

SCOTIA GROUP JAMAICA LIMITED

FINANCIAL STATEMENTS

OCTOBER 31, 2023



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## INDEPENDENT AUDITORS' REPORT

To the Members of  
SCOTIA GROUP JAMAICA LIMITED

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of Scotia Group Jamaica Limited (“the Company”) comprising the separate financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (“the Group”), set out on pages 14 to 142, which comprise the Group’s and Company’s statements of financial position as at October 31, 2023, 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, 2023, and of the Group’s and the Company’s financial performance and cash flows for the year then ended, in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) 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 Group and the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SCOTIA GROUP JAMAICA LIMITED

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

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated 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. Early adoption and transition to IFRS 17 *Insurance Contracts*

<i>The key audit matter</i>	<i>the matter was addressed in our audit</i>
<p>International Financial Reporting Standards 17, <i>Insurance Contracts</i> (IFRS 17) is effective for accounting periods beginning on or after January 1, 2023. The Group made the decision to early adopt the standard in the current financial period.</p> <p>As described in note 2 (a) of the consolidated financial statements, the Group has assessed that it will apply the fair value approach for contracts issued prior to November 1, 2021 (the transition date).</p> <p>Auditing the Group's adjustment to the opening balance sheet dated November 1, 2021 to reflect IFRS 17 was complex as it required:</p> <p>the determination of an appropriate transition approach to determine groups of insurance contracts issued;</p> <p>the determination and application of an appropriate approach for the transition contractual service margin (transition CSM); and</p> <p>that transition adjustments are appropriately calculated and recorded in the opening transition balance sheet.</p>	<p>Our procedures in this area included the following:</p> <p>Tested, with the involvement of IT specialist; the design, implementation and operating effectiveness of relevant controls over the transition process.</p> <p>Evaluated the completeness of the population of contracts which are to be accounted for under IFRS 17.</p> <p>Evaluated whether initial assessments have been performed in accordance with the requirements of IFRS 17. Initial assessments include: separation, combination, level of aggregation and measurement approach assessments.</p> <p>Evaluated whether the entity has determined the appropriate transition approach(es) to apply groups of contracts.</p>



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. Early adoption and transition to IFRS 17 *Insurance Contracts* (continued)

<i>The key audit matter (continued)</i>	<i>How the matter was addressed in our audit (continued)</i>
<p>This required the application of significant auditor judgement due to the complexity of the cash flow models, the determination of the discount rate and risk adjustment relating to the measurement of the insurance contract liabilities and the development of fair value assumptions used in the determination of the transition CSM</p> <p><i>[see notes 2(a) and 58 of the financial statements]</i></p>	<p>Our procedures in this area included the following (continued):</p> <ul style="list-style-type: none"><li>• Evaluated whether the Group has appropriately prepared the opening balance sheet. This includes evaluating whether the Group has appropriately:<ul style="list-style-type: none"><li>• Recognised each group of contracts.</li><li>• Recognised the resulting net difference in equity</li></ul></li><li>• Involved valuation/actuarial specialist to evaluate the fair value, including assumptions and models [where the Fair Value Approach (FVA) is applied to groups of contracts].</li><li>• Evaluated whether the Group has appropriately made adjustments to the IFRS 4 balance sheet to determine the opening IFRS 17 balance sheet.</li></ul>



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. Early adoption and transition to IFRS 17 *Insurance Contracts* (continued)

<i>The key audit matter (continued)</i>	<i>How the matter was addressed in our audit (continued)</i>
	<p>Our procedures in this area included the following (continued):</p> <ul style="list-style-type: none"><li>• For the fair value approach, involved actuarial specialist to evaluate management's calculations for:<ul style="list-style-type: none"><li>• the fair value of groups of contracts as at the transition date.</li><li>• the fulfilment cash flows as at the transition date.</li><li>• the transition CSM/loss component/loss recovery component and transitional adjustment as at the transition date.</li></ul></li><li>• Assessed whether disclosures in the financial statements are adequate in respect of the related transition disclosures.</li></ul>



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. Valuation of insurance contract liabilities

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group's insurance contract liabilities as at October 31, 2023, were \$49 billion. The Group determines the insurance contract liabilities by applying International Financial Reporting Standards 17, <i>Insurance Contracts</i> (IFRS 17), which incorporates economic and non-economic assumptions.</p> <p>The determination of the present value of future cash flows for the liability for remaining coverage (LRC) and liability for incurred claims (LIC) requires the use of appropriate assumptions in respect of the methods/models and assumptions used as well as complete, accurate, relevant and reliable data to determine future cash flows and discount rate. The methods/models, assumptions and data may not be appropriately applied due to its complexity.</p>	<p>Our procedures in this area included the following:</p> <ul style="list-style-type: none"> <li>• With the assistance of actuarial specialist, evaluated the appropriateness of methods/models and assumptions to estimate amount, timing, uncertainty of future cash flows; to determine ultimate expected claims and estimate discount rate curves; as well as to determine risk adjustments and CSM.</li> <li>• Evaluated methods/model and assumption changes in the period.</li> <li>• With the assistance of IT specialist, evaluated the completeness, accuracy and relevance of data including reconciliation between source administration systems, data warehouse and cash flows model/discount rate model and CSM calculations.</li> <li>• With the assistance of actuarial specialist, evaluated the appropriateness and tested the mathematical accuracy of models/methods, assumptions and data applied as well as recalculated CSM.</li> <li>• Performed independent reprojection of estimated cash flows and estimation of discount rate curves, ultimate estimate claims and estimation of risk adjustment.</li> <li>• Identified and tested the relevant controls. Evaluated the design and implementation and tested the operating effectiveness (where required) of the new controls.</li> </ul>



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. Valuation of insurance contract liabilities (continued)

<i>The key audit matter (continued)</i>	<i>How the matter was addressed in our audit (continued)</i>
<p>The amount estimated and recorded for the CSM (including the release/amortization of the CSM) requires the determination and appropriate application of methods/models and assumptions as well as complete, accurate, relevant and reliable data to determine the CSM. The methods/models, assumptions and data may not be appropriately applied due to its complexity.</p> <p>The required disclosures under IFRS 17 may be incomplete, inaccurate or not fairly presented.</p> <p>Significant auditor judgment was required because there was a high degree of measurement uncertainty in the significant financial and non-financial assumptions. Significant and complex auditor judgment was required to evaluate the results of audit procedures.</p> <p>[see notes 2(g), 3 (ii), 40 and 50(d), of the financial statements]</p>	<p>Our procedures in this area included the following (continued):</p> <ul style="list-style-type: none"> <li>• Involved IT specialists to test new or revised IT systems and relevant controls.</li> <li>• Involved actuarial specialists to assist in auditing the methods and significant assumptions/ judgement relating to the valuation of insurance contract liabilities.</li> <li>• Evaluated management's analysis of change to verify that the movement in the estimates of future cash flows, risk adjustments, CSM and total insurance contract liabilities period to period are in-line with our business understanding.</li> </ul>



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. Valuation of insurance contract liabilities (continued)

<i>The key audit matter (continued)</i>	<i>How the matter was addressed in our audit (continued)</i>
	<p>Our procedures in this area included the following:</p> <ul style="list-style-type: none"><li>• Evaluated the completeness, accuracy and relevance of disclosures required by IFRS 17, including disclosures about assumptions about the future, and other major sources of estimation uncertainty.</li></ul>





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. Expected credit losses

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Loans, net of allowance for expected credit losses, represent 40% or \$269 billion of the Group's total assets. Allowance for credit losses on loans of \$6 billion and a charge of \$2 billion have been recognised by the Group.</p> <p>The Group applies a three-stage approach to measure the allowance for credit losses, using an Expected Credit Loss (ECL) approach as required under IFRS 9 <i>Financial Instruments</i>. The Group's allowance for credit losses are outputs of complex models and there is a high degree of measurement uncertainty due to significant judgements inherent in the Group's methodology such as judgements about forward-looking information. These judgements impact certain inputs, assumptions, qualitative adjustments or overlays, and the determination of when there has been a significant increase in credit risk.</p> <p><i>[see notes 2(l), 3(i) and 25 of the financial statements]</i></p>	<p>Our procedures in this area included the following:</p> <ul style="list-style-type: none"> <li>• Evaluated the appropriateness of the accounting policies based on IFRS 9's requirements, our business understanding and industry practice.</li> <li>• Updated our understanding of management's processes, systems and controls implemented –e.g. controls over model development.</li> <li>• Identified and tested the relevant controls with the assistance of IT specialists.</li> <li>• Involved KPMG FRM/economic specialists to challenge significant assumptions and judgements relating to the ECL Methodology.</li> <li>• Evaluated the completeness, accuracy and relevance of data.</li> <li>• Evaluated the appropriateness and tested the mathematical accuracy of models applied.</li> <li>• Evaluated the reasonableness of and tested the post-model adjustment.</li> <li>• Evaluated the completeness, accuracy and relevance of disclosures required by IFRS 9.</li> </ul>



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. Completeness, existence and accuracy of insurance revenue

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Insurance revenue may not be completely identified and accurately recorded.</p> <p>Components of insurance revenue may not be accurately recorded, are not recorded in the correct accounting period or have not occurred due to:</p> <ul style="list-style-type: none"> <li>- release of contractual service margin for insurance contract services provided in the period;</li> <li>- change in the risk adjustment for non-financial risk for risk expired;</li> <li>- release of expected incurred claims and other insurance service expenses; and</li> <li>- recovery of insurance acquisition cash flows.</li> </ul> <p>Investment components and transaction-based taxes collected on behalf of third parties may not be appropriately identified and excluded from revenue.</p> <p>Required disclosures under IFRS 17 may be incomplete, inaccurate or not fairly presented.</p>	<p>Our procedures in this area included the following:</p> <ul style="list-style-type: none"> <li>• Involved actuarial specialists to assist in evaluating the components of insurance revenue and disclosure notes.</li> <li>• Involved actuarial specialists to evaluate whether management has appropriately identified and recognised insurance revenue.</li> <li>• Reconciled the components of insurance revenue recognised in the period to management's analysis.</li> <li>• Evaluated the completeness, accuracy and relevance of disclosures required by IFRS 17, including disclosures about assumptions about the future, and other major sources of estimation uncertainty.</li> </ul>



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SCOTIA GROUP JAMAICA LIMITED

*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 Standards 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 Group's and 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 Group and the Company or to cease operations, or has no realistic alternative but to do so.

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



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SCOTIA GROUP JAMAICA LIMITED

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

*Auditors' Responsibilities for the Audit of the Financial Statements*

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

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 12-13, 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.

A handwritten signature in blue ink that reads 'KPMG'.

Chartered Accountants  
Kingston, Jamaica

December 29, 2023



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SCOTIA GROUP JAMAICA LIMITED

**Appendix to the Independent Auditors' Report**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 and the Company'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 Group and 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 Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SCOTIA GROUP JAMAICA LIMITED

**Appendix to the Independent Auditors' Report (continued)**

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

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

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

**SCOTIA GROUP JAMAICA LIMITED****Consolidated Statement of Revenue and Expenses**  
**Year ended October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2023	2022 Restated*
<b>Net financial result and other revenue</b>			
<b>Net interest income calculated using the effective interest method</b>			
Interest from loans and deposits with banks		32,596,740	24,846,596
Interest from securities		<u>7,991,204</u>	<u>6,114,361</u>
	6	40,587,944	30,960,957
Interest income on securities at fair value through profit and loss	6	<u>248,770</u>	<u>242,885</u>
Total interest income	6	40,836,714	31,203,842
Interest expense	6	<u>(1,379,907)</u>	<u>(579,790)</u>
Net interest income	6	39,456,807	30,624,052
Expected credit losses		<u>(2,395,789)</u>	<u>(3,057,324)</u>
Net interest income after expected credit losses		37,061,018	27,566,728
Net gains/(losses) on financial assets	7	<u>312,510</u>	<u>(142,194)</u>
		37,373,528	27,424,534
Net finance expenses from insurance contracts	8	<u>(1,828,708)</u>	<u>(1,527,058)</u>
Net finance expenses from reinsurance contracts	8	<u>(131)</u>	<u>345</u>
Total insurance/reinsurance finance expenses		<u>(1,828,839)</u>	<u>(1,526,713)</u>
<b>Net financial results</b>	8	<u>35,544,689</u>	<u>25,897,821</u>
<b>Other revenue</b>			
Insurance revenue	9	2,788,585	1,874,808
Insurance service expenses	14	<u>(971,419)</u>	<u>(989,847)</u>
Net expenses from reinsurance contracts		<u>(198)</u>	<u>(272)</u>
Net insurance revenue		<u>1,816,968</u>	<u>884,689</u>
Fee and commission income	10	21,314,590	18,464,386
Fee and commission expense	10	<u>(14,576,916)</u>	<u>(13,333,060)</u>
Net fee and commission income	10	6,737,674	5,131,326
Net gains on foreign currency activities	11	8,754,339	7,210,517
Other income	12	<u>214,706</u>	<u>950,666</u>
		<u>17,523,687</u>	<u>14,177,198</u>
Total operating income		<u>53,068,376</u>	<u>40,075,019</u>
<b>Expenses</b>			
Salaries, pensions and other staff benefits	13	11,109,963	9,836,785
Property expenses, including depreciation		2,459,221	2,474,898
Amortisation of intangible assets	31	24,874	119,654
Asset tax		1,375,620	1,316,085
Other operating expenses		<u>12,658,527</u>	<u>10,961,850</u>
	14	<u>27,628,205</u>	<u>24,709,272</u>
<b>Profit before taxation</b>	15	25,440,171	15,365,747
<b>Taxation</b>	16	<u>(8,211,542)</u>	<u>(5,045,981)</u>
<b>Profit for the year attributable to stockholders of the Company</b>		<u>17,228,629</u>	<u>10,319,766</u>
<b>EARNINGS PER STOCK UNIT (expressed in \$)</b>			
<b>attributable to stockholders of the Company</b>	17	<u>5.54</u>	<u>3.32</u>

\*See note 58

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

**SCOTIA GROUP JAMAICA LIMITED****Consolidated Statement of Comprehensive Income  
Year ended October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2023	2022 Restated*
<b>Profit for the year</b>		<u>17,228,629</u>	<u>10,319,766</u>
<b>Other comprehensive income/(loss):</b>			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefits plan asset and obligations	32(c)	5,739,720	( 8,463,456)
Taxation	39(a)	<u>( 1,913,240)</u>	<u>2,821,152</u>
		<u>3,826,480</u>	<u>( 5,642,304)</u>
Items that are or will be reclassified subsequently to profit or loss:			
Unrealised gains/losses on investment securities		3,530,941	( 7,013,781)
Realised losses on investment securities		112,505	86,101
Foreign operations – foreign currency translation		3,322	( 3,770)
Finance income/(expense) from insurance contracts		870,016	( 1,600,938)
Expected credit losses on investment securities		<u>178,110</u>	<u>30,685</u>
		4,694,894	( 8,501,703)
Taxation	39(a)	<u>( 1,364,090)</u>	<u>2,475,236</u>
		<u>3,330,804</u>	<u>( 6,026,467)</u>
Other comprehensive income/(loss), net of tax		<u>7,157,284</u>	<u>(11,668,771)</u>
<b>Total comprehensive income/(loss) attributable to stockholders of the Company</b>		<u>24,385,913</u>	<u>( 1,349,005)</u>

\*See note 58

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



**SCOTIA GROUP JAMAICA LIMITED****Consolidated Statement of Financial Position  
October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2023	2022 Restated*	2021 Restated*
<b>ASSETS</b>				
<b>Cash resources</b>				
Cash and balances at Bank of Jamaica	18	110,399,971	88,436,264	101,249,141
Government and bank notes other than Jamaican	21	2,117,289	2,353,614	2,416,012
Due from other banks	19	21,836,385	21,049,363	35,342,911
Accounts with parent and fellow subsidiaries	20	<u>44,260,551</u>	<u>36,163,211</u>	<u>29,667,548</u>
	21	<u>178,614,196</u>	<u>148,002,452</u>	<u>168,675,612</u>
<b>Financial assets at fair value through profit or loss</b>				
	22	<u>2,841,833</u>	<u>3,035,413</u>	<u>3,703,002</u>
<b>Pledged assets</b>				
	23	<u>3,521,127</u>	<u>15,598,720</u>	<u>15,639,678</u>
<b>Loans, net of allowance for credit losses</b>				
	24	<u>268,829,718</u>	<u>234,657,542</u>	<u>205,521,945</u>
<b>Investment securities</b>				
	26	<u>158,755,546</u>	<u>149,835,798</u>	<u>141,625,200</u>
<b>Government securities purchased under resale agreements</b>				
	27	<u>330,075</u>	<u>751,427</u>	<u>-</u>
<b>Segregated fund assets</b>				
	28	<u>1,290,656</u>	<u>978,078</u>	<u>830,584</u>
<b>Insurance contract assets</b>				
	40	<u>14,469</u>	<u>131,195</u>	<u>6,182</u>
<b>Reinsurance contract assets</b>				
	40	<u>1,356</u>	<u>1,218</u>	<u>1,181</u>
<b>Other assets</b>				
Taxation recoverable		3,098,152	2,591,341	2,982,872
Other assets	29	4,396,788	2,999,328	4,030,172
Property and equipment	30	9,527,847	9,311,741	8,851,961
Goodwill and intangible assets	31	530,665	552,036	570,421
Retirement benefits asset	32(a)	31,094,511	23,561,041	31,254,250
Deferred tax assets	39(b)	<u>1,890,023</u>	<u>2,408,826</u>	<u>603,407</u>
		<u>50,537,986</u>	<u>41,424,313</u>	<u>48,293,083</u>
		<u>664,736,962</u>	<u>594,416,156</u>	<u>584,296,467</u>


\*See note 58

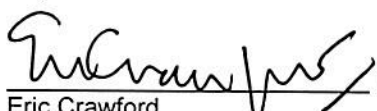
The accompanying notes form an integral part of the financial statements.


**SCOTIA GROUP JAMAICA LIMITED****Consolidated Statement of Financial Position (Continued)**  
**October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2023	2022 Restated*	2021 Restated*
<b>LIABILITIES</b>				
Deposits by the public	33	444,875,527	397,176,483	378,473,110
Due to other banks and financial institutions	34	3,914,779	1,047,139	1,283,410
Due to ultimate parent company	35	6,342	14,458	311,274
Due to fellow subsidiaries	36	<u>565,890</u>	<u>499,535</u>	<u>363,132</u>
		<u>449,362,538</u>	<u>398,737,615</u>	<u>380,430,926</u>
<b>Other liabilities</b>				
Cheques and other instruments in transit	21	3,392,616	3,546,806	3,155,909
Capital management and government securities funds	37	-	14,128,403	18,808,108
Other liabilities	38	10,010,600	10,107,722	9,862,357
Provision for taxation		2,400,061	2,136,713	445,460
Deferred tax liabilities	39(b)	6,839,089	3,501,883	7,508,730
Retirement benefits obligations	32(b)(i)	4,879,478	4,557,782	5,237,873
Due to customers and clients		<u>10,561,400</u>	<u>950,606</u>	<u>273,366</u>
		<u>38,083,244</u>	<u>38,929,915</u>	<u>45,291,803</u>
<b>Insurance contract liabilities</b>	40	<u>49,450,309</u>	<u>49,405,428</u>	<u>45,672,796</u>
<b>Reinsurance contract liabilities</b>	40	<u>2,128</u>	<u>2,295</u>	<u>2,298</u>
<b>Segregated fund liabilities</b>	28	<u>1,290,656</u>	<u>978,078</u>	<u>830,584</u>
<b>EQUITY</b>				
Share capital	41	6,569,810	6,569,810	6,569,810
Reserve fund	42	3,249,976	3,249,976	3,249,976
Retained earnings reserve	43	49,891,770	45,891,770	45,891,770
Capital reserve	44	11,340	11,340	11,340
Cumulative remeasurement result from investment securities	45	( 2,756,700)	( 5,431,669)	( 609,675)
Loan loss reserve	46	269,386	361,367	334,797
Other reserves	47	9,964	9,964	9,964
Insurance finance reserve	48	( 548,190)	( 1,200,703)	-
Translation reserve		38,257	34,935	38,705
Unappropriated profits		<u>69,812,474</u>	<u>56,866,035</u>	<u>56,571,373</u>
<b>Total equity</b>		<u>126,548,087</u>	<u>106,362,825</u>	<u>112,068,060</u>
<b>Total liabilities and equity</b>		<u>664,736,962</u>	<u>594,416,156</u>	<u>584,296,467</u>

The financial statements on pages 14 to 142 were approved for issue by the Board of Directors and signed on its behalf on December 29, 2023 by:

  
\_\_\_\_\_  
Anya Schnoor Director

  
\_\_\_\_\_  
Eric Crawford Director

  
\_\_\_\_\_  
Audrey Tugwell Henry Director

  
\_\_\_\_\_  
Maia Wilson Secretary

\*See note 58

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, 2023

(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	Insurance finance reserve	Translation reserve	Unappropriated profits	Total
<b>Balances at November 1, 2021, as previously reported*</b>	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
Cumulative effect of adopting IFRS 17 (note 58)	-	-	-	-	-	-	-	-	-	( 485,834)	( 485,834)
Prior year adjustments (note 58)	-	-	-	-	-	-	-	-	-	( 1,441,279)	( 1,441,279)
<b>Balances at November 1, 2021, as restated</b>	<b>6,569,810</b>	<b>3,249,976</b>	<b>45,891,770</b>	<b>11,340</b>	<b>( 609,675)</b>	<b>334,797</b>	<b>9,964</b>	<b>-</b>	<b>38,705</b>	<b>56,571,373</b>	<b>112,068,060</b>
Profit for the year, as restated (note 58)	-	-	-	-	-	-	-	-	-	10,319,766	10,319,766
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
Finance expense on insurance contracts, net of taxes	-	-	-	-	-	-	-	(1,200,703)	-	-	( 1,200,703)
Total other comprehensive loss	-	-	-	-	(4,821,994)	-	-	(1,200,703)	( 3,770)	( 5,642,304)	( 11,668,771)
Total comprehensive loss	-	-	-	-	(4,821,994)	-	-	(1,200,703)	( 3,770)	( 4,677,462)	( 1,349,005)
Transfer between reserves:											
Transfer to loan loss reserve	-	-	-	-	-	26,570	-	-	-	( 26,570)	-
Transaction with owners of the Company:											
Dividends paid	56	-	-	-	-	-	-	-	-	( 4,356,230)	( 4,356,230)
Net movement for the year	-	-	-	-	-	26,570	-	-	-	( 4,382,800)	( 4,356,230)
<b>Balances at October 31, 2022, as restated*</b>	<b>6,569,810</b>	<b>3,249,976</b>	<b>45,891,770</b>	<b>11,340</b>	<b>(5,431,669)</b>	<b>361,367</b>	<b>9,964</b>	<b>(1,200,703)</b>	<b>34,935</b>	<b>56,866,035</b>	<b>106,362,825</b>
Profit for the year	-	-	-	-	-	-	-	-	-	17,228,629	17,228,629
Other comprehensive income:											
Remeasurement of retirement benefit plan/obligations	-	-	-	-	-	-	-	-	-	3,826,480	3,826,480
Foreign currency translation	-	-	-	-	-	-	-	-	3,322	-	3,322
Unrealised gains on investment securities, net of taxes and provisions	-	-	-	-	2,592,041	-	-	-	-	-	2,592,041
Realised losses on investment securities, net of taxes	-	-	-	-	82,928	-	-	-	-	-	82,928
Finance income on insurance contracts	-	-	-	-	-	-	-	652,513	-	-	652,513
Total other comprehensive income	-	-	-	-	2,674,969	-	-	652,513	3,322	3,826,480	7,157,284
Total comprehensive income	-	-	-	-	2,674,969	-	-	652,513	3,322	21,055,109	24,385,913
Transfer between reserves:											
Transfer to retained earnings reserve	-	-	4,000,000	-	-	-	-	-	-	( 4,000,000)	-
Transfer from loan loss reserve	-	-	-	-	-	( 91,981)	-	-	-	91,981	-
Transaction with owners of the Company:											
Dividends paid	56	-	-	-	-	-	-	-	-	( 4,200,651)	( 4,200,651)
Net movement for the year	-	-	-	-	-	( 91,981)	-	-	-	( 8,108,670)	( 4,200,657)
<b>Balances at October 31, 2023</b>	<b>6,569,810</b>	<b>3,249,976</b>	<b>49,891,770</b>	<b>11,340</b>	<b>(2,756,700)</b>	<b>269,386</b>	<b>9,964</b>	<b>( 548,190)</b>	<b>38,257</b>	<b>69,812,474</b>	<b>126,548,087</b>

\*See note 58

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

**SCOTIA GROUP JAMAICA LIMITED****Consolidated Statement of Cash Flows****Year ended October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
Profit for the year		17,228,629	10,319,766
Adjustments for:			
Taxation	16	8,211,542	5,045,981
Depreciation	30	845,898	809,726
Amortisation of right of use assets	30	165,090	156,017
Amortisation of intangible assets	31	24,874	119,654
Expected credit losses		3,311,567	4,499,285
Gain on sale of property and equipment	12	( 159,953)	( 290,100)
Impairment of property and equipment	30	-	11,871
Increase in retirement benefits asset/obligations, net		( 1,317,140)	( 1,287,628)
Gain on extinguishment of liability	12	-	( 629,030)
		<u>28,310,507</u>	<u>18,755,542</u>
Interest income	6	(40,836,714)	(31,203,842)
Interest expense	6	<u>1,379,907</u>	<u>579,790</u>
		<u>(11,146,300)</u>	<u>(11,868,510)</u>
Changes in operating assets and liabilities:			
Loans		(36,607,451)	(32,842,867)
Deposits by the public		33,561,010	14,034,127
Insurance contract liabilities		1,031,319	2,032,890
Statutory reserves at Bank of Jamaica		( 8,092,742)	( 2,797,688)
Other liabilities, net		( 11,772)	125,236
Due to parent company		58,239	( 156,460)
Accounts with fellow subsidiaries		( 1,682,289)	2,768,534
Financial assets at fair value through profit or loss		185,345	669,519
Amounts due to other banks and financial institutions		2,867,640	392,758
Other assets, net		( 1,393,384)	907,450
Due to customers and clients		9,610,794	677,240
Taxation recoverable		( 506,810)	( 1,000,281)
Retirement benefits		( 154,914)	( 162,710)
		<u>(12,281,315)</u>	<u>(27,220,762)</u>
Interest received		39,944,236	30,170,480
Interest paid		( 1,338,880)	( 562,886)
Taxation paid		<u>( 7,368,358)</u>	<u>( 2,479,445)</u>
Net cash provided by/(used in) operating activities (carried forward to page 20)		<u>18,955,683</u>	<u>( 92,613)</u>

\*See note 58

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, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	<b>Notes</b>	<b>2023</b>	<b>2022 Restated*</b>
<b>Cash flows from operating activities</b>			
(brought forward from page 19)		<u>18,955,683</u>	<u>( 92,613)</u>
<b>Cash flows from investing activities</b>			
Purchase of investment securities		( 66,028,793)	( 88,773,366)
Proceeds from maturity/disposal of investment securities		72,191,827	72,070,581
Proceeds from disposal of property and equipment		203,391	334,073
Purchase of intangible assets, net		( 3,503)	( 101,269)
Purchase of property and equipment	30	<u>( 1,105,424)</u>	<u>( 1,352,599)</u>
Net cash provided by/(used in) investing activities		<u>5,257,498</u>	<u>( 17,822,580)</u>
<b>Cash flows from financing activities</b>			
Dividends paid to stockholders	56	( 4,200,651)	( 4,356,230)
Lease payments right of use assets	38(ii)(d)	<u>( 181,861)</u>	<u>( 166,001)</u>
Net cash used in financing activities		<u>( 4,382,512)</u>	<u>( 4,522,231)</u>
Effect of exchange rate changes on cash and cash equivalents		<u>1,146,996</u>	<u>( 2,114,037)</u>
Net increase/(decrease) in cash and cash equivalents		20,977,665	( 24,551,461)
Cash and cash equivalents at beginning of year		<u>102,861,158</u>	<u>127,412,619</u>
<b>Cash and cash equivalents at end of year</b>	21	<u>123,838,823</u>	<u>102,861,158</u>

\*See note 58

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

**SCOTIA GROUP JAMAICA LIMITED****Separate Statement of Comprehensive Income****Year ended October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	<b>Notes</b>	<b>2023</b>	<b>2022</b>
<b>Net interest income calculated using the effective interest method</b>			
Interest from deposit with banks	6	<u>423,503</u>	<u>65,790</u>
Net gains/(losses) on foreign currency activities		124,463	( 95,053)
Dividend income	12,49	<u>4,121,922</u>	<u>3,677,360</u>
		<u>4,246,385</u>	<u>3,582,307</u>
Total operating income		<u>4,669,888</u>	<u>3,648,097</u>
<b>Expenses</b>			
Other operating expenses	14	<u>71,786</u>	<u>57,134</u>
Profit before taxation	15	4,598,102	3,590,963
Taxation	16	( 89,783)	( 12,162)
<b>Profit for the year</b>		<u>4,508,319</u>	<u>3,578,801</u>

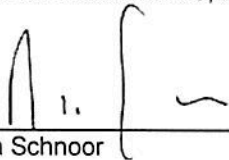
\*See note 58

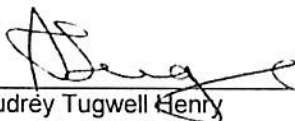
The accompanying notes form an integral part of the financial statements.

