

Visit our website at
www.jm.scotiabank.com

Scotiabank®