**SCOTIA GROUP JAMAICA LIMITED****Separate Statement of Financial Position  
October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2023	2022
<b>ASSETS</b>			
<b>Cash resources</b>			
Accounts with subsidiaries	21	<u>9,522,931</u>	<u>9,128,131</u>
<b>Investment in subsidiaries, at cost</b>		<u>13,029,908</u>	<u>13,029,908</u>
<b>Other assets</b>			
Taxation recoverable		<u>101,042</u>	<u>106,363</u>
		<u>22,653,881</u>	<u>22,264,402</u>
<b>LIABILITIES</b>			
Accrued expenses and other liabilities			
Taxation payable		14,788	17,440
Deferred tax liabilities	39(b)	<u>90,116</u>	<u>7,522</u>
		<u>6,563</u>	<u>4,694</u>
		<u>111,467</u>	<u>29,656</u>
<b>EQUITY</b>			
Share capital	41	6,569,810	6,569,810
Unappropriated profits		<u>15,972,604</u>	<u>15,664,936</u>
<b>Total stockholders' equity</b>		<u>22,542,414</u>	<u>22,234,746</u>
<b>Total liabilities and equity</b>		<u>22,653,881</u>	<u>22,264,402</u>

The financial statements on pages 14 to 142 were approved for issue by the Board of Directors and signed on its behalf on December 29, 2023 by:

  
\_\_\_\_\_  
Anya Schnoor Director

  
\_\_\_\_\_  
Audrey Tugwell Henry Director

  
\_\_\_\_\_  
Eric Crawford Director

  
\_\_\_\_\_  
Maia Wilson Secretary

\*See note 58

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

**SCOTIA GROUP JAMAICA LIMITED****Separate Statement of Changes in Stockholders' Equity  
Year ended October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	<u>Notes</u>	<u>Share capital</u>	<u>Unappropriated profits</u>	<u>Total</u>
<b>Balances at October 31, 2021</b>		<u>6,569,810</u>	<u>16,442,365</u>	<u>23,012,175</u>
Profit for the year, being total comprehensive income		-	3,578,801	3,578,801
Transaction with owners:				
Dividends paid	56	<u>-</u>	<u>( 4,356,230)</u>	<u>( 4,356,230)</u>
<b>Balances at October 31, 2022</b>		<u>6,569,810</u>	<u>15,664,936</u>	<u>22,234,746</u>
Profit for the year, being total comprehensive income		-	4,508,319	4,508,319
Transaction with owners:				
Dividends paid	56	<u>-</u>	<u>( 4,200,651)</u>	<u>( 4,200,651)</u>
<b>Balances at October 31, 2023</b>		<u>6,569,810</u>	<u>15,972,604</u>	<u>22,542,414</u>

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



**SCOTIA GROUP JAMAICA LIMITED****Separate Statement of Cash Flows**  
**Year ended October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	<b>Notes</b>	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>			
Profit for the year		4,508,319	3,578,801
Adjustments for:			
Interest income	6	( 423,503)	( 65,790)
Dividend Income	12,49	(4,121,922)	(3,677,360)
Taxation	16	<u>89,783</u>	<u>12,162</u>
		52,677	( 152,187)
Changes in operating assets and liabilities			
Other assets, net		5,320	-
Accounts with fellow subsidiaries		( 535,292)	654,496
Other liabilities		<u>( 2,651)</u>	<u>2,308</u>
		( 479,946)	504,617
Interest received		416,024	47,229
Taxation paid		<u>( 5,319)</u>	<u>-</u>
Net cash (used in)/provided by operating activities		<u>( 69,241)</u>	<u>551,846</u>
<b>Cash flows from investing activity</b>			
Dividend received, being cash provided by investing activity		<u>4,121,922</u>	<u>3,677,360</u>
<b>Cash flows from financing activity</b>			
Dividends paid, being cash used in financing activity	56	<u>(4,200,651)</u>	<u>(4,356,230)</u>
Net decrease in cash and cash equivalents		( 147,970)	( 127,024)
Cash and cash equivalents at beginning of year		<u>632,521</u>	<u>759,545</u>
<b>Cash and cash equivalents at end of year</b>	21	<u><u>484,551</u></u>	<u><u>632,521</u></u>

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

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***1. Identification, Regulation and Licence**

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

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

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

Subsidiaries	Principal Activities	Holding by		Financial Year-End
		Company	Subsidiary	
The Bank of Nova Scotia Jamaica Limited 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 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, 2023.

**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”).

## Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain investments measured at fair value.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(a) Basis of preparation (continued)**

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:

**New and amended standards that became effective during the year:**

- (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.

This amendment did not have a significant impact on the Group's 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.

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

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

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. The Group has assessed them with respect to its operations and has determined that the following are relevant:

- (i) 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:

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(a) Basis of preparation (continued)****New and amended standards and interpretations that are not yet effective (continued):****(i) Amendments to IAS 1 *Presentation of Financial Statements* (continued)**

*“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.

**(ii) 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.

The amendment will affect the company and group for the first time in its 2024 financial statements . The amendment is not expected to have a significant impact.

**(iii) 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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(a) Basis of preparation (continued)****New and amended standards and interpretations that are not yet effective (continued):**

- (iv) Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 2024. 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.

Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within twelve months after the reporting date.

The amendment will affect the company and group for the first time in its 2025 financial . The amendment is not expected to have a significant impact.

- (v) IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, is effective for annual reporting periods beginning on or after January 1, 2024 (with earlier application permitted as long as IFRS S2 Climate-related Disclosures is also applied).

IFRS S1 requires an entity to disclose information about its sustainability-related risks and opportunities that are useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity. The standard also requires entities to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as 'sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects').

IFRS S1 prescribes how an entity prepares and reports its sustainability-related financial disclosures and sets out general requirements for the content and presentation of those disclosures so that the information disclosed is useful to users in making decisions relating to providing resources to the entity.

Under the standard, entities are required to provide disclosures about the governance processes, controls and procedures, strategies and processes the entity uses to monitor, manage and oversee sustainability-related risks and opportunities, as well as, the entities performance and progress towards any targets the entity has set or is required to meet by law or regulation.

The Group is assessing the impact that the amendment will have on its 2025 financial statements.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(a) Basis of preparation (continued)****New and amended standards and interpretations that are not yet effective (continued):**

- (vi) IFRS S2 *Climate-related Disclosures*, is effective for annual reporting periods beginning on or after January 1, 2024 (with earlier application permitted as long as IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information is also applied).

IFRS S2 requires entities to disclose information about its climate-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity. The standard also requires entities to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as 'climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects'). IFRS S2 applies to climate-related physical risks; climate-related transition risks; and climate-related opportunities available to an entity.

IFRS S2 sets out the requirements for disclosing information about an entity's climate-related risks and opportunities. Under the standard, entities are required to provide disclosures about the governance processes, controls and procedures, strategies and processes the entity uses to monitor, manage and oversee climate-related risks and opportunities, as well as, the entities performance and progress towards any targets the entity has set or is required to meet by law or regulation.

The Group is assessing the impact that the amendment will have on its 2025 financial statements.

**Early adoption of IFRS 17**

IFRS 17 *Insurance Contracts*, is 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).

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(a) Basis of preparation (continued)****Early adoption of IFRS 17 (continued)**

- 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.
- Entities are required to apply IFRS 17 using the full retrospective approach. If however, it is impracticable to do so, an entity may apply the modified retrospective or fair value approach.

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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(a) Basis of preparation (continued)****Early adoption of IFRS 17 (continued)**

Except for the changes below, the Group has consistently applied the accounting policies set out in note 3 to all periods presented in these consolidated financial statements.

Given the non-coterminous year-ends of the Bank of Nova Scotia Jamaica Limited and its subsidiary Scotia Jamaica Life Insurance company, as well as the system requirements to maintain parallel reporting under IFRS 4 and IFRS 17, the Group has early adopted the new insurance standard IFRS 17 – *Insurance Contracts* as at November 1, 2021.

The nature and effects of the key changes in the Group's accounting policies resulting from the adoption of IFRS 17 are summarized below:

The Group applied the fair value approach to identify, recognise and measure certain groups of contracts because it was impracticable to apply the full or modified retrospective approaches given the following circumstances.

- a) After making reasonable efforts to gather necessary historical information, it was determined that for certain groups of contracts, the historical information was not available or not available in a form that would enable it to be used without undue cost and effort.
- b) The Group had limited or no information to appropriately determine assumptions and estimates relating to experience adjustments of financial and non-financial risks (e.g. discount rates, expenses).
- c) The Group has not historically been accumulating information about the changes in assumptions and estimates that would have been recognised in profit or loss for each accounting period.

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using the fair value approach for all General Measurement Model (GMM) and Variable Fee Approach (VFA) portfolios and the full retrospective approach for the Premium Allocation Approach (PAA) portfolios.

Under the fair value approach, the CSM (or the loss component) at November 1, 2021 was determined as the difference between the fair value of a group of contracts at that date and the fulfilment cash flows at that date. For all contracts measured under the fair value approach, the amount of insurance finance income or expenses accumulated in the insurance finance reserve at November 1, 2021 was determined to be zero.

Under the full retrospective approach, the Group measured insurance cash flows as if IFRS 17 had always applied and recognized any resulting net differences in equity.

**Assets for insurance acquisition cash flows**

The Group has determined that all acquisition costs are recognized at contract recognition. As a result, an asset for insurance acquisition cash flows was not recognized on transition.

**IFRS 9 *Financial Instruments* redesignation**

The Group has applied IFRS 9 to annual periods prior to the adoption of IFRS 17 and has elected to maintain the classification or designation of these financial assets.

Further details on the specific IFRS 17 accounting policies applied are described in **note 2(g)**

The impact net of taxes on transition to IFRS 17 on the Group's financial statements are detailed in note 58.



**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(b) Basis of consolidation**

The consolidated financial statements include the assets, liabilities and results of operations of the Company and its subsidiaries presented as a single economic entity. The Company and its subsidiaries are collectively referred to as “the Group”.

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

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

The Group uses the acquisition method of accounting for business combinations. The Group considers the date on which control is obtained and legally transfers the consideration for the acquired assets and assumed liabilities to be the date of acquisition. 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.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

**(c) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to, and assesses the performance of, the operating segments of an entity. The Group has determined the Board of Directors as its chief operating decision maker. Income and expenses directly associated with each segment are included in determining business segment performance. The Group's internal measures used in reporting segment information are consistent with the IFRS. Reconciling items are limited to items that are not allocated to reportable segments, as opposed to a difference in the basis of preparation of the information.

**(d) Translation of foreign currencies**

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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(d) Translation of foreign currencies (continued)**

The assets and liabilities of foreign operations and fair value adjustments arising on acquisition are translated into Jamaican dollars using the exchange rate at the reporting date. The income and expenses of foreign operations are translated into Jamaican dollars at the exchange rates at the dates of the transactions. Foreign currency differences are recognized in OCI and accumulated in the translation reserve. When a foreign operation is disposed of partially or in its entirety, the cumulative amount or portion thereof in the translation reserve is reclassified to the profit or loss as part of the gain or loss on disposal.

**(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 over 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.

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

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

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

*Fee and commission income*

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

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

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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(e) Revenue recognition (continued)**

Performance obligations and revenue recognition policies:

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

<i>Type of service</i>	<i>Nature and timing of satisfaction of performance obligations, including significant payment terms.</i>	<i>Revenue recognition under IFRS 15</i>
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 overtime as 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.

*Insurance revenue**Contracts not measured under the premium allocation approach*

The Group recognises insurance revenue as it satisfies its performance obligations – i.e. as it provides services under groups of insurance contracts. This amount represents the total change in the liability for the remaining coverage that relate to services for which the Group expects to receive consideration and is comprised of the contractual service margin, changes in the risk adjustment for non-financial risk as well as experience adjustments.

*Contracts measured under the premium allocation approach*

Insurance revenue is the amount of expected premium receipts for providing services in the period.

*Dividend income*

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

**(f) Interest expense**

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

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(g) Insurance contracts**

Insurance and reinsurance contracts – Classification

**(i) Definitions and classifications**

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

This assessment is made on a contract-by-contract basis at the contract issue date. In making this assessment, the Group considers all its substantive rights and obligations, whether they arise from contract, law or regulation. The Group uses judgement to assess whether a contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the Group has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

The Group issues certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders. Participating contracts meet the definition of insurance contracts with direct participating features if the following three criteria are met:

- The contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

The Group uses judgement to assess whether the amounts expected to be paid to the policyholders constitute a substantial share of the fair value returns on the underlying items.

Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. The Group does not accept insurance risk from other insurers.

All other insurance and reinsurance contracts are classified as contracts without direct participation features.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(g) Insurance contracts (continued)****(i) Definitions and classifications (continued)**

Summary of measurement approaches

The Group issues the following types of contracts that are accounted for in accordance with IFRS 17 *Insurance Contracts*.

<b>Contracts Issued</b>	<b>Product</b>	<b>Product classification</b>	<b>Portfolio</b>	<b>Measurement Model</b>
Whole life insurance contracts	Life Shelter Lifetime Security Solace	Insurance contracts	Individual Life	GMM
Universal life insurance contracts	ScotiaMint	Insurance contracts without direct participation features	Individual Life (Savings & Wealth)	GMM
Universal life insurance contracts	Affirm Elevate	Insurance contracts with direct participation features	Individual Universal Life	VFA
Critical illness insurance contracts	Criticare	Insurance contracts	Individual Health	GMM
Variable annuity	Scotia Retirement Fund (RIF)	Insurance contracts	Individual Annuity	GMM
Group creditor level premium	Creditor Life (Revolving and Non-Revolving level premium)	Insurance contracts	Group Creditor Combined Level	PAA
Group creditor single premium	Creditor Life (Non-Revolving single premium)	Insurance contracts	Group Creditor Combined Single	GMM
Universal life - excess of loss reinsurance	Affirm	Reinsurance contract held	Reinsurance Held	GMM

**(ii) Separating components from insurance and reinsurance contracts**

At inception the Group analyzes whether insurance or reinsurance contracts contain components that should be separated based on the criteria below:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct non-insurance services.

The Group has not identified any embedded derivatives, distinct investment components, distinct goods or distinct non-insurance services in its insurance or reinsurance contracts that would require separation from the host contract.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(g) Insurance contracts (continued)****(iii) Aggregation and recognition of insurance and reinsurance contracts****Insurance contracts**

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

The Group uses reasonable and supportable information available to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous.

An insurance contract issued by the Group is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Group provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

**Reinsurance contracts**

A group of reinsurance contracts held that covers aggregate losses from underlying contracts in excess of a specified amount is recognised at the beginning of the coverage period of that group.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Group aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of :

- contracts for which there is a net gain at initial recognition, if any;
- contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and
- remaining contracts in the portfolio, if any.

**(iv) Insurance acquisition cash flows**

The Group includes insurance acquisition cash flows in the measurement of a group of insurance contracts if they are directly attributable to the individual contracts in a group. Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and consistent basis, in an unbiased way, using reasonable and supportable information that is available without undue cost or effort.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(g) Insurance contracts (continued)****(iv) Insurance acquisition cash flows (continued)**

When applying IFRS 17, the Group assumes that insurance acquisition costs are incurred at contract recognition and the acquisition cash flows incurred in each reporting period would relate to contracts issued in the period unless any of the following two apply:

1. Cash flows relate to insurance contracts that are expected to arise from renewals;
2. Cash flows relate to groups of contracts that have not been issued any new business in the reporting period

The Group has determined that all acquisition costs are recognized at contract recognition. As a result, the Group does not recognize an asset for insurance acquisition cash flows.

**(v) Contract boundaries**

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows.

**Insurance contracts**

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums, or the Group has a substantive obligation to provide the policyholder with insurance coverage or other services.

A substantive obligation to provide services ends when:

- the Group has the practical ability to reassess the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- the Group has the practical ability to reassess the risks of a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio and the pricing of premiums related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Group, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.

**Reinsurance contracts**

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer has the practical ability to reassess the risks transferred to it and can reprice or change the level of benefits that fully reflects those reassessed risks; or has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting period to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(g) Insurance contracts (continued)**

- (vi) Measurement – Contracts not measured under the Premium Allocation Approach (PAA)

**Insurance contracts – without direct participation features**

On initial recognition, the Group measures a group of insurance contracts as the total of

- a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and
- b) the contractual service margin (CSM).

The fulfilment cash flows of a group of insurance contracts do not reflect the Group's non-performance risk.

**Risk adjustment for non-financial risk**

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

**Contractual service margin**

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognise as it provides coverage in the future. At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous) arising from:

- a) the fulfilment cash flows (FCF),
- b) the derecognition at the date of initial recognition of any liability recognised for insurance acquisition cash flows; and
- c) cash flows arising from the contracts in the group at that date.

A negative CSM at the date of inception means the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in profit or loss immediately with no CSM recognised on the balance sheet on initial recognition.

**Insurance contracts – Subsequent measurement**

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims.

The liability for remaining coverage comprises:

- a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and
- b) any remaining CSM at that date

The liability for incurred claims includes:

- a) the fulfilment cash flows for incurred claims and expenses that have not yet been paid, and
- b) claims that have been incurred but not yet reported.



**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(g) Insurance contracts (continued)**

- (vi) Measurement – Contracts not measured under the Premium Allocation Approach (PAA) (continued)

## Fulfilment cash flows

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows:

Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses

The CSM of each group of contracts is calculated at each reporting date as follows:

## Insurance contracts without direct participation features

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- a) the CSM of any new contracts that are added to the group in the year;
- b) interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- c) changes in fulfilment cash flows that relate to future services, except to the extent that:
  - i. any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit or loss and creates a loss component (see (viii)); or
  - ii. any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss (see (viii));
  - iii. the effect of any currency exchange differences on the CSM; and
  - iv. the amount recognised as insurance revenue because of the services provided in the year (see (viii)).

Changes in fulfilment cash flows that relate to future services comprise:

- a) experience adjustments arising from premiums received in the year that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- b) changes in estimates of the present value of future cash flows in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that arise from the effects of the time value of money, financial risk and changes therein;
- c) differences between -
  - i. component expected to become payable in the year, determined as the any investment payment expected at the start of the year plus any insurance finance income or expenses (see (viii)) related to that expected payment before it becomes payable; and
  - ii. the actual amount that becomes payable in the year;

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(g) Insurance contracts (continued)**

(vi) Measurement – Contracts not measured under the Premium Allocation Approach (PAA) changes in fulfillment(continued)

d) differences between any loan to a policyholder expected to become repayable in the year and the actual amount that becomes repayable in the year; and

e) changes in the risk adjustment for non-financial risk that relate to future services

**Insurance contracts with direct participation features**

Direct participating contracts are contracts under which the Group's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee for future services provided under the insurance contracts

For insurance contracts under the VFA, the following adjustments relate to future service and thus adjusts the CSM:

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- the change in the amount of the Group's share of the fair value of the underlying items, and
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - i. a decrease in the amount of the Group's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in insurance service expenses) and creating a loss component; or
  - ii. an increase in the amount of the Group's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in insurance service expenses);
  - iii. the effect of any currency exchange differences on the CSM; and
  - iv. the amount recognised as insurance revenue because of the services provided in the year.

(vii) Measurement Contracts measured under the Premium Allocation Approach (PAA)

The Group uses the PAA to simplify the measurement of groups of contracts at inception when the coverage period of each contract in the group is one year or less.

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured as the premiums received. The Group expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Group has chosen not to adjust the liability for remaining coverage and liability for incurred claims to reflect the time value of money and the effect of financial risk. The Group has chosen to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and decreased by the amount recognised as insurance revenue for services provided.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(g) Insurance contracts (continued)****(viii) Reinsurance contracts**

To measure a group of reinsurance contracts, the Group applies the same accounting policies as are applied to insurance contracts without direct participation features.

On initial recognition for a group of reinsurance contracts held, requirements remain consistent with the General Measurement Model with respect to the calculation of the CSM and the determination of the coverage units. The CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance.

The total number of coverage units in a group is the quantity of coverage provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

- a) the quantity of benefits provided by contracts in the group;
- b) the expected coverage duration of contracts in the group; and
- c) the likelihood of insured events occurring, only to the extent that they affect the expected duration of contracts in the group.

The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting period and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Group to the reinsurer.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM on any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- income recognised in profit or loss in the year on initial recognition of onerous underlying contracts (see below);
- reversals of a loss-recovery component to the extent that they are no changes in the fulfilment cash flows on the group of reinsurance contracts;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows on onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust the loss-recovery component;
- the amount recognised in profit or loss because of the services received in the year.

**(ix) Insurance contracts – Subsequent measurement**

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows that relate to services that will be provided under the contracts in further periods and any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid including claims that have been incurred but not yet reported.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(g) Insurance contracts (continued)****(x) Derecognition and contract modification**

The Group derecognizes insurance contracts when:

- The rights and obligations relating to the contract are extinguished, or
- The contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

On derecognition of a contract from within a group of contracts not measured under the PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Group entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the Group received the premium that it would have charged less any additional premium charged for the modification.

**(xi) Presentation**

The Group has presented separately in the consolidated statement of financial position the carrying amount of portfolios of insurance contracts that are assets and those that are liabilities, and the portfolios of reinsurance contracts held that are assets and those that are liabilities.

The Group disaggregates amounts recognised in the statement of revenue and expenses and OCI into

- a) Net insurance revenue, comprising insurance revenue and insurance service expenses; and
- b) Insurance/reinsurance finance expenses

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

The Group does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

**Insurance revenue**

The Group's insurance revenue depicts the provision of services arising from a group of insurance contracts at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(g) Insurance contracts (continued)****(xi) Presentation (continued)****Insurance service expenses**

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred and include incurred claims, amortisation of acquisition cashflows, losses on onerous contracts and reversals of such losses and adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

**Net expenses from reinsurance contracts**

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

**Insurance finance income and expenses**

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein. The Group has chosen to disaggregate insurance finance income or expenses between the statements of revenue and expenses and OCI. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts using the crediting rate approach.

Amounts presented in OCI are accumulated in the insurance finance reserve.

**(h) 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 realized.

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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(h) Taxation (continued)***Deferred income tax (continued)*

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

**(i) 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.

**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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(i) Financial assets and liabilities (continued)**

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.

*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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(i) Financial assets and liabilities (continued)***Debt instruments measured at amortised cost*

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). Upon derecognition, realised gains and losses are reclassified from OCI and recorded in non-interest income in the consolidated statement of revenue and expenses on an average cost basis. Foreign exchange gains and losses that relate to the amortised cost of the debt instrument are recognised in the consolidated statement of revenue and expenses. Premiums, discounts and related transaction costs are amortised over the expected life of the instrument to interest income in the consolidated statement of revenue and expenses using the effective interest rate method.

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

*Debt instruments measured at FVTPL*

Debt instruments are measured at FVTPL if assets:

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

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

*Debt instruments designated at FVTPL*

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



**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(i) Financial assets and liabilities (continued)**

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.

*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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(i) Financial assets and liabilities (continued)***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. 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.

*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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)***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.

**(j) Embedded derivatives**

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

- the host contract is not 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.

Where an embedded derivative is separable from the host contract but the fair value, as at the acquisition or reporting date, cannot be reliably measured separately, the entire combined contract is measured at fair value. All embedded derivatives are presented on the consolidated statement of financial position on a combined basis with the host contracts. Changes in fair value of embedded derivatives that are separated from the host contract are recognized in non-interest income in the consolidated statement of comprehensive income.

**(k) 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, are used by the Group in the management of its short-term obligations and are subject to insignificant risk of changes in their fair value.

**(l) 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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(l) Allowance for expected credit losses (continued)**

The impairment models measure credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination (continued):

- 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.

*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 four 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 three 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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(l) Allowance for expected credit losses (continued)***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.

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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(l) Allowance for expected credit losses (continued)***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 Consolidated 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.

*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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(m) 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.

**(n) 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(l)] 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, 2023 total \$19,344,571 (2022: \$20,700,537). In the event of a call on these commitments, the Group has equal and offsetting claims against its customers.

**(o) 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
Right-of-use assets	The shorter of the asset's useful life and the lease term

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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(p) Investment in subsidiaries**

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

**(q) Goodwill and intangible assets***Intangible assets acquired separately*

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

*Intangible assets acquired in a business combination*

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

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

*Goodwill*

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

*Acquired customer relationships*

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

*Contract-based intangible assets*

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

*Licences*

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



**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(q) Goodwill and intangible assets (continued)***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.

**(r) Employee benefits**

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

Employee benefits that are earned as a result of past or current services are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as an expense. Post-employment benefits, termination benefits and equity compensation benefits are accounted for as described below. Other long-term benefits 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.

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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(r) Employee benefits (continued)**

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.

*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.

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 56) 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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(r) Employee benefits (continued)***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.

**(s) 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.

**(t) 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.

**(u) 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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(u) Leases (continued)***As a lessee (continued)*

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.

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.

**SCOTIA GROUP JAMAICA LIMITED**

**Notes to the Financial Statements (Continued)**

**October 31, 2023**

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

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

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

The carrying amount of the Group's non-financial assets, are reviewed at each reporting date 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.

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.

**(w) 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 certain financial assets measured at amortised cost 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 25 and 50(b), which also set out key sensitivities of the ECL to changes in these elements.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***3. Critical accounting estimates, and judgements made in applying accounting policies (continued)****ii. Insurance contract cash flows, valuation****(a) Fulfilment cash flows**

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date and include;

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

The Group's objective is to estimate future cash flows and to determine their expected values considering the full range of possible outcomes. The cash flows are discounted and weighted by the estimated probability of that outcome to derive an expected present value.

*Estimates of future cash flows*

In estimating future cash flows, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Group's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Group takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and establishing a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs;
- recurring commissions payable on instalment premiums receivable within the contract boundary;
- costs that the Group will incur in providing investment services;
- costs that the Group will incur in performing investment activities to the extent that the Group performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs; and
- income tax and other costs specifically chargeable to the policyholders under the terms of the contracts.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***3. Critical accounting estimates, and judgements made in applying accounting policies (continued)****ii. Insurance contract cash flows, valuation (continued)****(a) Fulfilment cash flows (continued)***Estimates of future cash flows (continued)*

Policyholder behaviour is a key assumption in the measurement of insurance contracts. Each type of policyholder behaviour is estimated by product type based on trends in recent experience. The following table sets out the assumptions about surrender rates (expressed as weighted averages) by policy anniversary for all portfolios:

Portfolio	2023					2022				
	1 year	5 years	10 years	15 years	20 years	1 year	5 years	10 years	15 years	20 years
Individual life	23%	6%	2%	2%	1%	23%	6%	2%	2%	1%
Individual Health	32%	7%	3%	3%	3%	32%	7%	3%	3%	3%
Group Creditor Combined Single	12%	34%	34%	34%	34%	12%	34%	34%	34%	34%
Group Creditor Combined Level	12%	34%	34%	34%	34%	12%	34%	34%	34%	34%
Group Creditor Combined Revolving	12%	34%	34%	34%	34%	12%	34%	34%	34%	34%
Individual Life Savings and Wealth	11%	9%	6%	5%	4%	11%	9%	6%	5%	4%
Individual Universal Life	15%	9%	6%	6%	6%	15%	9%	6%	6%	6%

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows are attributed to acquisition activities, fulfilment activities and other activities using activity-based costing techniques. Cash flows attributable to acquisition and fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. The Group generally allocates insurance acquisition cash flows to groups of contracts based on the total premiums for each group, claims handling costs based on the number of claims for each group, and maintenance and administration costs based on the number of in-force contracts within each group. Other costs are recognised in profit or loss as they are incurred.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***3. Critical accounting estimates, and judgements made in applying accounting policies (continued)****ii. Insurance contract cash flows, valuation (continued)****(a) Fulfilment cash flows (continued)***Estimates of future cash flows (continued)*

Changes in the fulfilment cash flows are recognised as follows:

Changes relating to future service	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses

**Contract boundaries**

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Group's substantive rights and obligations under the contract.

**Insurance contracts**

Long term insurance contracts issued by the Group do not have renewable terms consequently all related cash flows fall within the contract boundary.

**Reinsurance contracts**

The Group's reinsurance contract has an annual term and covers claims from underlying contracts incurred within the year (i.e. loss occurring). Cash flows within the contract boundary are those arising from underlying claims which incurred during the year.

**Life risk, life savings and participating contracts**

The assumptions for long term insurance contracts used in estimating future cash flows are developed by product type, and reflect recent experience and the characteristics of policyholders within a group of insurance contracts.

Estimates of future deaths, voluntary terminations and partial withdrawal of policy funds, investment returns, crediting rates, inflation and administration expenses are made based on recent experience and market conditions. These form the assumptions used for determining the expected cash flows at the inception of the contract. New estimates are made each year based on updated experience studies and economic forecasts.

For universal life contracts, crediting rates and discount rates (see 'Discount rates' below), are key assumptions in contract measurement. Future crediting rates are estimated based on the actual rates applied in the current year and current market conditions. The crediting rates applied vary between products.

**(b) Discount rates**

The IFRS17 discount curve is developed using the bottom-up approach. Inputs from both internal and external resources are used. The market risk-free spot curve is reviewed and updated quarterly to facilitate alignment with the current market environment. The parameters used to develop the final discount rates (e.g. ultimate rate, illiquidity premium and convergence period) represent our long-term expectations and should therefore be less sensitive to market fluctuations. These assumptions are reviewed at least annually but may be updated more frequently if the company's actuaries determine that a material change in circumstances has occurred.



**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***3. Critical accounting estimates, and judgements made in applying accounting policies (continued)****ii. Insurance contract cash flows, valuation (continued)***Estimates of future cash flows (continued)***(b) Discount rates (continued)**

The risk-free spot yield curve is internally developed utilising indicative yields and actual trades of Government of Jamaica (GOJ) bonds. The curve is generated monthly and provides rates up to 30 years. The risk-free spot yield curve used to develop the IFRS17 discount curve is updated quarterly. Although the internally developed risk-free curve generates rates up to 30 years, there are many months in which rates for the longer tenors are unavailable due to a lack of recent trades. As such, the last observable point chosen was 20 years, in line with the longest tenor at which the curve is consistently generated. Most of the market activity is expected to occur at tenors less than or equal to 20 years.

The ultimate risk-free forward rate was developed considering real GDP growth rates (as reported by STATIN) and the Bank of Jamaica's (BOJ's) inflation target rate. This methodology is aligned with the Canadian Institute of Actuaries Educational Note "IFRS17 Discount Rates for Life and Health Insurance Contracts" (CIA Ed Note). In this regard, a real GDP growth rate of 2% and a target inflation rate of 4% was used, leading to an ultimate forward rate of 6%.

Linear interpolation was used for points between the last observable point (20 years) and the ultimate period (30 years). Given the limited data and market activity, a full reference curve was not developed to determine the illiquidity premium. Instead, historical mortgage rates were used to develop an ultimate reference point. The ultimate reference point was 9.5% as at October 31, 2023, in line with historical mortgage rates observed over the last 10 years. The difference between the ultimate reference point and the ultimate risk-free point was assumed to include both an illiquidity premium and a credit risk premium. Using the considerations above, the ultimate illiquidity premium as at October 31, 2023 was determined to be 1.5% or 25% above the ultimate risk-free rate.

We assumed that the illiquidity premiums are 25% above the risk-free rates for all tenors. The level of illiquidity in each product was assessed using the exit cost, exit value and inherent value.

The products were then put in buckets based on this assessment (0%, 50% or 100% illiquidity premium).

The tables below set out the yield curves used to discount the cash flows of insurance contracts for major currencies.

	2023					2022				
	<u>1</u> <u>year</u>	<u>5</u> <u>years</u>	<u>10</u> <u>years</u>	<u>20</u> <u>years</u>	<u>30</u> <u>years</u>	<u>1</u> <u>year</u>	<u>5</u> <u>years</u>	<u>10</u> <u>years</u>	<u>20</u> <u>years</u>	<u>30</u> <u>years</u>
<b>Portfolio</b>										
Individual life	8.7%	8.9%	9.9%	14.6%	15.5%	7.5%	8.5%	10.7%	18.4%	20.8%
Individual Health	8.7%	8.9%	9.9%	14.6%	15.5%	7.5%	8.5%	10.7%	18.4%	20.8%
Group Creditor Combined										
Single	8.7%	8.9%	9.9%	14.6%	15.5%	7.5%	8.5%	10.7%	18.4%	20.8%
Individual Life Savings and Wealth	7.8%	8.0%	8.8%	12.5%	13.2%	7.1%	8.0%	10.1%	17.3%	19.2%
Individual Universal Life	7.8%	8.0%	8.8%	12.5%	13.2%	7.1%	8.0%	10.1%	17.3%	19.2%

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***3. Critical accounting estimates, and judgements made in applying accounting policies (continued)****ii. Insurance contract cash flows, valuation (continued)****(c) Risk adjustments for non-financial risk**

Risk adjustments for non-financial risk are determined to reflect the compensation that the entity requires for bearing non-financial risk, separately for the non-life and other contracts, and are allocated to groups of contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the entity, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a correlation matrix technique.

The risk adjustments for non-financial risk are determined using a margin approach which assigns a risk margin to individual risks based on the company's experience for each portfolio.

Risk adjustment for non-financial risk for individual life, individual health, individual savings and wealth, individual universal life, group creditor - GMM and Group creditor - PAA portfolios corresponds to the following confidence levels:

	<u>2023</u>	<u>2022</u>
Insurance contracts	86.8%	87.0%

**(d) Contractual service margin****Determination of coverage units**

The amortization of the CSM of a group of contracts is recognised in the profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

The Group determines the quantity of the benefits provided under each contract as follows:

<b>Product</b>	<b>Basis for determining quantity of benefits provided</b>
Group Creditor Combined Single	Outstanding Loan Balance
Individual Universal Life	Level Death Benefit Option: Max(Face Amount, Policy Fund Value) Increasing Death Benefit Option: Face Amount + Policy Fund Value
Individual Health	Face Amount
Individual Life	Face Amount
Individual Life Savings and Wealth	Basic Face Amount + Fund Value - Outstanding Loan Balance
Individual Annuities	Not applicable

An analysis of the expected timing of the allocation of the CSM to profit or loss is disclosed in note 40(d).

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***3. Critical accounting estimates, and judgements made in applying accounting policies (continued)****ii. Insurance contract cash flows, valuation (continued)****(e) Investment components**

The Group identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include both circumstances in which an insured event occurs as well as those where the contract matures or is terminated without an insured event occurring. Investment components are excluded from insurance revenue and insurance service expenses.

Universal life and non-participating whole-life contracts have explicit surrender values. The investment component excluded from insurance revenue and insurance service expenses is determined as the surrender value specified in the contractual terms less any accrued fees and surrender charges.

The Group's other contracts do not contain investment components.

**(f) Fair value of insurance contracts**

The fair value of insurance contracts at transition was determined using the adjusted fulfilment cashflow approach. This method adjusts the expected cashflows to reflect a market view. The objective of this was to determine the fair value to a third-party market participant without explicit reference to the company's own internal assumptions.

The Contractual Service Margin (CSM) or loss component of the liability for remaining coverage was determined using the fair value approach. The assessment was conducted on a IFRS17 group-by-group basis. We determined the difference between the fair value of each group and its fulfilment cash flows. Positive amounts were used to determine the CSM, whereas negative amounts were deemed a loss component for the carrying amounts at the transition date. The fair value of reinsurance contracts held were valued in conjunction with the underlying reinsurance contracts.

*Judgements**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.

**4. Responsibilities of the appointed actuary**

The Board of Directors, pursuant to the Insurance Act, appoints the Actuary, who is responsible to carry out an annual valuation of the Group's insurance policyholders' liabilities, in accordance with accepted actuarial practice and regulatory requirements, and reports thereon to the Company. In performing the valuation, the Appointed Actuary estimates the future cashflows as well as a range of expected values that reflect possible outcomes. These cashflows are discounted and weighted by their probabilities in determining the present value estimate of the company's liabilities. An actuarial valuation report detailing the assumptions used, the resulting liabilities and the cashflow tested scenarios is prepared annually for the Board of Directors.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***5. Segmental financial information**

The Group is organised into six main business segments:

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

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

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

**SCOTIA GROUP JAMAICA LIMITED**

**Notes to the Financial Statements (Continued)**

**October 31, 2023**

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

**5. Segmental financial information (continued)**

	The Group							
	2023							
	Banking		Corporate and Commercial	Investment Management Services	Insurance Services	Other	Eliminations	Group
	Treasury	Retail						
Net external revenues	12,678,047	20,726,781	14,218,489	3,087,308	4,205,575	547,965	-	55,464,165
Revenues from other segments	( 8,332,020)	2,207,619	5,683,005	171,606	289,283	-	( 19,493)	-
<b>Total revenues</b>	4,346,027	22,934,400	19,901,494	3,258,914	4,494,858	547,965	( 19,493)	55,464,165
Expenses	( 773,211)	(18,268,307)	( 8,802,981)	( 1,528,147)	( 624,872)	( 71,786)	45,310	( 30,023,994)
Profit before tax	<u>3,572,816</u>	<u>4,666,093</u>	<u>11,098,513</u>	<u>1,730,767</u>	<u>3,869,986</u>	<u>476,179</u>	<u>25,817</u>	25,440,171
Taxation								( 8,211,542)
<b>Profit for the year</b>								<b><u>17,228,629</u></b>
Segment assets	<u>257,791,966</u>	<u>191,342,215</u>	<u>107,223,967</u>	<u>25,942,171</u>	<u>69,460,320</u>	<u>22,653,882</u>	(45,534,605)	628,879,916
Unallocated assets								35,857,046
<b>Total assets</b>								<b><u>664,736,962</u></b>
Segment liabilities	<u>-</u>	<u>244,182,141</u>	<u>235,136,403</u>	<u>15,380,403</u>	<u>50,965,663</u>	<u>111,468</u>	(29,992,794)	515,783,284
Unallocated liabilities								22,405,591
<b>Total liabilities</b>								<b><u>538,188,875</u></b>
Other segment items:								
Net interest income	2,059,974	19,331,860	12,452,022	888,761	4,270,475	423,503	30,212	39,456,807
Capital expenditure	-	345,167	753,836	8,769	1,155	-	-	1,108,927
Expected credit losses	7,107	2,071,627	208,042	9,635	99,378	-	-	2,395,789
Depreciation and amortisation	<u>7,606</u>	<u>658,588</u>	<u>335,507</u>	<u>27,599</u>	<u>6,562</u>	-	-	1,035,862

Capital expenditure comprises additions to property and equipment excluding right-of-use assets (note 30) and intangible assets (note 31)

**SCOTIA GROUP JAMAICA LIMITED**

**Notes to the Financial Statements (Continued)**

**October 31, 2023**

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

**5. Segmental financial information (continued)**

	The Group							Group
	2022 (Restated*)							
	Banking		Corporate and Commercial	Investment Management Services	Insurance Services	Other	Eliminations	
Treasury	Retail							
Net external revenues	7,698,272	18,523,277	11,434,847	2,806,972	2,698,236	( 29,261)	-	43,132,343
Revenues from other segments	( 4,713,841)	1,082,677	3,417,952	209,757	11,969	-	( 8,514)	-
<b>Total revenues</b>	2,984,431	19,605,954	14,852,799	3,016,729	2,710,205	( 29,261)	( 8,514)	43,132,343
Expenses	( 935,854)	(17,044,885)	( 7,555,199)	( 1,540,801)	( 590,174)	( 57,136)	( 42,547)	( 27,766,596)
Profit before tax	<u>2,048,577</u>	<u>2,561,069</u>	<u>7,297,600</u>	<u>1,475,928</u>	<u>2,120,031</u>	<u>( 86,397)</u>	<u>( 51,061)</u>	15,365,747
Taxation								( 5,045,981)
<b>Profit for the year</b>								<b><u>10,319,766</u></b>
Segment assets	<u>224,971,268</u>	<u>165,175,232</u>	<u>96,046,243</u>	<u>25,718,097</u>	<u>64,447,363</u>	<u>22,264,401</u>	<u>(31,196,967)</u>	567,425,637
Unallocated assets								<u>26,990,519</u>
<b>Total assets</b>								<b><u>594,416,156</u></b>
Segment liabilities	<u>1,700,279</u>	<u>217,139,551</u>	<u>199,138,624</u>	<u>16,108,749</u>	<u>50,772,437</u>	<u>29,655</u>	<u>(15,694,338)</u>	469,194,957
Unallocated liabilities								<u>18,858,374</u>
<b>Total liabilities</b>								<b><u>488,053,331</u></b>
Other segment items:								
Net interest income	1,144,976	16,148,955	9,296,224	636,031	3,286,415	65,790	45,661	30,624,052
Capital expenditure	-	1,131,638	256,765	64,802	663	-	-	1,453,868
Expected credit losses	166,713	2,832,771	66,363	( 27,366)	18,843	-	-	3,057,324
Depreciation and amortisation	<u>7,424</u>	<u>630,769</u>	<u>320,719</u>	<u>121,634</u>	<u>4,851</u>	<u>-</u>	<u>-</u>	<u>1,085,397</u>

Capital expenditure comprises additions to property and equipment excluding right-of-use assets (note 30) and intangible assets (note 31).

(\*See note 58)

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***6. Net interest income**

	<u>The Group</u>		<u>The Company</u>	
	<u>2023</u>	<u>2022</u> Restated*	<u>2023</u>	<u>2022</u>
Interest income calculated using the effective interest method:				
Deposits with banks and other financial institutions	6,949,771	3,277,900	423,503	65,790
Investment securities	7,988,943	6,055,220	-	-
Reverse repurchase agreements	35,840	59,141	-	-
Loans and advances	<u>25,613,390</u>	<u>21,568,696</u>	<u>-</u>	<u>-</u>
	<u>40,587,944</u>	<u>30,960,957</u>	<u>423,503</u>	<u>65,790</u>
Interest income on financial assets at fair value through profit or loss	<u>248,770</u>	<u>242,885</u>	<u>-</u>	<u>-</u>
Total interest income	<u>40,836,714</u>	<u>31,203,842</u>	<u>423,503</u>	<u>65,790</u>
Interest expense measured using the effective interest method:				
Banks and customers	1,316,104	502,915	-	-
Repurchase agreements	-	342	-	-
Paid to annuitants	32,405	29,004	-	-
Other	<u>31,398</u>	<u>47,529</u>	<u>-</u>	<u>-</u>
	<u>1,379,907</u>	<u>579,790</u>	<u>-</u>	<u>-</u>
Net interest income	<u>39,456,807</u>	<u>30,624,052</u>	<u>423,503</u>	<u>65,790</u>

**7. Net gains/(losses) on financial assets**

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u> Restated*
Gains/(losses) on securities held for trading	425,015	(103,495)
Losses on securities at FVOCI	(112,505)	(38,699)
	<u>312,510</u>	<u>(142,194)</u>

(\*See note 58)

## SCOTIA GROUP JAMAICA LIMITED

### Notes to the Financial Statements (Continued)

October 31, 2023

(Expressed in thousands of Jamaican dollars unless otherwise stated)

#### 8. Net financial result

	The Group								
	2023								
	Individual Life	Individual Life Savings & Wealth	Individual Health	Individual Universal Life	Group Creditor Combined Level	Group Creditor Combined Single	Annuity	Other	Total
<b>Total interest income</b>									
Investment securities	10,967	2,750,152	29,340	6,200	681	67,401	104,580	5,268,392	8,237,713
Deposits with Bank and other financial institutions	-	577,396	-	-	-	-	-	6,372,375	6,949,771
Government securities purchased under resale agreement	-	-	-	-	-	-	-	35,840	35,840
Loans and advances	-	47,199	-	-	-	-	-	25,566,191	25,613,390
	<u>10,967</u>	<u>3,374,747</u>	<u>29,340</u>	<u>6,200</u>	<u>681</u>	<u>67,401</u>	<u>104,580</u>	<u>37,242,798</u>	<u>40,836,714</u>
Net losses/(gains on financial assets)	-	( 48,083)	-	( 6,148)	-	-	-	366,741	312,510
Expected credit losses	( 327)	( 82,049)	( 875)	( 185)	( 20)	( 2,011)	( 3,120)	(2,307,202)	(2,395,789)
<b>Net finance expenses from insurance contracts</b>									
Changes in fair value of underlying items of direct participating contracts	-	-	-	46,145	-	-	-	-	46,145
Interest accreted	1,066	(2,036,744)	459	( 5,307)	-	(45,591)	-	-	(2,086,117)
Effects of changes in interest rates and other financial assumptions	( 679)	238,233	( 2,330)	(22,341)	-	( 1,619)	-	-	211,264
Effects of changes in interest rates and other financial assumptions OCI	( 675)	854,486	( 1,428)	22,455	( 4,822)	-	-	-	870,016
Other Interest Expense	-	-	-	-	-	-	(32,405)	( 1,347,502)	(1,379,907)
<b>Total net finance expenses from insurance contracts</b>	<u>( 288)</u>	<u>( 944,025)</u>	<u>( 3,299)</u>	<u>40,952</u>	<u>( 4,822)</u>	<u>(47,210)</u>	<u>(32,405)</u>	<u>( 1,347,502)</u>	<u>(2,338,599)</u>
<b>Net finance income from reinsurance contracts</b>									
Interest accreted	-	-	-	( 71)	-	-	-	-	( 71)
Other	-	-	-	( 60)	-	-	-	-	( 60)
	-	-	-	( 131)	-	-	-	-	( 131)
<b>Total net finance income from reinsurance contracts</b>	<u>10,352</u>	<u>2,300,590</u>	<u>25,166</u>	<u>40,688</u>	<u>( 4,161)</u>	<u>18,180</u>	<u>69,055</u>	<u>33,954,835</u>	<u>36,414,705</u>
<b>Represented by:</b>									
Amounts recognized in profit or loss	11,027	1,446,104	26,594	18,233	661	18,180	69,055	33,954,835	35,544,689
Amounts recognized in OCI	( 675)	854,486	( 1,428)	22,455	( 4,822)	-	-	-	870,016
	<u>10,352</u>	<u>2,300,590</u>	<u>25,166</u>	<u>40,688</u>	<u>( 4,161)</u>	<u>18,180</u>	<u>69,055</u>	<u>33,954,835</u>	<u>36,414,705</u>
<b>A. Insurance finance income and expenses</b>									
Net finance expenses from insurance contracts									
Recognized in profit or loss	387	(1,798,511)	( 1,871)	18,497	-	(47,210)	-	-	(1,828,708)
Recognized in OCI	( 675)	854,486	( 1,428)	22,455	(4,822)	-	-	-	870,016
	<u>( 288)</u>	<u>( 944,025)</u>	<u>( 3,299)</u>	<u>40,952</u>	<u>(4,822)</u>	<u>(47,210)</u>	<u>-</u>	<u>-</u>	<u>( 958,692)</u>
Net finance income from reinsurance contracts									
Recognized in profit or loss	-	-	-	( 131)	-	-	-	-	( 131)
Recognized in OCI	-	-	-	-	-	-	-	-	-



**SCOTIA GROUP JAMAICA LIMITED**

**Notes to the Financial Statements (Continued)**

**October 31, 2023**

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

**8. Net financial results(continued)**

	The Group 2022								
	Individual Life	Individual Life Savings & Wealth	Individual Health	Individual Universal Life	Group Creditor Combined Level	Group Creditor Combined Single	Annuity	Other	Total
<b>Investment return</b>									
Investment securities	7,542	2,610,577	20,203	4,760	558	55,223	85,602	3,513,640	6,298,105
Deposits with Bank and other financial institutions	-	216,015	-	-	-	-	-	3,061,886	3,277,901
Government securities purchased under resale agreement	-	-	-	-	-	-	-	59,141	59,141
Loans and advances	-	55,931	-	-	-	-	-	21,512,764	21,568,695
	<u>7,542</u>	<u>2,882,523</u>	<u>20,203</u>	<u>4,760</u>	<u>558</u>	<u>55,223</u>	<u>85,602</u>	<u>28,147,431</u>	<u>31,203,842</u>
Net losses/(gains on financial assets)	-	( 201,685)	-	(14,998)	-	-	-	74,489	( 142,194)
Expected credit losses	( 47)	( 16,393)	( 127)	( 30)	( 4)	( 347)	( 538)	( 3,039,838)	(3,057,324)
<b>Net finance expenses from insurance contracts</b>									
Changes in fair value of underlying items of direct participating contracts	-	-	-	32,468	-	-	-	-	32,468
Interest accreted	1,715	(1,543,634)	2,918	-	-	(22,143)	-	-	(1,561,144)
Effects of changes in interest rates and other financial assumptions	-	-	-	-	-	1,618	-	-	1,618
Effects of changes in interest rates and other financial assumptions OCI	54,233	(1,812,607)	149,422	-	-	8,014	-	-	(1,600,938)
Other Interest Expense	-	-	-	-	-	-	(29,004)	( 550,786)	( 579,790)
<b>Total net finance expenses from insurance contracts</b>	<u>55,948</u>	<u>(3,356,241)</u>	<u>152,340</u>	<u>32,468</u>	<u>-</u>	<u>(12,511)</u>	<u>(29,004)</u>	<u>( 550,786)</u>	<u>(3,707,786)</u>
<b>Net finance income from reinsurance contracts</b>									
Interest accreted	-	-	-	373	-	-	-	-	373
Other	-	-	-	( 28)	-	-	-	-	( 28)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>345</u>
<b>Total net finance income from reinsurance contracts</b>	<u>63,443</u>	<u>( 691,796)</u>	<u>172,416</u>	<u>22,545</u>	<u>554</u>	<u>42,365</u>	<u>56,060</u>	<u>24,631,295</u>	<u>24,296,883</u>
<b>Represented by:</b>									
Amounts recognized in profit or loss	9,210	1,120,811	22,994	22,545	554	34,351	56,060	24,631,295	25,897,821
Amounts recognized in OCI	54,233	(1,812,607)	149,422	-	-	8,014	-	-	( 1,600,938)
	<u>63,443</u>	<u>( 691,796)</u>	<u>172,416</u>	<u>22,545</u>	<u>554</u>	<u>42,365</u>	<u>56,060</u>	<u>24,631,295</u>	<u>24,296,883</u>
<b>A. Insurance finance income and expenses</b>									
Net finance expenses from insurance contracts									
Recognized in profit or loss	1,715	(1,543,634)	2,918	32,468	-	(20,525)	-	-	(1,527,058)
Recognized in OCI	54,233	(1,812,607)	149,422	-	-	8,014	-	-	(1,600,938)
	<u>55,948</u>	<u>(3,356,241)</u>	<u>152,340</u>	<u>32,468</u>	<u>-</u>	<u>(12,511)</u>	<u>-</u>	<u>-</u>	<u>(3,127,996)</u>
<b>Net finance income from reinsurance contracts</b>									
Recognized in profit or loss	-	-	-	345	-	-	-	-	345
Recognized in OCI	-	-	-	-	-	-	-	-	-

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***9. Insurance revenue**

	Group							
	2023							
	Individual Life	Individual Life Savings & Wealth	Individual Health	Individual Universal Life	Group Creditor Combined Level	Group Creditor Combined Single	Group Creditor Combined Revolving	Total
<b>Contracts not measured under the PAA</b>								
Amounts relating to changes in liabilities for remaining coverage								
- CSM recognised for insurance services provided	8,151	457,493	13,110	298	-	172,247	-	651,299
- Change in risk adjustment for non-financial risk for risk expired	8,057	120,377	21,404	16,894	-	30,345	-	197,077
- Expected incurred claims and other insurance service expenses	50,484	486,809	114,572	56,550	-	163,731	-	872,146
Recovery of insurance acquisition cash flows	<u>5,430</u>	<u>59,333</u>	<u>15,316</u>	<u>30,020</u>	<u>-</u>	<u>8,077</u>	<u>-</u>	<u>118,176</u>
	<u>72,122</u>	<u>1,124,012</u>	<u>164,402</u>	<u>103,762</u>	<u>-</u>	<u>374,400</u>	<u>-</u>	<u>1,838,698</u>
Contracts measured under the PAA	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>367,056</u>	<u>-</u>	<u>582,831</u>	<u>949,887</u>
<b>Total insurance revenue</b>	<u>72,122</u>	<u>1,124,012</u>	<u>164,402</u>	<u>103,762</u>	<u>367,056</u>	<u>374,400</u>	<u>582,831</u>	<u>2,788,585</u>
	Group							
	2022							
	Individual Life	Individual Life Savings & Wealth	Individual Health	Individual Universal Life	Group Creditor Combined Level	Group Creditor Combined Single	Group Creditor Combined Revolving	Total
<b>Contracts not measured under the PAA</b>								
Amounts relating to changes in liabilities for remaining coverage								
- CSM recognised for insurance services provided	709	185,634	1,525	1,401	-	54,201	-	243,470
- Change in risk adjustment for non-financial risk for risk expired	5,394	105,354	14,309	8,991	-	25,312	-	159,360
- Expected incurred claims and other insurance service expenses	38,397	412,464	87,074	37,370	-	138,130	-	713,435
Recovery of insurance acquisition cash flows	<u>1,167</u>	<u>15,798</u>	<u>3,973</u>	<u>6,275</u>	<u>-</u>	<u>2,542</u>	<u>-</u>	<u>29,755</u>
	<u>45,667</u>	<u>719,250</u>	<u>106,881</u>	<u>54,037</u>	<u>-</u>	<u>220,185</u>	<u>-</u>	<u>1,146,020</u>
Contracts measured under the PAA	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,950</u>	<u>-</u>	<u>447,838</u>	<u>728,788</u>
<b>Total insurance revenue</b>	<u>45,667</u>	<u>719,250</u>	<u>106,881</u>	<u>54,037</u>	<u>280,950</u>	<u>220,185</u>	<u>447,838</u>	<u>1,874,808</u>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***10. Net fee and commission income**

	The Group	
	<u>2023</u>	<u>2022</u> Restated*
Fee and commission income:		
Retail banking fees	8,869,485	7,982,998
Credit related fees	1,524,383	250,103
Commercial and depository fees	8,800,744	7,981,941
Insurance related fees	282,478	285,439
Trust and other fiduciary fees	14,742	40,005
Asset management and related fees	<u>1,822,758</u>	<u>1,923,900</u>
	21,314,590	18,464,386
Fee and commission expense	<u>(14,576,916)</u>	<u>(13,333,060)</u>
	<u>6,737,674</u>	<u>5,131,326</u>

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

**11. Net gains on foreign currency activities**

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

**12. Other income**

	The Group		The Company	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Gain on sale of property and equipment	159,953	290,100	-	-
Gain on extinguishment of liability	-	629,030	-	-
Dividend and other income	<u>54,753</u>	<u>31,536</u>	<u>4,121,922</u>	<u>3,677,360</u>
	<u>214,706</u>	<u>950,666</u>	<u>4,121,922</u>	<u>3,677,360</u>

**13. Salaries, pensions and other staff benefits**

	The Group	
	<u>2023</u>	<u>2022</u> Restated*
Wages and salaries	9,535,019	8,700,329
Statutory payroll contributions	872,685	749,838
Other staff benefits	<u>2,019,399</u>	<u>1,674,246</u>
	<u>12,427,103</u>	<u>11,124,413</u>
Post-employment benefits:		
Credit on defined benefit plan [note 32(a)(v)]	( 1,957,737)	( 1,923,757)
Other post-retirement benefits [note 32(b)(ii)]	<u>640,597</u>	<u>636,129</u>
	<u>( 1,317,140)</u>	<u>( 1,287,628)</u>
Total	<u>11,109,963</u>	<u>9,836,785</u>

(\*See note 58)

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***14. Expenses by nature**

	The Group		The Company	
	<u>2023</u>	<u>2022</u> Restated*	<u>2023</u>	<u>2022</u>
Staff benefits	11,301,691	10,004,921	-	-
Property expenses, including depreciation	2,472,498	2,489,240	-	-
Amortisation of Intangibles (note 31)	24,874	119,654	-	-
System related expenses	2,149,321	1,957,638	-	-
Insurance claims and benefits	305,555	508,469	-	-
Transportation & communication	1,695,992	1,461,614	2,542	2,194
Marketing and advertising	738,783	473,109	-	-
Professional, legal and consultancy fees	396,290	576,278	57,577	46,175
Technical and support services	5,850,927	4,696,540	-	-
Asset tax	1,375,620	1,316,085	-	-
Licencing and fees paid to regulators	192,456	214,504	5,887	5,145
Deposit insurance	647,984	596,598	-	-
Stationery	422,394	298,471	4,930	3,217
Other expenses	682,699	773,221	850	403
Losses on onerous insurance contracts	224,363	183,023	-	-
Amortization of insurance acquisition cash flows	118,177	29,754	-	-
	<u>28,599,624</u>	<u>25,699,119</u>	<u>71,786</u>	<u>57,134</u>
<b>Represented by:</b>				
Insurance service expenses	971,419	989,847	-	-
Non-insurance operating expenses	<u>27,628,205</u>	<u>24,709,272</u>	<u>71,786</u>	<u>57,134</u>
	<u>28,599,624</u>	<u>25,699,119</u>	<u>71,786</u>	<u>57,134</u>

**15. Profit before taxation**

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

	The Group		The Company	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Auditors' remuneration	82,456	75,156	9,915	9,159
Depreciation of property and equipment (note 30)	845,898	809,726	-	-
Amortisation of right-of-use-assets (note 30)	165,090	156,017	-	-
Amortisation of intangible assets (note 31)	24,874	119,654	-	-
Directors' emoluments:				
Fees	48,328	31,106	25,026	16,827
Management remuneration	<u>87,041</u>	<u>74,911</u>	<u>-</u>	<u>-</u>

**16. 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	
	<u>2023</u>	<u>2022</u> Restated*	<u>2023</u>	<u>2022</u> Restated*
Current income tax:				
Income tax at 33 $\frac{1}{3}$ %	6,157,776	4,126,879	-	-
Income tax at 30%	437,153	433,008	-	-
Income tax 25%	1,000,673	1,003,126	90,116	7,521
Other tax rates (1% to 5.5%)	7,048	7,983	-	-
Adjustment for under/(over) provision of prior year's charge	30,055	( 8,487)	( 2,202)	-
Deferred income tax [note 39(a)]	<u>578,837</u>	<u>( 516,528)</u>	<u>1,869</u>	<u>4,641</u>
	<u>8,211,542</u>	<u>5,045,981</u>	<u>89,783</u>	<u>12,162</u>

(\*See note 58)

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***16. Taxation (Continued)**

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

	The Group		The Company	
	<u>2023</u>	<u>2022</u> Restated*	<u>2023</u>	<u>2022</u> Restated*
Profit before taxation	<u>25,440,171</u>	<u>15,365,747</u>	<u>4,598,102</u>	<u>3,590,963</u>
Tax calculated at 33 $\frac{1}{3}$ %	7,327,860	4,287,123	-	-
Tax calculated at 30%	447,462	438,569	-	-
Tax calculated at 25%	2,131,921	1,441,292	1,149,526	897,741
Other tax rates (1% to 5.5%)	7,048	7,983	-	-
Income not subject to tax	(2,295,072)	( 1,776,154)	(1,061,596)	( 919,340)
Expenses not deductible for tax purposes	562,268	655,655	4,055	33,761
Prior period under provision	<u>30,055</u>	<u>( 8,487)</u>	<u>( 2,202)</u>	<u>-</u>
	<u>8,211,542</u>	<u>5,045,981</u>	<u>89,783</u>	<u>12,162</u>
Effective tax rate	<u>32.28%</u>	<u>32.84%</u>	<u>1.95%</u>	<u>0.34%</u>

**17. Earnings per stock unit**

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

	<u>2023</u>	<u>2022</u> Restated*
Consolidated profit for the year attributable to stockholders of the Company	<u>17,228,629</u>	<u>10,319,766</u>
Weighted average number of ordinary stock units in issue ('000)	<u>3,111,573</u>	<u>3,111,573</u>
Earnings per stock unit (expressed in \$)	<u>5.54</u>	<u>3.32</u>

**18. Cash and balances at Bank of Jamaica**

	The Group	
	<u>2023</u>	<u>2022</u> Restated*
Statutory reserves – non-interest bearing (note 21)	42,530,215	34,437,473
Cash in hand and other balances at Bank of Jamaica	<u>67,869,756</u>	<u>53,998,791</u>
	<u>110,399,971</u>	<u>88,436,264</u>

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

Relevant legislation	Entity	Reserve percentage			
		Jamaican		Foreign currency	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Banking Services Act, Section 14(i)	BNSJ	6%	5%	14%	13%
Building Society Regulations, Section 31	SJBS	<u>1%</u>	<u>1%</u>	<u>1%</u>	<u>1%</u>

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

(\*See note 58)

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***19. Due from other banks**

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Items in course of collection from other banks	715,185	51,201
Placements with other banks	<u>21,121,200</u>	<u>20,998,162</u>
	<u>21,836,385</u>	<u>21,049,363</u>

**20. Accounts with parent and fellow subsidiaries**

These represent accounts held with the parent company and fellow subsidiaries in the normal course of business (Note 49).

**21. Cash and cash equivalents**

	<u>The Group</u>		<u>The Company</u>	
	<u>2023</u>	<u>2022</u> Restated*	<u>2023</u>	<u>2022</u>
Cash resources	178,614,196	148,002,452	9,522,931	9,128,131
Less amounts not considered cash and cash equivalents:				
Statutory reserves (note 18)	( 42,530,215)	( 34,437,473)	-	-
Cheques and other instruments in transit	( 3,392,616)	( 3,546,806)	-	-
Accounts with parent and fellow subsidiaries greater than ninety days	( 9,012,126)	( 8,476,834)	(9,012,126)	(8,476,834)
Expected credit losses	41,187	5,569	-	-
Accrued interest	( 211,603)	( 202,650)	( 26,254)	( 18,776)
	123,508,823	101,344,258	484,551	632,521
Add other cash equivalent balances:				
Reverse repurchase agreements less than ninety days (note 27)	330,000	750,000	-	-
Pledged assets less than ninety days (note 23)	-	766,900	-	-
	<u>123,838,823</u>	<u>102,861,158</u>	<u>484,551</u>	<u>632,521</u>
Cash and cash equivalents is comprised of:				
Cash and balances with Bank of Jamaica other than statutory reserves	67,910,943	54,004,360	-	-
Government and bank notes other than Jamaican	2,117,289	2,353,614	-	-
Amounts due from other banks	21,836,385	21,049,363	-	-
Accounts with parent and fellow subsidiaries	35,248,425	27,686,377	510,805	651,297
Reverse repurchase agreements	330,000	750,000	-	-
Pledged assets (note 23)	-	766,900	-	-
Accrued interest	( 211,603)	( 202,650)	( 26,254)	( 18,776)
	127,231,439	106,407,964	484,551	632,521
Cheques and other instruments in transit	( 3,392,616)	( 3,546,806)	-	-
	<u>123,838,823</u>	<u>102,861,158</u>	<u>484,551</u>	<u>632,521</u>

**22. Financial assets at fair value through profit or loss**

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Government of Jamaica Securities	2,125,030	2,668,484
Unit trusts	<u>675,840</u>	<u>315,791</u>
	2,800,870	2,984,275
Accrued interest	<u>40,963</u>	<u>51,138</u>
	<u>2,841,833</u>	<u>3,035,413</u>

(\*See note 58)

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***23. 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.

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Capital management and government securities funds	1,058,210	13,710,609
Securities with regulators, clearing houses and other financial institutions	<u>2,462,917</u>	<u>1,888,111</u>
	<u>3,521,127</u>	<u>15,598,720</u>

Included in pledged assets are the following categories of assets:

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Deposits with financial institutions	-	768,107
Government issued securities:		
Fair value through OCI	2,462,917	12,279,063
Amortised cost	-	281,761
Loans	704,051	707,289
Unitised funds:		
Fair value through profit or loss	<u>354,159</u>	<u>1,562,500</u>
	<u>3,521,127</u>	<u>15,598,720</u>

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

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Debt securities and other investments with an original maturity of less than ninety days (note 21)	<u>-</u>	<u>766,900</u>

**24. Loans, net of allowance for credit losses**

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u> Restated*
Business and Government	105,691,884	94,544,025
Personal and credit cards	93,217,523	85,501,051
Residential mortgages	77,152,963	61,662,749
Interest receivable	<u>1,248,655</u>	<u>1,234,301</u>
	277,311,025	242,942,126
Less: Deferred origination fees	( 2,854,871)	( 2,386,468)
Allowance for expected credit losses (note 25)	<u>( 5,626,436)</u>	<u>( 5,898,116)</u>
	<u>268,829,718</u>	<u>234,657,542</u>

(\*See note 58)

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***24. Loans, net of allowance for credit losses (continued)**

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

	The Group	
	<u>2023</u>	<u>2022</u> Restated*
Current	<u>260,429,498</u>	<u>227,298,834</u>
Number of days past due:		
Past due 1-30 days	8,626,593	8,036,912
Past due 31-60 days	1,715,563	1,441,152
Past due 61-90 days	<u>786,236</u>	<u>914,817</u>
	<u>11,128,392</u>	<u>10,392,881</u>
Impaired:		
Past due more than 90 days	<u>4,504,480</u>	<u>4,016,110</u>
Interest receivable	<u>1,248,655</u>	<u>1,234,301</u>
Gross loan portfolio	277,311,025	242,942,126
Deferred origination fees	( 2,854,871)	( 2,386,468)
Less: Allowance for credit losses	<u>( 5,626,436)</u>	<u>( 5,898,116)</u>
Loans, net of allowance for credit losses	<u>268,829,718</u>	<u>234,657,542</u>

(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.

**25. 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 rates, which are 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.

	The Group			
	<u>2023</u>			
	Stage 1	Stage 2	Stage 3	Total
Allowance at beginning of year	1,770,116	1,764,623	2,363,377	5,898,116
Provided during the year	( 3,070)	( 442,959)	3,641,035	3,195,006
Bad debts written off	-	-	(3,468,662)	(3,468,662)
Foreign exchange movement	( 691,369)	740,948	( 47,603)	1,976
Transfer to/(from) stages				
Stage 1	1,262,090	( 952,778)	( 309,312)	-
Stage 2	( 481,099)	916,743	( 435,644)	-
Stage 3	<u>( 23,047)</u>	<u>( 625,472)</u>	<u>648,519</u>	-
Allowance at end of year (note 24)	<u>1,833,621</u>	<u>1,401,105</u>	<u>2,391,710</u>	<u>5,626,436</u>
Provided during the year	( 3,070)	( 442,959)	3,641,035	3,195,006
Recoveries of bad debts	-	-	( 915,778)	( 915,778)
Expected credit losses reported in profit for the year	<u>( 3,070)</u>	<u>442,959</u>	<u>2,725,257</u>	<u>2,279,228</u>

(\*See note 58)



**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***25. 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 24)	<u>1,770,116</u>	<u>1,764,623</u>	<u>2,363,377</u>	<u>5,898,116</u>
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	<u>368,382</u>	<u>( 69,476)</u>	<u>2,600,127</u>	<u>2,899,033</u>

Uncollected interest not accrued on loans in default is estimated at \$810,402 (2022: \$ 938,914) for the Group. There were no significant changes in the gross carrying amounts outside the normal course of business.

The allowance for expected credit losses is as follows:

	The Group	
	2023	2022
Allowance based on IFRS	5,626,436	5,898,116
Additional allowance based on Bank of Jamaica (BOJ) regulations	<u>269,386</u>	<u>361,367</u>
	<u>5,895,822</u>	<u>6,259,483</u>

There were no significant changes in the gross portfolio which impacted the expected credit loss allowance.

**26. Investment securities**

	The Group	
	2023	2022 Restated*
Fair value through other comprehensive income:		
Unquoted shares	5,105	5,105
Government securities	136,761,300	134,345,694
Bank of Jamaica securities	11,990,155	7,227,920
Treasury bills	7,155,650	5,684,786
Corporate bonds	1,123,317	1,328,729
Interest receivable	<u>1,438,174</u>	<u>1,243,564</u>
	<u>158,473,701</u>	<u>149,835,798</u>
Amortised cost:		
Government securities	279,905	-
Interest receivable	<u>1,940</u>	<u>-</u>
	<u>281,845</u>	<u>-</u>
	<u>158,755,546</u>	<u>149,835,798</u>

Included in investment securities are Government of Jamaica Benchmark Investment Notes with a book value of \$90,000 (2022: \$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.

(\*See note 58)

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***27. Government securities purchased under resale agreements**

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

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Reverse repurchase agreements with an original maturity of less than 90 days (note 21)	330,000	750,000
Interest receivable	<u>75</u>	<u>1,427</u>
	<u>330,075</u>	<u>751,427</u>

The fair value of collateral held pursuant to reverse repurchase agreements is \$346,500 (2022: \$719,404).

**28. Segregated fund assets & liabilities**

The table below shows a reconciliation of the opening to closing balance for the investment contract liabilities.

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
<b>Segregated assets</b>		
Fixed Income Fund	461,468	349,707
Money Market Fund	202,744	153,642
Growth Fund	<u>626,444</u>	<u>474,729</u>
	<u>1,290,656</u>	<u>978,078</u>
<b>Segregated fund liabilities</b>		
Opening balance	978,078	656,433
Contributions received	462,925	365,795
Benefits paid	( 92,814)	( 83,946)
Investment return from underlying assets	( 41,579)	49,498
Asset management fees charged	<u>( 15,954)</u>	<u>( 9,702)</u>
Closing balance	<u>1,290,656</u>	<u>978,078</u>

In the above reconciliation, the investment return from the underlying assets represents changes in the fair value of the investment contract liabilities due to the changes in market conditions. The amount due to the investors is contractually determined based on the performance of the underlying assets. The effect of this feature on the fair value of the liability is asset-specific performance risk, not credit risk of the liability; accordingly, no amount of fair value gain or loss required an allocation to the OCI.

**29. Other assets**

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
		Restated*
Accounts receivable and prepayments	435,048	307,389
Deferred charges	2,040,973	1,669,774
Investment property	942	1,016
Other	<u>1,919,825</u>	<u>1,021,149</u>
	<u>4,396,788</u>	<u>2,999,328</u>

(\*See note 58)

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***30. 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, 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	<u>1,710,998</u>	<u>6,795,549</u>	<u>975,381</u>	<u>9,552,260</u>	<u>374,092</u>	<u>19,408,280</u>
Additions	125,976	55,231	36,227	69,042	944,924	1,231,400
Adjustments	-	-	-	-	67,826	67,826
Disposals	-	( 31,633)	-	( 65,002)	( 50,691)	( 147,326)
Transfers	-	167,468	136,588	315,614	( 619,670)	-
Translation adjustment	11,785	-	-	-	-	11,785
October 31, 2023	<u>1,848,759</u>	<u>6,986,615</u>	<u>1,148,196</u>	<u>9,871,914</u>	<u>716,481</u>	<u>20,571,965</u>
Depreciation:						
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	<u>461,545</u>	<u>1,425,184</u>	<u>692,098</u>	<u>7,517,712</u>	<u>-</u>	<u>10,096,539</u>
Charge for the year	165,090	156,687	102,229	586,982	-	1,010,988
Eliminated on disposals	-	( 9,723)	-	( 57,344)	-	( 67,067)
Translation adjustment	3,658	-	-	-	-	3,658
October 31, 2023	<u>630,293</u>	<u>1,572,148</u>	<u>794,327</u>	<u>8,047,350</u>	<u>-</u>	<u>11,044,118</u>
Net book values:						
October 31, 2023	<u>1,218,466</u>	<u>5,414,467</u>	<u>353,869</u>	<u>1,824,564</u>	<u>716,481</u>	<u>9,527,847</u>
October 31, 2022	<u>1,249,453</u>	<u>5,370,365</u>	<u>283,283</u>	<u>2,034,548</u>	<u>374,092</u>	<u>9,311,741</u>
October 31, 2021	<u>1,186,866</u>	<u>5,021,834</u>	<u>205,852</u>	<u>1,970,159</u>	<u>467,250</u>	<u>8,851,961</u>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***31. Goodwill and intangible assets**

	The Group					
	<u>Customer relationships</u>	<u>Contract-based intangibles</u>	<u>License</u>	<u>Goodwill</u>	<u>Computer software</u>	<u>Total</u>
Cost:						
October 31, 2020 and 2021	1,382,582	348,987	49,470	136,892	476,574	2,394,505
Addition	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,269</u>	<u>101,269</u>
October 31, 2022	1,382,582	348,987	49,470	136,892	577,843	2,495,774
Additions during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,503</u>	<u>3,503</u>
October 31 2023	1,382,582	348,987	49,470	136,892	581,346	2,499,277
Amortisation/ impairment:						
October 31, 2021	1,291,159	71,574	5,333	61,724	394,294	1,824,084
Amortisation for the year	<u>88,492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,162</u>	<u>119,654</u>
October 31, 2022	1,379,651	71,574	5,333	61,724	425,456	1,943,738
Amortisation for the year	<u>2,931</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,943</u>	<u>24,874</u>
October 31, 2023	<u>1,382,582</u>	<u>71,574</u>	<u>5,333</u>	<u>61,724</u>	<u>447,399</u>	<u>1,968,612</u>
Net book values:						
October 31, 2023	<u>-</u>	<u>277,413</u>	<u>44,137</u>	<u>75,168</u>	<u>133,947</u>	<u>530,665</u>
October 31, 2022	<u>2,931</u>	<u>277,413</u>	<u>44,137</u>	<u>75,168</u>	<u>152,387</u>	<u>552,036</u>
October 31, 2021	<u>91,423</u>	<u>277,413</u>	<u>44,137</u>	<u>75,168</u>	<u>82,280</u>	<u>570,421</u>

**32. 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	
	<u>2023</u>	<u>2022</u>
Defined benefit pension plan (a)	31,094,511	23,561,041
Other post-retirement benefits (b)	<u>( 4,879,478)</u>	<u>( 4,557,782)</u>
	<u>26,215,033</u>	<u>19,003,259</u>

(a) Defined benefit pension plan

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

	The Group	
	<u>2023</u>	<u>2022</u>
Present value of funded obligations (iii)	(43,026,332)	(34,417,876)
Fair value of plan assets (iv)	<u>79,403,777</u>	<u>76,762,713</u>
	36,377,445	42,344,837
Limitation of economic benefits	<u>( 5,282,934)</u>	<u>(18,783,796)</u>
Asset in the statement of financial position	<u>31,094,511</u>	<u>23,561,041</u>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***32. Retirement benefits asset/obligations (continued)**

(a) Defined benefit pension plan (continued)

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

	The Group	
	<u>2023</u>	<u>2022</u>
Balance at beginning of year	23,561,041	31,254,250
Contributions paid	500	500
Pension income recognised in statement of revenue and expenses (v)	1,957,737	1,923,757
Remeasurement recognised in other comprehensive income (vi)	<u>5,575,233</u>	<u>( 9,617,466)</u>
Balance at end of year	<u>31,094,511</u>	<u>23,561,041</u>

(iii) Movement in the present value of obligation:

	The Group	
	<u>2023</u>	<u>2022</u>
Balance at beginning of year	(34,417,876)	(38,963,167)
Current service costs	( 600,015)	( 733,491)
Interest cost	( 3,842,793)	( 3,431,346)
Employees' contribution	( 693,095)	( 647,254)
Benefits paid	1,878,273	1,832,079
Actuarial gains arising from:		
Experience adjustments	( 1,491,587)	268,394
Changes in financial assumptions	<u>( 3,859,239)</u>	<u>7,256,909</u>
Balance at end of year	<u>(43,026,332)</u>	<u>(34,417,876)</u>

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

	The Group	
	<u>2023</u>	<u>2022</u>
Fair value of plan assets at beginning of year	76,762,713	80,326,884
Contributions	693,595	647,754
Benefits paid	( 1,878,273)	( 1,832,079)
Interest income on plan assets	8,739,498	7,172,352
Administrative fees	( 160,239)	( 167,118)
Remeasurement loss on plan assets included in other comprehensive income	<u>( 4,753,517)</u>	<u>( 9,385,080)</u>
Fair value of plan assets at end of year	<u>79,403,777</u>	<u>76,762,713</u>

Plan assets consist of the following:

	The Group	
	<u>2023</u>	<u>2022</u>
Government stocks and bonds	44,143,228	43,189,692
Quoted equities	20,594,435	22,240,986
Reverse repurchase agreements	2,359,076	2,130,414
Certificates of deposit	6,329,954	3,647,155
Real estate	4,745,012	4,475,957
Net current assets	<u>1,232,072</u>	<u>1,078,509</u>
	<u>79,403,777</u>	<u>76,762,713</u>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***32. Retirement benefits asset/obligations (continued)**

## (a) Defined benefit pension plan (continued)

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

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Current service costs	600,015	733,491
Interest cost on obligation	3,842,793	3,431,346
Interest income on plan assets	(8,739,498)	(7,172,352)
Interest on effect of asset celling	2,160,137	909,852
Administrative fees	<u>178,816</u>	<u>173,906</u>
	<u>(1,957,737)</u>	<u>(1,923,757)</u>

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

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Remeasurement of defined benefit obligations	5,350,826	(7,525,303)
Remeasurement of plan assets	4,734,940	9,378,292
Change in effect on asset ceiling	<u>(15,660,999)</u>	<u>7,764,477</u>
	<u>( 5,575,233)</u>	<u>9,617,466</u>

## (vii) Sensitivity analysis:

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

	<u>The Group</u>			
	<u>2023</u>		<u>2022</u>	
	1%	1 %	1 %	1%
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Discount rate	(5,089,000)	6,361,000	(3,863,000)	4,784,000
Future pension increases	4,471,000	(3,752,000)	3,262,000	(2,761,000)
Future salary increases	<u>1,226,000</u>	<u>(1,108,000)</u>	<u>998,000</u>	<u>( 901,000)</u>

## (viii) Liability duration

The average liability duration is as follows:

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Active members and all participants (years)	<u>14.7</u>	<u>13.9</u>

## (ix) The estimated pension contributions to be paid into the defined benefit and contribution plans during the next financial year is \$500 (2022: \$500).

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

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Discount rate	11.50%	11.50%
Future salary increases	9.50%	9.50%
Future pension increases	<u>6.25%</u>	<u>5.25%</u>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***32. Retirement benefits asset/obligations (continued)**

## (b) Medical and group life obligations

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

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Balance at beginning of year	(4,557,782)	(5,237,873)
Current service costs	( 125,615)	( 171,094)
Interest cost	( 514,982)	( 465,035)
Benefits paid	154,414	162,210
Actuarial gains arising from:		
Experience adjustments	30,789	22,787
Changes in financial assumptions	-	1,204,021
Changes in demographic assumptions	<u>133,698</u>	<u>( 72,798)</u>
Balance at end of year	<u>(4,879,478)</u>	<u>(4,557,782)</u>

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

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Current service costs	125,615	171,094
Interest on obligation	<u>514,982</u>	<u>465,035</u>
	<u>640,597</u>	<u>636,129</u>

## (iii) Credit recognised in other comprehensive income:

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Experience adjustments	( 30,789)	( 22,787)
Changes in financial and demographic assumptions	<u>(133,698)</u>	<u>(1,131,223)</u>
	<u>(164,487)</u>	<u>(1,154,010)</u>

## (iv) Principal actuarial assumptions:

In addition to the assumptions used for the pension plan that are applicable to the group health plan, the estimate assumes a long-term increase in health costs of 8.50% (2022: 8.50%) 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 inflation rate, would cause some reduction in the medical trend rate.

	<u>The Group</u>			
	<u>2023</u>		<u>2022</u>	
	1% <u>Increase</u>	1% <u>Decrease</u>	1% <u>Increase</u>	1% <u>Decrease</u>
Discount rate	(624,000)	780,000	(587,000)	735,000
Future pension increases	737,000	(598,000)	696,000	(564,000)
Future salary increases	<u>6,000</u>	<u>( 7,000)</u>	<u>8,000</u>	<u>( 7,000)</u>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***32. Retirement benefits asset/obligations (continued)**

(b) Medical and group life obligations (continued)

(vi) Liability duration

The average liability duration is as follows:

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Active members and all participants (years)	<u>15.9</u>	<u>16.0</u>

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

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Retirement benefit pension plan [note 32(a)(vi)]	(5,575,233)	9,617,466
Medical and group life obligation [note 32(b)(iii)]	<u>(164,487)</u>	<u>(1,154,010)</u>
	<u>(5,739,720)</u>	<u>8,463,456</u>

**33. Deposits by the public**

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Personal	242,127,188	215,459,672
Business	202,715,328	181,700,261
Interest payable	<u>33,011</u>	<u>16,550</u>
	<u>444,875,527</u>	<u>397,176,483</u>

Deposits include \$2,036,091 (2022: \$2,184,976) 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.

**34. 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.

**35. Due to ultimate parent company**

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Deposits held with Bank	<u>6,342</u>	<u>14,458</u>



**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***36. Due to fellow subsidiaries**

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

**37. 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. The capital management account was discontinued, and all client investments exited as at October 31, 2023.

**38. Other liabilities**

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Accrued staff benefits	2,147,299	2,066,467
Prepaid letters of credit	238,336	597,277
Provisions [note 38(i)]	186,350	126,564
Other payables	337,425	291,395
Expected credit losses on guarantees and letters of credit	112,963	208,160
Lease liabilities [note 38(ii)(b)]	1,268,710	1,284,969
Accrued liabilities	<u>5,719,517</u>	<u>5,532,890</u>
	<u>10,010,600</u>	<u>10,107,722</u>

**(i) Provisions**

The following table sets out the movement in provisions:

	<u>The Group</u>		
	<u>Restructuring</u>	<u>Other</u>	<u>Total</u>
Balance at November 1, 2022	75,609	50,955	126,564
Provisions made during the year	183,850	2,500	186,350
Provisions used during the year	( 75,609)	( 4,950)	( 80,559)
Provisions reversed during the year	<u>-</u>	<u>( 46,005)</u>	<u>( 46,005)</u>
Balance at October 31, 2023	<u>183,850</u>	<u>2,500</u>	<u>186,350</u>
Current	<u>183,850</u>	<u>2,500</u>	<u>186,350</u>

**(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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***38. 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 30).

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
<b>(b) Lease liabilities</b>		
Lease liabilities included in the statements of financial position	<u>1,268,710</u>	<u>1,284,969</u>
Lease liabilities are classified as follows:		
Current	153,144	148,263
Non-current	<u>1,115,566</u>	<u>1,136,706</u>
	<u>1,268,710</u>	<u>1,284,969</u>
Maturity analysis of contractual undiscounted cash flows:		
Less than one year	182,023	172,425
One to five years	655,542	628,123
Over five years	<u>587,914</u>	<u>624,877</u>
	<u>1,425,479</u>	<u>1,425,425</u>

**(c) Amounts recognised in profit or loss:**

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Interest expense on lease liabilities	31,399	31,727
Depreciation on right-of-use assets (note 30)	165,090	156,017
Expenses related to short-term leases	<u>27,133</u>	<u>43,220</u>

**(d) Amounts recognised in statement of cash flows:**

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Total cash outflow for leases	<u>181,861</u>	<u>166,001</u>

**(e) Extension options**

Some property leases contain extension options exercisable by the Group up to March 5, 2043. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at 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 \$355,416 (2022: \$351,237).

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***39. 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:

	<u>The Group</u>		<u>The Company</u>	
	<u>2023</u>	<u>2022</u> Restated*	<u>2023</u>	<u>2022</u>
At beginning of year	(1,093,057)	(6,905,323)	(4,694)	( 53)
Other	( 877)	-	-	-
Exchange rate adjustment	1,035	( 650)	-	-
Recognised in the profit for the year [note 16(a)]	( 578,837)	516,528	(1,869)	(4,641)
Recognised in other comprehensive income:				
Remeasurement of retirement benefits				
asset/obligations	(1,913,240)	2,821,152	-	-
Net finance expenses	( 217,504)	400,234	-	-
Fair value through OCI:				
- fair value remeasurement	(1,146,586)	2,097,736	-	-
- transfer to profit	-	( 22,734)	-	-
	<u>(3,856,009)</u>	<u>5,812,266</u>	<u>(6,563)</u>	<u>(4,694)</u>
At end of year	<u>(4,949,066)</u>	<u>(1,093,057)</u>	<u>(6,563)</u>	<u>(4,694)</u>

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2023</u>	<u>2022</u> Restated*	<u>2023</u>	<u>2022</u>
Pension benefits	(10,364,838)	(7,854,015)	-	-
Other post-retirement benefits	1,626,493	1,519,261	-	-
Investment securities	1,114,464	2,218,731	-	-
Vacation accrued	229,707	197,075	-	-
Accelerated tax depreciation	4,574	11,551	-	-
Insurance contracts	688,636	965,530	-	-
Allowances for expected credit losses	1,133,128	1,276,460	-	-
Interest receivable	( 221,972)	( 218,839)	( 6,563)	(4,694)
Unrealised foreign exchange gains	( 735)	( 26,395)	-	-
Unrealised premiums/discounts on investment				
securities	813,792	869,926	-	-
Unrealised trading gains on securities	8,465	( 52,993)	-	-
Leases	16,744	11,844	-	-
Exchange rate adjustments on expected credit losses	11,113	( 11,140)	-	-
Other	( 8,637)	( 53)	-	-
Net deferred income tax liability	<u>( 4,949,066)</u>	<u>(1,093,057)</u>	<u>( 6,563)</u>	<u>(4,694)</u>

(\*See note 58)

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***39. Deferred tax assets and liabilities (continued)**

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

	The Group		The Company	
	2023	2022	2023	2022
		Restated*		
This is comprised of:				
Deferred income tax asset	1,890,023	2,408,826	-	-
Deferred income tax liability	<u>(6,839,089)</u>	<u>(3,501,883)</u>	<u>(6,563)</u>	<u>(4,694)</u>
	<u>(4,949,066)</u>	<u>(1,093,057)</u>	<u>(6,563)</u>	<u>(4,694)</u>

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

	The Group		The Company	
	2023	2022	2023	2022
Accelerated tax depreciation	6,978	14,570	-	-
Pensions and other post-retirement benefits	490,685	483,782	-	-
Allowances for expected credit losses	121,054	(193,939)	-	-
Vacation accrued	( 32,631)	( 11,622)	-	-
Interest receivable	3,133	35,051	1,870	4,641
Insurance contracts	-	(403,335)	-	-
Unrealised foreign exchange gains/losses	( 27,130)	( 33,290)	-	-
Unrealised premiums & discounts on investment	122,719	(284,068)	-	-
Investment securities	( 40,144)	(138,446)	-	-
Trading assets	( 61,458)	8,046	-	-
Leases	( 4,900)	( 4,080)	-	-
Other	<u>531</u>	<u>10,803</u>	<u>-</u>	<u>-</u>
	<u>578,837</u>	<u>(516,528)</u>	<u>1,870</u>	<u>4,641</u>

**40. Insurance and reinsurance contracts**

	Individual Life			Individual Universal Life	Group Creditor Combined Level	Group Creditor Combined Single	Group Creditor Combined Revolving	Individual Annuity	Total
	Individual Life	Savings & Wealth	Individual Health						
<b>October 31, 2023</b>									
Insurance contract liabilities	(163,467)	(46,703,568)	(361,173)	(91,599)	(10,997)	(827,923)	1,379	( 1,292,959)	(49,450,309)
Insurance contract assets	( 8)	14,661	( 185)	-	-	-	-	-	14,469
Reinsurance contract assets	-	-	-	1,356	-	-	-	-	1,356
Reinsurance contract liabilities	-	-	-	<u>( 2,128)</u>	-	-	-	-	<u>( 2,128)</u>
<b>October 31, 2022 restated*</b>									
Insurance contract liabilities	(108,727)	(47,150,567)	(285,504)	( 47,073)	(12,436)	(704,487)	( 4,983)	(1,091,652)	(49,405,428)
Insurance contract assets	( 8)	9,672	( 185)	1,625	27,287	46,657	46,147	-	131,195
Reinsurance contract assets	-	-	-	1,218	-	-	-	-	1,218
Reinsurance contract liabilities	-	-	-	<u>( 2,295)</u>	-	-	-	-	<u>( 2,295)</u>

The following table sets out the carrying amounts of insurance and reinsurance contracts expected to be recovered/ (settled) more than 12 months after the reporting date:

	2023	2022
Insurance contract assets	12,303	1,901
Insurance contract liabilities	(46,406,260)	(44,949,542)
Reinsurance contract liabilities	<u>( 682)</u>	<u>( 987)</u>

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts in each portfolio changed during the year as a result of cash flows and amounts recognised in the statement of revenue and expenses and OCI. A separate table is used to analyse the movements in the liabilities for remaining coverage and movements in the incurred claims for each portfolio.

(\*See note 58)

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***40. Insurance and reinsurance contracts (continued)****(a) Individual Life:**

	<b>2023</b>				<b>2022</b>			
	<u>Liabilities for remaining coverage</u>		Liability for incurred claims	Total	<u>Liabilities for remaining coverage</u>		Liability for incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
Opening insurance assets	8	-	-	8	8	-	-	8
Opening liabilities	111,384	1,335	( 3,992)	108,727	145,999	-	4,057	150,056
Fair value movement	-	-	-	-	1,904	-	( 819)	1,085
<b>Net opening balance</b>	<b>111,392</b>	<b>1,335</b>	<b>( 3,992)</b>	<b>108,735</b>	<b>147,911</b>	<b>-</b>	<b>3,238</b>	<b>151,149</b>
<b>Insurance revenue</b>								
Contracts under the fair value value transition approach	( 51,645)	-	-	( 51,645)	( 41,434)	-	-	( 41,434)
Other contracts	( 20,477)	-	-	( 20,477)	( 4,233)	-	-	( 4,233)
	( 72,122)	-	-	( 72,122)	( 45,667)	-	-	( 45,667)
<b>Insurance service expenses</b>								
Incurred claims and other insurance service expenses	-	( 242)	33,398	33,156	-	( 4)	27,369	27,365
Amortization of insurance acquisition cash flows	5,430	-	-	5,430	1,167	-	-	1,167
Losses and reversals of losses on onerous contracts	-	1,918	-	1,918	-	1,347	-	1,347
Adjustment to liabilities for incurred claims	-	-	407	407	-	-	( 303)	( 303)
	5,430	1,676	33,805	40,911	1,167	1,343	27,066	29,576
Investment components and premium refunds	-	-	-	-	2	-	( 2)	-
<b>Insurance service result</b>	<b>( 66,692)</b>	<b>1,676</b>	<b>33,805</b>	<b>( 31,211)</b>	<b>( 44,498)</b>	<b>1,343</b>	<b>27,064</b>	<b>( 16,091)</b>
Net finance expenses from insurance contracts	292	( 5)	-	287	( 55,940)	( 8)	-	( 55,948)
<b>Total changes in the statement of profit and loss and OCI</b>	<b>( 66,400)</b>	<b>1,671</b>	<b>33,805</b>	<b>( 30,924)</b>	<b>( 100,438)</b>	<b>1,335</b>	<b>27,064</b>	<b>( 72,039)</b>
<b>Cash flows</b>								
Premiums received	130,978	-	-	130,978	82,614	-	-	82,614
Claims and other insurance service expenses paid including investment components	-	-	( 21,213)	( 21,213)	-	-	( 34,294)	( 34,294)
Insurance acquisition cash flows	( 24,100)	-	-	( 24,100)	( 18,695)	-	-	( 18,695)
<b>Total cash flows</b>	<b>106,878</b>	<b>-</b>	<b>( 21,213)</b>	<b>85,665</b>	<b>63,919</b>	<b>-</b>	<b>( 34,294)</b>	<b>29,625</b>
<b>Net closing balance</b>	<b>151,870</b>	<b>3,006</b>	<b>8,600</b>	<b>163,476</b>	<b>111,392</b>	<b>1,335</b>	<b>( 3,992)</b>	<b>108,735</b>
Closing insurance contract assets	8	-	-	8	8	-	-	8
Closing liabilities	151,862	3,006	8,600	163,468	111,384	1,335	( 3,992)	108,727
<b>Net closing balance</b>	<b>151,870</b>	<b>3,006</b>	<b>8,600</b>	<b>163,476</b>	<b>111,392</b>	<b>1,335</b>	<b>( 3,992)</b>	<b>108,735</b>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***40. Insurance and reinsurance contracts (continued)****(a) Individual Health**

	<b>2023</b>				<b>2022</b>			
	<u>Liabilities for remaining coverage</u>		<u>Liability for incurred claims</u>		<u>Liabilities for remaining coverage</u>		<u>Liability for incurred claims</u>	
	<u>Excluding loss component</u>	<u>Loss component</u>	<u>Total</u>		<u>Excluding loss component</u>	<u>Loss component</u>	<u>Total</u>	
Opening assets	185	-	-	185	185	-	-	185
Opening insurance contract liabilities	219,960	60,214	5,330	285,504	325,816	46,808	10,946	383,570
Fair value movement	-	-	-	-	4,598	518	(26)	5,090
<b>Net opening balance</b>	<b>220,145</b>	<b>60,214</b>	<b>5,330</b>	<b>285,689</b>	<b>330,599</b>	<b>47,326</b>	<b>10,920</b>	<b>388,845</b>
<b>Changes in the statement of profit or loss and OCI</b>								
<b>Insurance revenue</b>								
Contracts under the fair value transition approach	(116,224)	-	-	(116,224)	(95,642)	-	-	(95,642)
Other contracts	(48,179)	-	-	(48,179)	(11,239)	-	-	(11,239)
	(164,403)	-	-	(164,403)	(106,881)	-	-	(106,881)
<b>Insurance service expenses</b>								
Incurred claims and other insurance service expenses	-	(7,310)	61,205	53,895	-	(4,869)	47,104	42,235
Amortisation of insurance acquisition cash flows	15,316	-	-	15,316	3,973	-	-	3,973
Losses and reversal of losses on onerous contracts	-	5,507	-	5,507	-	18,174	-	18,174
Adjustment to liabilities for incurred claim	-	-	(377)	(377)	-	-	(1,681)	(1,681)
	15,316	(1,803)	60,828	74,341	3,973	13,305	45,423	62,701
Investment components	2	-	(2)	-	-	-	-	-
<b>Insurance service result</b>	<b>(149,085)</b>	<b>(1,803)</b>	<b>60,826</b>	<b>(90,062)</b>	<b>(102,908)</b>	<b>13,305</b>	<b>45,423</b>	<b>(44,180)</b>
Net finance expenses from insurance contracts	3,356	(57)	-	3,299	(151,923)	(417)	-	(152,340)
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(145,729)</b>	<b>(1,860)</b>	<b>60,826</b>	<b>(86,763)</b>	<b>(254,831)</b>	<b>12,888</b>	<b>45,423</b>	<b>(196,520)</b>
<b>Cash flows</b>								
Premiums received	292,408	-	-	292,408	193,125	-	-	193,125
Claims and other insurance service expenses paid including investment components	-	-	(52,581)	(52,581)	-	-	(51,014)	(51,014)
Insurance acquisition cash flows	(77,395)	-	-	(77,395)	(48,748)	-	-	(48,748)
<b>Total cash flows</b>	<b>215,013</b>	<b>-</b>	<b>(52,581)</b>	<b>162,432</b>	<b>144,377</b>	<b>-</b>	<b>(51,014)</b>	<b>93,363</b>
<b>Net closing balance</b>	<b>289,429</b>	<b>58,354</b>	<b>13,575</b>	<b>361,358</b>	<b>220,145</b>	<b>60,214</b>	<b>5,329</b>	<b>285,688</b>
Closing insurance contract assets	185	-	-	185	185	-	-	185
Closing liabilities	289,244	58,354	13,575	361,173	219,960	60,214	5,329	285,503
<b>Net closing balance</b>	<b>289,429</b>	<b>58,354</b>	<b>13,575</b>	<b>361,358</b>	<b>220,145</b>	<b>60,214</b>	<b>5,329</b>	<b>285,688</b>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***40. Insurance and reinsurance contracts (continued)****(a) Individual Life Savings & Wealth**

	2023				2022			
	Liabilities for remaining coverage		Liability for incurred claims		Liabilities for remaining coverage		Liability for incurred claims	
	Excluding loss component	Loss component		Total	Excluding loss component	Loss component		Total
Opening insurance contract assets	( 9,672)	-	-	( 9,672)	( 6,375)	-	-	( 6,375)
Opening liabilities	47,018,114	110,549	21,904	47,150,567	44,375,687	-	300,868	44,676,555
Fair value movement	-	-	-	-	547,864	-	( 35,939)	511,925
<b>Net opening balance</b>	<b>47,008,442</b>	<b>110,549</b>	<b>21,904</b>	<b>47,140,895</b>	<b>44,917,176</b>	<b>-</b>	<b>264,929</b>	<b>45,182,105</b>
<b>Insurance revenue</b>								
Contracts under the fair value transition approach	(1,046,076)	-	-	(1,046,076)	( 687,354)	-	-	( 687,354)
Other contracts	( 77,937)	-	-	( 77,937)	( 31,897)	-	-	( 31,897)
	(1,124,013)	-	-	(1,124,013)	( 719,251)	-	-	( 719,251)
<b>Insurance service expenses</b>								
Incurred claims and other insurance service expenses	-	( 24,061)	347,898	323,837	-	( 671)	318,351	317,680
Amortisation of insurance acquisition cash flows	59,333	-	-	59,333	15,798	-	-	15,798
Losses and reversal of losses on onerous contracts	-	46,030	-	46,030	-	110,857	-	110,857
Adjustment to liabilities for incurred claims	-	-	7,163	7,163	-	-	( 2,534)	( 2,534)
	59,333	21,969	355,061	436,363	15,798	110,186	315,817	441,801
Investment components	(6,060,642)	-	6,060,642	-	(4,809,226)	-	4,809,226	-
<b>Insurance service result</b>	<b>(7,125,322)</b>	<b>21,969</b>	<b>6,415,703</b>	<b>( 687,650)</b>	<b>(5,512,679)</b>	<b>110,186</b>	<b>5,125,043</b>	<b>( 277,450)</b>
Net finance expenses from insurance contracts	939,026	4,998	-	944,024	3,355,878	363	-	3,356,241
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(6,186,296)</b>	<b>26,967</b>	<b>6,415,703</b>	<b>256,374</b>	<b>(2,156,801)</b>	<b>110,549</b>	<b>5,125,043</b>	<b>3,078,791</b>
<b>Cash flows</b>								
Premiums received	6,037,627	-	-	6,037,627	4,695,332	-	-	4,695,332
Claims and other insurance service expenses paid, including investment components	-	-	(6,178,267)	(6,178,267)	-	-	(5,368,067)	(5,368,067)
Insurance acquisition cash flows	( 107,868)	-	-	( 107,868)	( 163,221)	-	-	( 163,221)
<b>Total cash flows</b>	<b>5,929,759</b>	<b>-</b>	<b>(6,178,267)</b>	<b>( 248,508)</b>	<b>4,532,111</b>	<b>-</b>	<b>(5,368,067)</b>	<b>( 835,956)</b>
Premium receivable	( 4,990)	-	-	( 4,990)	( 3,297)	-	-	( 3,297)
Policy loan receivable	6,431	-	-	6,431	( 742,043)	-	-	( 742,043)
Premium suspense	( 461,295)	-	-	( 461,295)	461,295	-	-	461,295
<b>Net closing balance</b>	<b>46,292,051</b>	<b>137,516</b>	<b>259,340</b>	<b>46,688,907</b>	<b>47,008,441</b>	<b>110,549</b>	<b>21,905</b>	<b>47,140,895</b>
Closing insurance contract assets	( 14,662)	-	-	( 14,662)	( 9,672)	-	-	( 9,672)
Closing liabilities	46,306,713	137,516	259,340	46,703,569	47,018,113	110,549	21,905	47,150,567
<b>Net closing balance</b>	<b>46,292,051</b>	<b>137,516</b>	<b>259,340</b>	<b>46,688,907</b>	<b>47,008,441</b>	<b>110,549</b>	<b>21,905</b>	<b>47,140,895</b>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***40. Insurance and reinsurance contracts (continued)****(a) Group Creditor Combined Single**

	<b>2023</b>				<b>2022</b>			
	<u>Liabilities for remaining coverage</u>		Liability for incurred claims	Total	<u>Liabilities for remaining coverage</u>		Liability for incurred claims	Total
Excluding loss component	Loss component	Excluding loss component			Loss component			
Opening insurance contract assets	( 46,657)	-	-	( 46,657)	-	-	-	-
Opening liabilities	692,312	3	12,172	704,487	515,568	16,230	9,912	541,710
Fair value movement	-	-	-	-	( 1,590)	( 46)	2,511	875
<b>Net opening balance</b>	<u>645,655</u>	<u>3</u>	<u>12,172</u>	<u>657,830</u>	<u>513,978</u>	<u>16,184</u>	<u>12,423</u>	<u>542,585</u>
<b>Insurance revenue</b>								
Contracts under the fair value transition approach	(127,327)	-	-	(127,327)	(147,881)	-	-	(147,881)
Other contracts	(247,071)	-	-	(247,071)	( 72,302)	-	-	( 72,302)
	<u>(374,398)</u>	<u>-</u>	<u>-</u>	<u>(374,398)</u>	<u>(220,183)</u>	<u>-</u>	<u>-</u>	<u>(220,183)</u>
<b>Insurance service expenses</b>								
Incurred claims and other insurance service expenses	-	( 1,276)	40,655	39,379	-	( 7,679)	35,785	28,106
Amortisation of insurance acquisition cash flows	8,077	-	-	8,077	2,542	-	-	2,542
Losses and reversal of losses on onerous contracts	-	1,239	-	1,239	-	( 8,737)	-	( 8,737)
Adjustment to liabilities for incurred claims	-	-	( 3,962)	( 3,962)	-	-	( 3,918)	( 3,918)
	<u>8,077</u>	<u>( 37)</u>	<u>36,693</u>	<u>44,733</u>	<u>2,542</u>	<u>(16,416)</u>	<u>31,867</u>	<u>17,993</u>
<b>Insurance service result</b>	<u>(366,321)</u>	<u>( 37)</u>	<u>36,693</u>	<u>(329,665)</u>	<u>(217,641)</u>	<u>(16,416)</u>	<u>31,867</u>	<u>(202,190)</u>
Net finance expenses from insurance contracts	51,997	34	-	52,031	12,276	235	-	12,511
<b>Total changes in the statement of profit or loss and OCI</b>	<u>(314,324)</u>	<u>( 3)</u>	<u>36,693</u>	<u>(277,634)</u>	<u>(205,365)</u>	<u>(16,181)</u>	<u>31,867</u>	<u>(189,679)</u>
<b>Cash flows</b>								
Premiums received	450,319	-	-	450,319	394,986	-	-	394,986
Claims and other insurance service expenses paid, including investment components	-	-	(38,147)	( 38,147)	-	-	(32,118)	( 32,118)
Insurance acquisition cash flows	( 11,102)	-	-	( 11,102)	( 11,287)	-	-	( 11,287)
<b>Total cash flows</b>	<u>439,217</u>	<u>-</u>	<u>(38,147)</u>	<u>401,070</u>	<u>383,699</u>	<u>-</u>	<u>(32,118)</u>	<u>351,581</u>
Premium receivable	46,657	-	-	46,657	( 46,657)	-	-	( 46,657)
<b>Net closing balance</b>	<u>817,205</u>	<u>-</u>	<u>10,718</u>	<u>827,923</u>	<u>645,655</u>	<u>3</u>	<u>12,172</u>	<u>657,830</u>
Closing insurance contract assets	-	-	-	-	( 46,657)	-	-	( 46,657)
Closing liabilities	817,205	-	10,718	827,923	692,312	3	12,172	704,487
<b>Net closing balance</b>	<u>817,205</u>	<u>-</u>	<u>10,718</u>	<u>827,923</u>	<u>645,655</u>	<u>3</u>	<u>12,172</u>	<u>657,830</u>



**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***40. Insurance and reinsurance contracts (continued)****(a) Individual Universal Life**

	<b>2023</b>				<b>2022</b>			
	<u>Liabilities for remaining coverage</u>		<u>Liability for incurred claims</u>	<u>Total</u>	<u>Liabilities for remaining coverage</u>		<u>Liability for incurred claims</u>	<u>Total</u>
	<u>Excluding loss component</u>	<u>Loss component</u>				<u>Excluding loss component</u>		
Opening insurance contract assets	( 1,625)	-	-	( 1,625)	-	-	-	-
Opening liabilities	78,504	56,130	(87,561)	47,073	(184,936)	-	3,613	(181,323)
Fair value movement	-	-	-	-	8,051	-	110	8,161
<b>Net opening balance</b>	<u>76,879</u>	<u>56,130</u>	<u>(87,561)</u>	<u>45,448</u>	<u>(176,885)</u>	<u>-</u>	<u>3,723</u>	<u>(173,162)</u>
<b>Changes in the statement of profit or loss and OCI</b>								
Contracts under the fair value transition approach	( 37,620)	-	-	( 37,620)	(37,860)	-	-	( 37,860)
Other contracts	(66,142)	-	-	(66,142)	(16,176)	-	-	(16,176)
	<u>(103,762)</u>	<u>-</u>	<u>-</u>	<u>(103,762)</u>	<u>(54,036)</u>	<u>-</u>	<u>-</u>	<u>(54,036)</u>
<b>Insurance service expenses</b>								
Incurring claims and other insurance service expenses	-	( 4,552)	40,064	35,512	-	( 950)	12,575	11,625
Amortisation of insurance acquisition cash flows	30,020	-	-	30,020	6,275	-	-	6,275
Losses and reversal of losses on onerous contracts	-	171,302	-	171,302	-	62,502	-	62,502
Adjustment to liabilities for incurred claims	-	-	( 151)	( 151)	-	-	( 122)	( 122)
	<u>30,020</u>	<u>166,750</u>	<u>39,913</u>	<u>236,683</u>	<u>6,275</u>	<u>61,552</u>	<u>12,453</u>	<u>80,280</u>
Investment components	(520,076)	-	520,076	-	(234,880)	-	234,880	-
<b>Insurance service result</b>	(593,818)	166,750	559,989	132,921	(282,641)	61,552	247,333	26,244
Net finance expenses from insurance contracts	( 31,150)	( 9,802)	-	( 40,952)	( 27,046)	( 5,422)	-	( 32,468)
<b>Total changes in the statement of profit or loss and OCI</b>	<u>(624,968)</u>	<u>156,948</u>	<u>559,989</u>	<u>91,969</u>	<u>(309,687)</u>	<u>56,130</u>	<u>247,333</u>	<u>( 6,224)</u>
<b>Cash flows</b>								
Premiums received	763,049	-	-	763,049	514,295	-	-	514,295
Claims and other insurance service expenses paid, including investment components	-	-	(465,987)	(465,987)	-	-	(338,617)	(338,617)
Insurance acquisition cash flows	(194,633)	-	-	(194,633)	( 99,089)	-	-	( 99,089)
<b>Total cash flows</b>	<u>568,416</u>	<u>-</u>	<u>(465,987)</u>	<u>102,429</u>	<u>415,206</u>	<u>-</u>	<u>(338,617)</u>	<u>76,589</u>
Premium receivable	1,625	-	-	1,625	( 1,625)	-	-	( 1,625)
Premium suspense	(149,872)	-	-	(149,872)	149,870	-	-	149,870
<b>Net closing balance</b>	<u>(127,920)</u>	<u>213,078</u>	<u>6,441</u>	<u>91,599</u>	<u>76,879</u>	<u>56,130</u>	<u>( 87,561)</u>	<u>45,448</u>
Closing insurance contract assets	-	-	-	-	( 1,625)	-	-	( 1,625)
Closing liabilities	(127,920)	213,078	6,441	91,599	78,504	56,130	( 87,561)	47,073
<b>Net closing balance</b>	<u>(127,920)</u>	<u>213,078</u>	<u>6,441</u>	<u>91,599</u>	<u>76,879</u>	<u>56,130</u>	<u>(87,561)</u>	<u>45,448</u>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***40. Insurance and reinsurance contracts (continued)****(a) Individual Annuity**

	<b>2023</b>				<b>2022</b>			
	<u>Liabilities for remaining coverage</u>		<u>Liability for incurred claims</u>	<u>Total</u>	<u>Liabilities for remaining coverage</u>		<u>Liability for incurred claims</u>	<u>Total</u>
<u>Excluding loss component</u>	<u>Loss component</u>	<u>Excluding loss component</u>			<u>Loss component</u>			
Opening liabilities	-	-	1,091,652	1,091,652	-	-	880,799	880,799
Fair value movement	-	-	-	-	-	-	-	-
<b>Net opening balance</b>	<u>-</u>	<u>-</u>	<u>1,091,652</u>	<u>1,091,652</u>	<u>-</u>	<u>-</u>	<u>880,799</u>	<u>880,799</u>
<b>Cash flows</b>								
Premiums received	-	-	266,160	266,160	-	-	259,198	259,198
Claims and other insurance service expenses paid, including investment components	-	-	( 64,853)	( 64,853)	-	-	( 48,345)	( 48,345)
<b>Total cash flows</b>	<u>-</u>	<u>-</u>	<u>201,307</u>	<u>201,307</u>	<u>-</u>	<u>-</u>	<u>210,853</u>	<u>210,853</u>
<b>Net closing balance</b>	<u>-</u>	<u>-</u>	<u>1,292,959</u>	<u>1,292,959</u>	<u>-</u>	<u>-</u>	<u>1,091,652</u>	<u>1,091,652</u>
Closing liabilities	-	-	1,292,959	1,292,959	-	-	1,091,652	1,091,652
<b>Net closing balance</b>	<u>-</u>	<u>-</u>	<u>1,292,959</u>	<u>1,292,959</u>	<u>-</u>	<u>-</u>	<u>1,091,652</u>	<u>1,091,652</u>

**SCOTIA GROUP JAMAICA LIMITED**

**Notes to the Financial Statements (Continued)**

**October 31, 2023**

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

**40. Insurance and reinsurance contracts (continued)**

**(a) Group Creditor Combined PAA**

	<b>2023</b>					<b>2022</b>				
	<u>Liabilities for remaining coverage</u>		<u>Liabilities for incurred claims</u>			<u>Liabilities for remaining coverage</u>		<u>Liabilities for incurred claims</u>		
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non- financial risk	Total	Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non- financial risk	Total
Opening assets	(73,434)	-	-	-	(73,434)	-	-	-	-	-
Opening liabilities	( 3,609)	1,100	18,231	1,697	17,419	14,141	-	7,516	752	22,409
Fair value movement	-	-	-	-	-	( 90)	-	332	( 2)	240
<b>Net opening balance</b>	<b>(77,043)</b>	<b>1,100</b>	<b>18,231</b>	<b>1,697</b>	<b>(56,015)</b>	<b>14,051</b>	<b>-</b>	<b>7,848</b>	<b>750</b>	<b>22,649</b>
<b>Changes in the statement of profit or loss and OCI</b>										
<b>Insurance revenue</b>										
Contracts under the fair value transition approach	(733,295)	-	-	-	(733,295)	(676,947)	-	-	-	(676,947)
Other contracts	(201,625)	-	-	-	(201,625)	( 51,841)	-	-	-	( 51,841)
	(934,920)	-	-	-	(934,920)	(728,788)	-	-	-	(728,788)
<b>Insurance service expenses</b>										
Incurred claims and other insurance service expenses	-	(1,007)	127,084	353	126,430	-	-	51,430	410	51,840
Losses and reversal of losses on onerous contracts	-	4,653	-	-	4,653	-	1,100	-	-	1,100
Adjustment to liabilities for incurred claims	-	-	( 2,248)	( 212)	( 2,460)	-	-	5,792	539	6,331
	-	3,646	124,836	141	128,623	-	1,100	57,222	949	59,271
<b>Insurance service result</b>	<b>(934,920)</b>	<b>3,646</b>	<b>124,836</b>	<b>141</b>	<b>(806,296)</b>	<b>(728,788)</b>	<b>1,100</b>	<b>57,222</b>	<b>949</b>	<b>(669,517)</b>
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(934,920)</b>	<b>3,646</b>	<b>124,836</b>	<b>141</b>	<b>(806,296)</b>	<b>(728,788)</b>	<b>1,100</b>	<b>57,222</b>	<b>949</b>	<b>(669,517)</b>
<b>Cash flows</b>										
Premiums received	924,626	-	-	-	924,626	711,127	-	-	-	711,127
Claims and other insurance service expenses paid, including investment components	-	-	(126,131)	-	(126,131)	-	-	(46,838)	-	( 46,838)
<b>Total cash flows</b>	<b>924,626</b>	<b>-</b>	<b>(126,131)</b>	<b>-</b>	<b>798,495</b>	<b>711,127</b>	<b>-</b>	<b>(46,838)</b>	<b>-</b>	<b>664,289</b>
Premium receivable	73,434	-	-	-	73,434	( 73,434)	-	-	-	( 73,434)
<b>Net closing balance</b>	<b>( 13,903)</b>	<b>4,746</b>	<b>16,936</b>	<b>1,838</b>	<b>9,617</b>	<b>( 3,610)</b>	<b>1,100</b>	<b>18,232</b>	<b>1,699</b>	<b>17,421</b>
Closing assets	-	-	-	-	-	-	-	-	-	-
Closing liabilities	(13,903)	4,746	16,937	1,838	9,617	( 3,610)	1,100	18,232	1,699	17,421
<b>Net closing balance</b>	<b>(13,903)</b>	<b>4,746</b>	<b>16,937</b>	<b>1,838</b>	<b>9,617</b>	<b>( 3,610)</b>	<b>1,100</b>	<b>18,232</b>	<b>1,699</b>	<b>17,421</b>

**SCOTIA GROUP JAMAICA LIMITED**

**Notes to the Financial Statements (Continued)**

**October 31, 2023**

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

**40. Insurance and reinsurance contracts (continued)**

The following reconciliations show the changes in the contractual service margin reflected in insurance contract liabilities and the amounts recognised in the statement of profit and loss and OCI.

**(b) Individual Life**

	2023						2022					
	Contractual Service Margin						Contractual Service Margin					
	Estimate of present Value of future cash flow	Risk Adjustment non-financial risk	Contracts under fair value transition approach	Other contracts	Subtotal	Total	Estimate of present Value of future cash flow	Risk Adjustment non-financial risk	Contracts under fair value transition approach	Other contracts	Subtotal	Total
Opening insurance contract assets	8	-	-	-	-	8	8	-	-	-	-	8
Opening liabilities	43,071	45,934	1,538	18,184	19,722	108,727	95,705	48,847	5,504	-	5,504	150,056
Fair value movement	-	-	-	-	-	-	245	569	271	-	271	1,085
<b>Net opening balance</b>	<b>43,079</b>	<b>45,934</b>	<b>1,538</b>	<b>18,184</b>	<b>19,722</b>	<b>108,735</b>	<b>95,958</b>	<b>49,416</b>	<b>5,775</b>	<b>-</b>	<b>5,775</b>	<b>151,149</b>
<b>Changes that relate to current services</b>												
CSM recognised for service provided	-	-	(1,256)	( 6,895)	(8,151)	( 8,151)	-	-	( 157)	( 552)	( 709)	( 709)
Change in risk adjustment for non-financial risk for risk expired	-	( 8,131)	-	-	-	( 8,131)	-	( 5,392)	-	-	-	( 5,392)
Experience adjustment	(17,254)	-	-	-	-	( 17,254)	(11,034)	-	-	-	-	( 11,034)
<b>Changes that relate to future services</b>												
Contracts initially recognised in the year	(39,828)	8,377	( 1)	31,777	31,776	325	(26,108)	5,386	10	20,798	20,808	86
Changes in estimates that adjust the CSM	( 9,048)	689	1,788	6,571	8,359	-	6,280	607	( 4,306)	( 2,581)	( 6,887)	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	1,584	9	-	-	-	1,593	1,505	( 244)	-	-	-	1,261
<b>Changes that relate to past services</b>												
Adjustments to liabilities for incurred claims	352	55	-	-	-	407	( 267)	( 36)	-	-	-	( 303)
<b>Insurance service result</b>	<b>(64,194)</b>	<b>999</b>	<b>531</b>	<b>31,453</b>	<b>31,984</b>	<b>( 31,211)</b>	<b>(29,624)</b>	<b>321</b>	<b>( 4,453)</b>	<b>17,665</b>	<b>13,212</b>	<b>(16,091)</b>
Net finance expenses from insurance contracts	( 5,973)	3,001	481	2,779	3,260	288	(52,881)	(3,803)	217	519	736	(55,948)
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(70,167)</b>	<b>4,000</b>	<b>1,012</b>	<b>34,232</b>	<b>35,244</b>	<b>(30,923)</b>	<b>(82,505)</b>	<b>(3,482)</b>	<b>( 4,236)</b>	<b>18,184</b>	<b>13,948</b>	<b>(72,039)</b>
<b>Cash flows</b>												
Premiums received	130,978	-	-	-	-	130,978	82,614	-	-	-	-	82,614
Claims and other insurance service expenses paid, including investment components	(21,213)	-	-	-	-	(21,213)	(34,295)	-	-	-	-	(34,295)
Insurance acquisition cash flows	(24,102)	-	-	-	-	(24,102)	(18,694)	-	-	-	-	(18,694)
<b>Total cash flows</b>	<b>85,663</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,663</b>	<b>29,625</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,625</b>
<b>Net closing balance</b>	<b>58,575</b>	<b>49,934</b>	<b>2,550</b>	<b>52,416</b>	<b>54,966</b>	<b>163,475</b>	<b>43,078</b>	<b>45,934</b>	<b>1,539</b>	<b>18,184</b>	<b>19,723</b>	<b>108,735</b>
Closing insurance contract assets	8	-	-	-	-	8	8	-	-	-	-	8
Closing liabilities	58,567	49,934	2,550	52,416	54,966	163,467	43,070	45,934	1,539	18,184	19,723	108,727
<b>Net closing balance</b>	<b>58,575</b>	<b>49,934</b>	<b>2,550</b>	<b>52,416</b>	<b>54,966</b>	<b>163,475</b>	<b>43,078</b>	<b>45,934</b>	<b>1,539</b>	<b>18,184</b>	<b>19,723</b>	<b>108,735</b>

## SCOTIA GROUP JAMAICA LIMITED

### Notes to the Financial Statements (Continued)

October 31, 2023

(Expressed in thousands of Jamaican dollars unless otherwise stated)

#### 40. Insurance and reinsurance contracts (continued)

##### (b) Individual Health

	2023						2022					
	Contractual Service Margin						Contractual Service Margin					
	Estimate of present Value of future cash flow	Risk Adjustment non-financial risk	Contracts under fair value transition approach	Other contracts	Subtotal	Total	Estimate of present Value of future cash flow	Risk Adjustment non-financial risk	Contracts under fair value transition approach	Other contracts	Subtotal	Total
Opening insurance contract assets	185	-	-	-	-	185	185	-	-	-	-	185
Opening liabilities	80,116	186,979	-	18,408	18,408	285,503	180,024	203,545	-	-	-	383,569
Fair value movement	-	-	-	-	-	-	2,294	2,797	-	-	-	5,091
<b>Net opening balance</b>	<b>80,301</b>	<b>186,979</b>	<b>-</b>	<b>18,408</b>	<b>18,408</b>	<b>285,688</b>	<b>182,503</b>	<b>206,342</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>388,845</b>
<b>Changes that relate to current services</b>												
CSM recognised for service provided	-	-	( 1,476)	(11,634)	(13,110)	(13,110)	-	-	-	(1,525)	( 1,525)	( 1,525)
Change in risk adjustment for non-financial risk for risk expired	-	(23,045)	-	-	-	(23,045)	-	(16,321)	-	-	-	(16,321)
Experience adjustment	( 59,036)	-	-	-	-	(59,036)	(42,828)	-	-	-	-	(42,828)
<b>Changes that relate to future services</b>												
Contracts initially recognised in the year	(111,583)	26,231	( 2)	87,680	87,678	2,326	(40,956)	11,571	69	29,790	29,859	474
Changes in estimates that adjust the CSM	306	2,139	2,047	( 4,493)	( 2,446)	( 1)	10,022	685	( 72)	(10,635)	(10,707)	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	914	2,267	-	-	-	3,181	15,770	1,929	-	-	-	17,699
<b>Changes that relate to past services</b>												
Adjustments to liabilities for incurred claims	( 339)	( 38)	-	-	-	( 377)	( 1,572)	( 109)	-	-	-	( 1,681)
<b>Insurance service result</b>	<b>(169,738)</b>	<b>7,554</b>	<b>569</b>	<b>71,553</b>	<b>72,122</b>	<b>(90,062)</b>	<b>( 59,564)</b>	<b>( 2,245)</b>	<b>( 3)</b>	<b>17,630</b>	<b>17,627</b>	<b>( 44,182)</b>
Net finance expenses from insurance contracts	( 11,828)	10,024	522	4,582	5,104	3,300	(136,001)	( 17,119)	3	778	781	(152,339)
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(181,566)</b>	<b>17,578</b>	<b>1,091</b>	<b>76,135</b>	<b>77,226</b>	<b>(86,762)</b>	<b>(195,565)</b>	<b>( 19,364)</b>	<b>-</b>	<b>18,408</b>	<b>18,408</b>	<b>(196,521)</b>
<b>Cash flows</b>												
Premiums received	292,408	-	-	-	-	292,408	193,125	-	-	-	-	193,125
Claims and other insurance service expenses paid, including investment components	( 52,581)	-	-	-	-	( 52,581)	(51,014)	-	-	-	-	( 51,014)
Insurance acquisition cash flows	( 77,395)	-	-	-	-	(77,395)	(48,748)	-	-	-	-	( 48,748)
<b>Total cash flows</b>	<b>162,432</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>162,432</b>	<b>93,363</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>93,363</b>
<b>Net closing balance</b>	<b>61,167</b>	<b>204,557</b>	<b>1,091</b>	<b>94,543</b>	<b>95,634</b>	<b>361,358</b>	<b>80,301</b>	<b>186,978</b>	<b>-</b>	<b>18,408</b>	<b>18,408</b>	<b>285,687</b>
Closing insurance contract assets	185	-	-	-	-	185	185	-	-	-	-	185
Closing liabilities	60,982	204,557	1,091	94,543	95,634	361,173	80,116	186,978	-	18,408	18,408	285,502
<b>Net closing balance</b>	<b>61,167</b>	<b>204,557</b>	<b>1,091</b>	<b>94,543</b>	<b>95,634</b>	<b>361,358</b>	<b>80,301</b>	<b>186,978</b>	<b>-</b>	<b>18,408</b>	<b>18,408</b>	<b>285,687</b>

## SCOTIA GROUP JAMAICA LIMITED

### Notes to the Financial Statements (Continued)

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(Expressed in thousands of Jamaican dollars unless otherwise stated)

#### 40. Insurance and reinsurance contracts (continued)

##### (b) Individual Life Savings & Wealth

	2023					2022						
	Estimate of present Value of future cash flow	Risk Adjustment non-financial risk	Contractual Service Margin			Total	Estimate of present Value of future cash flow	Risk Adjustment non-financial risk	Contractual Service Margin			Total
Contracts under fair value transition approach			Other contracts	Subtotal	Contracts under fair value transition approach				Other contracts	Subtotal		
Opening insurance contract assets	( 9,672)	-	-	-	-	( 9,672)	( 6,375)	-	-	-	-	(6,375)
Opening liabilities	43,979,287	1,611,470	1,535,400	24,411	1,559,811	47,150,568	41,517,993	1,818,996	1,339,566	-	1,339,566	44,676,555
Fair value movement	-	-	-	-	-	-	475,349	22,550	14,026	-	14,026	511,925
<b>Net opening balance</b>	<b>43,969,615</b>	<b>1,611,470</b>	<b>1,535,400</b>	<b>24,411</b>	<b>1,559,811</b>	<b>47,140,896</b>	<b>41,986,967</b>	<b>1,841,546</b>	<b>1,353,592</b>	<b>-</b>	<b>1,353,592</b>	<b>45,182,105</b>
<b>Changes that relate to current services</b>												
CSM recognised for service provided	-	-	( 442,419)	(15,073)	( 457,492)	( 457,492)	-	-	( 184,155)	( 1,480)	( 185,635)	( 185,635)
Change in risk adjustment for non-financial risk for risk expired	-	( 120,577)	-	-	-	( 120,577)	-	( 105,547)	-	-	-	( 105,547)
Experience adjustment	( 162,772)	-	-	-	-	( 162,772)	( 94,591)	-	-	-	-	( 94,591)
<b>Changes that relate to future services</b>												
Contracts initially recognised in the year	( 64,263)	19,448	125	45,159	45,284	469	( 36,217)	23,156	-	35,923	35,923	22,862
Changes in estimates that adjust the CSM	(1,587,302)	62,909	1,466,861	57,532	1,524,393	-	( 345,924)	36,512	320,253	(10,841)	309,412	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	34,144	11,417	-	-	-	45,561	89,359	( 1,363)	-	-	-	87,996
<b>Changes that relate to past services</b>												
Adjustments to liabilities for incurred claims	6,441	722	89,085	3,822	92,907	100,070	( 2,380)	( 155)	-	-	-	( 2,535)
<b>Insurance service result</b>	<b>(1,773,752)</b>	<b>( 26,081)</b>	<b>1,113,652</b>	<b>91,440</b>	<b>1,205,092</b>	<b>( 594,741)</b>	<b>( 389,753)</b>	<b>( 47,397)</b>	<b>136,098</b>	<b>23,602</b>	<b>159,700</b>	<b>( 277,450)</b>
Net finance expenses from insurance contract	724,182	126,934	-	-	-	851,116	3,492,403	( 182,680)	45,710	809	46,519	3,356,242
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(1,049,570)</b>	<b>100,853</b>	<b>1,113,652</b>	<b>91,440</b>	<b>1,205,092</b>	<b>256,375</b>	<b>3,102,650</b>	<b>( 230,077)</b>	<b>181,808</b>	<b>24,411</b>	<b>206,219</b>	<b>3,078,792</b>
<b>Cash flows</b>												
Premiums received	6,037,627	-	-	-	-	6,037,627	4,695,332	-	-	-	-	4,695,332
Claims and other insurance service expenses paid, including investment components	(6,178,267)	-	-	-	-	( 6,178,267)	(5,368,067)	-	-	-	-	( 5,368,067)
Insurance acquisition cash flows	( 107,868)	-	-	-	-	( 107,868)	( 163,221)	-	-	-	-	( 163,221)
<b>Total cash flows</b>	<b>( 248,508)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 248,508)</b>	<b>( 835,956)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 835,956)</b>
Premium receivable	( 4,990)	-	-	-	-	( 4,990)	( 3,297)	-	-	-	-	( 3,297)
Policy Loan receivable	6,429	-	-	-	-	6,429	( 742,044)	-	-	-	-	( 742,044)
Premium suspense	( 461,295)	-	-	-	-	( 461,295)	461,295	-	-	-	-	461,295
<b>Net closing balance</b>	<b>42,211,681</b>	<b>1,712,323</b>	<b>2,649,052</b>	<b>115,851</b>	<b>2,764,903</b>	<b>46,688,907</b>	<b>43,969,615</b>	<b>1,611,469</b>	<b>1,535,400</b>	<b>24,411</b>	<b>1,559,811</b>	<b>47,140,895</b>
Closing insurance contract assets	( 14,662)	-	-	-	-	( 14,662)	( 9,672)	-	-	-	-	( 9,672)
Closing liabilities	42,226,343	1,712,323	2,649,052	115,851	2,764,903	46,703,569	43,979,287	1,611,469	1,535,400	24,411	1,559,811	47,150,568
<b>Net closing balance</b>	<b>42,211,681</b>	<b>1,712,323</b>	<b>2,649,052</b>	<b>115,851</b>	<b>2,764,903</b>	<b>46,688,907</b>	<b>43,969,615</b>	<b>1,611,469</b>	<b>1,535,400</b>	<b>24,411</b>	<b>1,559,811</b>	<b>47,140,895</b>

**SCOTIA GROUP JAMAICA LIMITED**

**Notes to the Financial Statements (Continued)**

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

**40. Insurance and reinsurance contracts (continued)**

**(b) Group Creditor Combined Single**

	2023						2022					
	Estimate of present Value of future cash flow	Risk Adjustment non-financial risk	Contracts under fair value transition approach	Other contracts	Subtotal	Total	Estimate of present Value of future cash flow	Risk Adjustment non-financial risk	Contracts under fair value transition approach	Other contracts	Subtotal	Total
Opening insurance contract assets	( 46,657)	-	-	-	-	( 46,657)	-	-	-	-	-	-
Opening liabilities	483,371	52,804	10,143	158,169	168,312	704,487	488,369	53,340	-	-	-	541,709
Fair value movement	-	-	-	-	-	-	1,039	( 164)	-	-	-	875
<b>Net opening balance</b>	<b>436,714</b>	<b>52,804</b>	<b>10,143</b>	<b>158,169</b>	<b>168,312</b>	<b>657,830</b>	<b>489,408</b>	<b>53,176</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>542,584</b>
<b>Changes that relate to current services</b>												
CSM recognised for service provided	-	-	(23,271)	(148,974)	(172,245)	(172,245)	-	-	( 11,610)	( 42,590)	( 54,200)	( 54,200)
Change in risk adjustment for non-financial risk for risk expired	-	(30,214)	-	-	-	( 30,214)	-	(26,145)	-	-	-	( 26,145)
Experience adjustment	(124,483)	-	-	-	-	(124,483)	(109,190)	-	-	-	-	(109,190)
<b>Changes that relate to future services</b>												
Contracts initially recognised in the year	(247,375)	24,504	-	222,871	222,871	-	(209,439)	22,495	-	186,943	186,943	( 1)
Changes in estimates that adjust the CSM	( 48,868)	2,656	24,680	21,532	46,212	-	( 31,160)	737	21,753	8,670	30,423	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	648	591	-	-	-	1,239	( 10,337)	1,600	-	-	-	( 8,737)
<b>Changes that relate to past services</b>												
Adjustments to liabilities for incurred claims	( 3,639)	( 323)	-	-	-	( 3,962)	( 3,497)	( 421)	-	-	-	( 3,918)
<b>Insurance service result</b>	<b>(423,717)</b>	<b>( 2,786)</b>	<b>1,409</b>	<b>95,429</b>	<b>96,838</b>	<b>(329,665)</b>	<b>(363,623)</b>	<b>( 1,734)</b>	<b>10,143</b>	<b>153,023</b>	<b>163,166</b>	<b>(202,191)</b>
Net finance expenses from insurance contracts	29,287	3,375	438	18,932	19,370	52,032	6,005	1,362	-	5,146	5,146	12,511
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(394,430)</b>	<b>589</b>	<b>1,847</b>	<b>114,361</b>	<b>116,208</b>	<b>(277,633)</b>	<b>(357,618)</b>	<b>( 372)</b>	<b>10,143</b>	<b>158,169</b>	<b>168,312</b>	<b>(189,678)</b>
<b>Cash flows</b>												
Premiums received	450,319	-	-	-	-	450,319	394,986	-	-	-	-	394,986
Claims and other insurance service expenses paid, including investment components	( 38,148)	-	-	-	-	( 38,148)	( 32,118)	-	-	-	-	( 32,118)
Insurance acquisition cash flows	( 11,102)	-	-	-	-	( 11,102)	11,287	-	-	-	-	( 11,287)
<b>Total cash flows</b>	<b>401,069</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>401,069</b>	<b>351,581</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>351,581</b>
Premium receivable	46,657	-	-	-	-	46,657	( 46,657)	-	-	-	-	( 46,657)
<b>Net closing balance</b>	<b>490,010</b>	<b>53,393</b>	<b>11,990</b>	<b>272,530</b>	<b>284,520</b>	<b>827,923</b>	<b>436,714</b>	<b>52,804</b>	<b>10,143</b>	<b>158,169</b>	<b>168,312</b>	<b>657,830</b>
Closing insurance contract assets	-	-	-	-	-	-	( 46,657)	-	-	-	-	(46,657)
Closing liabilities	490,010	53,393	11,990	272,530	284,520	827,923	483,371	52,804	10,143	158,169	168,312	704,487
<b>Net closing balance</b>	<b>490,010</b>	<b>53,393</b>	<b>11,990</b>	<b>272,530</b>	<b>284,520</b>	<b>827,923</b>	<b>436,714</b>	<b>52,804</b>	<b>10,143</b>	<b>158,169</b>	<b>168,312</b>	<b>657,830</b>

**SCOTIA GROUP JAMAICA LIMITED**

**Notes to the Financial Statements (Continued)**

**October 31, 2023**

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

**40. Insurance and reinsurance contracts (continued)**

**(b) Individual Universal Life**

	2023						2022					
	Estimate of present Value of future cash flow	Risk Adjustment non-financial risk	Contracts under fair value transition approach	Other contracts	Contractual Service Margin Subtotal	Total	Estimate of present Value of future cash flow	Risk Adjustment non-financial risk	Contracts under fair value transition approach	Other contracts	Contractual Service Margin Subtotal	Total
Opening insurance contract assets	( 1,625)	-	-	-	-	( 1,625)	-	-	-	-	-	-
Opening liabilities	(80,258)	96,350	-	30,981	30,981	47,073	(308,031)	92,647	34,061	-	34,061	(181,323)
Fair value movement	-	-	-	-	-	-	4,153	2,827	1,181	-	1,181	8,161
<b>Net opening balance</b>	<b>( 81,883)</b>	<b>96,350</b>	<b>-</b>	<b>30,981</b>	<b>30,981</b>	<b>45,448</b>	<b>(303,878)</b>	<b>95,474</b>	<b>35,242</b>	<b>-</b>	<b>35,242</b>	<b>(173,162)</b>
<b>Changes in the statement of profit or loss and OCI</b>												
<b>Changes that relate to current services</b>												
CSM recognised for service provided	-	-	4,942	( 5,241)	( 299)	( 299)	-	-	-	(1,401)	(1,401)	( 1,401)
Change in risk adjustment for non-financial risk for risk expired	-	(17,731)	-	-	-	(17,731)	-	( 9,431)	-	-	-	( 9,431)
Experience adjustment	(20,200)	-	-	-	-	(20,200)	( 25,305)	-	-	-	-	(25,305)
<b>Changes that relate to future services</b>												
Contracts initially recognised in the year	(82,571)	30,920	-	72,085	72,085	20,434	( 44,065)	20,527	-	49,778	49,778	26,240
Changes in estimates that adjust the CSM	158,819	(32,495)	(60,860)	(65,464)	(126,324)	-	60,246	( 7,609)	(35,242)	(17,395)	(52,637)	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	110,249	40,619	-	-	-	150,868	38,882	( 2,619)	-	-	-	36,263
<b>Changes that relate to past services</b>												
Adjustments to liabilities for incurred claims	( 136)	( 15)	-	-	-	( 151)	( 130)	9	-	-	-	( 121)
<b>Insurance service result</b>	<b>166,161</b>	<b>21,298</b>	<b>(55,918)</b>	<b>1,380</b>	<b>(54,538)</b>	<b>132,921</b>	<b>29,628</b>	<b>877</b>	<b>(35,242)</b>	<b>30,982</b>	<b>(4,260)</b>	<b>26,245</b>
Net finance expenses from insurance contracts	( 42,504)	449	501	602	1,103	(40,952)	( 32,468)	-	-	-	-	(32,468)
<b>Total changes in the statement of profit or loss and OCI</b>	<b>123,657</b>	<b>21,747</b>	<b>(55,417)</b>	<b>1,982</b>	<b>(53,435)</b>	<b>91,969</b>	<b>( 2,840)</b>	<b>877</b>	<b>(35,242)</b>	<b>30,982</b>	<b>( 4,260)</b>	<b>( 6,223)</b>
<b>Cash flows</b>												
Premiums received	763,049	-	-	-	-	763,049	514,295	-	-	-	-	514,295
Claims and other insurance service expenses paid, including investment components	(465,987)	-	-	-	-	(465,987)	(338,617)	-	-	-	-	(338,617)
Insurance acquisition cash flows	(194,633)	-	-	-	-	(194,633)	( 99,089)	-	-	-	-	( 99,089)
<b>Total cash flows</b>	<b>102,429</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>102,429</b>	<b>76,589</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,589</b>
Premium receivable	1,625	-	-	-	-	1,625	( 1,625)	-	-	-	-	( 1,625)
Premium suspense	(149,872)	-	-	-	-	(149,872)	149,869	-	-	-	-	149,869
<b>Net closing balance</b>	<b>( 4,044)</b>	<b>118,097</b>	<b>(55,417)</b>	<b>32,963</b>	<b>(22,454)</b>	<b>91,599</b>	<b>(81,885)</b>	<b>96,351</b>	<b>-</b>	<b>30,982</b>	<b>30,982</b>	<b>45,448</b>
Closing insurance contract assets	-	-	-	-	-	-	( 1,625)	-	-	-	-	( 1,625)
Closing liabilities	( 4,044)	118,097	(55,417)	32,963	(22,454)	91,599	(80,260)	96,351	-	30,982	30,982	47,073
<b>Net closing balance</b>	<b>( 4,044)</b>	<b>118,097</b>	<b>(55,417)</b>	<b>32,963</b>	<b>(22,454)</b>	<b>91,599</b>	<b>(81,885)</b>	<b>96,351</b>	<b>-</b>	<b>30,982</b>	<b>30,982</b>	<b>45,448</b>



**SCOTIA GROUP JAMAICA LIMITED**

**Notes to the Financial Statements (Continued)**

**October 31, 2023**

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

**40. Insurance and reinsurance contracts (continued)**

**(b) Individual Annuity Insurance Risk**

	2023						2022					
	Estimate of present Value of future cash flow	Risk Adjustment non-financial risk	Contractual Service Margin Contracts under fair value transition approach	Other contracts	Subtotal	Total	Estimate of present Value of future cash flow	Risk Adjustment non-financial risk	Contractual Service Margin Contracts under fair value transition approach	Other contracts	Subtotal	Total
Opening assets	-	-	-	-	-	-	-	-	-	-	-	-
Opening liabilities	<u>1,091,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,091,652</u>	<u>880,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>880,799</u>
<b>Net opening balance</b>	<u>1,091,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,091,652</u>	<u>880,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>880,799</u>
<b>Cash flows</b>												
Premiums received	266,160	-	-	-	-	266,160	259,198	-	-	-	-	259,198
Claims and other insurance service expenses paid, including investment components	<u>( 64,853)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 64,853)</u>	<u>( 48,345)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 48,345)</u>
<b>Total cash flows</b>	<u>201,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,307</u>	<u>210,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,853</u>
<b>Net closing balance</b>	<u>1,292,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,292,959</u>	<u>1,091,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,091,652</u>
Closing assets	-	-	-	-	-	-	-	-	-	-	-	-
Closing liabilities	<u>1,292,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,292,959</u>	<u>1,091,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,091,652</u>
<b>Net closing balance</b>	<u>1,292,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,292,959</u>	<u>1,091,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,091,652</u>

**SCOTIA GROUP JAMAICA LIMITED**

**Notes to the Financial Statements (Continued)**

**October 31, 2023**

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

**40. Insurance and reinsurance contract (continued)**

The following table summarizes the movement in the reinsurance contract balances:

**(c) Analysis by remaining coverage and incurred claims**

	2023			
	Assets for remaining coverage			
	Excluding loss recovery component	Loss recovery component	Assets for incurred claim	Total
Opening assets	1,218	-	-	1,218
Opening liabilities	( 2,342)	48	-	(2,295)
<b>Net opening balance</b>	<b>( 1,124)</b>	<b>48</b>	<b>-</b>	<b>(1,076)</b>
<b>Changes in the statement of profit or loss and OCI</b>				
Allocation of reinsurance premiums paid	( 785)	-	-	( 785)
<b>Amounts recoverable from reinsurers</b>				
Recoveries of incurred claims and other insurance service expenses	-	97	-	97
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	389	-	389
Changes related to past service (changes related to incurred claims component)	-	-	-	-
<b>Net expenses from reinsurance contracts</b>	<b>-</b>	<b>486</b>	<b>-</b>	<b>486</b>
Effects of changes in non-performance risk of reinsurers	101	-	-	101
<b>Net expenses from reinsurance contracts</b>	<b>( 684)</b>	<b>486</b>	<b>-</b>	<b>( 198)</b>
Net finance income from reinsurance contracts	( 141)	10	-	( 131)
<b>Total changes in the statement of profit or loss and OCI</b>	<b>( 825)</b>	<b>496</b>	<b>-</b>	<b>( 329)</b>
<b>Cash flows</b>				
Premiums paid	634	-	-	634
<b>Total cash flows</b>	<b>634</b>	<b>-</b>	<b>-</b>	<b>634</b>
<b>Net closing balance</b>	<b>( 1,315)</b>	<b>544</b>	<b>-</b>	<b>( 771)</b>
Closing assets	1,356	-	-	1,356
Closing liabilities	( 2,671)	544	-	(2,128)
<b>Net closing balance</b>	<b>( 1,315)</b>	<b>544</b>	<b>-</b>	<b>( 771)</b>
	2022			
	Assets for remaining coverage			
	Excluding loss recovery component	Loss recovery component	Assets for incurred claim	Total
Opening liabilities	(1,116)	-	-	(1,116)
Fair value movement	( 34)	-	-	( 34)
<b>Net opening balance</b>	<b>(1,150)</b>	<b>-</b>	<b>-</b>	<b>(1,150)</b>
<b>Allocation of reinsurance premiums paid</b>	<b>( 319)</b>	<b>-</b>	<b>-</b>	<b>( 319)</b>
<b>Amounts recoverable from reinsurers</b>				
Recoveries of incurred claims and other insurance service expenses	-	( 5)	-	( 5)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	52	-	52
<b>Total Amounts Recovered from Reinsurance</b>	<b>-</b>	<b>47</b>	<b>-</b>	<b>47</b>
Investment components and premium refunds	-	-	-	-
<b>Net expenses from reinsurance contracts</b>	<b>( 319)</b>	<b>47</b>	<b>-</b>	<b>( 272)</b>
Net finance income from reinsurance contracts	345	-	-	345
<b>Total changes in the statement of profit or loss and OCI</b>	<b>26</b>	<b>47</b>	<b>-</b>	<b>73</b>
<b>Net closing balance</b>	<b>(1,124)</b>	<b>47</b>	<b>-</b>	<b>(1,077)</b>
Closing assets	1,218	-	-	1,218
Closing liabilities	(2,342)	47	-	(2,295)
<b>Net closing balance</b>	<b>(1,124)</b>	<b>47</b>	<b>-</b>	<b>(1,077)</b>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***40. Insurance and reinsurance contract (continued)**

The following table sets out when the Group expects to recognize the remaining contractual service margins (CSM) in profit and loss after the reporting date for contracts not measured under the Premium Allocation approach.

**(d) Analysis by remaining contractual service margins**

	2023							
	Less Than 1 Year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Over 10 years	Total
<b>Insurance contracts</b>								
Individual life	2,427	2,205	2,182	2,056	1,806	7,317	37,462	55,455
Individual Health	9,243	6,387	4,729	3,869	3,373	13,753	53,190	94,544
Group Creditor Combined Single	127,659	84,926	46,348	19,971	5,184	507	-	284,595
Individual Life Savings and Wealth	183,518	169,321	146,858	133,478	123,236	507,852	1,503,620	2,767,883
Individual Annuity	-	-	-	-	-	-	-	-
Individual Universal Life	<u>2,744</u>	<u>2,117</u>	<u>1,895</u>	<u>1,658</u>	<u>1,382</u>	<u>4,709</u>	<u>18,543</u>	<u>33,048</u>
Total	<u>325,591</u>	<u>264,956</u>	<u>202,012</u>	<u>161,032</u>	<u>134,981</u>	<u>534,138</u>	<u>1,612,815</u>	<u>3,235,525</u>
<b>Reinsurance contracts</b>								
Individual Universal life	( 55)	( 45)	( 37)	( 31)	( 27)	( 99)	( 394)	( 688)
	2022							
	Less Than 1 Year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Over 10 years	Total
<b>Insurance contracts</b>								
Individual life	1,460	1,368	1,350	1,126	832	2,621	10,965	19,722
Individual Health	1,788	1,246	928	761	662	2,642	10,380	18,407
Group Creditor Combined Single	71,955	50,610	27,971	13,556	3,834	387	-	168,313
Individual Life Savings and Wealth	138,636	122,909	105,783	92,892	83,301	319,072	697,218	1,559,811
Individual Annuity	-	-	-	-	-	-	-	-
Individual Universal Life	<u>3,387</u>	<u>1,957</u>	<u>1,671</u>	<u>1,637</u>	<u>1,630</u>	<u>4,397</u>	<u>16,304</u>	<u>30,983</u>
Total	<u>217,226</u>	<u>178,090</u>	<u>137,703</u>	<u>109,972</u>	<u>90,259</u>	<u>329,119</u>	<u>734,867</u>	<u>1,797,236</u>
<b>Reinsurance contracts</b>								
Individual Universal life	( 96)	( 77)	( 62)	( 52)	( 44)	( 160)	( 653)	( 1,144)

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***40. Insurance and reinsurance contract (continued)**

- (e) The following tables summarize the effect on the measurement components arising from the initial recognition of insurance and reinsurance contracts not measured under the PAA in the year.

	2023		Total
	Profitable contracts issued	Onerous contracts issued	
<b>Insurance contracts (Individual Life Savings and Wealth)</b>			
Insurance acquisition cash flows	59,957	77	60,034
Claims and other insurance service expenses payable	481,077	29,398	510,475
Estimates of present value of cash outflows	1,073,319	( 2,802)	1,070,517
Estimates of present value of cash inflows	(1,138,139)	3,359	(1,134,780)
Risk adjustment for non-financial risk	19,536	( 88)	19,448
CSM	<u>45,284</u>	<u>-</u>	<u>45,284</u>
<b>Losses recognised on initial recognition</b>	<u>-</u>	<u>469</u>	<u>469</u>
<b>2022</b>			
	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	48,211	39,070	87,281
Claims and other insurance service expenses payable	388,412	24,385	412,797
Estimates of present value of cash outflows	816,160	254,445	1,070,605
Estimates of present value of cash inflows	(867,669)	(239,152)	(1,106,821)
Risk adjustment for non-financial risk	15,586	7,569	23,155
CSM	<u>35,923</u>	<u>-</u>	<u>35,923</u>
<b>Losses recognised on initial recognition</b>	<u>-</u>	<u>22,862</u>	<u>22,862</u>
<b>2023</b>			
	Profitable contracts issued	Onerous contracts issued	Total
<b>Insurance contracts (Individual Life)</b>			
Insurance acquisition cash flows	21,456	3,482	24,938
Claims and other insurance service expenses payable	50,260	377	50,637
Estimates of present value of cash outflows	80,013	9,060	89,073
Estimates of present value of cash inflows	(119,446)	(9,456)	(128,902)
Risk adjustment for non-financial risk	7,657	720	8,377
CSM	<u>31,776</u>	<u>-</u>	<u>31,776</u>
<b>Losses recognised on initial recognition</b>	<u>-</u>	<u>324</u>	<u>324</u>
<b>2022</b>			
	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	13,086	937	14,023
Claims and other insurance service expenses payable	38,374	24	38,398
Estimates of present value of cash outflows	48,232	2,520	50,752
Estimates of present value of cash inflows	(74,228)	(2,633)	(76,861)
Risk adjustment for non-financial risk	5,188	198	5,386
CSM	<u>20,808</u>	<u>-</u>	<u>20,808</u>
<b>Losses recognised on initial recognition</b>	<u>-</u>	<u>85</u>	<u>85</u>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***40. Insurance and reinsurance contract (continued)**

The following tables summarize the effect on the measurement components arising from the initial recognition of insurance and reinsurance contracts not measured under the PAA in the year (continued)

	2023		Total
	Profitable contracts issued	Onerous contracts issued	
<b>Insurance contracts (Individual Universal Life)</b>			
Insurance acquisition cash flows	62,257	36,289	98,546
Claims and other insurance service expenses payable	52,209	7,773	59,982
Estimates of present value of cash outflows	898,253	117,904	1,016,157
Estimates of present value of cash inflows	(994,897)	(103,652)	(1,098,549)
Risk adjustment for non-financial risk	24,747	6,144	30,891
CSM	<u>71,897</u>	<u>-</u>	<u>71,897</u>
<b>Losses recognised on initial recognition</b>	<u>-</u>	<u>20,396</u>	<u>20,396</u>
<b>2022</b>			
	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	27,665	41,985	69,650
Claims and other insurance service expenses payable	35,425	2,302	37,727
Estimates of present value of cash outflows	496,701	173,000	669,701
Estimates of present value of cash inflows	(559,570)	(154,196)	(713,766)
Risk adjustment for non-financial risk	13,091	7,436	20,527
CSM	<u>49,778</u>	<u>-</u>	<u>49,778</u>
<b>Losses recognised on initial recognition</b>	<u>-</u>	<u>26,240</u>	<u>26,240</u>
<b>2023</b>			
	Profitable contracts issued	Onerous contracts issued	Total
<b>Insurance contracts (Individual Health)</b>			
Insurance acquisition cash flows	38,522	17,839	56,361
Claims and other insurance service expenses payable	113,657	6,465	120,122
Estimates of present value of cash outflows	124,224	34,571	158,795
Estimates of present value of cash inflows	(233,949)	(36,431)	(270,380)
Risk adjustment for non-financial risk	22,045	4,187	26,232
CSM	<u>87,680</u>	<u>-</u>	<u>87,680</u>
<b>Losses recognised on initial recognition</b>	<u>-</u>	<u>2,327</u>	<u>2,327</u>
<b>2022</b>			
	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	19,042	10,513	29,555
Claims and other insurance service expenses payable	86,200	3,681	89,881
Estimates of present value of cash outflows	55,656	21,091	76,747
Estimates of present value of cash inflows	(94,512)	(23,191)	(117,703)
Risk adjustment for non-financial risk	8,996	2,575	11,571
CSM	<u>29,860</u>	<u>-</u>	<u>29,860</u>
<b>Losses recognised on initial recognition</b>	<u>-</u>	<u>475</u>	<u>475</u>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***40. Insurance and reinsurance contract (continued)**

The following tables summarize the effect on the measurement components arising from the initial recognition of insurance and reinsurance contracts not measured under the PAA in the year (continued)

	2023		Total
	Profitable contracts issued	Onerous contracts issued	
<b>Insurance contracts (Group Creditor Combined Single)</b>			
Insurance acquisition cash flows	23,357	-	23,357
Claims and other insurance service expenses payable	105,703	59,114	164,817
Estimates of present value of cash outflows	153,266	-	153,266
Estimates of present value of cash inflows	(400,641)	-	(400,641)
Risk adjustment for non-financial risk	24,504	-	24,504
	<u>222,871</u>	<u>-</u>	<u>222,871</u>
<b>Losses recognised on initial recognition</b>	<u>-</u>	<u>-</u>	<u>-</u>

	2022		Total
	Profitable contracts issued	Onerous contracts issued	
Insurance acquisition cash flows	24,992	-	24,992
Claims and other insurance service expenses payable	71,161	73,521	144,682
Estimates of present value of cash outflows	140,868	-	140,868
Estimates of present value of cash inflows	(350,306)	-	(350,306)
Risk adjustment for non-financial risk	22,495	-	22,495
	<u>186,943</u>	<u>-</u>	<u>186,943</u>
<b>Losses recognised on initial recognition</b>	<u>-</u>	<u>-</u>	<u>-</u>

	2023		Total
	Contracts Initiated without loss recovery component	Contracts Initiated with loss recovery component	
<b>Reinsurance contracts</b>			
Estimates of present value of cash inflows	(1,295)	-	(1,295)
Estimates of present value of cash outflows	1,003	-	1,003
Risk adjustment for non-financial risk	<u>122</u>	<u>-</u>	<u>122</u>
<b>CSM</b>	<u>170</u>	<u>-</u>	<u>170</u>

	2022		Total
	Contracts Initiated without loss recovery component	Contracts Initiated with loss recovery component	
<b>Reinsurance contracts</b>			
Estimates of present value of cash inflows	(1,798)	-	(1,798)
Estimates of present value of cash outflows	2,089	-	2,089
Risk adjustment for non-financial risk	<u>154</u>	<u>-</u>	<u>154</u>
<b>CSM</b>	<u>( 445)</u>	<u>-</u>	<u>( 445)</u>

**41. Share capital**

	Number of Units ('000)		Carrying value	
	2023	2022	2023	2022
Authorised:				
Ordinary stock units of no par value	<u>10,000,000</u>	<u>10,000,000</u>	<u>-</u>	<u>-</u>
Issued and fully paid:				
Ordinary stock units	<u>3,111,573</u>	<u>3,111,573</u>	<u>6,569,810</u>	<u>6,569,810</u>

Under the provisions of the Companies Act 2004 (the Act), the stock units have no par value. The holders of the ordinary stock units are entitled to receive dividends as declared from time to time and are entitled to one vote per stock unit at meetings of the Company.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***42. 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.

**43. 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.

**44. Capital reserve**

This represents the gain on liquidation of Scotia Jamaica General Insurance Brokers Limited.

**45. 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.

**46. 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 24) and is treated as an appropriation of profits.

**47. Other reserves**

This represents reserves arising on consolidation of subsidiaries.

**48. Insurance finance reserve**

This insurance finance reserve comprises the cumulative insurance finance income and expenses recognized in OCI.

**49. 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 35.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***49. 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	
					2023	2022
<b>Loans <sup>(1)</sup></b>						
Balance at October 31	-	-	1,168,929	7,083,510	8,252,439	8,505,261
Interest income earned	-	-	68,559	345,433	413,992	415,521
<b>Deposit liabilities <sup>(2)</sup></b>						
Balance at October 31	( 6,342)	( 565,890)	( 802,375)	(5,183,491)	(6,558,098)	(6,380,261)
Interest expense on deposits	-	( 142)	( 554)	( 4,941)	( 5,637)	( 6,394)
<b>Investments/repurchase agreements <sup>(3)</sup></b>						
Other investments	-	319,033	-	-	319,033	1,065,935
Interest earned/(paid) on other investments	49,341	112,394	-	-	161,735	85,110
<b>Deposits with banks <sup>(2)</sup></b>						
Due from banks and other financial institutions	1,435,183	42,825,368	-	-	44,260,551	36,163,211
Interest earned from banks and other financial institutions	-	1,882,904	-	-	1,882,904	252,556
<b>Other</b>						
Fees and commission, net	-	-	( 135,369)	-	( 135,369)	( 106,417)
Insurance products	-	-	30,912	-	30,912	32,215
Technical fees paid, net	(2,273,096)	-	-	-	(2,273,096)	( 1,987,662)
Other operating expenses, net	(1,181,613)	(1,986,557)	381	-	(3,167,789)	(2,848,707)

	The Group	
	2023	2022
<b>Key management compensation</b>		
Salaries and other short-term benefits	921,996	966,259
Post-employment benefits	288,323	(107,930)
	<u>1,210,319</u>	<u>858,329</u>

	The Company					
	Subsidiaries	Fellow subsidiaries	Directors and Key management personnel	Connected companies	Totals	
					2023	2022
<b>Deposits <sup>(2)</sup></b>						
Balance at October 31	484,550	9,038,381	-	-	9,522,931	9,128,131
Interest expense on deposits	-	423,503	-	-	423,503	65,790
Other operating (expense)/ income	4,121,922	-	( 25,026)	-	4,096,896	3,660,533

- (1) Loans are extended to related parties in the normal course of the Group's banking operations. These amounts bear interest at market rates and have fixed repayment terms.
- (2) These balances comprise unsecured savings, current and fixed term amounts, that are repayable on demand or with fixed maturities of up to 2 years. These amounts bear interest at market rates ranging from 0% - 0.30%.
- (3) These balances have fixed maturities and bear interest at market rates.



**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. 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.
- 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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued)****(a) Overview and risk management framework (continued)**

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

**(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.

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(e).

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

**(ii) Credit-related commitments**

The primary purpose of these instruments is to ensure that funds are available to 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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued)****(b) Credit risk (continued)****(ii) Credit Risk Management (continued)**

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 lending.

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:

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

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

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued)****(b) Credit risk (continued)****Retail Loans including all credit card segments:**

The Group					
2023					
Category of PD Grade	PD Range	Stage 1	Stage 2	Stage 3	Total
Very Low	<0.2%	1,564,108	-	-	1,564,108
Low	0.2% to <1%	79,840,398	151,866	-	79,992,264
Medium	1% to <3%	51,783,405	177,105	-	51,960,510
High	3% to <20%	24,118,200	3,261,868	-	27,380,068
Very High	20% to <99.9%	<u>60,807</u>	<u>2,664,791</u>	<u>-</u>	<u>2,725,598</u>
Subtotal: PD Grades (Advanced Models)		<u>157,366,918</u>	<u>6,255,630</u>	<u>-</u>	<u>163,622,548</u>
Loans not graded (Intermediate or simplified or gross-up)		4,946,341	200,303	-	5,146,644
Default		<u>-</u>	<u>-</u>	<u>4,324,022</u>	<u>4,324,022</u>
Total		162,313,259	6,455,933	4,324,022	173,093,214
Expected credit loss allowance		( 1,632,619)	(1,238,631)	(2,360,446)	( 5,231,696)
Deferred origination fees		<u>-</u>	<u>-</u>	<u>-</u>	<u>( 2,664,933)</u>
Carrying Amounts		<u>160,680,640</u>	<u>5,217,302</u>	<u>1,963,576</u>	<u>165,196,585</u>
2022 (Restated *)					
Category of PD Grade	PD Range	Stage 1	Stage 2	Stage 3	Total
Very Low	<0.2%	1,490,907	-	-	1,490,907
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%	<u>53,099</u>	<u>2,707,140</u>	<u>-</u>	<u>2,760,239</u>
Subtotal: PD Grades (Advanced Models)		<u>139,892,671</u>	<u>6,289,514</u>	<u>-</u>	<u>146,182,185</u>
Loans not graded (Intermediate or simplified or gross-up)		280,863	8,894	-	289,757
Default		<u>-</u>	<u>-</u>	<u>3,620,095</u>	<u>3,620,095</u>
Total		140,173,534	6,298,408	3,620,095	150,092,037
Expected credit loss allowance		( 1,677,612)	(1,584,708)	(2,279,706)	( 5,542,026)
Deferred origination fees		<u>-</u>	<u>-</u>	<u>-</u>	<u>( 2,219,415)</u>
Carrying Amounts		<u>138,495,922</u>	<u>4,713,700</u>	<u>1,340,389</u>	<u>142,330,596</u>

(\*See note 58)

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued)****(b) Credit risk (continued)****(iii) Credit quality (continued)****Commercial Loans excluding all credit card segments:**

The Group						
2023						
Internal Grade	IG Code	S&P	Stage 1	Stage 2	Stage 3	Total
Investment grade	99-98	AAA to AA+	3,033	1,030,355	-	1,033,388
	95	AA to A+	-	318,939	-	318,939
	90	A to A-	60,566	1,366,130	-	1,426,696
	87	BBB+	69	3,332	-	3,401
	85	BBB	14,503,417	1,954,850	-	16,458,267
	83	BBB-	10,136,006	2,566,973	-	12,702,979
Non-investment	80	BB+	8,584,232	3,118,796	-	11,703,028
	77	BB	19,485,757	804,938	-	20,290,695
	75	BB-	31,258,725	1,345,135	-	32,603,860
	73	B+	2,767,818	464,620	-	3,232,438
	70	B to B-	2,629,700	548,481	-	3,178,181
Watch	65	CCC+	-	525,787	-	525,787
	60	CCC	-	559,687	-	559,687
	40	CCC- to CC	-	7	-	7
Default			-	-	180,458	180,458
Total			89,429,323	14,608,030	180,458	104,217,811
Expected credit loss allowance			( 202,347)	( 162,474)	( 29,919)	( 394,740)
Deferred origination fee			-	-	-	( 189,938)
Carrying amount			89,226,977	14,445,556	150,539	103,633,133
2022 (Restated*)						
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)
Deferred origination fees			-	-	-	( 167,053)
Carrying amount			76,055,715	16,125,940	312,344	92,493,999

(\*See note 58)

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued)****(b) Credit risk (continued)**

## (iii) Credit quality (continued)

The following tables show certain key macroeconomic variables used to calculate the modelled estimate for the allowance for credit losses. Further changes in these variables up to the date of the financial statements is incorporated through expert credit judgment. For the base case, optimistic and pessimistic scenarios, the projections are provided for the next 12 months and for the remaining forecast period, which represents a medium-term view.

Real GDP growth, y/y % change	Base Case Scenario		Alternative Scenario – Optimistic		Alternative Scenario – Pessimistic		Alternative Scenario – Very Pessimistic	
	Next 12 Months	Remaining Forecast	Next 12 Months	Remaining Forecast	Next 12 Months	Remaining Forecast	Next 12 Months	Remaining Forecast
2023	3.8	3.8	4.5	4.9	2.8	4.2	0.5	4.7
2022	4.4	4.0	5.0	4.9	0.5	5.2	- 1.0	3.8

**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			
	2023		2022	
	Stage 1	Total	Stage 1	Total
AAA to AA+	44,930,522	44,930,522	44,973,883	44,973,883
AA to A+	18,952,131	18,952,131	20,764,431	20,764,431
BBB+ to BB+	1,514,272	1,514,272	1,499,757	1,499,757
BB to B-	128,856,287	128,856,287	126,901,692	126,901,692
Unrated	<u>7,088,098</u>	<u>7,088,098</u>	<u>4,918,222</u>	<u>4,918,222</u>
Allowance	<u>201,341,310</u>	<u>201,341,310</u>	<u>199,057,985</u>	<u>199,057,985</u>

Classified as follows:

	The Group	
	2023	2022
Amortized cost	38,243,803	33,946,846
Fair value through OCI	158,468,597	149,830,693
Fair value through profit or loss	2,165,993	2,719,622
Pledged Assets:		
Amortised cost	-	281,761
Fair value through OCI	<u>2,462,917</u>	<u>12,279,063</u>
	<u>201,341,310</u>	<u>199,057,985</u>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued)****(b) Credit risk (continued)**

## (iii) Credit quality (continued)

Expected credit losses on investment securities carried at amortized cost and fair value through the profit and loss was \$180,614 (2022: \$31,278).

## (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's lending portfolio is comprised of secured and unsecured loans which are well diversified by 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. The collateral values are updated annually (including but not limited to professional valuations) with special focus given to individual collateral values when the loan is assessed as impaired.

The estimated fair value of the collateral with enforceable legal right pursuant to the agreements for outstanding loans and guarantees is \$236,016,111 (2022: \$183,643,552) for the Group. The estimated fair value of the collateral with enforceable legal right pursuant to impaired loans approximates \$2,114,115 (2022: \$1,652,733) for the Group.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. 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	
	<u>Total</u> <u>2023</u>	<u>Total</u> <u>2022</u> Restated*
Agriculture, Fishing & Mining	402,530	552,537
Construction and Real Estate	2,592,525	2,907,211
Distribution	28,531,697	21,058,644
Financial Institutions	2,761,567	1,338,982
Government & Public Entities	2,374,428	5,090,165
Manufacturing	18,839,728	17,665,356
Transportation, Electricity, Water & Other	24,061,488	20,939,284
Personal	170,370,485	147,189,379
Professional and Other Services	10,419,930	11,015,546
Tourism & Entertainment	15,707,991	13,976,299
Interest Receivable	<u>1,248,656</u>	<u>1,208,723</u>
Total	277,311,025	242,942,126
Deferred origination fees	( 2,854,871)	( 2,386,468)
Total allowance for credit losses	<u>( 5,626,436)</u>	<u>( 5,898,116)</u>
	<u>268,829,718</u>	<u>234,657,542</u>

**(c) Market risk**

Market risk arises from changes in market prices and rates (including interest rates, credit spreads, equity prices and foreign exchange rates), correlations between them, and their levels of volatility. Market risk is subject to extensive risk management controls and is managed within the framework of market risk policies and limits approved by the Board. The Executive and Enterprise Risk Committee oversee the application of the framework set by the Board and monitor the Bank's market risk exposures and the activities that give rise to these exposures.

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

The principal measurement techniques are Value at Risk (VaR), stress testing, sensitivity analysis, simulation modelling 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.

(\*See note 58)



**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued)****(c) Market risk (continued)****(i) Interest rate risk (continued)**

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

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

	The Group						Total
	2023	2023	2023	2023	2023	2023	
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	
Cash resources	1,219,268	76,272,843	8,476,541	-	-	92,645,544	178,614,196
Governments securities purchased under resale agreements	-	330,000	-	-	-	75	330,075
Financial assets at fair value through profit or loss	-	141,962	1,923,540	73,698	13,647	688,986	2,841,833
Pledged assets	-	2,500,543	699,643	(33,736)	-	354,677	3,521,127
Loans <sup>(1)</sup>	157,301,506	13,661,971	27,704,050	51,125,038	7,944,914	11,092,239	268,829,718
Investment securities <sup>(2)</sup>	2,328,686	14,977,978	27,343,403	85,520,643	24,064,417	4,520,419	158,755,546
Segregated fund asset	-	-	-	-	-	1,290,656	1,290,656
Insurance and reinsurance contract assets	-	-	-	-	-	15,825	15,825
Other assets	-	-	-	-	-	50,537,986	50,537,986
<b>Total assets</b>	<b>160,849,460</b>	<b>107,885,297</b>	<b>66,147,177</b>	<b>136,685,643</b>	<b>32,022,978</b>	<b>161,146,407</b>	<b>664,736,962</b>
Deposits, due to financial institutions, parent company and fellow subsidiaries <sup>(3)</sup>	433,919,547	7,640,156	7,192,890	598,029	-	11,916	449,362,538
Due to customers and clients	8,283,363	-	-	-	-	2,278,037	10,561,400
Insurance contract liabilities	1,610,408	47,802,320	-	-	-	37,581	49,450,309
Reinsurance contract liabilities	-	-	-	-	-	2,128	2,128
Segregated fund liabilities	-	-	-	-	-	1,290,656	1,290,656
Other liabilities	-	-	-	-	-	27,521,844	27,521,844
Stockholders' equity	-	-	-	-	-	126,548,087	126,548,087
<b>Total liabilities and stockholders' equity</b>	<b>443,813,318</b>	<b>55,442,476</b>	<b>7,192,890</b>	<b>598,029</b>	<b>-</b>	<b>157,690,249</b>	<b>664,736,962</b>
<b>Total interest rate &amp; sensitivity gap</b>	<b>(282,963,858)</b>	<b>52,442,821</b>	<b>58,954,287</b>	<b>136,087,614</b>	<b>32,022,978</b>	<b>3,456,158</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(282,963,858)</b>	<b>(230,521,037)</b>	<b>(171,566,750)</b>	<b>(35,479,136)</b>	<b>(3,456,158)</b>	<b>-</b>	<b>-</b>
	2022 Restated*						
	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	24,137	-	74,198,542	148,002,452
Government 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	7,420,508	877,420	1,557,956	15,598,720
Loan <sup>(1)</sup>	150,478,449	14,716,142	20,418,809	38,122,399	5,636,035	5,285,708	234,657,542
Investment securities <sup>(2)</sup>	-	12,220,299	25,332,163	89,056,865	21,888,881	1,337,590	149,835,798
Segregated fund asset	-	-	-	-	-	978,078	978,078
Insurance and reinsurance contract assets	-	-	-	-	-	132,413	132,413
Other assets	-	-	-	-	-	41,424,313	41,424,313
<b>Total assets</b>	<b>151,572,820</b>	<b>95,492,626</b>	<b>56,374,452</b>	<b>137,048,583</b>	<b>28,673,962</b>	<b>125,253,713</b>	<b>594,416,156</b>
Deposits, due to financial institutions, parent company and fellow subsidiaries <sup>(3)</sup>	383,996,015	7,296,984	6,656,199	781,736	-	6,681	398,737,615
Capital management and government securities funds	14,121,515	-	-	-	-	6,888	14,128,403
Due to customers and clients	950,606	-	-	-	-	-	950,606
Insurance contract liabilities	1,059,434	47,717,732	-	-	-	628,262	49,405,428
Reinsurance contract liabilities	-	-	-	-	-	2,295	2,295
Segregated fund liabilities	-	-	-	-	-	978,078	978,078
Other liabilities	-	-	-	-	-	23,850,906	23,850,906
Stockholders' equity	-	-	-	-	-	106,362,825	106,362,825
<b>Total liabilities and stockholders' equity</b>	<b>400,127,570</b>	<b>55,014,716</b>	<b>6,656,199</b>	<b>781,736</b>	<b>-</b>	<b>131,835,935</b>	<b>594,416,156</b>
<b>Total interest rate sensitivity gap</b>	<b>(248,554,750)</b>	<b>40,477,910</b>	<b>49,718,253</b>	<b>136,266,847</b>	<b>28,673,962</b>	<b>(6,582,222)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(248,554,750)</b>	<b>(208,076,840)</b>	<b>(158,358,587)</b>	<b>(22,091,740)</b>	<b>6,582,222</b>	<b>-</b>	<b>-</b>

(\*See note 58)

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued)****(c) Market risk (continued)****(ii) Interest rate risk (continued)**

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

	The Group					
	2023					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
<b>ASSETS</b>						
Cash resources	2.30	6.01	0.05	-	-	2.59
Securities purchased under resale agreements	-	17.66	-	-	-	17.75
Financial assets at fair value through profit and loss	-	-	10.21	7.05	8.74	7.13
Pledged assets	-	24.52	7.85	240.50	-	21.28
Loans	9.99	9.55	9.27	11.06	7.74	9.62
Investment securities	3.35	6.47	6.85	6.82	5.81	6.34
<b>LIABILITIES</b>						
Deposits	0.12	23.01	1.00	1.28	-	0.02
Capital management and government securities fund	1.00	-	-	-	-	1.00
Insurance contract liabilities	<u>2.22</u>	<u>2.30</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.30</u>
	2022 Restated*					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
<b>ASSETS</b>						
Cash resources	1.02	4.54	0.05	-	-	1.98
Securities purchased under resale agreements	-	8.22	-	-	-	8.22
Financial assets at fair value through profit or loss	-	-	-	7.66	4.96	6.56
Pledged assets	-	7.17	-	-	-	7.09
Loans <sup>(1)</sup>	9.31	9.22	9.54	12.02	8.91	9.45
Investment securities <sup>(2)</sup>	-	5.80	3.15	5.56	1.36	3.92
<b>LIABILITIES</b>						
Deposits <sup>(3)</sup>	0.10	0.26	0.33	0.44	-	0.11
Capital Management and Government Securities funds	0.18	-	-	-	-	0.18
Insurance contract liabilities	<u>2.21</u>	<u>2.31</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.24</u>

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

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

(3) Yields are based on contractual interest rates.

	The Company						
	2023						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	1,046,390	-	8,476,541	-	-	-	9,522,931
Investment in subsidiaries	-	-	-	-	-	13,029,908	13,029,908
Other assets	-	-	-	-	-	101,042	101,042
<b>Total assets</b>	<u>1,046,390</u>	<u>-</u>	<u>8,476,541</u>	<u>-</u>	<u>-</u>	<u>13,130,950</u>	<u>22,653,881</u>
Other liabilities	-	-	-	-	-	111,467	111,467
Stockholders' equity	-	-	-	-	-	22,542,414	22,542,414
<b>Total liabilities and stockholders' equity</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,653,881</u>	<u>22,653,881</u>
<b>Total interest rate sensitivity gap</b>	<u>1,046,390</u>	<u>-</u>	<u>8,476,541</u>	<u>-</u>	<u>-</u>	<u>(9,522,931)</u>	<u>-</u>
<b>Cumulative gap</b>	<u>1,046,390</u>	<u>1,046,390</u>	<u>9,522,931</u>	<u>9,522,931</u>	<u>9,522,931</u>	<u>-</u>	<u>-</u>

(\*See note 58)

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued).****(c) Market risk (continued)****(ii) Interest rate risk (continued)**

	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
<b>Total assets</b>	<b>651,590</b>	<b>-</b>	<b>8,476,541</b>	<b>-</b>	<b>13,136,271</b>	<b>22,264,402</b>
Other liabilities	-	-	-	-	29,656	29,656
Stockholders' equity	-	-	-	-	22,234,746	22,234,746
<b>Total liabilities and stockholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,264,402</b>	<b>22,264,402</b>
<b>Total interest rate sensitivity gap</b>	<b>651,590</b>	<b>-</b>	<b>8,476,541</b>	<b>-</b>	<b>(9,128,131)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>651,590</b>	<b>651,590</b>	<b>9,128,131</b>	<b>9,128,131</b>	<b>-</b>	<b>-</b>

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

	The Company					
	2023					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
<b>ASSETS</b>						
Cash resources	<u>0.35</u>	<u>-</u>	<u>0.05</u>	<u>-</u>	<u>-</u>	<u>0.08</u>

	2022					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
	<b>ASSETS</b>					
Cash resources	<u>0.35</u>	<u>-</u>	<u>0.05</u>	<u>-</u>	<u>-</u>	<u>0.07</u>

**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 2022.

	The Group			
	2023		2022	
	Increase/decrease by 450 bps	Increase/decrease by 150 bps	Increase/decrease by 450 bps	Increase/decrease by 250 bps
JMD Interest rates				
USD Interest rates				
	The Group		The Company	
	2023	2022	2023	2022
Effect on profit or loss	7,998,454	4,949,757	135,346	182,270
Effect on stockholders' equity	<u>18,537,765</u>	<u>14,895,020</u>	<u>61,517</u>	<u>98,535</u>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued).****(c) Market risk (continued)****(ii) Interest rate risk (continued)**

The table below analyses the Group's sensitivity to a 0.5% parallel increase or decrease in market interest rates at the reporting date, assuming that all other variables remain constant, is presented below:

	2023		2022	
	Profit and loss Increase	Decrease	Profit and loss Increase	Decrease
Insurance and reinsurance contracts	(5,449)	5,731	(4,285)	1,997
Financial Instruments	-	-	-	-
	<u>(5,449)</u>	<u>5,731</u>	<u>(4,285)</u>	<u>1,997</u>

**(iii) Currency risk**

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

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

JMD Equivalent

	The Group						Total
	JMD	USD	CAD	GBP	EUR	Other	
Cash resources	93,577,466	75,684,467	3,260,880	5,430,495	455,950	204,938	178,614,196
Financial assets at FVPL	2,787,342	54,491	-	-	-	-	2,841,833
Pledged assets	2,410,120	738,499	62,827	281,357	28,324	-	3,521,127
Loans	237,561,722	31,267,996	-	-	-	-	268,829,718
Investment securities	94,197,433	62,901,417	1,656,696	-	-	-	158,755,546
Government securities under repurchase agreement	330,075	-	-	-	-	-	330,075
Segregated fund assets	1,290,656	-	-	-	-	-	1,290,656
Reinsurance contract assets	1,356	-	-	-	-	-	1,356
Insurance contract assets	14,469	-	-	-	-	-	14,469
Other assets	<u>49,573,695</u>	<u>964,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,537,986</u>
	<u>481,744,334</u>	<u>171,611,161</u>	<u>4,980,403</u>	<u>5,711,852</u>	<u>484,274</u>	<u>204,938</u>	<u>664,736,962</u>
<b>Liabilities</b>							
Deposits	278,198,530	160,439,741	4,857,076	5,195,994	669,670	1,527	449,362,538
Due to customers and clients	2,499,009	7,682,979	67,715	283,398	28,299	-	10,561,400
Segregated fund liabilities	1,290,656	-	-	-	-	-	1,290,656
Insurance contract liabilities	49,450,309	-	-	-	-	-	49,450,309
Reinsurance contract liabilities	2,128	-	-	-	-	-	2,128
Other liabilities	<u>25,185,358</u>	<u>2,229,904</u>	<u>72,244</u>	<u>4,710</u>	<u>14,618</u>	<u>15,010</u>	<u>27,521,844</u>
	<u>356,625,990</u>	<u>170,352,624</u>	<u>4,997,035</u>	<u>5,484,102</u>	<u>712,587</u>	<u>16,537</u>	<u>538,188,875</u>
<b>Net position</b>	<u>125,118,344</u>	<u>1,258,537</u>	<u>(16,632)</u>	<u>227,750</u>	<u>(228,313)</u>	<u>188,401</u>	<u>126,548,087</u>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued)****(c) Market risk (continued)****(iii) Currency risk (continued)**

	The Group						Total
	JMD	USD	CAD	2022 Restated *			
	USD	GBP	EUR	Other			Total
<b>ASSETS</b>							
Cash resources	68,675,622	69,661,807	3,975,282	4,708,437	821,321	159,983	148,002,452
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	203,993,688	30,663,811	( 8)	51	-	-	234,657,542
Investment securities	84,990,972	63,724,598	1,120,228	-	-	-	149,835,798
Government securities under repurchase agreement	751,427	-	-	-	-	-	751,427
Segregated fund assets	978,078	-	-	-	-	-	978,078
Reinsurance contract assets	1,218	-	-	-	-	-	1,218
Insurance contract assets	131,195	-	-	-	-	-	131,195
Other assets	<u>40,491,327</u>	<u>932,645</u>	<u>( 27)</u>	<u>368</u>	<u>-</u>	<u>-</u>	<u>41,424,313</u>
	<u>409,580,151</u>	<u>173,872,880</u>	<u>5,272,957</u>	<u>4,708,859</u>	<u>821,326</u>	<u>159,983</u>	<u>594,416,156</u>
<b>LIABILITIES</b>							
Deposits	233,788,051	154,901,060	4,941,282	4,291,896	813,388	1,938	398,737,615
Capital management and government securities funds	2,307,167	10,873,572	95,800	766,442	85,422	-	14,128,403
Due to customers and clients	950,606	-	-	-	-	-	950,606
Segregated fund liabilities	978,078	-	-	-	-	-	978,078
Insurance contract liabilities	49,405,428	-	-	-	-	-	49,405,428
Reinsurance contract liabilities	2,295	-	-	-	-	-	2,295
Other liabilities	<u>20,550,349</u>	<u>3,244,347</u>	<u>76,646</u>	<u>19,651</u>	<u>( 54,404)</u>	<u>14,317</u>	<u>23,850,906</u>
	<u>307,981,974</u>	<u>169,018,979</u>	<u>5,113,728</u>	<u>5,077,989</u>	<u>844,406</u>	<u>16,255</u>	<u>488,053,331</u>
<b>NET POSITION</b>	<u>101,598,177</u>	<u>4,853,901</u>	<u>159,229</u>	<u>( 369,130)</u>	<u>( 23,080)</u>	<u>143,728</u>	<u>106,362,825</u>

The following significant exchange rates were applied during the year:

	Average rate for the period		Reporting date spot rate	
	2023	2022	2023	2022
USD	153.4719	153.4334	155.2457	153.1594
CAD	113.1964	119.5382	112.3081	113.5403
GBP	188.0098	191.3854	186.2668	175.7410
EUR	<u>164.8968</u>	<u>162.4488</u>	<u>163.6405</u>	<u>150.8400</u>

**Sensitivity to foreign exchange rate movements**

A weakening of the JMD against the above currencies at October 31 would have increased/(decreased) equity and profit by the amounts shown. This analysis is performed on the same basis as 2022. 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	
	2023	2022
	Increase/decrease	Increase/decrease
USD	by 2.13%	by 2.86%
CAD	by 8.68%	by 7.93%
GBP	by 11.91%	by 11.24%
EUR	<u>by 10.16%</u>	<u>by 9.82%</u>
	<u>2023</u>	<u>2022</u>
Effect on profit and stockholders' equity	<u>(17,069)</u>	<u>62,315</u>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued)****(c) Market risk (continued)****(iv) 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.

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Effect on profit and stockholders' equity	<u>(135,054)</u>	<u>(210,961)</u>

The table below analyses the Group's sensitivity to a 5% increase or decrease in equity prices at the reporting date, assuming that all other variables remain constant, is presented below.

	<u>2023</u>		<u>2022</u>	
	Profit and loss Increase	Decrease	Profit and loss Increase	Decrease
Insurance and reinsurance contracts	<u>14,230</u>	<u>(14,230)</u>	<u>14,063</u>	<u>(14,063)</u>

**(d) Liquidity risk**

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows. The Group is exposed to daily calls on its available cash resources from overnight and maturing deposits, loan drawdowns and guarantees. The Group does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Group maintains large holdings of unencumbered liquid assets to support its operations. These assets generally can also be sold or pledged to meet the Group's obligations.

The Group's liquidity management process includes:

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

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued)****(d) Liquidity risk (continued)**

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for entities to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of loss. Based on historical trend, there is no expectation that the deposits by the public will be withdrawn or repaid by the Bank within 3 months. These deposits are from a diverse set of clients.

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.

	Group						Carrying amounts
	2023						
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Total	
<b>Financial liabilities</b>							
Deposits by the public, due to financial institution, parent company and fellow subsidiaries	441,569,721	7,212,008	600,090	-	-	449,381,819	449,362,538
Cheques and other instruments in transit	3,392,616	-	-	-	-	3,392,616	3,392,616
Due to customers and clients	10,561,400	-	-	-	-	10,561,400	10,561,400
Insurance contract liabilities	48,102,912	6,373,138	-	-	-	54,476,050	49,450,309
Reinsurance contract liabilities	-	-	-	-	2,128	2,128	2,128
Segregated fund liabilities	-	-	-	-	1,290,656	1,290,656	1,290,656
Guarantees and letters of credit	13,958,825	5,020,634	132,216	232,896	-	19,344,571	-
	<u>517,585,474</u>	<u>18,605,780</u>	<u>732,306</u>	<u>232,896</u>	<u>1,292,784</u>	<u>538,449,240</u>	<u>514,059,647</u>

	2022 Restated *						Carrying amounts
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Total	
<b>Financial liabilities</b>							
Deposits by the public, due to financial institutions, parent company and fellow subsidiaries	391,304,611	6,679,078	787,406	-	-	398,771,095	398,737,615
Capital management and government securities funds	14,128,403	-	-	-	-	14,128,403	14,128,403
Due to customers and clients	950,606	-	-	-	-	950,606	950,606
Cheques and other instruments in transit	3,546,806	-	-	-	-	3,546,806	3,546,806
Insurance contract liabilities	47,579,221	6,603,340	-	-	-	54,182,561	49,405,428
Reinsurance contract liabilities	-	-	-	-	2,295	2,295	2,295
Segregated fund liabilities	-	-	-	-	978,078	978,078	978,078
Guarantees and letters of credit	15,137,999	5,077,118	50,089	435,331	-	20,700,537	-
	<u>472,647,646</u>	<u>18,359,536</u>	<u>837,495</u>	<u>453,331</u>	<u>980,373</u>	<u>493,260,381</u>	<u>467,749,231</u>

(\*See note 58)

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued)**

- (ii) The following table provides a maturity analysis of the Company's insurance and reinsurance contracts, which reflects the dates on which the cash flows are expected to occur.

Liabilities for remaining coverage measured under the PAA have been excluded from this analysis

	2023						Total
	Estimate of present value of future cash flows						
	1 year on less	2-3 years	1-2 years	2-3 years	4-5 years	More than 5 years	
<b>Insurance contracts</b>							
Liabilities – direct participating	80,164	65,099	53,608	45,721	39,370	546,792	830,754
Liabilities – other	4,253,698	3,666,602	3,055,601	2,635,856	2,303,267	27,677,285	43,592,309
Assets	(9,341)	(6,141)	(4,014)	(2,709)	(1,983)	(22,128)	(46,316)
	<u>4,324,521</u>	<u>3,725,560</u>	<u>3,105,195</u>	<u>2,678,868</u>	<u>2,340,654</u>	<u>28,201,949</u>	<u>44,376,747</u>
<b>Reinsurance contracts</b>							
Assets	-	-	-	-	-	-	-
Liabilities	(133)	(108)	(89)	(76)	(65)	(899)	(1,370)
	<u>(133)</u>	<u>(108)</u>	<u>(89)</u>	<u>(76)</u>	<u>(65)</u>	<u>(899)</u>	<u>(1,370)</u>
	2022						Total
	Estimate of present value of future cash flows						
	1 year on less	2-3 years	1-2 years	2-3 years	4-5 years	More than 5 years	
<b>Insurance contracts</b>							
Liabilities – direct participating	71,396	57,832	46,687	38,907	33,377	452,110	700,309
Liabilities - other	4,487,482	3,901,236	3,239,813	2,740,840	2,381,970	28,069,289	44,820,630
Assets	(3,097)	(1,964)	(1,209)	(825)	(557)	(5,986)	(13,638)
	<u>4,555,781</u>	<u>3,957,104</u>	<u>3,285,291</u>	<u>2,778,922</u>	<u>2,414,790</u>	<u>28,515,413</u>	<u>45,507,301</u>
<b>Reinsurance contracts</b>							
Assets	-	-	-	-	-	-	-
Liabilities	(112)	(90)	(73)	(61)	(52)	(702)	(1,090)
	<u>(112)</u>	<u>(90)</u>	<u>(73)</u>	<u>(61)</u>	<u>(52)</u>	<u>(702)</u>	<u>(1,090)</u>

**(e) Key risks arising from insurance contracts issued***Classification*

The Group issues insurance 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 that are 10% more than the benefits payable if the insured event did not occur.

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 insurance contract liabilities [note 40(a)].



**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued)****(e) Key risks arising from insurance contracts issued***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 long term contracts that do not bear investment options, premiums are recognised 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 recognised as liabilities. These liabilities are increased by interest credited and are decreased by policy administration fees, mortality charges and any withdrawals or 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 Comprehensive Income.

## Claims

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

## 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.

<b>Portfolio</b>	<b>Product</b>	<b>Key risk</b>	<b>Risk Mitigation</b>
<b>Individual life</b>	Life Shelter Lifetime Security Solace	- Mortality risk - Interest rate risk	Matching of asset and liability cash flows
<b>Individual Health</b>	Criticare	- Morbidity risk - Mortality risk - Interest rate risk	Matching of asset and liability cash flows
<b>Group Creditor Combined Revolving</b>	Visa MasterCard Small Business MasterCard ScotiaLine	- Morbidity risk - Mortality risk	Matching of asset and liability cash flows
<b>Group Creditor Combined Single</b>	Mortgage Scotia Plan Loan	- Morbidity risk - Mortality risk	Matching of asset and liability cash flows
<b>Group Creditor Combined Level</b>	Mortgage Scotia Plan Loan	- Morbidity risk - Mortality risk	Matching of asset and liability cash flows
<b>Individual Universal Life</b>	Affirm Elevate	- Mortality risk - Market risk - Interest rate risk	- Reinsurance of excess amounts - Surrender charges - Investing in investment-grade assets
<b>Individual Life Savings &amp; Wealth</b>	Scotia Mint	- Mortality risk	- Matching of asset and liability cash flows - Surrender charges
<b>Individual Annuity</b>	Scotia Retirement Fund (RIF)	-Longevity risk	- Matching of asset and liability cash flows
<b>Reinsurance Contract held</b>	Affirm	- Mortality risk	- Matching of asset and liability cash flows

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued)****(e) Key risks arising from insurance contracts issued (continued)****Underwriting risk**

Underwriting risk comprises insurance risk, policyholder behaviour risk and expense risk.

**(i) Insurance risk**

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

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

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

Long-term contracts are typically for a minimum period of 5 years and a maximum period which is determined by the coverage period for the contract, typically extending over the life expectancy 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.

*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 events such as epidemics and other wide-ranging changes to health including lifestyle changes. Depending on concentration risk, natural disasters could also result in earlier or more claims than expected.

The Group charges for mortality risks on a monthly basis for insurance contracts and has the right to alter these charges to a certain extent based on mortality experience and hence 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 this 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			
	2023		2022	
<u>Individual Life</u> <u>Benefits assured per life</u>	<u>Before and</u> <u>Reinsurance</u>	%	<u>Before and</u> <u>Reinsurance</u>	%
0 to 250,000	3,586,913	5%	3,823,199	5%
250,001 to 500,000	3,103,649	4%	3,082,779	4%
500,001 to 750,000	6,968,181	9%	6,962,605	10%
750,001 to 1,000,000	3,545,397	5%	3,670,002	5%
1,000,001 to 1,500,000	13,217,342	17%	12,689,172	18%
1,500,001 to 2,000,000	8,071,187	11%	7,829,062	11%
over 2,000,000	<u>37,687,185</u>	<u>49%</u>	<u>32,940,004</u>	<u>47%</u>
Total	<u>76,179,854</u>	<u>100%</u>	<u>70,996,823</u>	<u>100%</u>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued)****(e) Key risks arising from insurance contracts issued (continued)**

## (i) Insurance risk (Continued)

Group benefits assured per Life	The Group			
	Total Benefits Assured			
	2023		2022	
	Before Reinsurance	%	Before Reinsurance	%
0 to 250,000	25,487,881	22%	13,256,326	14%
250,001 to 500,000	7,518,411	6%	7,118,751	8%
500,001 to 750,000	9,827,067	8%	10,033,609	11%
750,001 to 1,000,000	9,073,702	8%	8,856,417	9%
1,000,001 to 1,500,000	15,108,311	13%	14,593,846	15%
1,500,001 to 2,000,000	12,817,707	11%	11,267,054	12%
over 2,000,000	<u>36,946,392</u>	<u>32%</u>	<u>29,757,253</u>	<u>31%</u>
Total	<u>116,779,471</u>	100%	<u>94,883,256</u>	100%

*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 variability in policyholder behaviour.

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

*Process used in deriving non-financial assumptions*

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) Policyholder behaviour risk

Policyholder behaviour risk is the risk that a policyholders will cancel a contract (i.e. lapse or persistency risk), increase or reduce premiums or withdraw deposits leading to an unfavourable position for the insurance company. 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 the liabilities.

**Management of underwriting risk**

The Group has developed its insurance underwriting strategy and reinsurance arrangements to diversify the type of insurance risks accepted. For each type of risk, the objective is to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. This is supported by policy underwriting and by applying retention limits on any single life insured.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued)****(e) Key risks arising from insurance contracts issued (continued)***Life risk and life savings contracts*

A key aspect of the underwriting process for life risk and life savings products is assessment of insurance risks at the individual contract level. Pricing reflects the Group's own experience, the identification of emerging trends in insurance risk factors and assessment of policyholders' lifestyles.

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.

Policyholder behaviour risk is also considered when designing products – e.g. by means of additional charges on the early surrender of contracts in order to recover acquisition costs. Persistency is monitored using observed company experience.

Expense risk is managed through the annual budgeting process and regular expense analyses.

**(i) Sensitivity analysis**

The table below analyses the sensitivity of the CSM, profit or loss and equity to changes in valuation assumptions. This analysis assumes that all other assumptions remain constant.

	<b>2023</b>					
	<b>CSM</b>		<b>Profit and loss</b>		<b>Equity</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
<b>Individual Life, Health, and Life Savings and Wealth</b>						
Mortality						
(3% increase)	(39,076)	(39,076)	(10,299)	( 10,299)	4,302	4,302
Mortality						
(3% decrease)	39,033	39,033	10,437	10,437	(4,409)	(4,409)
Morbidity						
(5% increase)	( 8,656)	( 8,656)	( 1,048)	( 1,048)	( 270)	( 270)
Morbidity						
(5% decrease)	8,921	8,921	797	797	296	296
Expense						
(10% increase)	( 56,271)	( 56,271)	( 34,523)	( 34,523)	2,892	2,892
Expense						
(10% decrease)	61,547	61,547	40,840	40,840	( 2,904)	(2,904)
Lapse						
(10% increase)	(840,377)	(840,377)	(116,589)	(116,589)	14,317	14,317
Lapse						
(10% decrease)	848,465	848,465	112,208	112,208	(16,333)	(16,333)
<b>Individual Universal Life</b>						
Mortality						
(3% increase)	( 1,098)	( 1,179)	( 2,096)	( 2,037)	-	-
Mortality						
(3% decrease)	1,099	1,191	2,645	2,674	-	-
Morbidity						
(5% increase)	( 220)	( 214)	( 874)	( 860)	-	-
Morbidity						
(5% decrease)	217	212	1,392	1,386	-	-
Expense						
(10% increase)	( 4,480)	( 4,436)	(29,064)	(29,019)	-	-
Expense						
(10% decrease)	4,520	4,446	29,468	29,407	-	-
Lapse						
(10% increase)	( 7,558)	( 7,456)	(60,788)	(60,655)	-	-
Lapse						
(10% decrease)	8,005	7,852	66,519	66,409	-	-

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued)****(e) Key risks arising from insurance contracts issued (continued)****(i) Sensitivity analysis (continued)**

	<b>2022</b>					
	<b>CSM</b>		<b>Profit and loss</b>		<b>Equity</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
<b>Individual Life, Health, and Life Savings and Wealth</b>						
Mortality (3% increase)	(18,241)	(18,241)	( 2,426)	( 2,426)	26,761	26,761
Mortality (3% decrease)	18,225	18,225	2,463	2,463	(27,193)	( 27,193)
Morbidity (5% increase)	( 4,154)	( 4,154)	649	649	8,129	8,129
Morbidity (5% decrease)	4,162	4,162	( 641)	( 641)	( 8,229)	( 8,229)
Expense (10% increase)	(20,825)	(20,825)	(23,136)	(23,136)	59,205	59,205
Expense (10% decrease)	20,832	20,832	23,181	23,181	(59,002)	( 59,002)
Lapse (10% increase)	(383,767)	(383,767)	(41,441)	(41,441)	99,614	99,614
Lapse (10% decrease)	384,941	384,941	39,063	39,063	(107,244)	(107,244)
<b>Individual Universal Life</b>						
Mortality (3% increase)	( 615)	( 678)	580	528	-	-
Mortality (3% decrease)	616	691	( 600)	( 566)	-	-
Morbidity (5% increase)	-	( 5)	1,131	1,124	-	-
Morbidity (5% decrease)	-	3	( 1,115)	( 1,112)	-	-
Expense (10% increase)	( 2,723)	( 2,720)	( 8,483)	( 8,480)	-	-
Expense (10% decrease)	2,723	2,716	8,542	8,537	-	-
Lapse (10% increase)	( 3,050)	( 2,948)	(22,004)	(21,992)	-	-
Lapse (10% decrease)	17,991	17,939	7,146	7,187	-	-

Changes in underwriting risk variables mainly affect the CSM, profit or loss and equity as follows. The effects on profit or loss and equity are presented net of the related income tax.

**a) CSM:**

- Changes in fulfilment cash flows not relating to any loss components, other than those recognised as insurance finance income or expenses.

**b) Profit or loss:**

- Changes in fulfilment cash flows relating to loss components.
- Changes in fulfilment cash flows that are recognised as insurance finance income or expenses in profit or loss.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***50. Financial risk management (continued)****c) Equity**

- Changes in fulfilment cash flows that are recognised as insurance finance income or expenses in OCI.
- The effect on profit or loss under (b).

**Determination of fair value**

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

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

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

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

**Fair value hierarchy**

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

- Level 1 - fair value measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - fair value measured based on 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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***51. Fair value of financial instruments (continued)****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. The carrying amount is equal to the fair value of 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, and the impact of credit risk is recognised separately. The fair values are estimated using discounted cash flow analysis with current market rates ranging from 7.08% - 9.42%.
- (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 fair value through other comprehensive income. 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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***51. 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							
	2023							
	Carrying amount			Fair value				
Amortised cost	Fair value through OCI	Fair value through profit or loss	Total	Level 1	Level 2	Level 3	Total	
<b>Financial assets measured at fair value</b>								
Unquoted shares	-	5,105	-	5,105	-	-	5,105	5,105
Government securities	281,845	138,046,541	2,165,993	140,494,379	35,133,012	105,368,544	-	140,501,556
Bank of Jamaica securities	-	12,139,023	-	12,139,023	-	12,139,023	-	12,139,023
Treasury Bills	-	7,155,650	-	7,155,650	6,255,650	900,000	-	7,155,650
Corporate bonds	-	1,127,382	-	1,127,382	-	1,127,382	-	1,127,382
Utilised funds	-	-	675,840	675,840	-	675,840	-	675,840
	<u>281,845</u>	<u>158,473,701</u>	<u>2,841,833</u>	<u>161,597,379</u>	<u>41,388,662</u>	<u>120,210,789</u>	<u>5,105</u>	<u>161,604,556</u>
<b>Pledged assets measured at fair value</b>								
Government securities	-	2,462,917	-	2,462,917	-	2,462,917	-	2,462,917
Bank of Jamaica securities	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-	-
Utilised funds	-	-	354,159	354,159	-	354,159	-	354,159
	<u>-</u>	<u>2,462,917</u>	<u>354,159</u>	<u>2,817,076</u>	<u>-</u>	<u>2,817,076</u>	<u>-</u>	<u>2,817,076</u>
<b>Financial assets not measured at fair value</b>								
Loans and receivables	89,927,699	-	-	89,927,699	-	-	87,527,681	87,527,681
	<u>89,927,699</u>	<u>-</u>	<u>-</u>	<u>89,927,699</u>	<u>-</u>	<u>-</u>	<u>87,527,681</u>	<u>87,527,681</u>
<b>2022</b>								
<b>2022</b>								
Carrying amount			Fair value					
Amortised cost	Fair value through OCI	Fair value through profit or loss	Total	Level 1	Level 2	Level 3	Total	
<b>Financial assets measured at fair value</b>								
Unquoted shares	-	5,105	-	5,105	-	-	5,105	5,105
Government securities	-	134,788,314	2,719,622	137,507,936	34,333,378	103,174,558	-	137,507,936
Bank of Jamaica securities	-	8,024,432	-	8,024,432	-	8,024,432	-	8,024,432
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
Utilised funds	-	-	315,791	315,791	-	315,791	-	315,791
	<u>-</u>	<u>149,835,798</u>	<u>3,035,413</u>	<u>152,871,211</u>	<u>40,004,508</u>	<u>112,861,598</u>	<u>5,105</u>	<u>152,871,211</u>
<b>Pledged assets measured at fair value</b>								
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
Utilised funds	-	-	1,562,500	1,562,500	-	1,562,500	-	1,562,500
	<u>-</u>	<u>12,279,063</u>	<u>1,562,500</u>	<u>13,841,563</u>	<u>3,301,711</u>	<u>10,539,852</u>	<u>-</u>	<u>13,841,563</u>
<b>Financial assets not measured at fair value</b>								
Loans and receivables	82,798,077	-	-	82,798,077	-	-	84,609,477	84,609,477
	<u>82,798,077</u>	<u>-</u>	<u>-</u>	<u>82,798,077</u>	<u>-</u>	<u>-</u>	<u>84,609,477</u>	<u>84,609,477</u>
<b>Pledged assets not measured at fair value</b>								
Government securities	281,761	-	-	281,761	-	299,053	-	299,053
	<u>281,761</u>	<u>-</u>	<u>-</u>	<u>281,761</u>	<u>-</u>	<u>299,053</u>	<u>-</u>	<u>299,053</u>

**Valuation technique**

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



**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***52. 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 operations of the company are subjected to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimize the risk of default and insolvency to meet unforeseen liabilities as these arise.

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

- To comply with the capital requirements established by the 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.

**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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***52. Capital risk management (continued)**

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 <sup>1</sup>		Regulated by the FSC <sup>2</sup>	
	2023	2022	2023	2022
Tier 1 Capital	57,119,245	53,112,451	9,998,225	8,951,948
Tier 2 Capital	-	-	464,162	464,162
	57,119,245	53,112,451	10,462,387	9,416,110
Less prescribed deductions	( 2,790,000)	( 2,725,000)	-	-
Total regulatory capital	<u>54,329,245</u>	<u>50,387,451</u>	<u>10,462,387</u>	<u>9,416,110</u>
	Regulated by the BOJ <sup>1</sup>		Regulated by the FSC <sup>2</sup>	
	2023	2022	2023	2022
<b>Risk weighted assets</b>				
On-balance sheet	313,854,967	270,213,279	11,506,515	12,706,562
Off-balance sheet	57,515,664	58,133,373	-	-
Foreign exchange exposure	<u>413,323</u>	<u>986,040</u>	<u>3,930,415</u>	<u>6,170,633</u>
Total risk weighted assets	<u>371,783,954</u>	<u>329,332,692</u>	<u>15,436,930</u>	<u>18,877,195</u>
Actual regulatory capital to risk weighted assets	14.61%	15.30%	67.78%	49.88%
Regulatory requirement	<u>10.00%</u>	<u>10.00%</u>	<u>10.00%</u>	<u>10.00%</u>

<sup>1</sup> This relates to The Bank of Nova Scotia Jamaica Limited and The Scotia Jamaica Building Society.

<sup>2</sup> This relates to Scotia Investments Jamaica Limited.

**Life Insurance business**

Effective January 1, 2023, the Financial Services Commission (“FSC”) established a new capital adequacy regulatory framework for life insurance companies, the Life Insurance Capital Adequacy Test (“LICAT”). The adoption of LICAT is in keeping with the risk-based approach that aligns with International Financial Reporting Standard, IFRS17 – *Insurance Contracts*. Accordingly, life insurance companies and branches of foreign companies carrying on life insurance business in Jamaica shall have a capital ratio greater than 100%.

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. The financial strength as at October 31, 2023, was evaluated using the revised risk-based assessment measure LICAT. Previously, the financial strength was evaluated under the Minimum Continuing Capital and Surplus Requirement (MCCSR) under which the minimum standard requirement was a MCCSR of 150%.

	2023	2022
Net capital required	<u>5,494,427</u>	<u>1,739,713</u>
Total capital available	<u>14,008,356</u>	<u>10,547,801</u>
Surplus Allowance	<u>2,143,951</u>	<u>-</u>
Total Capital Ratio	<u>294%</u>	<u>606%</u>
Regulatory requirement	<u>100%</u>	<u>150%</u>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***53. Commitments**

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
(a) Capital expenditure - authorised and contracted	<u>98,889</u>	<u>187,821</u>
(b) Commitments to extend credit: Originated term to maturity of more than one year	<u>57,779,574</u>	<u>58,308,373</u>

**54. 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, 2023, the Group had assets under administration amounting to approximately \$283,175,420 (2022: \$284,500,338).

**55. 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.

**56. Dividends**

(a) Paid to stockholders:

	<u>The Group and Company</u>	
	<u>2023</u>	<u>2022</u>
In respect of 2023	3,111,600	-
respect of 2022	1,089,051	3,267,179
In respect of 2021	<u>-</u>	<u>1,089,051</u>
	<u>4,200,651</u>	<u>4,356,230</u>

(b) Proposed

At the Board of Directors meeting on December 8, 2023, a dividend in respect 2023 of \$0.40 (2022 of \$0.35 per share) amounting to \$1,244,629 (2022: \$1,089,051) 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.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***57. 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 \$30,108 (2022: \$30,467).

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

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
Number of shares	<u>1,121,261</u>	<u>1,226,659</u>
Fair value of shares \$’000	<u>38,151</u>	<u>45,080</u>

**58. Prior year adjustments**

During the year, the Bank changed how it recognised its loan origination fees. Previously loan origination fees were recognised in the profit or loss under IFRS 15 as the services were provided. The loan origination fees are integral to the effective interest rate of the loan and therefore, in keeping with IFRS 9, these fees are being deferred and amortised over the life of the loans. Consequently, the associated lines on the respective financial statements were restated.

Given the non-coterminous year-ends of the Bank of Nova Scotia Jamaica Limited and its subsidiary Scotia Jamaica Life Insurance company, as well as the system requirements to maintain parallel reporting under IFRS 4 and IFRS 17, the Group has early adopted the new insurance standard IFRS 17 – ‘Insurance Contracts’.

The Group also reclassified BOJ Certificates of Deposits with original maturities greater than 90 days to investments which were inadvertently classified as cash resources. Additionally, BOJ Certificates of Deposits which were included in Government and bank notes other than Jamaican were reclassified to cash and balances at BOJ.

The table below outlines the impact of the prior year restatements relating to the treatment of loan origination fees, reclassification of investment securities as well as the transition adjustments associated with the early adoption of IFRS 17.

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***58. Prior year adjustments (continued)****Statement of Financial Position**

	October 2022				October 2021			
	As previously reported	IFRS 17 Transition	Other Prior Year Adjustments	As restated	As previously reported	IFRS 17 Transition	Other Prior Year Adjustments	As restated
<b>Assets</b>								
Cash resources, net of allowances								
Notes and coins of, deposits with, and Money at call at Bank of Jamaica	84,652,650	-	3,783,614	88,436,264	101,249,141	-	-	101,249,141
Government and bank notes other than Jamaican	7,126,960	-	(4,773,346)	2,353,614	2,416,012	-	-	2,416,012
Other cash resources	57,212,574	-	-	57,212,574	65,010,459	-	-	65,010,459
Financial assets at fair value through profit or loss	3,035,413	-	-	3,035,413	3,703,002	-	-	3,703,002
Investment securities	148,846,066	-	989,732	149,835,798	141,625,200	-	-	141,625,200
Pledged assets	15,598,720	-	-	15,598,720	15,639,678	-	-	15,639,678
Government Securities purchased under resale agreements	751,427	-	-	751,427	-	-	-	-
Loans, net of allowances for credit losses	237,786,054	(742,044)	(2,386,468)	234,657,542	208,523,054	(839,191)	(2,161,918)	205,521,945
Segregated fund assets	-	978,078	-	978,078	-	830,584	-	830,584
Insurance contract assets	-	131,195	-	131,195	-	1,181	-	1,181
Reinsurance contract assets	-	1,218	-	1,218	-	6,182	-	6,182
Other assets								
Taxation Recoverable	2,591,341	-	-	2,591,341	2,262,233	-	720,639	2,982,872
Other assets:	3,128,904	(129,576)	-	2,999,328	4,036,354	(6,182)	-	4,030,172
Property and equipment	9,311,741	-	-	9,311,741	8,851,961	-	-	8,851,961
Intangible assets	552,036	-	-	552,036	570,421	-	-	570,421
Retirement benefit asset	23,561,041	-	-	23,561,041	31,254,250	-	-	31,254,250
Deferred taxation	1,443,296	965,530	-	2,408,826	441,444	161,963	-	603,407
	<u>40,588,359</u>	<u>835,954</u>	<u>-</u>	<u>41,424,313</u>	<u>47,416,663</u>	<u>155,781</u>	<u>720,639</u>	<u>48,293,083</u>
<b>TOTAL ASSETS</b>	<b><u>595,598,223</u></b>	<b><u>1,204,401</u></b>	<b><u>(2,386,468)</u></b>	<b><u>594,416,156</u></b>	<b><u>585,583,209</u></b>	<b><u>154,537</u></b>	<b><u>(1,441,279)</u></b>	<b><u>584,296,467</u></b>
<b>LIABILITIES</b>								
Deposits by public	398,737,615	-	-	398,737,615	380,430,926	-	-	380,430,926
Other liabilities:								
Provision for lower case taxation	2,932,202	-	(795,489)	2,136,713	445,460	-	-	445,460
Other liabilities	36,793,202	-	-	36,793,202	44,846,343	-	-	44,846,343
Insurance contract liabilities	46,284,431	3,120,997	-	49,405,428	45,865,307	(192,511)	-	45,672,796
Segregated fund liabilities	-	978,078	-	978,078	-	830,584	-	830,584
Reinsurance contract liabilities	-	2,295	-	2,295	-	2,298	-	2,298
<b>EQUITY</b>								
Share capital and other Equity	50,697,493	-	-	50,697,493	55,496,687	-	-	55,496,687
Unappropriated profits	60,153,280	(1,696,266)	(1,590,979)	56,866,035	58,498,486	(485,834)	(1,441,279)	56,571,373
Insurance finance reserve	-	(1,200,703)	-	(1,200,703)	-	-	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>595,598,223</u></b>	<b><u>1,204,401</u></b>	<b><u>(2,386,468)</u></b>	<b><u>594,416,156</u></b>	<b><u>585,583,209</u></b>	<b><u>154,537</u></b>	<b><u>(1,441,279)</u></b>	<b><u>584,296,467</u></b>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***58. Prior year adjustments (continued)****Statement of Revenue and Expenses**

	October 2022			
	As previously reported	IFRS 17 Transition	Other Prior Year Adjustments	As restated
Interest income	30,398,809	2,573	802,460	31,203,842
Interest expense	( 1,779,472)	1,199,682	-	( 579,790)
Expected credit losses	( 3,057,324)	-	-	( 3,057,324)
Net finance expenses from insurance contracts	-	( 1,527,058)	-	( 1,527,058)
Net finance income or expense from reinsurance contracts	-	345	-	345
Insurance revenue	3,035,990	( 1,161,182)	-	1,874,808
Insurance service expenses	-	( 989,847)	-	( 989,847)
Net income/(expenses) from reinsurance contracts	-	( 272)	-	( 272)
Net fee and commission income	6,176,328	( 17,992)	(1,027,010)	5,131,326
Net gains on foreign currency activities	7,210,517	-	-	7,210,517
Net loss on financial assets	( 141,278)	( 916)	-	( 142,194)
Other revenue	950,666	-	-	950,666
<b>Total operating income</b>	<b>42,794,236</b>	<b>(2,494,667)</b>	<b>( 224,550)</b>	<b>40,075,019</b>
<b>Operating expenses</b>				
Salaries and staff benefits	10,307,104	( 470,319)	-	9,836,785
Property expenses, including depreciation	2,510,371	( 35,473)	-	2,474,898
Amortisation of intangible assets	119,654	-	-	119,654
Asset tax	1,316,085	-	-	1,316,085
Other operating expenses	11,336,958	( 375,108)	-	10,961,850
Total operating expenses	25,590,172	( 880,900)	-	24,709,272
<b>Profit before taxation</b>	<b>17,204,064</b>	<b>(1,613,767)</b>	<b>( 224,550)</b>	<b>15,365,747</b>
Taxation	( 5,524,166)	403,335	74,850	( 5,045,981)
<b>Profit for the year</b>	<b>11,679,898</b>	<b>(1,210,432)</b>	<b>( 149,700)</b>	<b>10,319,766</b>

**Statement of Comprehensive Income***Items that will not be reclassified to profit and loss*

Remeasurement of defined benefit plans/obligations net of taxes	( 5,642,304)	-	-	( 5,642,304)
<i>Items that will be reclassified to profit and loss</i>				
Unrealized losses on investment securities	( 7,013,781)	-	-	( 7,013,781)
Realised losses/gains on investment securities	86,101	-	-	86,101
Foreign currency translation	( 3,770)	-	-	( 3,770)
Expected credit losses on investment securities	30,685	-	-	30,685
Insurance finance reserve	-	(1,600,938)	-	( 1,600,938)
	<b>(12,543,069)</b>	<b>(1,600,938)</b>	<b>-</b>	<b>(14,144,007)</b>
Taxation	2,075,001	400,235	-	2,475,236
	<b>(10,468,068)</b>	<b>(1,200,703)</b>	<b>-</b>	<b>(11,668,771)</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	<b>1,211,830</b>	<b>(2,411,135)</b>	<b>( 149,700)</b>	<b>( 1,349,005)</b>

**SCOTIA GROUP JAMAICA LIMITED****Notes to the Financial Statements (Continued)****October 31, 2023***(Expressed in thousands of Jamaican dollars unless otherwise stated)***58. Prior year adjustments (continued)****Statement of Cash Flows**

	October 31, 2022			
	As previously reported	IFRS 17 Transition	Other Prior Year Adjustment	As Restated
<b>Cash Flows from Operating Activities</b>				
Profit for the period	11,679,898	( 1,210,432)	( 149,700)	10,319,766
Adjustments for:				
Taxation charge	5,524,166	( 403,335)	( 74,850)	5,045,981
Others	<u>3,389,795</u>	<u>-</u>	<u>-</u>	<u>3,389,795</u>
	20,593,859	(1,613,767)	( 224,550)	18,755,542
Interest income	(30,398,809)	( 2,573)	( 802,460)	(31,203,842)
Interest expense	<u>1,779,472</u>	<u>(1,199,682)</u>	<u>-</u>	<u>579,790</u>
	( 8,025,478)	(2,816,022)	(1,027,010)	(11,868,510)
<b>Changes in operating assets and liabilities</b>				
Loans	(33,869,877)	-	1,027,010	(32,842,867)
Insurance contracts	419,124	1,613,766	-	2,032,890
Others	<u>15,457,725</u>	<u>-</u>	<u>-</u>	<u>15,457,725</u>
	(26,018,506)	(1,202,256)	-	(27,220,762)
Interest received	30,167,907	2,573	-	30,170,480
Interest paid	( 1,762,569)	1,199,683	-	( 562,886)
Taxation paid	<u>( 2,479,445)</u>	<u>-</u>	<u>-</u>	<u>( 2,479,445)</u>
<b>Net cash flows used in operating activities</b>	<u>( 92,613)</u>	<u>-</u>	<u>-</u>	<u>( 92,613)</u>
Purchase of securities - Investment securities	(85,999,490)	-	( 975,865)	( 86,975,355)
Other	<u>69,152,775</u>	<u>-</u>	<u>-</u>	<u>69,152,775</u>
<b>Net cash used in investing activities</b>	(16,846,715)	-	( 975,865)	( 17,822,580)
<b>Net cash used in Financing Activities</b>	( 4,522,231)	-	-	( 4,522,231)
Effect of exchange rate changes on cash and cash equivalents	<u>( 2,114,037)</u>	<u>-</u>	<u>-</u>	<u>( 2,114,037)</u>
Net decrease in cash and cash equivalents	( 23,575,596)	-	( 975,865)	( 24,551,461)
Cash and cash equivalent at beginning of year	<u>127,412,619</u>	<u>-</u>	<u>-</u>	<u>127,412,619</u>
<b>Cash and cash equivalents at end of year</b>	<u><b>103,837,023</b></u>	<u><b>-</b></u>	<u><b>( 975,865)</b></u>	<u><b>102,861,158</b></u>